



GEORGE H. W. BUSH ORAL HISTORY PROJECT

TRANSCRIPT

INTERVIEW WITH CARLA HILLS

January 6, 2004
Charlottesville, VA

Interviewers

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Knott: Perhaps the best place to start is for us to identify ourselves for the transcriber. My name is Stephen Knott and I'm an Associate Professor here at the Miller Center.

Adamson: My name is Duane Adamson. I'm also at the University of Virginia.

Fortier: I'm John Fortier. I'm a political scientist at the American Enterprise Institute.

Schoppa: Len Schoppa. I'm a political scientist here at the University of Virginia.

Hills: Carla Hills. I'm the witness in the dock. [*laughter*]

Knott: I think the best way for us to proceed would be to move chronologically and ask you about your first political experiences—out in California, I would assume. Tell us where you began this path to public service.

Hills: Actually, I had little or no political experience in California. I was a practicing lawyer. I started out in the U.S. Attorney's office (in Los Angeles then called the Southern District and now the Central District of California) as an Assistant U.S. Attorney. Then the incumbent U.S. Attorney, [Laughlin E.] Laugh Waters, who subsequently became a district court judge, was nonpartisan, which was unique at the time. I stayed there three years trying cases.

Then I formed, with four other people, including my husband, Roderick Hills, a small law firm in Los Angeles called Munger, Tolles & Hills. We always said that Hills was in the plural form. We really had a wonderful run at the practice of law. My husband had clerked on the Supreme Court. The Munger was Charlie Munger, who is now a partner of Warren Buffett, and probably one of the few who graduated from Harvard Law School without having graduated from college—the military interrupted. He is and was a very interesting man. As a partner in the firm, I continued to practice law, litigating in the Federal courts.

I became president of the Women Lawyers' Bar Association in 1964. In the "olden days" in Los Angeles, and probably replicated around the country, women lawyers were not permitted to join the young lawyers' division, a subgroup of the Los Angeles County Bar Association, which was the largest local bar association in California. This subgroup within the Los Angeles County Bar Association was called the Junior Barristers, and was for men only. Membership included male lawyers up to the age of 36. The problem for a woman lawyer was that even though she was a dues-paying member of the L.A. County Bar Association, it was very unlikely that the leadership

would know or select a 24- or 25-year-old woman to go on a major committee. Yet younger lawyers were supposed to get their grounding in the Junior Barristers.

By not permitting women to join the Junior Barristers, they were still unknown to the leadership when they got to be 37 years old. I had less of a problem with that because my colleagues in the U.S. Attorneys office and in our firm were all members of the Junior Barristers and I knew many practicing lawyers. But for many women lawyers, it was a problem. As a result, there was a separate group formed for women called the Women Lawyers Association, and I became president of that organization on a platform that we would do away with the Women Lawyers Association at the point that the Junior Barristers became open to women. The Women Lawyers' Association today still exists proudly notwithstanding the Junior Barristers began admitting women some thirty years ago. [*laughter*]

I also became president of the Federal Bar Association. I was very active in its programs. That was partly because I knew all the Assistant U.S. Attorneys, who comprised huge part of the Association's membership. It was in the context of Federal Bar Association activities that I met Elliot Richardson. He visited Los Angeles as Attorney General. Subsequently he called me and said, "Id like you to come to the Justice Department." Just the thought of that was a huge step for our family. We were then parents of four children under the age of 11. That spring (of 1973) I had just finished teaching a semester at UCLA [University of California-Los Angeles] Law School as an adjunct professor, in addition to practicing law. Also, we had a sabbatical program in our law firm. I think it was one of the first firms to have one. Rod and I had taken a sabbatical to Harvard in 1969-70. I think Elliot heard about that, because he was close to Harvard. He knew I had written an antitrust book while I was there, and. I taught antitrust at UCLA. He was persuasive, so I was interested enough to come back to Washington and take a look—recognizing it was an enormous decision.

I came back I believe twice in October of 1973. I interviewed with Elliot, Bill Ruckelshaus, and Bob Bork. They were all recruiting me very strongly. After the second visit, on a Saturday before I took my plane back, I had lunch with Anne Richardson, who wanted me to see where they lived and that there were, in fact, near-by schools there that were appropriate for our children.

Rod, my husband, came with me on this second trip. We were so enthusiastic about the Richardsons and prospect of being with them in Washington. Because Elliot was pressing me to come soon (he said that the first of the year was too long a delay), we put a deposit down on a house very near to their house. We got back into Los Angeles. I turned the radio on in my car. (Rod and I had come to the airport in separate cars.) We learned that Elliot and Bill both had left the Department of Justice; this was the weekend of the Saturday Night Massacre. So I decided that I didn't want to come, under the circumstances. But the White House kept pressing and Bob Bork, who was Solicitor General and Acting Attorney General, was very persuasive, stating that he was there alone and trying to carry on. He had hoped there were other patriots in the country who would assist.

By February or March the following year, I did accept. That was 1974.

Knott: Who was the Attorney General at this time?

Hills: Senator [William] Saxby. I interviewed Senator Saxby, before I took the job. I asked so many questions. I kept asking about maintaining excellence in the Department. I said, “The department has suffered such a shock, you will want to recruit excellence.” I referred to the tremendous number of challenging cases in the Civil Division: The May Day Riot cases, a lot of complex statutory interpretation. After about five minutes the Senator said, “Mrs. Hills, are you interested only in recruiting women? [laughter]

So I thought, *I’ve been totally noncommunicative*. I said, “Who’s going to be your deputy?” And he said, “Larry Silberman.” [Laurence Silberman, who subsequently was appointed to the United States Court of Appeals for the District of Columbia] I said, “I don’t know Larry Silberman. Where is he practicing?” He said, “At Steptoe & Johnson.” I said, “Do you mind if I go over and talk to him?” He thought it was a good idea. I went over and talked to Larry, who is a first-rate individual. We talked so long that I missed my plane. We talked and talked and talked and talked. It was that conversation, I think, that persuaded me as much as anything to come back.

In any event I did come back in early 1974. It was an extraordinary experience. My husband, Rod, commuted from California for several months that year. Finally he relocated back here, and he also went into government, as Counsel to the President, and subsequently he became Chairman of the SEC.

Knott: Do you have any particular memories of Watergate—the resignation summer of ’74 and the events leading up to President [Richard] Nixon’s resignation?

Hills: We were working 24/7 in the Civil Division of the Justice Department. It was the most incredible time. I hadn’t been there very long (about six months). It was hard to believe that all of the allegations the press was reporting were true. I think we at Justice were quite surprised when finally the resignation came. It was a tremendous wrench for the country, which makes President [Gerald] Ford’s service as President such a high-water event in American history in my view. He really brought a healing influence. He was as open a President as I had ever met or worked with. He was dedicated to keeping the country on an even keel. I have spoken to him about his pardon of President Nixon. He knew very well the political toll it would take. But he thought the downside of having the country fight this battle for years and years was unacceptable. He was prepared to pay the price.

Knott: You spoke to him about this after the fact, or as he was pondering the decision?

Hills: There were discussions after the fact. There were accusations that he would pardon in exchange for the resignation. I can’t be certain of the exact chronology. I’m sure he made up his mind independently. I remember when the pardon was announced. I was playing tennis with Larry Silberman. He said, “Now he’ll never be elected.” That was the Judge’s reaction. And of course he was correct. But I think there were lots of factors that shaped the outcome of the Presidential election of 1976. But go ahead with what interests you so I don’t wander.

Knott: Just any sort of general reflections about President Ford, observations of President Ford. We're not doing a Ford oral history, unfortunately, but any time we get the chance to talk to people, who served in other administrations, we like to get their reflections as well.

Hills: I think extremely well of President Ford. I think he is the truest definition of a patriot I can find in my memory. He cared so much about the country and got so little credit—I think in part because he was not highly articulate. He has gotten much better since leaving office, but while in office he had great difficulty in selling an idea. . He would have the right ideas and he made the right decisions. He was candid, open and direct. I think he probably had, (yours truly excepted), the finest Cabinet that any modern President has assembled.

When you recall that he selected Ed Levi as his Attorney General, a distinguished university president from the North; David Matthews as his Secretary of Health, Education, and Welfare, a distinguished university president from the South; John Dunlop, as his Secretary of Labor who was a labor law professor at Harvard; Bill Coleman as his Secretary of Transportation, first in his class at the Harvard Law School, a ferocious civil rights lawyer and brilliant law clerk to Justice [Felix] Frankfurter; Elliot Richardson as his Secretary of Commerce, who previously had served not only as Attorney General but also as Secretary of Defense. He selected Pat Moynihan as his representative to the United Nations, and Bill Simon as his Secretary of Treasury who was a highly regarded Wall Street trader. He retained Henry Kissinger as his Secretary of State and Brent Scowcroft as his National Security Adviser. Whatever you think of these individuals, they were extremely able in their own right, and I think brought enormous talent and experience to government at a very difficult time in the nation's history. His was a diverse and able Cabinet. Just go around the cabinet table and list them; you have to conclude that President Ford brought into his administration strong-willed individuals of diverse background, whose common characteristics were independence and excellent. It was a truly remarkable group of people.

And then he worked very hard to heal the country. As the only President approved by Congress to lead our nation, President Ford gave it the type and style of Presidency that it sorely needed. He could tolerate the incessant and skeptical scrutiny of the news media—photographic as well as print. Because he was so honest, open, candid, warm and unassuming he was able to restore balance to the Executive branch, which Professor Arthur Schlesinger in 1973 labeled “the Imperial Presidency.” He was so civil, so strong in his views with respect to policy, but so gentle in his views with respect to how he articulated policy to those who disagreed with him. Yet he was incredibly decisive. And he was a President with real substance. He disagreed on many issues with Tip O'Neill, but he would go out and play golf with Tip on Saturdays and invite him to his house for dinner. That just doesn't happen today. Not even close.

He faced a veto-proof Democratic Senate, and a Democratic House. Consistently he worked with the members as individuals whom he respected. In my own personal circumstance, since my background was one as a lawyer, I was amazed. When issues of disagreement between or among Cabinet members were brought to this President. He would sit and hear. First, “Jim [Lynn], you give your view”—and then, “Carla, you give your view.” After hearing both, back and forth, right there from “the bench” (so to speak), he ruled. I hadn't seen an appellate judge or a district judge grasp the issues and decide so quickly and correctly ever in my lifetime.

He had served 26 years on the Appropriations Committee, so he thoroughly knew where the money went and how government worked, which facilitated his doing this. But most people by nature are disinclined to make tough choices, particularly in front of their colleagues where they favor one and disfavor another. He was of the view, “Let’s just do the right thing and do it quickly.” That greatly facilitated my life at HUD [Housing and Urban Development]. If you remember, the head of OMB [Office of Management and Budget] then was Jim Lynn, and Jim Lynn had been my predecessor at HUD. It is a natural inclination for a person who has held a particular job to think that the way he (or she) had run it is as well as it could be run. So if there is any change, there is disappointment, if not criticism. And, one person who can make a difference in government programs is the head of OMB. Jim and I were frequently in the Oval Office talking about—indeed debating—various issues. I have a vivid memory of that.

The other thing I recall about President Ford is that he had a better organization of his White House than I am aware existed in any subsequent White House. It is partly because it was so transparent. I was on the economic, domestic side of government at HUD Bill Coleman was at Transportation; Elliot Richardson was at Commerce, and David Mathews as at HEW [Health, Education, and Welfare]. If one of us had a domestic economic issue, the Chief of Staff, who was first Don [Rumsfeld] and then Dick Cheney, would call you up and say, “A Cabinet member has an economic issue that may affect your department. We’re going to talk about it this morning. Do you want to come over?” I never felt like personnel at the White House were going to decide something that would have a direct or even tangential effect upon my portfolio, and I wouldn’t hear about it—I heard about it. Maybe the challenge was there were too many of these meetings to attend, but you didn’t have to attend. Attendance was voluntary. The question was, just, “Are you interested?” The memorandum outlining the issue would come over, and you had a choice.

Also, Dick [Cheney] was religious about putting the proponent’s memorandum in to the President. Subsequently, I think, it has been the custom for the Chief of Staff to summarize the position of the parties. That summary would go in with the recommendation from the White House staff. It is very a different process to read the original proposal and have the staff simply say, “Mr. President, there are three people in favor and one against. I’m attaching the memorandum from the proponent and also the dissent.” Then President Ford would very rapidly make a decision. But I think the process aided in making good decisions. There were no end runs on the President because he wouldn’t permit it. It was very open, a fresh air policy.

Knott: Had you known him at all, prior to—

Hills: I was stunned when I was called to talk with him about HUD. I worked very hard at Justice. I had came to Justice when there had not been an Assistant Attorney General to head the Civil Division for many, many months. Irv Jaffe was Acting. I didn’t have to be that bright to figure out that I was going to have to make Irv a very good friend if we were going to have a good working relationship. I did everything to elevate his ego. We worked beautifully together. Interestingly, I brought Richard A. Levine, the head of the civil division from the U.S. Attorney’s office in Los Angeles, who had been my boss years earlier, back as the second deputy. Irv and Dick hit it off. It was just a terrific team. One of the things that friends of mine

who were with me at Justice still say: “Boy, did you have a team.” I think we did. We had a very effective group.

But early one Saturday morning, I was washing my hair and preparing to go out with the kids. The phone rang and I’m dripping wet—and it’s the White House calling—(In those days, the White House calling was not so frequent, and I am always amused when they say the White House is calling—you envision this house with a big mouth)—The voice said: “The President wants to see you this morning.” I whisked myself together and got down there. Don Rumsfeld, who was Chief of Staff, said to me, “The President wants to talk to you about going over to HUD.” I said, “Oh, he shouldn’t do that. I’m at Justice where I’m really needed.” I really had such a wrenching feeling about leaving Justice. When I went in to see the President he said, “I hear you’re a manager.” I said, “But I’m not an urbanologist.” He said, “They have all the policy they need in the world. I signed the first housing and community development block grant program in August. What they need is a manager.”

I have to say parenthetically that I didn’t know then how right he was. But you don’t say to the President, “I won’t do it.” But I did debate it just a bit. I said, “You know, we have some very large cases pending over at the Justice Department.” But he wanted me to do it—that was clear. So I did. I said, “Yes.”

I went over to HUD, and it was a fabulous experience. I came in March of ’75. I focused on that law that the President alluded to, The Housing and Community Development Act of 1975, referred to on my first day in office, I said to the assembled Assistant Secretaries and my Deputy, “We’ve got a new bill here. You can read my confirmation hearings. Senator [William] Proxmire was very concerned about how many subsidized units we would produce this year.” (1974). (In those days, the fiscal year ran June to June, and I came in March.)

My first question after assembling the team was, “What are we going to do?” There was dead silence. A looked at B, and B looked at C, and I said, “Hey, wait a minute. How many are we going to do?” Well, the answer was zero. And why? They hadn’t even started to draft the implementing regulations. Under the Administrative Procedures Act, the government must put the regulations out for comment for 60 days, and then review and assimilate those comments. And this discussion took place about March 10th with Budget hearings starting at the end of March. So, it was clear to me—and to everyone in the room—that we were not going to produce any units this fiscal year. So, I called [Senator] Bill Proxmire, who was not a fan, to say, “I have to tell you something. We’re not going to get any units out this fiscal year. But you can count on our getting out over 400,000 next year.”

What I did, to be able to say that, was to call into Washington, D.C., the twelve regional directors. (HUD’s organizational structure was headquarters in Washington; twelve geographic regions and seventy-eight local offices.) I said to them, “How many units are you in Boston going to get out?” A number would be stated. Then I would ask, “How many are you in Chicago going to get out?” Assume that Chicago gave a smaller number. Then I would say to the Boston Director “Well, for the number of staff you have, you do better than Chicago, so I’m going to give you more staff, since you’re more efficient.” We really had a bargaining session. So by

going around the regions, I got commitments up to about 500,000 units. We over-delivered the next year.

When the President said, “My instinct says that the place needs to be managed,” he was spot-on. HUD was an interesting experience.

Fortier: Can we go back to the White House staff just a little bit? There’s a famous story about Cheney presenting bent spokes on a wheel to illustrate the two theories about the White House: be either a strong gatekeeper Chief of Staff, or lots of people with access. The sense is that the Ford administration started out with a more open access policy and moved to a more traditional Chief of Staff approach. Did you find change over time between Rumsfeld and Cheney, or was that more within the White House?

Hills: Actually, if by access, you mean somebody can wander into the Oval Office whenever they pleased. That did not occur under either Rumsfeld or Cheney. It would have never crossed my mind to go in. Transparency and access to the information is to what I was referring. So Cheney, the Chief of Staff, held a meeting with cabinet officers, so as not to consume the President’s time, which is the most precious of all resources. But by providing open access to that meeting, a cabinet official did not feel that another cabinet official was trying to do something that another would, in the interests of the country, not want done. The process was totally transparent.

There have been instances in other administrations where poor decisions were made because they were made by someone coming into the Oval Office making a proposal that had not been staffed out. President Ford, thanks to the process, was fully apprised of the premises, and what the outcomes might be. Dick was actually, in those days, a very gentle fellow. *[laughter]* Don on the other hand had sharper elbows. I liked them both enormously as a personal proposition, but I’m amused today when I think back how they were once.

Knott: Had you heard any rumors that you were to be tapped for this?

Hills: None, zero, zip. Nor did I, by the way, when I was called on for USTR [United States Trade Representative]. Zero, zip.

Schoppa: Where do you think your name came from? Who suggested your name to the President in each case?

Hills: At one point I knew who suggested me to President Ford. It was somebody on his staff who had been talking about how to manage HUD. These were tough economic times. He came in with high inflation, so we used to pray that mortgage rates would go below double digit. Unemployment was high. There was someone on his staff who said, “Yes, there’s someone at Justice who you should think about.” And then there was Larry Silberman. Although he says he fought having me leave, I think he was honest in not denigrating me—He told me that he said he thought I would do an OK job.

With President Bush, I have no idea. I got a phone call from the Vice President's office, probably Craig Fuller: "Would you come over?" That was in the transition, in November of '89. When I saw President Bush, he asked, "Would you consider being USTR?" We talked about the job. I was absolutely stunned. I went back to my law firm. Interestingly, within ten minutes, somebody from Japan called. "Is it true that you're being considered for USTR?" That was really an amazing thing. I came home and said to my husband, "How did they know, when I didn't? How had they heard about it?" So somebody on the transition team had been talking. It wasn't in the press right away. I don't believe the next morning any paper said whom the President was considering. I watched because I was intrigued about the leak. You probably have the date I was announced.

Knott: On the seventh of December '88.

Hills: I should remember that date. Because either early on the 7th or perhaps the 6th, Boyden Gray, who was going to be Counsel to the President, called me to say the announcement of my nomination as USTR was going on the wire. So it must have been about the 6th that he was thinking about announcing his economic team. Boyden wanted to talk to me about a couple of economic issues: "Do you have any stock?" I said, "Yes, we have stock. Not much in our names, but we also have some in our children's names." He said, "Well, you have to sell it all." I said, "You mean sell it all and pay the capital gains tax now—all in one lump?" He said, "Yes." I said, "First of all, this was not made clear to me when I told the President I would take the position. More importantly, when I went into the Ford administration, the blind trust was the mechanism that we used. Why the change?"

"I'm advising the President, in the case of the USTR, this should be his position." I called my husband and we talked. And there was another part of it. Boyden said, "Your husband will have to step off of his Board of Directors."

Knott: I've heard him tell the story—

Hills: And one board that Rod really enjoyed was Anheuser-Busch. I picked up on that, and said, "Rod sits on all domestic U.S. companies. My understanding is the USTR job is to represent all domestic U.S. companies. How can there be a conflict, or an appearance of conflict, if he is on Anheuser-Busch and I have a fight on Canadian or Mexican beer?" We discussed these issues. Boyden said, "Well, these are my decisions, and I am the Counsel, and this is the way it is going to be." And I said, "Then I can't take the job. I am willing to sell my stock and pay the capital gains on it. But I am too old to find a new husband, and I'm not prepared to tell him to step off his boards."

He said, "You cannot do this, because we have already put it out on the wire that we're announcing it." I said, "I'm sorry, I cannot find a new husband," and I went through the drill. He said, "Well, let me talk to Rod." He knew Rod from long ago and far away. I said, "Unfortunately, he's on an airplane between Boston and Los Angeles."

Boyden got hold of that airplane, got hold of that pilot, a note comes back to seat 20a or something telling Rod he had an urgent telephone call. Rod goes up to the cockpit. It is Boyden

who says, “Will you step down from your boards? Your wife is refusing and you’re going to embarrass the President horribly because we have already put the news over the wire that we are announcing the economic team.” And Rod said, “Of course I will.” So Boyden knew Rod’s decision before I did. I’ve always said to Rod, “If you had only talked to me first—” [*laughter*] that was my introduction to the job, and I was surprised.

Fortier: Boyden still tells that story today. I’ve heard him tell it twice. Except he adds the part that the statute of limitations has expired on using the FAA [Federal Aviation Administration] to call the pilot and bring a private passenger up to the cockpit.

Hills: Yes, it was amazing.

Fortier: But he does tell it that it was quite close to the time. He said it was within an hour or two.

Hills: I was being very firm that I would not go forward. Subsequently Congress passed the so-called “Hills Rule,” so that a nominee now can phase in the capital gains. That “must sell” decision really hit us hard. I’m a great believer in transparency and disclosure, but I still believe that I would not have had any conflict or apparent conflict of interest. Were that tax ruling to have continued, it would have kept good people out of government. Financially, many simply couldn’t do it—certainly in our age group. We had three children in college, and one in a private high school.

Schoppa: Not a time to take a hit.

Hills: Agreed.

Schoppa: If you had known the cost you would have to pay in terms of the taxes and the lost income from the boards and all that before you had made your decision, would you have made a different decision on joining the team?

Hills: I don’t think so. I know I would have gone home and discussed it with Rod thoroughly. I don’t know how we would have come out. You know, on these sorts of questions you put pencil to paper and decide. We had three children in college—ours were at Stanford and Yale and our fourth in private school in Washington. We started to think about what would happen to our income so abruptly particularly because we also had to come up with the taxes. I don’t know. We managed fine, as it turned out. I am probably more conservative than Rod is in thinking about the future. I don’t know how I would have decided. I am very loath to take a frolic on my own at the expense of my family.

That reminds me of another story connected with the Ford administration. When I came back, at the request of Elliot Richardson, I tried to get our four children into schools. I did all right for three of the four. But our eldest daughter, who was then in the seventh grade, could not get into the schools I wanted for her. I remember staying at the Madison Hotel and making a decision that therefore I would not come. This visit was predating the Saturday Night Massacre weekend. I made my decision on the grounds that I did not want to have a frolic, an exciting experience in

my life, to the detriment of my daughter. She was in a very good private school, not unlike National Cathedral, in Los Angeles. I checked out of the Madison Hotel, and Lloyd Cutler, who was an antitrust lawyer and a friend of mine—I had done work on the west coast for Wilmer Cutler—took me to lunch.

He said, “Gee, it’s so great you’re going to be in town.” “Well,” I said, “I’m not.” He said, “Why?” I said, “I can’t get Laurie into a school that I think is up to the school that she’s in currently. And it’s a big step for me to take. And it’s a big wrench for Rod. When you total all these things, I can’t do it. I want to do it, but I can’t do it.”

He said, “You ought to try National Cathedral.” I said, “That’s where I’ve been.” Ed Curran was the headmaster. “When I went into his office, he just laughed at me— this was mid-term— that I was even asking. And he made comments I’ll never forget like, ‘Well, we wouldn’t even have a locker for her. We wouldn’t even have a desk for her.’” Lloyd said, “I cannot believe a girls’ school is going to preclude a woman from coming to Washington for a position like this.” Well, little did I know that he was on the NCS Board of Trustees. Afterwards, he called Ed Curran and gave him, apparently, a dressing down. So that I had a note brought to me the next day saying that they had found a desk and a locker, and that Laurie would be more than welcome. This again was a surprise—like the phone calls. It was what happened. Subsequently, Lloyd told me what he told them.

Fortier: Are there other—I’m not sure of the time frame between when you were called by Bush to accept the position and when you were announced. How long a time period was this, about a week?

Hills: I think so.

Fortier: Were there other considerations you had? Let me bring up one—the Trade Rep has extra layers of ethics restrictions—post-employment ethics restrictions. I think there’s a lifetime ban on a Trade Rep lobbying on matters before the subsequent Trade Reps, as opposed to many other positions, where there’s a one- or two-year ban. Did those things come into play at all? What sort of dealings did you have with the Office of Government Ethics?

Hills: I met with that office. I talked with them. They went through our portfolio and my law practice. There were clients where I decided that if they came into USTR’s circle of work, that I would recuse myself. Rod had some as well. We worked it out. My general counsel was Josh Bolten. Any matter where we had had any prior commercial connection would first go through his office. He had a list. Josh would make the determination of whether I would be able to participate in that matter. As it turned out, there weren’t many. That’s how we handled that.

Fortier: Do you think it’s another barrier to public service? Some of the post-employment restrictions are too onerous on a Trade Rep. Does it make sense going in that you know in advance that you will not be able to go back before the Trade Rep and represent interests directly?

Hills: Well, when you say, “Lobby the Trade Office,” all of the prior USTRs came in to see me about issues but less to lobby, which has a negative connotation, and more to inform. The Trade Representatives who have followed me have called me to ask me my view on what I think is going on in a particular country. I’ve been invited in to talk to my successors about particular sectors where they think I may have information.

In my current trade and investment consulting business, there are some groups of problems that we address today where I don’t want the government involved. You know, in the old days (when I was USTR), if I went to Brazil and I said, “I want you to get rid of a discriminatory excise tax, and if you do, you will actually get a boost to your GDP [Gross Domestic Product], and you will create jobs. Here is the economic analysis that demonstrates that is the case. So what I’m asking you to do is in your own interest.” Were I representing the United States, they would have said, “You’re right on, we’ll do that—if you open up your orange juice market.”

In private practice, I have to go on the basis of selling without any kind of government involvement because government involvement actually may make the burden heavier. On the other hand, if the host government is doing something like expropriating property or doing something that is adversely affecting an economic interest of the United States, the USTR should know about it.

I don’t think talking to the USTR’s office about how a specific company or sector is being discriminated against by a foreign government is improper lobbying, in the sense that a lobbyist seeks to affect the outcome of a bill in Congress. The lobbying laws, as I understand them—apply if you’re paid to go up to Congress to affect the outcome of legislation, you’re a lobbyist. If you are invited to go up to Congress and say, for example, that they should pass the law that will permit China to become part of the WTO [World Trade Organization], you’re not a lobbyist. You’re trying to explain to them a set of economic rules and political outcomes they should be aware of. I have been invited to testify on issues of that sort.

I made the decision when we formed our consulting firm that we would not represent a foreign government, even though many foreign governments have asked us to represent them. I made the decision that we would not lobby Congress, although there should be no impediment on a USTR going back and getting paid trying to persuade Congress to do the right thing. Certainly, members need all the help they can get these days to do the right thing.

But we don’t do that. We represent U.S. companies and lobby—if you want to use that word—try to persuade foreign host governments that the impediments that they have placed on U.S. companies, investors, and trade are not in their best interests. And we try to quantify why they may want to make a change and show them how. When they have a political problem that makes it difficult for them to change their rules, we try to show them how working within their own political circumstance they might be able to change the balance to achieve a positive outcome.

Adamson: Before we move too much farther into the USTR, I had a question dating back to the Ford administration. Is it there, as a council member, that you meet President Bush, during his time in the CIA [Central Intelligence Agency]?

Hills: I certainly met him, but I didn't know him well.

Adamson: Do you have any idea how, like the previous question about HUD, your name came up for USTR? Something quite different from what you'd been doing previously.

Hills: I had been doing international commercial work. In the Ford Administration I had worked with Brent Scowcroft, who was head of NSC [National Security Council], for Ford and was also head of NSC for Bush. It's possible he was aware of me. But any number of other people connected with the Ford administration were friends of President Bush and could have—

Adamson: But you didn't know him well in the Ford administration?

Hills: I did not.

Knott: Before we leave the Ford years, could you tell us what were some of your main priorities as Secretary at HUD during your two or three years there? What were your major goals that you wanted to achieve?

Hills: First, implement the Housing and Community Development Act of 1974, which incorporated a new policy. Instead of having institutional housing, public housing projects that bore somebody's name, we had a program that used new, existing, or rehabilitated housing to provide shelter for low-income citizens. That enabled communities to create housing sprinkled through the census tracts that would provide shelter for low-income citizens. We also had a block grant program for community development. The block grant gave money directly to city hall. It required that the grant amount be published so that the news media and NGOs [Non-governmental organizations] could lobby regarding its use. It gave localities money to do those things that needed to be done.

I used to be frustrated by the fact that there were specific programs, like for rat extermination. That is great for New York City, where you have rats. It's less great for a new community like Phoenix that doesn't. People become cynical about their government when they see it spending their tax money that is hard to come by, for the nineteenth priority of that community and not addressing its top priority, which may be fixing the streetlights or curbing. It struck me that that is just fundamentally wrong. Not only is it wrong in terms of economics, but also it is very wrong in terms of policy because it leads people to think government is inept. They don't understand why government is not fixing the streetlights that everyone can see are out, and yet you're putting out killers for rats that don't exist.

We worked very hard to try to stimulate proper use of block grant money. Also I was of the view that if you put the resources in the hands of the mayors, and publicized that they have resources, you'd get a better group of mayors. And you know, I was right. In the mid-'70s, the mayors were nowhere near as able, efficient, or as well educated as they are today.

Knott: Could you elaborate on that?

Hills: The argument against giving City Hall funds was that it would invite corruption. But, if you review the history of the corruption of mayors, it is probably not any worse than the corruption in the Federal Government. I think you can document that overall the quality of mayors in big cities improved as they had access to resources to make a difference in their communities. I don't want to be anecdotal in pointing out one name as a great because you can point out another name as a great when they had no block grant program. In my view, Mayors have become much more effective since we've given them more responsibility in addressing the needs of their communities.

Knott: How would you characterize your relationship with a Democratically-controlled Congress while you were HUD Secretary? You were dealing with issues that were of some importance to Democrats. How much of your time was spent dealing with people on the Hill, and what was the nature of that relationship?

Hills: I spent a huge amount of time on the Hill. I have a wonderful letter from Bill Proxmire, received after I left HUD, that said, "Dear Carla, I voted against your confirmation. I was wrong. Love, Bill." I just treasure it.

I think that cabinet officers will do better to go up and talk to everyone—on both sides of the political aisle. We faced a Democratic House, and a Democratic Senate when I was at HUD. When you worked with members of Congress, they would come along. I also had a Democratic House and Senate when I was at USTR.

In my HUD days, Senator Bill Proxmire (Chairman of the Senate Banking, Housing and Urban Affairs Committee) was of the view that the way to get economic growth and lower inflation in this country was to spend a lot of money building houses. That was a philosophy that the Ford administration could not embrace. We believed that the deficit fueled higher interest rates in general, drove up mortgage rates in particular, and created inflation. Our view was that was not the way to proceed. There was a collision of policy views as well. I mean, we talked about 500,000 subsidized units around the country. Bill Proxmire would have had two billion units if he could have had his way.

But we accomplished some things that were not common. If you go back and review the political history of the Emergency Housing Act of 1975, there were some things in it that were really unattractive economically in that bill. I recommended that President Ford veto it. I told Congress that he would do that if they passed it. But I also said that I'd work with them to get a new bill. They did pass it. He did veto it. Within a week we had an emergency housing bill that was much more in the interest of the country. Indeed, President Ford deserves a huge amount of credit for the skillful use of his vetoes. I'm sorry you don't have a Ford history, because he just celebrated his 90th birthday. There are so many, like Bill Simon, who are gone. President Ford deserves huge, huge plaudits for his contribution to our country.

Knott: Unfortunately, we have limited resources. There are three faculty members working on the three projects we're currently doing. We were stretched thin, but believe me, we wish we could do the Ford administration. You're right. Time is working against us.

Hills In deciding on your priorities, I suppose there's a tension between doing histories of more recent presidents to capture the freshness of the recollections and doing those of more distant presidents for fear of losing some of the participants—that a decision has to be made.

Knott: Do you recall a Cabinet meeting or any type of meeting with President Ford after he was defeated? Any memories from that time?

Hills: I was so sad after the election. I thought that everything President Ford was doing was going in the right direction. But the economic improvement came too late. People say the economy has to improve three months in advance of a Presidential election. They are wrong, the economy has to improve by March, and thereafter steadily so. The economy grew too slowly in the lead up to President Ford's re-election and again in the lead up to President George H.W. Bush's re-election. A similar event.

I often think how different our nation's economic policy would have been had President Ford won the election. During the Ford years, interest rates were coming down, employment was improving, inflation—"stagflation," we called it—was being addressed. The country was getting better off. Things were definitely improving.

The Carter administration stopped those economic reforms. So actually the interest rates went back up, unemployment increased, and we talked about the malaise of America. Those circumstances enabled Reagan to ask with great effect, "Are you better off now than you were four years ago?" I think the changes under Carter had an effect on Reagan policies. It persuaded the [Ronald] Reagan administration that it had to shrink government any way it could. Their view is if we have to starve the beast, and have a huge deficit to succeed, so be it.

I am a great fan of having some balance in your economic policies. I don't think we would have gotten to the stage of permitting such huge budget deficits in the '80s if government programs had not ballooned in the late '70s. Things were going off track I think there was a real belief that somehow, by hook or crook; we had to shrink the government.

Knott: Did you meet with Patricia Harris?

Hills: Oh yes.

Knott: Do you have any recollections from the transition period between Ford and [Jimmy] Carter that stand out in your mind?

Hills: Pat Harris I had known and liked. I had served on a board with her. Moon [Maurice Edwin] Landrieu followed her. I really liked him. He was an amazing guy from Louisiana. Each one had their own approach and their own relationship with the President. It's common in Washington. Everyone comes in and says, "I'm going to do it differently and correct the problems of my predecessor." [laughter]

The one thing I do recall clearly is that we worked very hard at HUD during the transition to have regulations in order. I did not want my successors to have the problems that I had. We talked of “leaving our successors a shiny, clean desk.”

Knott: One last question. What was your impression of the professional staff at HUD?

Hills: I had people I didn’t deserve at both ends. [*laughter*] I had people who were unbelievably able. Al Kliman in the Budget Office. I had bureaucrats in the finest sense of the word. And I had people who wandered the halls, waiting for lunchtime. Twenty percent of the people did 80 percent of the work. That is absolutely true I guess it is true in many organizations; it was certainly true at HUD. There were some real stars there. You know, I think when I left the place they thought I’d done a good job. Because the old-timers still say, “You left your mark here.”

Knott: You have some California connections, but is it fair to say that you were never part of any Reagan circle? What was your relationship with Ronald Reagan, if any, throughout those years? I realize you were not active in politics.

Hills: When I say I was not active in politics, I never ran for office. My husband and I tried to help young people, when we were young, to run for office. We recruited Hugh Flournoy, who was a professor at Claremont College, to run for Controller General of California. We had no money. We’d get a small amount from all of our young friends. In the mid ’60s he beat the sitting Controller General, whose name just happened to be Alan Cranston.

Alan Cranston then was without a job. Alan filed against Senator Tom Kuchel, who was the Republican Whip. Tom Kuchel was running for his third term. A couple of things occurred. People of California were a little irritated with Tom because he came home less frequently than they would have liked. California was polarized in the ’60s.

Rod was running Tom Kuchel’s Southern California campaign. The offices were on Wilshire Boulevard, across from the Ambassador Hotel. Closing night of the election—and I think we knew we were losing—Bobby Kennedy was shot just across the street at the Ambassador Hotel. It came across the tickertape.

The California Republican party had been shrinking since the 1963 assassination of John F. Kennedy. People, out of affection for John Kennedy, and wanting to re-register to vote for Bobby Kennedy, fled the Republican Party. The Republicans had put forth, in the primary, to run against Tom Kuchel, a fellow by the name of Max Rafferty, who was a member of the John Birch Society—very, very far right on the scales.

At my confirmation hearings, Alan Cranston whispered to me, “You got me my job.” You see, although we had beaten him as the Controller, the Republicans eating their own, and destroyed Tom Kuchel. Interestingly, the person who worked with Rod on the Kuchel campaign was Tom Kuchel’s aide Leon Panetta, who subsequently served as President Clinton’s Chief of Staff. Leon was then a Republican, who in great irritation at Tom’s loss, re-registered as a Democrat.

Knott: But no Reagan—

Hills: I should have answered your question. I suspect that Nancy Reagan was not hugely fond of me. If you go back to the Ford administration, you remember in Kansas City in 1976 there was a group led by Governor Reagan that demonstrated in front of the President's box. There was a real fight between the Reaganites and the Fordites as to who would lead the ticket. Although Ford prevailed, and there was even some discussion of having Reagan be Vice-President. There was a contention there that neither one, I think, could quite get over. So although I did lots of things at the request of the Reagan Administration, for example I headed Reagan's Commission on Housing and I was on Dave Packard's Blue Ribbon Defense Policy Commission—although I always thought that Dave had more to do with that than the President. I think there probably was a chill there.

Knott: Memories of '76.

Hills: My memories of '76 are that we campaigned hard. I was out on the campaign hustings. I was campaigning in the primary against those who would fight my boss. The more effective I was, the less affection I engendered among the opposition.

Knott: Did you ever have any meetings with President Reagan?

Hills: Oh yes, I have pictures of the two of us together. He was very kind to invite me to State Dinners and that sort of thing.

Knott: So President Bush nominated you to be United States Trade Representative on December 7th. We've already touched on this story. Can you tell us a little bit about your confirmation hearings for that position?

Hills: I think there was some thought expressed that I wasn't a trade expert. You can read a transcript of the hearings on my confirmation, which were held February 24, and 27, 1975. I do recall one member said, "You know, we change our Trade Representatives so frequently. Where's the continuity of policy?"

As you look at trade policy negotiations, that when an old team goes out, it takes a while to adjust to the new. People are already concerned that Pascal Lamy is leaving the EC [European Community] at the end of the year and wondering who will be his successor and whether they will be able to pick up the reins? I certainly experienced that with the replacement of Frans Andriessen with Sir Leon Brittain. When I first met with Sir Leon, who was much more decisive than Frans, he confessed openly, "I just don't know my portfolio." Timing is everything. But you can read the transcript.

Knott: Leading up to the hearings, you must have had preconfirmation meetings with all of them. What issues were raised then? What did you know would be coming your way in the confirmation hearings? Concerns that members of Congress expressed to you?

Hills: In 1989 Congress and the nation were mesmerized by Japan. Congress had just passed the Super 301 Bill. If Japan was not going to be named as a Super 301 candidate, then Congress was

going to have my head. Happily, timing meant that they had to vote for me before they would know what would happen. The fact of the matter is Japan had engendered huge anxiety in this country. Not unlike the way China is—to a certain extent—generating worry about its export capacity and the relocation of jobs to China.

Knott: Anything in particular that Lloyd Bentsen, the chairman, or any other member of the committee said to you beforehand that warned you about something in the confirmation hearing?

Hills: Their conversations were not unlike those in the transcript. I read the transcript a week ago and smiled. Each member has his particular ax to grind. Whether it be lumber and the Canadians, or textiles in the South, or autos in Japan—each one has a particular interest. That continued throughout the whole four years. Congress tries to press for constituents' interests. These interests, particularly in the House, are generally smaller than those of the nation as a whole; Members try very hard to get favorable treatment for particular interests. I spent a lot of time with Congress. I think USTR must. Actually Congress as a special agency created USTR. Congress has a constitutional right to regulate trade. Unless you have members aboard, you're going to have a very tough time of it.

In fact what we've seen since 1974, when Fast Track or trade negotiating authority was first enacted and became absolutely essential—because we have moved away from simple tariffs to broader trade agreements is a decline in public support for trade. For the quarter century after World War II, we had near unanimous American support for open markets and economic interdependence. Since the 1980s public support has been in a gradual decline. Until finally Clinton didn't feel that it was worth the political capital that he would have to spend to go for a renewal of Fast Track in 1994.

We were eight years without fast track, which really sidelined the United States. To secure fast track the current administration was faced with extortion. They had to succumb to the steel safeguard, the bloated Farm Bill, and to give lots of special approvals of restrictions on imports, which have been harmful to the overall economy. These efforts with specific groups were necessary in order to get the votes—and even then they only won fast track by a three-vote majority in the House. Of course they are living to regret some of the things that were put in the Andean Trade Bill and some restrictions that they had to impose that have really cost the country.

Schoppa: When you accepted the job, you were aware of the sentiment in Congress, their very specific expectations of what would be done with the Trade Bill.

Hills: Yes.

Schoppa: And you also knew that the Bush administration included in their figures who did and didn't want to go in that direction. Did you have any worries about being caught between this, and being unable to satisfy both constituencies? You must have been able to anticipate that would be a difficult balancing.

Hills: It is like any tough case. I think members of Congress respond when you spend time with them and have the capacity to listen. I had to renew Fast Track. I met with 535 of my very best friends. I would have 18 meetings a day. As you could imagine, a Congressman would say the most profoundly wrong things. I would say, “You know, that is a really interesting idea. I’m going to take that back and we’ll consider it, and you’ll hear from me again.” I did that and I worked with them and tried to consider their concern, brought it back, helped them, sent them a note to show them how they could maybe accomplish their objective in a different way.

I think that we gained credibility in the way that we came in ’89. It was extremely important that we handle the Special 301 in a way that showed that we were conscious of their interests. The fact that we didn’t duck—that we were moderate but rational and consulted—I think that brought them along. I think that we built credibility as we went down the road. Sure, it was contentious, but any negotiation is when the parties are far apart. I have always said the toughest negotiations aren’t overseas, not with the USSR, not with Mexico, not with Romania, not with South Korea, but at home. And that remains, to this day, to be the case.

Schoppa: You’ve spoken so far of dealing with Congress, but there is also this other side within the administration, people who didn’t want to do anything that would violate the free trade ideology. Michael Boskin, [Richard] Darman, folks like that. Did you have similar challenges bringing them along?

Hills: We were great friends, you know. We owned the house next door, and we leased it to Mike Boskin. We played tennis together. I didn’t have any problem with them because I belonged to their school of thought. I basically believe that the world has benefited from having open markets. The people at USTR believe that. The chief economist can document that. Poor countries that opened their markets in the last 50 years have grown roughly five times faster than poor countries that have kept their markets closed. That is true even with some upsets in government.

We know that opening markets and open trade raises standards of living. It doesn’t necessarily generate jobs, per se, but it generates growth. Jobs usually are the product of growth. As our nation becomes more technologically advanced, we can’t guarantee that we will create jobs in the same sectors. There’ll be a displacement of jobs. So I think that the George H.W. Bush administration—if you look through my memoranda to the President, you’ll see that he was a free trade person and that I was pushing him in that direction. I’d give him weekly reports. President Bush senior isn’t an economist. This was not the stuff that he focused on. He didn’t know a lot about trade, which is an arcane issue. But he knew it was better to be open than to be closed.

Fortier: So when Bush first met with you to discuss the job, did he give you a general sense of his free trade philosophy? We knew from the campaign and past history, but did he say, “I want you to be in there working on these particular things”? Or did he say, “You’re good for the job, and we’ll talk about the details as we go along”?

Hills: He knew that we had tough negotiations. He was aware of the Japan issue. He was sensitive to China because he had been the representative there. He focused more on the foreign

policy ramifications than either the political (Congressional) or the economic because he had been at the United Nations. He understood how economics is often the glue that helps you solve foreign policy issues.

Interestingly, Congress had picked up on that. Members did not want us to duck on economic issues in order to solve foreign policy issues. But there is no bright red line that you can draw between the two. Economics are strategic and political.

Fortier: Before your hearings you had to have a sense of what the administration's positions were on some of the things you were going to be asked about. You were probably regularly working with new White House staff. Who were you working with? Did you have a sherpa around Congress, like they sometimes give people? Did you have contacts in the White House staff that the two of you were working on formulating answers to Congress's questions and policies at that early stage?

Hills: The first thing I did after I knew I was going to take the job was to figure out who my team was going to be. I had lunch, or breakfast, with every single living prior USTR. I asked them who they thought were the true greats in trade. On everyone's short lists of three, Julius Katz was named. So I called Jules. I didn't really know him—Rod knew him, but I didn't. I told him of what I had done. He had retired from State. I said, "I want you to come over and be my deputy." We bonded immediately. He said yes. He then called me and said his wife was furious. *[laughter]* Jules has passed away and I miss him sorely. He was with our company for eight years. Charlotte is part of the Hills & Company family. I just saw her a couple of weeks ago. She said, "You know, it was the only bad advice I ever gave Jules, and I'm glad he didn't take it."

Jules and I had a very good run at it. He knew the trade issues.

I also talked to people about a great General Counsel, a subject I was not unfamiliar about, since I practiced law. Bill Coleman, who was and is a great friend of mine and the former Secretary of Transportation, said, "You really ought to talk to Josh Bolten, who worked for me and is now working with the Senate Finance Committee." I thought, *that is good*, for two reasons. If he's good enough to work at O'Melveny and Bill Coleman who is very able thinks he's good and he is at the Finance Committee, I really want to run to meet him. He was thrilled to join me.

Josh said, "Why don't you talk to Gary Edson?" Gary has been at State with George Shultz and Ken Dam and works like a beaver. I called Gary. So we, as the happy quadrangle, sat down and decided how to handle so many tough issues. Many times we would tell the State Department, Treasury, Commerce, or others, what we thought the trade issues were and the strategy we wanted to follow.

If you look at these memorandum to the President. Let's start at the beginning of this book of my memoranda to the President. I'd send the President a regular progress report. It begins with his inaugural address. You can thumb through this book. Here is a memo I sent him on February 21. We had been in office for a month. I knew that the Uruguay Round talks had collapsed in December in Montreal because my predecessor Clayton Yeutter, who went over to Agriculture had briefed me.

(Parenthetically at a Christmas party the President said to me, “I want Clayton to go to Agriculture, and I’m not sure he’s going to accept my offer. Do you know him?” I said, “You bet I do.” He said, “Will you lean on him?”

Well, Clayton did go to Agriculture)

We were a great team because Clayton, unlike a lot of people, was very interested in having a successful outcome to the Uruguay Round. Agriculture, as in all trade negotiations—(I am speaking of the history of trade negotiations, and clear back to the Dillon Round), agriculture has been a problem. Then it was agricultural tariffs and market access, and it has become more complicated as the years have gone on. Clayton and I really bonded.

Clayton did a wonderful thing. Before I was sworn in, he held a retreat with USTR personnel out at Wintergreen and he invited me so that I could hear from each Assistant USTR and be up to speed, participate and get to know the people. His deputy, Alan Holmer, who is a fast friend of mine, and Judy Bello, who is first rate, were there. We spent a weekend together talking about trade issues. That was really very kind, and it was good for the people at USTR. You know, it’s a tiny little agency. We had 165 people, counting clericals. And it was good for me.

Returning to the book of Presidential memoranda. Here, on February 8, 1989, a month into the Administration, I say to the President, “Clayton and I met with Commissioner Andriessen and [Ray] MacSharry in our offices yesterday.” I tell him about the beef hormone dispute, and I tell him about the Uruguay Round and where we stand on each, and then he writes, “Carla, good news! Please send me updates after March 10-11 session.” He’s interested. He wants to know. So there are series of weekly memoranda on where we stood, where the snags were, what our problems were. I can’t tell you that every one got into this file. Somebody put this book together for me after the fact.

Also, once a week I would have breakfast with Nick Brady, Mike Boskin, and later in the term Bob Mosbacher joined us. That was great, because Nick wanted the Uruguay Round to succeed. Financial Services were important. Mike, of course, wanted it to succeed on free trade grounds. The Economic Policy Council, which was chaired by Nick, favored open trade. Some of us did the homework for it. We would write Nick a note and say, “You may want to bring up this or that subject, or you might want to use this as your position paper.” This is all documented.

The reason I tabbed this March 30, 1990 memo is, coming down, I wanted to find it quickly. I tell the President that “At the request of our colleagues in the EPC [Economic Policy Commission] USTR will be leading a confidential effort to analyze the potential impact of a Free Trade Agreement with Mexico, and to develop options for you for the handling of the June visit of President Salinas.” Mexico was a highlight of that week’s activities. Mexico was one of the issues I wrote to the President about, particularly after we launched the North American Free Trade Agreement. I had met Jaime Serra [Puche] Mexico’s Trade Minister at Davos in January or February of 1990. He had broached the subject with me. I said, “I think it’s a wonderful idea.” I came back and I wrote a memorandum to the President, talking about Mexico.

One of these articles that you sent me suggests that USTR was less inclined to negotiate with Mexico because it was consumed with the Uruguay Round. But that's not true at all. What is true is my Deputy, Jules Katz was disinclined at the outset. I used to call him "my wet serape." Because he was such a multilateralist, he had to be convinced that this regional agreement made sense. But when he became convinced, he was sold—100 percent. He was a wonderful lead negotiator on that agreement—fabulous. He deserves a lot of credit for the NAFTA negotiation.

But at the beginning, when I came back from Davos, I said, "Well, what do you think? It is one way to shake up those with whom we are negotiating." Actually, this turned out to be correct. I thought for the U.S., to negotiate a big agreement covering North America—that is, 400 million people—would bring Europe to the bargaining table because it will be concerned that we would gain a competitive edge. They will move in Uruguay Round negotiation because they will not want us to get off the reservation.

When we announced we were going to negotiate the Mexican Trade Agreement, which started out as a bilateral, not a trilateral negotiation, it caused great consternation in Europe. It caused great consternation in the APEC [Asia Pacific Economic Cooperation] countries. I cannot tell you how many Asian Ambassadors called me to say that this is a grave mistake, that Mexicans would take trade away from the ASEANs [Association of SE Asian Nations]. But what it did—and we're probably getting a little ahead of the story—because it wasn't announced until later, was galvanize the rest of the world to move forward and conclude the Uruguay Round.

The Uruguay Round became bogged down—more after the Brussels collapse in December '90. The announcement by President Bush in June 1990 of the Initiative for the Americas (of which NAFTA was to be the first step) and the negotiation beginning in June 1991 and concluding in August 1992 of the NAFTA [North American Free Trade Agreement], did galvanize the rest of the world to worry that multilateralism was being shunted aside by the U.S. It is not unlike the worry occurring today with the Administration's strategy of "competitive liberalization." But the NAFTA was of a size to be competitive, unlike Chile or Singapore. Therefore, it helped galvanize the completion of the Round. We came within a gnat's eyebrow of completing the Round before the Bush team left. It was so close. If we had a decisive partner on the other side, it could have been done. The rest of the world was ready—it was France that could not be brought along—again, agriculture was the problem.

President Bush signed the NAFTA in December, of '92—after he lost the election—he signed it over at the OAS [Organization of American States]

Subsequently the 18 economies of APEC [Asia Pacific Economic Cooperation forum] decided to liberalize their trade regimes: industrialized countries by 2010, developing countries by 2020. Their governments were worried about Mexico gaining competitive edge.

The NAFTA was ratified by Congress one year later.

Then in 1994, the year following the NAFTA's ratification, when we hosted the Summit of the Americas in Miami, President [Bill] Clinton did not have trade on the agenda. He had drugs, migration, and crime. It was the 33 leaders of this hemisphere, not Clinton, who insisted that

trade be on the agenda. The end result was their agreement to negotiate hemispheric trade liberalization by 2005. That would never have occurred but for their wishing to have a NAFTA themselves. They wanted to be part of that club. In my view, the expiration of Fast Track, trade negotiating authority in 1994, where the United States was the clear leader on trade liberalization—and the ambitious leader. Up until then we were always the leader. Remember, Agriculture Secretary [Charles] Ling had said, “Eliminate—not reduce—export subsidies that caused the Montreal ministerial to break up.” We were always pushing the envelope, trying to have more open markets, more rules that would guarantee free access.

Between 1994 and 2002—eight years when the President didn’t have negotiating authority—we were sidelined. In 2002 he had to bargain with Congress to get it back, by doing things that ran counter to a free trade agenda. This history has made it more difficult for the U.S. to pick up the mantle for free trade and move ahead. I believe that if we had had Fast Track authority straight through the ’90s and had implemented the Initiative for the Americas, many of the Latin countries would not have gotten into the difficulties that they got into in the late ’90s. I believe if those countries had moved forward and been able to negotiate accession to a NAFTA-type program they would have had more growth and stability. I say that because a broad trade agreement does much more than permit trade, it provides encouragement to a rule of law, for an agreement sets for the rules governments have committed to. You see the benefits in China today. If a government agrees to provide intellectual property protection, it must enact a patent law; it must enact a copyright law. It must publish it so people know what the rules are, and it must provide a mechanism of enforcement. In short, a trade agreement encourages transparency, rule of law, and respect for property, which is the stuff democracy is made of.

I think we would have had a much stronger political situation in Latin America today if we had been able to just march forward during the ’90s to implement the Initiative for the Americas. So, although the successor administration gets credit for pushing the Uruguay Round over the finish line, and applause for getting the NAFTA passed by Congress, I look back and — see the shadows a different way. I can see President Bush signing the NAFTA in December of ’92, and believe if he had been re-elected, he would have offered NAFTA to Congress for ratification in February ’93. There was no organized opposition to NAFTA in February ’93. There was the opposition of the labor unions, but we could have secured Congressional approval, and without all the polarization of the country, the bumper stickers, “No More NAFTAs,” and the claims, pro and against, that were false on both sides—all of that would have been avoided.

Schoppa: Am I right—to put this in the perspective of all your accomplishments during your four years—that you consider NAFTA to be the greatest accomplishment of your tenure?

Hills: Well, at least it was an agreement we completed. I don’t think I can say that NAFTA was my greatest accomplishment. We had a team that made a contribution that was truly worthy. I was a small part of it.

Also worthy was the fact that we got the Uruguay Round almost to completion. In fact, some of the things got unwound after we left. That too was the product of a broad, talented team. We had a hundred people negotiating the NAFTA that we had gathered from around the government.

USTR led the negotiations. I think his trade policies constitute a splendid legacy for President Bush, Sr.

Adamson: I think there's a lot here for us to break down and look at. I want to go back a little bit. It's an interesting transition, moving from a Republican administration to a Republican administration. I wanted to get your comments on any changes you brought to the USTR. Approaches to the Uruguay Round perhaps you think were lacking in the Reagan administration, or things that you thought needed to be addressed more directly.

Hills: I think I encouraged a useful and close consultation among members of our team. I met frequently with Clayton Yeutter. He and I agreed on most issues. I can't say that I ever imposed an idea on him. But I was firmly of the view that with Europe facing Europe '92, which was a huge step for the governments involved—with elections along the way, and problems of integration—to talk about elimination of export subsidies was probably pulling the string so tight that it would break. We agreed that if we could get them on a path of substantial reduction, give them 10, 20 or even 50 years, just get them on a declining trajectory, that strategy was more likely to work. Clayton and I espoused that view together. I don't know if I persuaded him, but together we were of that view. I think we persuaded—certainly those who are not trade gurus—Bob Mosbacher, Nick Brady, Brent Scowcroft and the President—all they wanted was a successful outcome of the Round. Just get it done.

One of the sad things was—that the President worked so hard to accommodate Chancellor [Helmut] Kohl, and Chancellor Kohl made promise after promise after promise and didn't deliver on the trade side.

Schoppa: Another area where there was a little bit of a change in policy from Reagan to Bush was on willingness to push aggressively for what were called at the time managed trade style deals with Japan. The Reagan administration had negotiated semiconductor accords in 1986. You had people in the USTR like Michael Smith—[Michael Smith had left USTR before I came]

Hills: The Reagan administration also put restrictions on machine tools, steel—and a number of sectors.

Schoppa: and Glen Fukushima, who wanted to do a lot more of that.

Hills: Right. And we did not. In fact, I have memoranda to the President urging against that approach. Politically, he could not end steel protections abruptly. I said, "Well, let's phase it out over two and a half years. No one can say that's unfair. We've had textile protections for 60 years that started out as temporary just like steel. We can tell the industry in advance that two and a half years hence the steel protections will end. This will provide a period for restructuring." And that's exactly what he did. We did the same thing for machine tools. We got rid of those protections that President Reagan had put in place. President Reagan was extremely articulate. He talked a wonderful game of free trade, but succumbed to a lot of trade restrictions. Those were peeled back during the Bush, Sr. administration.

Schoppa: Did you consider these the voluntary export expansion—the import expansion agreements? The kinds of things that were being imposed on Japan in that time were arguably market opening, rather than protectionist. Because you were pushing the Japanese through these targeted numbers to open specific markets that were very difficult for American firms to get into. Did you see them in the same negative way as you’re describing the protectionist policies for steel and machine tools?

Hills: There is a difference between a voluntary export restraint arrangement that limits how much a country can ship to the U.S. and a voluntary import expansion arrangement that encourages a country to open its market to U.S. goods. We studied the semiconductors, and we could see that in another similar market like South Korea—in head-to-head competition—we did much better than we did in Japan. Congress was very concerned, and there was in the Democratic Congress a drive toward managed trade. We didn’t want to get into that. We didn’t want to get a precedent that would get used as a model in trade around the globe.

We tried to do a couple of things with the Japanese. Identify the sectors where we wanted to see results. It is useful where there are cultural and non-tariff barriers to say, “If you want to see results, you’ve got to measure them.” If you’ve got to measure them, then what percentage of growth in imports would show the market is opening in a meaningful way?

We joined that approach with the Structural Impediments Initiative. One of the reasons why the Japanese market was, and remains, closed to inward investment is cultural. But another is that they didn’t enforce their antitrust laws. They had a Federal Trade Commission. It didn’t function. It had no criminal penalties for price fixing or horizontal collusion. They didn’t permit even foreign display of rice. There was a big flap about that. Criminal penalties were threatened by the Japanese government—when the American Rice Growers Association wanted to display American rice. So there were things we could talk about—antitrust and other regulatory corrections would have helped to open up all sectors. The combination of, “You’ve got to fix these barriers that lace through your economy. And we also want you to use best efforts to increase imports in a particular sector like semiconductors where we know that U.S. producers are super-competitive—and we’re going to measure to see that there’s an improvement” was the approach that we used to open the Japanese market.

We did measure, and there was an improvement. But it didn’t get to 20 percent, which was the percentage, I think, that the Reagan people had used. And we couldn’t back off of it politically. We didn’t advertise that “we don’t want 20 percent” because actually we thought we were entitled to 40 or 50 percent, if the markets were truly competitive. We wanted to see growth.

But I’ll tell you, on the autos, that was a sector where President’s Reagan’s team had agreed with the Japanese that X number of Japanese autos would come into the U.S. and no more. One of the funny calls I got from the Japanese Ambassador was, “The number this year is 1.6 million.” And I said, “Excuse me, we don’t approve of voluntary export restraints. If you ship 1.6 million, fine, but we don’t have an agreement to that effect. If you want to send 1.7 million, and you can win in the open marketplace, fine.”

Because economically, by putting the limitation on the number of auto imports from Japan, we hurt our consumers and our producers. There was a huge demand for Hondas at that time. The constrained supply drove up the price. People were actually willing to pay a premium—kind of like a real estate market where you can't buy the house at the listed price—you have to add something. That is the way they were buying these cars. Restricting supply was funneling money back into the pockets of the Japanese auto manufacturers, which financed their next generation of research and development. As a result, the Japanese were rapidly moving ahead of our auto industry, which because it felt protected, was not making the kind of investment in research and development that it should.

I remember Jules [Katz] telling me that in the early '80s, he went on a tour of the Big Three auto companies. He saw rust around the bolts of new cars. When you think of the competitive situation, The Japanese tolerated zero defects. I wouldn't consider Jules to have an average eye, for he was trained, but he said the contrast was remarkable. After we took off these restrictions, we experienced greater competition and our auto manufacturers got better. So the Big Three are better today than they would have been had the protections continued. It makes no sense to have managed trade and have sectors not feel the heat of competition, because in the long run they just won't survive.

[BREAK]

Schoppa: I want to follow up where we were. I do think that this shift of Republican continuity—that you go from a much greater willingness to go along with protectionism and pursue this more aggressive market opening strategy under Reagan to this pullback to more of a free trade position under Bush. [Incomprehensible] You suggest that it didn't particularly have to do with President Bush's own strong feelings on trade—

Hills: No, I said his belief in open markets didn't come from his being an economist by training. He wasn't an economist by training, but he felt the market should be open as a matter of policy.

Schoppa: So do you think it was just the change at the top that was the key thing that brought about this shift in orientation?

Hills: I think his whole team was free trade oriented. I don't think of anybody, with the possible exception of the Secretary of Commerce. The Department of Commerce traditionally tries to protect heavy industry. It has the antidumping and the anti subsidy laws to enforce. That probably remains so today.

Schoppa: Was there any political aspect to this, in the sense that the Bush team was trying to appeal to a different constituency than Reagan was trying to appeal to?

Hills: No, I don't think the Republican constituency had changed that much. We had a Democratic House and a Democratic Senate. I do think that the President had good relations with Danny Rostenkowski, who was chair of Ways and Means. Indeed, that is how I was able to hire

Rufus Yerxa. We had talked earlier about how I built my team and brought in Jules, and Josh, and Gary. But Rufus was my Ambassador to Geneva.

I either had lunch with or was having a light conversation with the President. I think I was having lunch with him. He handed me a résumé that had his handwriting at the top. He had picked it up because he had seen Rostenkowski that morning. It was Rufus's résumé. I thought it was terrific. Here I would have someone who was a favored person of the Chairman of the Ways and Means Committee, who knew trade, who had continuity, and had a good résumé. And I knew him, and liked him as a human being. I thought to myself, *if I had come up with this independently, there's no chance in the world that the personnel office, at this time, would have been agreeable.* Their job is to find positions for good, able, bright people who have been helpful in the campaign. They're certainly not going to give the views of the Chairman of the Ways and Means Committee, who was a Democrat, much weight.

But I was able to use this, with the President's note in his handwriting on it, to say, "The President asked me to take a good look at this. If you want to take on the President—well, OK." And we got Rufus through.

This event created a little consternation among the political people at the White House—that I was less of a team player on politics. There was a fellow, Ronald Kaufman—he said, at a party to Elliot Richardson who reported it to me, "Well, she's not a good Republican. Look at her staff." Of course, Jules was a Foreign Service Officer who refused to state his party affiliation. He was an Independent. That's how Foreign Service Officers maintain their neutrality through changes in administration. And Rufus was a Democrat. My other deputy [Sydney] Linn Williams was a Republican. And I had Josh, but he was further down in the structure.

He did say that apparently. I guess he was reflecting both his views and—at the White House—among those in the personnel office. That place ran from a political point of view. I guess in hindsight I can understand his displeasure. I would also say that our effectiveness was enhanced by having the quality team that I put together. The President never complained.

Knott: I was wondering if you could tell us how trade policy was actually made in the Bush administration. Who were the major players? How did the inter-agency process work? If you could somehow give us a sense of that, that would be terrific.

Hills: The President, early on—and you can see that in the notebook—had a Domestic Policy Council and an Economic Policy Council. He designated his Secretary of Treasury as being the head of the Economic Policy Council. The Trade Office was part of that Economic Policy Council. We would do the briefing papers. One very good organizational feature of this structure was that we had a trade policy staff review group, which was at the deputy level. On trade issues, Jules would meet with his counterpart from Agriculture, Commerce, and Treasury. Someone from the Council of Economic Advisers would come over. That's where I met John Taylor.

They would discuss an issue like machine tools or a position to be taken in the Uruguay Round, and study the briefing papers. They'd get the kinks out. If there was a disagreement or it was a major policy decision it would come to the Cabinet to look at it. I think problems occurred in

prior and subsequent administrations—even in the Bush administration—when they avoided that step. If a Cabinet officer went directly to a President with a proposal and it was not staffed out, it creates a problem. Nobody has 360-degree vision or experience. It's really useful on important policy issues, particularly when the politics are tense, to have a lot of eyes see it from their differing points of view. That was helpful. I think we avoided a lot of problems. Problems that were encountered could have been avoided if we had adhered to that process.

Schoppa: Could you talk about one of the early decisions you had to make—whether to list Japan as a country for Super 301, list just a couple of items or not list it at all? And the broad decision—what to do with Super 301? Can you talk with more detail about how the interagency process worked on that particular case?

Hills: We at USTR, and I certainly from my hearings and my visits on the Hill were aware that Congress felt very strongly about Super 301. This was their baby. We would lose all credibility and respect, and it would tarnish the whole administration from the beginning to the end if we didn't try to implement it in a way that would be satisfactory to Congress. Keeping in mind that we didn't like the law, we had an interagency review of how we could manage the law. We did not want to name Japan alone. There are plenty of wrongdoers in trade.

Schoppa: “We” meaning USTR?

Hills: USTR, right. We prepared the briefing paper for the Economic Policy Council; I think there's a memorandum in this book that has the President announcing the Economic Policy Council. As we have discussed, I sent him weekly reports, suggesting where I thought we should go on issues. On Super 301, we designated Japan and Brazil and India. We did it in a very measured way. I think Congress breathed a huge sigh of relief that we had included Japan. But we didn't just do that. In addition, we constructed the SII [Structural Impediments Initiative]—a program that was to lace through the Japanese economy covering antitrust issues, regulatory issues, so that we had the two things going at the same time.

Congress was satisfied. I can't tell you that every member was satisfied. As we face today, there were those who believed in managed trade. A lot of articles at the time favored managed trade. Some believed that we were going to have our lunch eaten unless we had more of an industrial policy.

Schoppa: Did the USTR find itself in the middle of the interagency debate between some who wanted to do less and others—

Hills: I don't remember any debate among people in the administration wanting to do less. Certainly most didn't want to do more. But trade tends to be arcane. There aren't all that many people who can talk to you about the details of a Super 301. In Congress they could read a paper and probably comprehend it but not get the full picture. I don't recall Nick Brady expressing a view. And I don't see [*looking through documents*] a memo from him. I used to send my memorandum to Nick. That process worked pretty well. There were a couple of instances when, after I sent him a memorandum, he sent the President a memorandum to bolster my position.

Schoppa: Was it true that at one of these meetings, Darman, or one of the particularly ideological free traders, made the point that a chip—doesn't really make a difference what kind of chip it is, a potato chip or a semiconductor chip—whatever you trade, it's all the same?

Hills: We had lots of flip comments like that. I think Dick Darman probably was less understanding of how to work politically on the Hill than those of us who spent time in the hallways. I think he was the one, for example, who persuaded the President that he should renege on his "no new taxes" pledge: "Read my lips." I think it was a lack of sensitivity to how tightly you can pull the string, even if you are right. There was no way we could pretend to be [Jagdish] Bhagwati. We had to play our hand skillfully—economically and politically. By playing our hand skillfully, we drove the ship of state toward better free trade policy than had been done in my view, before or since. We expanded trade. We completed a lot of agreements: Romania, Poland, Hungary, Czechoslovakia, and the former Republics of the Soviet Union.

In Latin America we ignited exciting change. It started with our interest in Mexico and grew into the Initiative for the Americas. We had debates; sure we had debates. "Every chip is the same," he did say that. [*laughter*] I said, "Try talking to Lloyd Bentsen about that."

Knott: Mrs. Hills, what was that name you mentioned?

Hills: Bhagwati is a professor at Columbia who believes that there is no good regional trade agreement. Even I debated with him. He would not even bless a regional agreement like the NAFTA, whereas I've already said I believe the NAFTA is the best example of competitive liberalization. You have to have a big enough agreement to make those who are resistant to opening up their markets—to be concerned. It's tough to do that with an agreement with Singapore. It is not so hard to do that with North America—400 million people and where you combine your first largest trading partner and your third largest trading partner, who shortly becomes your second largest trading partner. You begin to have real momentum not only in the region but globally. You can say, "Hey, all of us together represent 40 percent of global trade." It makes a difference. That's competitive liberalization. You can say, "You want to come aboard? Otherwise, we'll go with others." There is a worry about becoming marginalized. It's harder to make that argument on a one-by-one basis, unless you have the hope and reality of making a series of agreements, so one and one and one and one becomes four and sparks some kind of momentum toward liberalization in the region. But doing it piecemeal is harder.

Adamson: Could you talk a little about the process of deciding to do NAFTA? You were in the throes of Uruguay. Just interested in the internal process of, "Let's add this to the plate. Let's do this now."

Hills: When Jaime Serra knocked on my door in Davos—I listened to him closely. I really was attracted to the notion of a free trade agreement with Mexico. I came home and talked to Jules about it, who raised just your issue. People always say to me, "How did you do both at the same time?" If you read the memoranda that I sent to the President, you can see that I was in Mexico one week, and in Europe the next. The fact is different people did those negotiations. Our Latin American team didn't participate in the Uruguay Round negotiations. Those were led by Warren Lavorel and Dorothy Dwoskin. The only people it pressed were Jules and me—who did both.

Linn Williams, who was confirmed six or eight months into the administration, was focused on Asia and Japan.

USTR had functional divisions, dealing with specific industries. We also had geographic divisions, like the North American division, comprising a cadre of professionals who had worked on the U.S.-Canada Free Trade Agreement. It wasn't that the others didn't have anything to do. But they were doing something different. Personnel in the Latin American were doing bilateral investment treaties in Latin America. After we launched the NAFTA negotiations, they were now doing a *big* bilateral trade agreement with Mexico, which was one of the big players in Latin America. We don't even think of Mexico any more as being part of South America. We think of it as part of North America. A big change has come because of the NAFTA.

Fortier: The real initial impetus for it was Salinas coming to Bush with the proposal?

Hills: We had talked about it at home before Salinas raised it with Bush. First, Salinas was with Serra in Davos in 1990 and they raised it there. Their thesis was, "We are unilaterally reforming. We'd like to have a free trade agreement. We think it'll attract investment and add to our security. It will also lock in our reforms." All of which made huge sense.

When I came back, I talked to people in the administration about it. There were differing degrees of interest, partly because they were busy with other things. Colleagues are always glad to be brought up to speed on your trip, but we weren't doing it that day. I believe it was in June that Salinas contacted the President. The President was well aware of it. Actually Reagan had talked, early on, about wanting to have a trade agreement with Mexico. His vision was not as grand as the Bush Initiative for the Americas, that would cover the whole hemisphere, but he was clearly keen about it. These were trade concepts that had been discussed.

The President took it up with President Salinas when he visited. One of the sad things is that the Mexican team couldn't move faster so that we could have finished the negotiation well before the 1992 election. Let's see if I have Mexico in this book. One is on the U.S.-Mexico.

Fortier: I think there are some references here.

Hills: This one describes our trying to get them to open up their foreign investment rules. There are several memoranda about Mexico in here. This one documents a dinner among the three trade ministers in New York on September 21, 1990. My recollection—and we'll find a record in the book—is that Salinas came in about June of 1990, several months after the Davos meeting. Let's see what this memo says. Here is one dated June 8th. There are two issues that have arisen with regard to the announcement of a free trade agreement with Mexico. One is substance, the other is process. I had some ideas on how we could move forward. That is June 8th.

Here is a Mexico comment from the President. It is penned on my memorandum to him. I said, "The Mexican government is pressing for immediate initiation of formal negotiations on the FTA [Free Trade Agreement]. Under our Fast Track procedures, we had to give Congress notice that we wanted to negotiate. Then Congress had 90 days in which to tell us not to proceed. If Congress did not object, we could proceed. This memorandum talks about those issues. He

writes back, “One: I agree. Two: It’s important Salinas is given an advance look at our position so that they don’t get ahead of us and off the reservation.”

Fortier: So Bush was favorable—

Hills: Yes. This memo said, the Mexicans want to jointly announce on June 11th that we had decided to initiate negotiations as soon as possible. That is when I said, “Be careful. You’ve got a substantive issue and you’ve got a process issue.” It wasn’t that I was cool to negotiating (I felt that I was at least a partial instigator of the negotiation.). But I didn’t want it to blow up because we didn’t handle it appropriately on the Hill.

Fortier: So the process issue was the 90-day window?

Hills: Yes, and there were other process issues involved that included extensive consultations. On the substantive side, there were a number of tough issues, including exemptions. You’re welcome to read the memoranda

Schoppa: At what point did you start to conceive of NAFTA—from the American national interest point of view—as a competitive liberalization opportunity? Initially, you were responding to the Mexican enthusiasm, an opportunity to lock in Mexican reforms. That would be good for the United States in the narrow bilateral liberalization sense. When did you recognize that this was a chance to stimulate the Uruguay Round through competitive liberalization?

Hills: A soon as I began to get calls from all my foreign friends who were worried to death that we were moving ahead with a substantial liberalization that did not include them. Also, the NAFTA would be good for the United States, because it’s not good to have a poverty-stricken neighbor on your southern border. We had immigration problems, drug problems, and we had a host of other problems. There was tremendous corruption in Mexico, and it gradually has improved helped by virtue of having a free trade agreement, which underscores my view that had we been able to march ahead with the Initiative for the Americas in the 1990s, we would have less trouble throughout Latin America today.

Fortier: You mentioned just a moment ago that you came back and presented this idea to various members of the administration and had various responses. Could you expand on that? Were there individuals, agencies, particularly reticent about moving forward?

Hills: Well, I told you about my chief deputy. He worried about the workload. He also thought—and I put this in my memorandum to the President—that there were many people who would feel that the U.S. was receding from multilateralism. We were trying to finish the Uruguay Round in 1990. For us to suddenly talk about initiating another major negotiation looked like we were not keeping our eye on the ball. So it could be misinterpreted. I said, “You could be misinterpreted by those whom we need for support for the Uruguay Round. But I think we can get around that by consultation.”

The Hill was not 100 percent in favor of this. This was not something they gravitated to easily. We were borrowing additional trouble at a time when Japan was central in their vision. There were lots of other trade issues that were bothering Congress.

Knott: I was wondering if I could run some names by you, figures in the Bush administration. If you could share your observations on these individuals. Starting with Treasury Secretary Brady, your assessment of him.

Hills: Nick Brady was very loyal to the President. He learned more readily by listening than reading. As he said, he had dyslexia. Complex economic issues, interestingly enough, were not easy for him, even though he came out of Dillon Reed and was extremely successful. He brought an interesting combination—common sense and experience and was a very loyal, wonderful man who was both supportive and bright.

Knott: What about Secretary of State James Baker?

Hills: Jim probably had as much experience as anyone since George Shultz. He was an Undersecretary of Commerce in the Ford administration. He was our next-door neighbor then. He worked very hard in the Reagan campaign, became Chief of Staff to President Reagan, then Secretary of Treasury when he traded positions with Don Regan, which persuaded me that he was one of the better negotiators in the world! Then he became Secretary of State in the Bush administration.

I was disappointed that he didn't take over President Bush's re-election campaign. I think it would have made a difference. The re-election campaign was run by three individuals and that's no way to run a campaign. A campaign simply must have quick decisions, have a tough person to head it, and Jim was tough. I think he is very able. At State, he did not win plaudits for being as inclusive, as George Shultz did. That is why when you ask people at State, "Who was the best Secretary of State?" they often name George Shultz—because he was extremely inclusive of the people who worked with him on specific issues.

Knott: White House Chief of Staff John Sununu—what were your observations?

Hills: I compare these people that you name with people I had worked with earlier—who had the same position but different personalities and talents. I tend to believe that all people are just a bunch of sticks—some weak, some strong. Some have a few more strong sticks in their bushel than weak ones—but they're all pretty good people.

What were John's strengths? He was bright, experienced as a state legislative officer and as a governor. He could be bumptious. He didn't spend a lot of time understanding the legislative issues. He didn't spend a lot of time stroking members of Congress, which is usually helpful. Now, Andy Card and Josh Bolten—what a team! I mean, talk about skillful dealing with Congress. I am talking about before Josh went over to head up OMB. Here are two people who have lived on the Hill, know the members and staffs, have earned their respect and so they are very good. John had not had that experience, and his personality is more hard edge. He had been a CEO as a Governor—so he could snap his fingers, "You go do that." You don't talk to

Congress that way. That might have been a weakness: strength as a Governor and a weakness as a Chief of Staff.

A Chief of Staff should be kind of a bouncing ball, moving rapidly from issue to issue so as to protect the President from the hard knocks and you're able to negotiate a bit. Andy Card has that. He's a softer personality. He has stronger traits in the area of being a Chief of Staff. He was John's deputy and I think he did a good job then and a great job now.

Knott: So, did you have any difficulties with Sununu personally?

Hills: No, no. We would have strong discussions, but I think both of us were used to that. I did not dislike him at all.

Knott: Richard Darman has been mentioned a few times.

Hills: Dick is very bright. Again, he had worked with Jim Baker. He knew government. He knew the executive branch quite well. He was not beloved on the Hill. He was disliked on the Hill. You wouldn't take him with you to sell a position. That was one of his weaknesses. We had a couple of people who gave the President good analytical advice, but politically they were not the best messengers. You have to work at earning the credibility with the Congress.

Knott: Do you recall anyone at all at the time who might have been saying to the President, "These individuals have some difficulties on the Hill. Perhaps we need to be a little more sensitive in this area"?

Hills: Oh, we wouldn't put it that way. We wouldn't personalize it. We would say we have to be sensitive to what the reaction is going to be on the Hill if we are going to garner the necessary votes. The President could count. He had been in the body. We had issues, like pharmaceutical issues—the industry cared hugely about protection of intellectual property. Farmers cared about market access. We had to bring a number of interests together to gain a majority. If you can only get about 40 percent of votes you're going to lose your issue.

Knott: What about Commerce Secretary Mosbacher?

Hills: Bob is a great friend of the President. He came to Washington, not ever having been here, and not having thought a whole lot about public policy issues. If I were President, I would try to find people who had a little bit of experience. Jim Baker brought tremendous experience. Some prior role is helpful. Bob had to assimilate a lot. Commerce is a conglomerate—it is an unusual department. Only about 6 percent of its budget deals with economic issues. The rest of it deals with the weather, the census, and a host of other things. If you look at where the money goes, it is for issues other than trade issues. And yet, trade issues are what most Commerce Secretaries want to play with.

The U.S. is unique in that we have the USTR, which is the negotiator of trade agreements, and the Commerce Department, which is the enforcer of our trade laws. . Japan has the MITI [Ministry of International Trade & Industry] Minister and the Foreign Policy Minister with

overlapping jurisdictions. Countries legitimately have a tough time sorting out that division of labor. What is economic; what is foreign policy? There is no sharp delineation.

Bob's personality is very agreeable. He was probably better on the Hill than some. He was probably more susceptible to the protectionist thrusts than some in the administration, and those pressures were heavy on the Hill then. That is simply because his constituencies were steel and machine tools and automobiles and those sectors that wanted to be protected.

Knott: But on the whole, you had a good relationship with him?

Hills: I worked at it, you bet. Any memorandum I sent to the President, I copied him. I continued that practice even when he sent a memorandum to the President stating he wanted to negotiate a trade agreement with the Soviet Union, and he sent a copy of his memorandum to Jim Baker. I heard about it from somebody at State. I sent a letter to the President and a memorandum to Jim Baker, saying I was aware of Bob's suggestion and why I disagreed. I copied Bob on both of those. I wanted to get the issue out on the table. I thought it was fair. It was important to set forth the fact so that the President was able to decide. There were two ways to go here. Happily, in terms of precedents, he decided our way.

Knott: Chief of Staff Sununu was replaced by Samuel Skinner. Could you give me some sense of how things changed, what you saw from your position in the administration?

Hills: Sam was a little more adroit on the Hill. He had run the Department of Transportation, so he had some experience. But when you have a change of personnel in the White House of people closely around the President, it must be disruptive for the President. When you think of people leaving the administration now—I'm talking about the current administration—the President has to be somewhat disappointed they didn't stay until there was some kind of natural chapter end. But Sam is definitely a softer commodity than John Sununu. It's so strange, because John's son, now in the Senate, is a very adroit, articulate, self-deprecating gentle person—don't you think?

Knott: His mother's son.

Hills: His mother's son, yes, that's it, but very different. I chaired a meeting that he had over at the Council for Foreign Relations. He took my breath away. I kept on pinching myself and saying, "Is this John's son?"

Knott: What about Brent Scowcroft? Did you have a lot of dealings with him?

Hills: Oh yes, a lot, because of the overlap between trade and foreign policy. I like Brent a lot. I still see him a lot. I think he's a very balanced person—a very good adviser to the President. He is not an economist, but he understands that nations care about their economic improvement.

Knott: You served in the Ford administration. Now you're in the Bush administration. How do those two compare and contrast? Were there things that really struck you about the second term of service that differed from the Ford years?

Hills: They both were spectacular experiences. Obviously, there were different personalities. Brent was in both administrations. Jim Baker was in both. I didn't know Jim that well, in the Ford administration as I got to know him. I think the way President Ford handled issues and the way he got into them himself was quite unique. His decisiveness was also unique—which is not to say that President Bush was deficient in that regard. No other President I know has been as involved as Ford in calling the shots. Most administrations are more delegated in reference to particular programs. President Ford was the only President in my recollection to brief the press on the budget. That shows encyclopedic knowledge of our government and where the money is spent. My heart was in my mouth because, as I've said, he was not highly articulate. I was amazed. He did as good a job as anyone in my department could have done with the HUD budget.

Schoppa: Earlier, in talking about the Ford administration, you mentioned that they were particularly good at transparency—each member of the Cabinet knew what the other ones—

Hills: I think Ford gets the highest marks in that area. That is a Chief of Staff function, to some extent, to keep the team aware. The trip to Asia that I did not take, (which your papers say that I did take), was the result of a backdoor suggestion by Bob Mosbacher. I didn't hear about it for three days. When I did, I called Brent. But I was too late. Invitations had been issued.

Schoppa: This was '92? The auto executives?

Hills: Yes, the trip was January 1992, but the decision to go was made in December 1991. Your timeline has me going, and somebody who wrote a paper in your book has me going. Well, I didn't go. I opposed the trip. There is a memorandum in my book of my memoranda to the President, where I say to the President, "Maybe you can get something out of this trip. Here are a couple things you can get." That's in there.

But I had said to Brent, "Don't let him take the trip. This is a terrible, terrible mistake. The timing is bad. It's bad from a political point of view. It is bad considering who is being invited on this trip, and what they will do subsequently. Trust me." He said, "It's already on the wire. We have got to do it. The invitations have already gone out. It'll be worse to cancel."

Of course I had no idea the President was going to get sick on top of it all. And, just as sure as the world, the auto manufacturers blasted him afterwards. There was no discretion, no gratitude. They just blasted him on the grounds of their desire to return to managed trade for the auto sector.

Schoppa: You mentioned two different incidents where Mosbacher went directly to the President—

Hills: That was the only one I've mentioned, the Japan trip.

Schoppa: The U.S.-Soviet negotiations, the first memo—were those part of the general pattern on the part of Mosbacher?

Hills: In reference to the U.S.-Soviet negotiation, he copied Baker. That he didn't see the value of carefully assessing the proposal, I think it came from a lack of experience in Washington, and a lack of awareness that things do get back. He is a likable person. He is not devious by nature. I think he thought he had a special relationship with the President. He came up with an idea, and thought, "Well, we'll just try it out." Instead of, "We'll staff it out." People who deal impulsively are going to make mistakes.

Knott: This is an instance, perhaps, when the President acted impulsively in agreeing—

Hills: I suppose he bears some of the responsibility. He had cancelled the trip in November, so he was anxious to pick up the pieces of that. There were all kinds of ways to structure a trip, where he could have made a real contribution.

Knott: Were there others counseling him against going as well, that you know of?

Hills: I remember talking to Nick Brady about it. He said, "Look, it is a done deal. We've got to deal with it." I said this was going to come to nothing but tragedy. So then we all hustled to try to make the trip as good as we could under all the circumstances. People had been invited. It is like, you go home and your spouse says, "We're giving a party; here is the invited guest list." And you say, "These people are not going to work together." [*laughter*] It was too bad.

Knott: Were you asked to go on this trip?

Hills: No. My view of it was well known.

Knott: Were there more questions about NAFTA? I sort of took us off the NAFTA path that we had been on earlier, by asking questions about various Bush administration figures.

Fortier: Just going back to that 90-day period, once you notified them that you were going to proceed this way, is that when [Richard] Gephardt put forth his set of criteria? "I would support NAFTA if certain things happened." Or was that later on in the negotiations? What response did you get from Congress?

Hills: I recommended, (and this did occur), that the President invite Gephardt down to the Oval Office along with Bentsen and talk about what we saw as the merits of the NAFTA. It was a very cordial meeting. It was actually held in the Oval Office; it wasn't in the Cabinet Room. There were a couple of other people in attendance, as well as the two of them. We shared what we intended to do, and why. By my recollection, this was after the negotiations had started. We wanted to get Congress ready for this before we announced it because we were going to have to renew Fast Track.

There were a lot of people who didn't want to think of negotiating any kind of free trade with a country that had lower wages than the United States. I think it's fair to say that the unions opposed uniformly, without exception. You could count on a certain number of votes against right there. Pat Buchanan and his followers were also against. Then you had people who had worries—would this increase immigration and unemployment? And then you had states that

worried about how much would it affect their economies? One of the problems was the low knowledge level. You could do an analysis to show Michigan was one of the top five gainers from such negotiation. Being far from the border, and the people of Michigan were less familiar with Mexican trade—we had a lot of education to do.

Border states were, for the most part, positive: Texas, New Mexico, and Arizona. And some sectors were negative. In Florida, the tomato growers were very negative. I remember going down to talk to the Florida tomato growers. We had GAO [General Accounting Office] do a study on the import of tomatoes. I remember saying to them, “Look, it is true that Mexico will ship us more tomatoes. Their market is projected to go up about 90 percent. It is also true that Americans are eating more fruits and vegetables. Our market will go up 125 percent. This is not a disaster. We both will benefit. This is exactly what has occurred, by the way.

Fortier: Who else was involved in this process of convincing Congress that this is a good idea?

Hills: The Legislative Office of the White House worked at it, and Josh went over there to help them. Gary became the General Counsel at the end of the last two years—or year and a half. I can look at these memoranda and tell you what the exact political stresses were and when.

This memorandum shows that on June 8th 1990, I’m telling John Sununu, “As we discussed, there are two issues that have arisen regarding the announcement of the possibility of a free trade agreement.” One dealt with the substance of the announcement to Congress, and the other with process. We had not announced it, yet. The negotiations were formally launched on June 12, 1991. On the substantive issues we had to spend a lot of time consulting with Congress, the private sector, other governments—prior to initiating the negotiations if we were to be successful. We had to bring these people around. This is not John Sununu’s first thought. His initial thought is not that he’ is going to have to talk to the various trade associations and Congress before he takes a step. We are just saying we are much more likely to succeed, if we do so. And in the process we knew that we would have to have certain agreements from Mexico that they would have coverage of specific issues, like protection of intellectual property.

As I think of a free trade agreement, it means that you and I sit down and we agree that there’ll be no barriers between us, no exceptions. In Mexico, they didn’t want to put energy on the table. We had to work around that. But they started by not wanting to put financial services, investor protection, intellectual property protection, and a host of agricultural products, in addition to energy. With those limitations, it would no longer a free trade agreement. As a matter of process, we had to educate the Mexicans that a free trade agreement was an agreement that said, “All restrictions come off.” It’s just a question of time and speed. You can bring down barriers in stair-steps; you can bring them down in a straight slide; you can bring them down abruptly after a period so called “cliff vesting”—but at the end of the day, all barriers are removed. The end of the day can be 15 years, 20 years, but at the end of the day, zero barriers. That is basically what we negotiated, except for energy.

Knott: You mentioned the tomato growers in Florida. How much of your time was spent speaking to groups like that?

Hills: Enormous time. I even went to the textile convention. You can imagine how popular I was there. **Knott:** What kind of reception were you given?

Hills: Courteous but cool. What I said to their leaders in my office was, “I’ll accept your invitation to come. But let me tell you, in the Uruguay Round negotiations I cannot persuade Indonesia to lower its tariffs, if you keep your peak tariffs.” Today, our trade system is hugely tilted against poor countries. It is partly their fault—that they have negotiated for special and differential treatment rather than for market access for their goods. So they’re not sitting at the negotiating table. Instead, they are just saying, “Give me an Andean Trade Preference Agreement. Give me GSP—General System of Preferences. So they are not negotiating for greater market access for their heavy glass, or bananas, or sugar. That has been the case since the ’60s, and it still is the case.

The net result is that a country like Bangladesh—on two billion dollars of exports—pays more in tariffs to the U.S. than we collect from France on \$30 billion of exports. That is because if you buy Baccarat crystal, it carries a 3 percent tariff. If you buy a heavy glass, that you might buy at Wal-Mart, it carries a 30 percent tariff. It reflects unfairness in the trade system. Even in the United States—that is the largest, most open market in the world—we have peak tariffs on most of the things that poor countries—those that are developing— want to sell.

Mongolia came in and said, “I want a free trade agreement.” This is the truth. I said, “Well, we’ll be happy to talk to you about an agreement.” They said, “No, just give me the paper and show me where to sign.” [*laughter*] Last year they sold us \$143 million in goods. We collected \$23 million in tariffs. That’s exactly the same amount of tariffs we collected from Norway on five-plus billion in trade. Little Mongolia.

In addition there are a lot of nations outside of the WTO. The trade system really needs to be made more balanced. But it’s going to take a lot of political will because what are our sensitive topics? Sugar, tomatoes, textiles, steel, and all the things that poor countries need to sell.

Knott: When you speak to a group like the textile folks, do you ever get the sense that you actually changed anybody’s mind? Do you see any evidence of that?

Hills: Certainly not from the podium. But when you meet with them individually I think some recognize that when you are negotiating a trade agreement, that they can’t be protected forever. Some of the textile people knew that textile protections were put in the ’60s as a temporary safeguard measure. Here we’re approaching 2005 when they are supposed to disappear, and there is real concern as to whether we will have the political will to abolish the multi fiber agreement.

In the Uruguay Round I had negotiated a stair-step, or gradual, reduction for textile barriers. The administration that succeeded me, in response to union pressure, changed that insisting that there would be no reduction, nothing until 2005. That takes the pressure off of restructuring in the five textile states. It also creates a tremendous political pressure as we approach 2005 to try to postpone any change.

And things over a decade change. Internationally, now Bangladesh may worry about China's competition in textiles. Frankly, we're going to import the same amount of textiles. The question is, are they all going to come from China—or are we going to have quotas for Indonesia, Bangladesh, Nepal, and Mexico?

Knott: When you visited foreign nations, would you make public appeals?

Hills: You bet! I have a comment along those lines in this book of memoranda to the President here. On a trip to Japan in our approach to Japan was always very much one of talking to the audience of consumers. We did a study with Commerce on what auto parts cost to fix a car in New York City verses in Tokyo—a comparison. The study came back that they were 30 to 70 percent higher in Tokyo. When I spoke to the press club in Japan I said, "It isn't right. Consumers ought to have the benefit that we have in New York Why not?" Actually the Japanese press for the first time became more supportive. The Japanese press had been a little hostile as we had members of Congress who were taking sledgehammers to Toyotas on the Hill. For the first time, Japanese editorials would say, "Right on, Uncle Sam, we should open up our market and give our consumers a better break."

We were reaching out to the people of Japan to try to create a political support for their leaders. They were going through one of several reform periods. They had four Prime Ministers in a very short period of time. [Toshiki] Kaifu was one who came in as a reformer in August 1989. He replaced Undo and was followed by Miyazawa in November 1991. Miyazawa served until August 1993.

Schoppa: In addition to talking to American groups who are protectionist and really want to defend their industries, you must have also spent some time trying to rally support from firms who would really benefit from the Uruguay Round and these kinds of multilateral trade liberalizations as an offsetting political force. Can you talk about some of the groups that were particularly critical in helping build momentum in favor of NAFTA and the Uruguay Round?

Hills: Many companies, even small companies, were beginning to export. And they would look at their opportunities. Services, of course, were growing in the United States much more rapidly than manufacturing. So the services sectors—financial, insurance, transportation, tourism—most of the services sectors were very anxious to have open markets. At that time, the agricultural sector was very positive. The American Farm Federation was led by a man, Dean Kleckner, who believed, as I did, that the farm community—particularly those in grains—would be far better off with market openings. Today that group is not quite as strong in its support, which makes it tougher for the negotiators.

Schoppa: Most of these groups are actively engaged in the political process in their own interests—or do you think you made a difference in your efforts, kind of rallying these antiprotectionist forces?

Hills: Well, I don't think one can make a big difference in a single appearance, or a single speech, but I think it does help to talk to them as much as possible. Also USTR had more than a thousand private sector advisors, something most nations don't have. The overarching group was

the President's Advisory Group on Trade Negotiations comprised of about 30 chief executives. I added two environmentalists, Jay Hair, and one other to that group, and also two labor representative, Tom Donahue, who was then an official of the AFL-CIO [American Federation of Labor & Congress of Industrial Organizations]—a first rate individual, by the way and Jay Mazur, of the Textile workers. They were the top group.

In addition each sector had a trade advisory group. There was the Agricultural Advisory Group comprised of people who were not only big in agricultural production, but the farm trade associations, would have members. They had to be apprised.

You cannot conduct a negotiation in stealth and surprise. USTR must tell the various sectors, not every little detail, but basically you've got to tell them basically what you're going to do. Bringing them aboard, if not as strong supporters, at least so they are knowledgeable about why you are doing what you are doing. It has to be rational, and not after the fact. We met regularly with every sector.

Of course, these groups also have their elected representatives in Congress. What you want them to do is to tell their representatives in Congress, "Yes, this is something that we would like you to support." Too little of that has been done lately, so you're not hearing from the grassroots that trade is good. So the members of Congress want to stay away from trade issues. It's really amazing. But for Joe Lieberman, not one of the Democratic candidates for President favors open markets. Not one. In their heart of hearts, it may be that Wes Clark and John Kerry are not opposed. But on the stump and what they are saying on television, which is being played to the American people, not one is supporting trade. In fact, their rhetoric is very harsh toward trade. You have the candidate from Ohio who advocates that the U.S. get out of the WTO and get out of the NAFTA. I don't know how he thinks that the 4 percent of the world's population that produces about 20 percent of the world's output can prosper without trade. What are we going to do with what we produce? How we're going to maintain our standard of living.

Fortier: We've talked about your speaking to groups, and the Hill, and obviously foreign travel. Can you give a rough breakdown of percentages of your time spent in different areas? And let me add one other area, that is management of the office itself. How much of your time did that take and what were particular challenges in that area?

Hills: It varied. When I had to renew Fast Track, I took three months off from foreign travel. There may have been two or three trips in that period, but they would be rifle shots—in and out. I would invite trade ministers to come to see me rather than go to them to save time. I was spending all of my time Monday through Friday on the Hill. I worked most weekends, as did a lot of the people in the building. USTR is a hardworking agency. People get burned out. I think that's why they leave, not because they run out of interest. It is hard to give a percentage breakdown. I did a lot of travel—it might have been a third of my time, or a little less, 25 percent of my time. My deputies traveled too.

As far as management, I had a good team there. I'd meet regularly with our people. If I received a memorandum that raised a question in my mind that had been written and passed through four hands, I contacted the author directly. Actually, this is how I learned to be computer literate. We

had such a terrible telephone system in the building. I couldn't just pick up the phone and say, "I want to talk to Bob Cassidy." Nobody would answer. The one secretary for the unit was someplace and he was in some meeting and so forth. I came from a law firm where I could get to a partner in London by pushing a button and a partner in New York also on the line in about three and a half seconds. This was a shocker to me.

So I began to e-mail them, and I do type. *[laughter]* The fourth guy down was absolutely astounded to be getting an e-mail saying, "I have meeting in 15 minutes with the Ambassador from the Soviet Union. I have a memorandum it looks like you drafted. I have a question, to wit: and I would give a sentence description. Would you call me or come see me immediately?" And that became a regular operating practice. I got to know everyone on a first name basis very rapidly. I didn't want to hear the explanation from my deputy what this person might have meant, or from the head of his office. Organizationally, it went USTR, Deputy USTR, then Assistant USTR on a functional and geographic basis, and then one, two or three people. And so usually it was the most junior person who initially drafted the memorandum.

You ask about management. I got to know a lot of people. I never held a meeting when I didn't invite the person(s) involved with the issue. I tried to have somebody from that department so they felt comfortable that I was offering the position we had agreed and to hear the response. If I changed the approach, I tried to let them know ahead of time. If there was time, I might say, "Hey, we can't do this. We don't want to say that. How about this—" And we worked it out ahead of time. But it was really fast paced because people were coming in on such a regular basis. That's why people at USTR came in at seven and left around nine. Because between nine and five you were captive to meetings with the private sector, ambassadors, foreign dignitaries, and so forth.

Fortier: Was there any restructuring of the office when you were there? Did you leave the positions pretty much intact?

Hills: We left positions pretty much as they were. We tried to get a few more people, but I can't remember any major restructuring. The budget was tight; we did get a few more people. We got a little bit more money, but I felt the way you describe your situation. Resources thin, everybody working hard.

Schoppa: Earlier you mentioned the United States was unusual in having this small USTR separate from the Commerce Department. Did you sometimes wish that you had the resources of Commerce? That somehow, merging the two would really make sense as an institutional reform?

Hills: No, and I got into that debate after I left. Congress was pushing that idea in the Clinton Administration. I was asked for my views. I thought I could look at it dispassionately. It reminded me of the debate I got into after I left the Ford administration, having been at the Justice Department and then being at a client agency, HUD. Then it was a debate as to whether the client agency should handle its litigation, which all client agencies want to handle, or whether Justice should handle it. Having been in both places, I thought the nation was better served and the client agency got greater litigation expertise by having a real good trial team at Justice. The

client agency could send over a lawyer to help with the substance, but in my view that was the better choice.

Similarly some in the Congress wanted first to eliminate USTR. Others wanted to merge it into Commerce. Still others wanted to eliminate Commerce altogether. If you remember, there was that debate. That is how I know only 6 percent of the Commerce Department' budget goes to trade activities. The Commerce Department is really quite a conglomerate. I do think you do better to have a team of experienced negotiators who have no programmatic responsibility. It is not that the Secretary of Commerce or the Secretary of Agriculture couldn't do as good a job as the USTR. It is that they would be affected by the programs they administer and their own constituencies.

I know when I chaired the Trade Policy Review Group that we would have deputies from Agriculture, Commerce, and Treasury all come in. They could be at the fences on a particular issue. As they sat around and heard why another department felt that they had to have this, or why it wasn't wise to go in a certain direction, they tended to roll to a round consensus—not always perfect, but generally to a round consensus—they didn't stay at the fences. That is why good staffing helps. You massage the issue down to something that can be implemented. Whereas if all stay as advocates for their position, you know, there is no hope of finding a common government position.

If Congress made the Department of Commerce the trade negotiator—I can only imagine that the Secretary would have one deputy be Trade Negotiator. Well then, that person wouldn't have the prestige of the Foreign Minister or the Economic Minister of any other state. They'd always be the deputy. Soon Congress would be telling the Secretary to do it. Secretaries could do it, I suppose, but then who is going to be running rest of his department? While other parts of his department are lobbying him to bring, say, a dumping case involving steel how does he sign off on the dumping case and then go negotiate an open market for steel? It seemed to me that it was better to have the nation's chief negotiator be part of the Office of the President without programmatic responsibility.

The President has to stand up and be counted on these issues. If he wants to have a protectionist trade policy, OK. If he wants to have an open trade policy, OK. Where Presidencies have worked poorly is where you have a President who doesn't know enough, or doesn't want to spend the time, to pull these pieces together. We have a very pluralistic trade/foreign policy. Businesses, trade associations, farmers, labor organizations, NGOs petition the President. They petition on such a wide range of issues. He must to decide what the important issues are with advice from his Cabinet, and in what order. What is important, and what are his priorities? Something may be very important, but the timing may be wrong.

I think putting USTR in Commerce, where obvious conflicts would occur, reduces the capacity to get our trade negotiations done effectively. I don't think you keep the high level of negotiating skill, 165 folks working long hours, when the rest of the Commerce Department is working much more even hours. I don't think you'd get them so ginned up to do their task. No, I couldn't recommend that. I would keep USTR as a separate office.

Schoppa: I guess most people could always use more staff, but one concern that's been raised—especially about USTR—it is so small and it deals with so much that it ends up sometimes relying on private sector groups to do the research, to do a lot of the legal legwork that ends up in government policy in some way or another. The example I'm going to give you is from the Clinton administration: the role of Dewey Ballantine during the Fuji/Kodak case in the Clinton administration. They spent, I heard, a million dollars on huge staff resources, coming up with all the materials that were then picked up by the USTR and used as part of that negotiation. Did you find similar things going on during the Bush administration—taking advantage of the charity of these big law firms?

Hills: No. But be careful of your disparagement of USTR talking to the private sector. Remember, USTR finds out there is a problem in the economy, in a particular sector, from someone in the sector. For example, when we dealt with the telecommunications industry, we knew those companies knew more about that sector than we will. We would not go to a Dewey Ballantine for analysis. But we would talk to companies in the sector, like the head of AT&T [American Telephone and Telegraph] asking them to tell us the facts on which they based their complaints; to talk to them about the restrictions they were facing, where, and to document all of this

One of the reasons we got the computer market open overseas was because the documentation was superb. USTR has no private detective to run out there. We don't wake up in the morning at USTR and say, "Ahh—it's the computer industry that we think is really impaired, in terms of open markets." Not at all. The computer industry comes to us. Or it is the CD industry that says, "We're being pirated." Or it is the soybean industry that says, "We can't get our grains into markets overseas." Then USTR tries to gather and master the facts of the case, and develop a position that will enable us to negotiate a positive outcome.

In a way, you're right. There is reliance on the private sector. It is a mailbox approach. USTR responds to those who complain about the trade impediments they face because USTR does not have an Inspector General identifying the problems in the economy" It is the sectors that come and tell USTR where their problems are. Sometimes they go to the Hill, and the Hill says to USTR, "I've got a problem in my district." But that is the way it occurs. But with respect to the research, USTR goes back to the industry and says for example to the movie industry which, when I served, was one of the largest exporters that the United States had, "Where are the impediments? What are your complaints?" Well, of course it was France, Canada, Australia, all good friends. But we wouldn't ask a law firm on a pro bono to do an analysis. We would ask the sector for the data to be assembled for us. Now I suppose the computer industry might have asked their law firm, but I suspect—and in my experience—companies asked their own people who are generally more familiar with the facts. If you're dealing with energy, I suspect our energy companies would ask their people to do the research to document the complaint.

Fortier: One small follow-up on whether it would be better to have USTR merged with Commerce. What was your counterpart's level when you dealt with foreign nations? You mostly dealt with a Foreign Minister as a counterpart?

Hills: Very often, I dealt with the President—the President, or the Foreign Minister. Some countries had Trade Ministers or the Minister of the Economy. The titles change, but they were all Cabinet-level—first level, first tier. Protocol matters, internationally. My deputy would meet with the deputy to those officials. So, it would be tough for a deputy to the Secretary of Commerce to be able to have the same kind of access as the Secretary of Commerce. Another difficulty is one of the perception—if the Secretary of Commerce is issuing a safeguard, or a dumping order on a particular product, how does he become the flag waver for freedom in the markets? I think if you didn't have the USTR, you'd almost have to invent it.

Knott: Were there some Foreign Ministers or Trade Ministers or Presidents that you particularly respected, that you found to be particularly adept at what they were doing?

Hills: Yes, yes.

Fortier: Would you be willing to share those names with us?

Hills: Well, before we initiated the Super 301, we had a list of potential 301 candidates that we talked to Congress about. Korea was on that list. The Trade Minister then was a man named Han Seung-Soo. He subsequently has served as Finance Minister, Deputy Prime Minister. They have a parliamentary system, so he's a member of the GOP party, currently the opposition party, not incumbent President [Mu-hyon] Roh's party. Han Seung Soo also served as Ambassador, subsequently, to the United States. Then he was called back by President Kim Young Sam to serve as Foreign Minister after the President's that not so positive visit to the U.S. in 2001. Han Seung Soo also served as President of the General Assembly at the UN [United Nations]. He and I negotiated an agreement in about six weeks that enabled me, without problems on the Hill, to avoid having to cite his country.

I thought that many of the leaders in the Cairns Group were very able. The Cairns Group was very interested in liberalizing agriculture—and there were 13 member countries. There were some who were remarkably able. Domingo Cavallo of Argentina was remarkably able. And Jaime Serra of Mexico. He cared less about agriculture, as Mexico is a net food importing country. If Europe wants to subsidize all their food, Mexicans would be delighted. Jaime Serra happens to be an extraordinarily able economist, who obtained his PhD in economics at Yale. Herminio Blanco, his second-in-command subsequently became the head of SECOFI [Secretariat of Commerce and Industrial Development], which was subsequently renamed to the Department of Commerce and Economy. Herminio Blanco [Mendoza] was educated at Chicago. They are two remarkably able people.

I didn't negotiate with President [Ernesto] Zedillo. I have become acquainted with him since. He's a remarkably able person who understands the trade issues. There are many who are able all around. But in my opinion we have a weakness in leadership in Europe right now. Trade requires somebody to stand up and sell it. You can make the argument that today we are at a crisis point. Trade is counterintuitive. Most people think they are better off if you protect their market, and they keep the jobs that they had yesterday, even before yesterday. It's inconceivable to them that actually competition brings lower prices, more opportunity, greater choice.

Knott: I'm trying to recall if there were the same kind of street protests.

Hills: I was burned in effigy several times in Geneva. Absolutely.

Knott: Well, you're in a select group.

Schoppa: Nothing like the Seattle experience.

Hills: I was in Seattle. You know, that ministerial collapse might not have happened if President Clinton had not given that speech in Seattle. The collapse might not have happened, in my view. He gave a speech to the newspaper out there saying that we should have labor, workers' rights in the next round of trade talks. It was approaching an election period. He was pandering to his core constituency. It is not the first time that has happened, when a President tried to cater to a core constituency. But the problem he created really was very difficult. It caused developing nations to stop negotiating. In addition the Seattle mayor had never had such a meeting come to his city. He was totally unprepared.

What really happened was that we were not prepared. If you turned back the clock, Charlene Barshefsky had been working like a dog in China and had tried to get that agreement through that would enable China to join the WTO. We had that very poor visit with Zhu Rongji in April, and she was trying to put the pieces back together again. In the course of a very few months she was also trying to get a round launched.

The U.S. frankly, I believe, went to Seattle unprepared. And it was unprepared in every single aspect. The mayor should have asked for help because there had been threatened demonstrations. The *New York Times* had talked about them. You could go on the Internet chat rooms, and you knew that protests were going to happen. Maybe you didn't know the dimensions of the problem; maybe you didn't know how difficult it would be. The U.S. didn't rent the hall so that there was flexibility as to time. No negotiation ends on time. This interview probably won't end on time. The fact of the matter is, when you get a group of people together talking, it goes on. And what did they have? Something like the dental convention coming in on Saturday, so they had to leave on Friday. The clock was ticking, and the Ministers had to get out of their rooms. Reservations were could not be extended.

Then the President makes his labor speech, which was just an anathema to the developing world, which felt that it had not achieved the gains it wanted to achieve in the Uruguay Round. Why? Because the Clinton administration had moved textiles from a gradual slope on market opening to nothing for 10 years, and then everything in 2005. So legitimately, poorer countries had a complaint. Argentina paid something like \$40 million to bring its intellectual property protection system—its legal system—up to snuff. Daniel Marx, deputy to Minister Cavallo and a very able guy, told me, "But we weren't able to sell one more dress to the United States. We had to wait for ten years." So of course, the developing world was pretty reluctant to begin a new trade round when they had achieved so little from the last one. These nations had to be cajoled. Instead of being cajoled, they heard a speech and read in the paper that the President really wanted to have labor restrictions in the trade agreement, which developing nations saw as disguised protection. So that was the end of that Ministerial. It was a kibosh all around.

Knott: How do you persuade people like Pat Buchanan? But maybe he's beyond—

Hills: He's beyond hope. But I do think you persuade the American people. First of all, the President has the greatest podium in the world. But I don't think you can expect government to do it all. I'm a great believer that the media, think tanks and universities and business should do more. Every time I speak to business, I say, "I don't care if you have 5, 50, or 50,000 employees—you should have a plan to educate your employees as to how important trade is to your company. They should know when they get paid, what percentage of their paycheck comes from trade. How important is trade to the company revenues. These messages should come with the paycheck, the W-2, with the end year notices—saying how important is trade." I say, "This issue should be up there with efforts to increase productivity. This should be a top CEO objective. They should meet in cafeterias, have the message on the internet if they are that big—talk to their people about it, so that they understand, because the benefits of trade is so counterintuitive."

When I was in Seattle watching Boeing engineers march, I came to the conclusion that we had a crisis born of ignorance. Because if Boeing does not sell its planes overseas, forget it. They need overseas markets to survive. So I do think we're in a crisis on trade. I think the American people are woefully ignorant.

The media does not help. I have at least two letters that I personally wrote to Tom Brokaw. I know Tom—he comes from California. I sat there and read the transcript of his broadcast on the NAFTA. I couldn't believe NBC could be so ignorant. So I wrote him a letter that you see in this book of memoranda. I wrote him two—a second letter-- because he was as bad in a second broadcast as he was the first. Of course, he's trying to get ratings, and so it's showbiz all the time.

Knott: I wanted to ask about the media, the importance of—

Hills: The media, you have to work at it. How many Jim Lehrers are there? But if you get out there and work at it, I believe that you can sell the message. I think it's going to take all of us a good bit of effort. I think trade folks mainly sell trade on the ground that, "We're going to have more opportunities in selling widgets abroad. More widgets sold—that means we'll raise our standard of living."

But the political argument today should be much broader. I think we must also talk about alleviating poverty—and bring pictures of people who live on a dollar a day and show how they live. I think that strikes a different chord than the mercantilist argument of selling more widgets. There is a humane streak that is very broad in the United States. There is a caring streak. The American people are generous.

Then you have another group that is worried about security for themselves and for their children. Obviously, if you have two billion people living on less than a dollar a day, which is roughly where it stands today, you've got cesspools that are breeding grounds for terrorist recruits. It is true that the 9/11 Al Qaeda team was well educated. They were middle-class ideologues. But

where do they recruit? They recruit where people don't have any hope and are full of despair. Their camps are full of people who have nothing to look forward to and are told that as a third or fourth child, they can help their family by being a suicide candidate. And be honored! So we really have to do a better job. It drives me crazy to read when France talks about aid but blocks agricultural reform. Aid is such a small drop in the bucket. Trade is what will lift the poor out of poverty.

Fortier: Do we have a little time before lunch? I was going to play the same game that Steve played, but with members of Congress. I was going to mention some key people in Congress and you could react to them, especially if there are any recollections on their helpfulness in the trade area.

Hills: When does this get out? *[laughter]*

Fortier: Why don't I start with the two major committees. Let's start with Lloyd Bentsen.

Hills: I just think the world of him. He was hard as nails and quite political, but in his heart of hearts, he was a free trade advocate. He tried not to be all that favorable toward me in hearings, but behind the scenes he was very helpful. I have no complaints at all. I catered to him as Chairman; I called him weekly from wherever I was. If I achieve something in Japan, I didn't want him to have him read about it in the paper.

Fortier: His counterpart was [John] Danforth or [Robert] Packwood—who was the ranking member on the Senate Finance Committee at the time?

Hills: Bob Packwood. He also believed in free trade. There were several on that committee who didn't—or did generally but were much more pro an industrial policy. Jack Danforth, whom I liked very much, felt we should do more along the industrial policy lines. He was furious about the Large Civil Aircraft agreement with Europe that limited the subsidies paid to Airbus. He felt we could do a lot more. In the main, I think we had pretty good Congressional relationships. And Danny Rostenkowski, Chair of Ways and Means for all of his faults, also believed in open markets. Sam Gibbons, Chair of the Trade Subcommittee, was convinced that open trade is was a positive thing. This was tough for him; he came from Florida. There are a lot of voices there urging trade restrictions, but he handled them pretty well.

Fortier: Rostenkowski had a prior relationship with the President. They served in Congress together. You hinted at some of that before. Was that significant in ways concerning NAFTA and other things?

Hills: Well, it was significant in the sense that—I think that he felt he could pick up the phone and call the President. I did for him what I did for Lloyd Bentsen—I kept him apprised. He didn't have to get his information someplace else. I think we had a very good relationship. Does that help? Yes. Contrast that with what Bob Zoellick faces with Bill Thomas—and they're in the same party. But I would say to both of them—I once called Bill Thomas and said, "Do me a favor. Just say something really nice this morning to Charlie Rangel." He said no. *[laughter]* That is when we were trying to get Fast Track. Charlie Rangel is not against trade. He's for trade

plus his interests, which tend to deal with the problems of narcotics. That is not all bad. You can weave his interests with trade interests. I didn't have any trouble with Charlie Rangel. This administration is having a worse time with some in their own party.

Fortier: The ranking member of Ways and Means was Bill Archer?

Hills: Yes, and he was wonderful.

Fortier: And what about leadership? I want to start with Tom Foley.

Hills: I got to know Tom actually much better afterward. He was always very civil, "Madam Ambassador, Mr. Speaker." I think today, especially having served in Japan as our Ambassador, that he is basically for free trade.

Fortier: Would you say that you weren't going to deal directly with leadership as much as with the committee leadership?

Hills: The committees were much more important to me in selling trade agreements and in renewing fast track.

Fortier: What about Bob Michel?

Hills: Actually Bob was pretty helpful. That isn't to say that I never met with Tom Foley. I would meet with anyone. When we were trying to renew Fast Track, I met with each and every one of them. The Leadership Group would have me up. The Rules Committee would have me up. My own committee, on the substance of the trade issues, would hold executive sessions. I tried to hold them to some discretion. It worked pretty well.

Schoppa: How about Dick Gephardt?

Hills: Gephardt was always a gentleman, but he has always been a trade union guy, and against open trade.

Schoppa: He certainly wanted you to be a lot, lot tougher on Japan than you were.

Hills: He supported whatever he thought was the line of the unions. What the unions say to their members is, "We would be for trade, but for Japan's unfairness. We would be for trade, except we care so much about the environment that unless you put environmental restrictions in your agreements, we couldn't be for it. We would be for trade, but for the workers' rights." Never mind that a higher standard of living actually gives the workers more rights. I literally had Gephardt say, "Mexico need to have the same minimum wage as the U.S. before we open our market." Well, Mr. Gephardt, wages are set by productivity. We tried to explain if American workers can produce one car in 15 minutes and it takes the Mexican worker ten times longer, and they can't get the capital, and they don't have the roads to get their product to market, all that affects productivity. I don't think Dick Gephardt had any intellectual animosity to trade. Basically. I think he was speaking for his core constituency. I still think he holds those views.

Fortier: What about George Mitchell?

Hills: George Mitchell cared more about lobsters than any man I know. *[laughter]* We had a real run-in with the Canadians about the size of their lobsters and would they crawl across our border. That was George Mitchell's issue.

Fortier: Bob Dole, who was also on the committee—

Hills: Bob Dole's basically a constituent man. We have our ethanol program as a courtesy of Bob Dole. We also have the fructose industry as a courtesy of Bob Dole because fructose comes from corn. Since we protect sugar, we now pay more for fructose. We've got a double-protected market. It's creating huge problems with poor countries.

Fortier: Are there others in Congress who were significant that you want to say something about?

Hills: We could go through the list. Sandy Levin has never seen a trade agreement that he liked, but always talks as if he could. He spoke to me about Central America, saying he was appalled by the poverty. It may be that he would be in that slice of the population that is concerned about alleviating poverty and could be brought along on that basis—but he'll probably revert back, no matter what the agreement contains.

We had some real protectionists on the Ways and Means Committee. Marcy Kaptur—she sent me 12,000—something from her district that we had to handle—in protest. I can't remember what it was. Some kind of steel object.

Each member has a constituent interest that USTR tries to work with. For some, it really shapes their whole agenda. They cannot be called a statesperson. They don't try to turn around constituents at the town hall meeting and say, "I'm with you, but let's understand the broader picture." They just look at the poll and try to fashion their remarks to take advantage of the poll. So you have sort of a downward spiral in education and—call it "information deficit" for the voter.

Knott: Did you have your own Congressional Liaison staff?

Hills: Yes. The head of our Congressional Affairs office reported to our General Counsel. Mary Tinsley headed my Congressional Affairs office. She's not working anymore. She was a good person. Josh Bolten, our General Counsel was very sensitive to congressional matters because he had worked on the Hill for the Senate Finance Committee. We all worked the Hill. We were all Hill people, really.

Schoppa: In naming names—he's not a Congressperson, but somebody who didn't get mentioned earlier among people more on the administrative side, lower-ranking people, that have risen to higher jobs—I was wondering what you thought of Bob Zoellick's work at that time as

somebody who was over at State working with you on trade issues. Whether you saw the talent then that others have seen, promoting him to the USTR.

Hills: Bob is very bright and very strategic. Those are his strengths. He does not have a “cuddly” personality. His relationships with people on the Hill are not perfect. I was making the allusion to Bill Thomas, who has some of the same characteristics. It’s hard to build a positive relationship with members of Congress unless you spend time with them and at least act like you enjoy spending time with them. That probably is Bob’s biggest challenge. I think that’s a fair assessment of what his strengths are and what his challenge is.

Schoppa: And that is a big difference between what he was doing then for the State Department, where he didn’t have to deal with Congress much at all, and what he’s doing now. It’s really put him in a role where that’s a bigger issue.

Hills: I think at State he was really staff, most of the time for Jim Baker, both at Treasury and at State. I am told that Bob isn’t as prickly with peers or superiors. It may be that he’s very bright and therefore doesn’t suffer fools easily. A lot of people are like that. You mentioned Dick Darman. Dick has that reputation. Some people have a reputation for being very tough. Others have a reputation for being prickly. I think most people would say that both Darman and Zoellick are very bright. I admire Zoellick’s strategic capacity. I’ve worked with him. Most people would say he doesn’t have a whole lot of patience—I told him once he ought to go to a dinner and he said, “I just don’t do dinners.” [*laughter*] Of course, he does some, but he doesn’t like to do them. But you don’t see him around town at a lot of places. You never know when you walk into a room who you are going to meet who might help you solve a problem.

Knott: So you did do a lot—

Hills: We were going all the time.

Knott: This is going to sound like an Oprah Winfrey question, but what was the effect of that on your family life?

Hills: Well, fortunately my kids were at college—and my husband is wonderfully supportive. Fortunately, he is gregarious, and extremely knowledgeable about a range of public policy issues.

Knott: What about when you were at HUD? Was that a difficult thing to balance?

Hills: Well, first off, I didn’t have the travel commitment that I had later. I did work very hard, but not the same hours. If you want to talk to the Ambassador in Japan, it’s exactly 12 hours difference in time. You’re either going to get up very early or you’re going to stay up later. HUD challenges were different. The worst time difference the Secretary has is three hours to California.

[Break]

Knott: I guess we'll start off with Japan, which is what we're looking at right now.

Schoppa: We earlier spoke about the initiation of the Super 301 process and the SII talks. That happened in the spring of 1989. The next big turning point, it seems to me, comes during that first year of negotiations. You had a pretty tight deadline and had to decide whether to re-list Japan or impose sanctions on Super 301 a year later. There was quite a bit of concern midway through that year whether there would be enough progress to declare any kind of victory. At what stage did you become much more involved in these talks? I know that Linn Williams was the one assigned to the Japan portfolio and that you had a whole team of people at that level, from other agencies, too, involved in the talks. When did you become involved? If you can talk about how the President became involved—by inviting Kaifu to Palm Springs. Whose idea was that? Just a couple of comments, maybe, about events during that period.

Hills: Well, I didn't just get involved with the Kaifu visit. From day one I was involved with Japan. It was at the top of the Congressional agenda. And Japan, in the mind/eye of the American people, was the reason why our economy was doing poorly. So from the very beginning I was involved. Here is a memorandum dated November 17, 1989 documenting a when I went to Japan. One of the reasons for me to go to Japan then was to attend the traditional Quad Meeting that was hosted by Trade Minister Matsunaga. It is held in June and November of each year. The Quad consists of the United States, Canada, Japan, and the European Union. Europe is represented by the Commissioner who holds the trade portfolio—so Frans Andriessen was there. In November of '89, that would be our first year in office—and halfway before the deadline for deciding how to deal with Japan on Section 301. We met in Japan and talked with a number of Ministers about the various issues: computers, semiconductors, forest products, furniture, a whole host of issues, plus the early thoughts about a Structural Initiative.

I'd say that all of us—Jules probably less so, but Linn and I, and a host of others—really focused a lot on Japan. If you go back through my hearings, that subject would never be omitted. We were very interested in Japan. In January I wrote a memorandum to the President saying the Japanese government had agreed to a new import promotion program. The main elements were tax incentives paid to Japanese manufacturers for incremental purchases of certain products; tax incentives to wholesalers, retailers, and purchasers of certain products. It was a kind of a trade mission. He wrote on my memo, "How long before we'll know it will have an effect?" Because he too was getting pressured.

Moving through this written record, in this March 23, 1990 memo I was focusing on the supercomputer. The U.S. produced the Cray Supercomputer, which was top of the line. For any kind of scientific, seismic, engineering, or highly technical work, you should have a Cray. The Japanese government had never purchased a foreign computer. Finally they agreed to purchase on the basis of competitive merit. I wrote to the President on March 23rd 1990, "Last night we reached an understanding with the Japanese on a new supercomputer agreement." Now, keep in mind, it is one thing to have an agreement, it is another to have them make a purchase pursuant to the agreement. I said to him, "The ultimate test of market access for supercomputers will be actual purchases. Stay tuned."

Most weeks of that same month, I gave him a trade update. If you look at the March 30 trade update, I talked to him about Mexico, the National Trade Estimates Report, shipbuilding, and Japan with respect to satellites and telecommunications. This was 1990, one year in office. We were about to publish the National Trade Estimates Report, which is a report the USTR publishes every year to identify the market shortcomings of our trading partners, describing where they have barriers to trade. They still get it out. In this particular year we had just reached an agreement on shipbuilding with Japan and Korea, and also with Japan on satellites. The Japanese satellite market was closed and it was in our Super 301 identification specifically. This was our fourth round to talk about it, so here we were coming into the deadline where we were going to have to do something.

We had been negotiating now for ten months. The President met in April 1990 with Matsunaga and Owada. So I wrote him a memorandum on April 4, 1990 and said, “We’re pushing for additional market openings. Matsunaga and Owada are going to press you, ‘Please, no more Super 301.’ I think it’s essential for us to continue to encourage them to open up their markets.” In other words, I was saying be diplomatic. Don’t pound on them. But, let’s be a team and press ahead.” I was suggesting that he might want to emphasize in those meetings the importance of reaching an agreement on forest products that includes a commitment by Japan to cut its tariffs in that area—not managed trade, but cutting their tariffs.

We had prepared a credible and comprehensive SII interim report. When we launched the SII, we said that we would give Congress an interim report. We did that, not because we were required to do so, but to build credibility. We tried to make them part of the process, not somebody outside the room.

I also suggested to the President at this time that we face two additional irritants with Japan—that it would be helpful if he would just tick them off. Matsunaga and Owada would know that he had noticed—that it wasn’t just the Trade Representative complaining. Those two were the denial of market access to amorphous metals and the failure to provide copyright protection for sound recordings. We were having real problems in those two areas. If we wanted to build support on trade, we would need to show results. I ended up the memorandum by saying, “We have a more constructive relationship with Japan. I think we can make progress here.” That would mean that we’d be able to satisfy several interests, namely, improve our economy and improve our Congressional relationships.

Schoppa: Before you go on past that date, I have a couple questions. You’ve talked a lot about specific market access agreements. You mentioned SII but haven’t gotten into much detail. Within the SII itself there were dozens of issues.

Hills: Rather than sectors, we tried to focus on impediments in the Japanese market that created barriers across the Japanese economy like their failure to enforce their antitrust laws. These were fundamental economic behavior patterns that had to be changed.

Schoppa: Among these issues were the public investment issue, which had macroeconomic implications, and the antitrust issue, which you mentioned earlier. Tightening up their antitrust law.

Hills: Enforcing their antitrust law.

Schoppa: The large retail store distribution system. I'm wondering, what was the process within the government in identifying which of these issues were most important?

Hills: Within our government?

Schoppa: First of all, within the United States Government, identifying which of these issues were most important to us, and communicating that to the Japanese during these final stages of the negotiation.

Hills: Partly. As I mentioned, we identified problems through documented complaints brought to our attention. Not just complaints of, "I can't sell anything in Japan." But, "These are the barriers that keep us from opening a store there. Toys 'R' Us can open up a store in 15 minutes in Texas. Yet when we go to Japan, we must get 100 permits. We are boycotted by the small ma and pa stores that try to keep us out by opposing the issuance of the required permits."

We would say to the Japanese, "You've really got to change this because unless you do, we are not going to be able to reduce the trade friction." Changing the system required legislation, like the Large Retail Stores Act, which kept, for years, larger foreign stores out of Japan. I would point out that when Sony developed the Walkman, they came to our country and we had companies that were excited to try to distribute it. When a U.S. company goes to their country with a good product, and government and business try to prevent it from getting into their market. The SII is called the Structural Impediments Initiative. It focused on structural impediments like failure to enforce antitrust laws, the large retail stores act, and a host of other impediments that were laced through the economy.

In addition we had issues like restrictions on the sale of foreign products. In this memo I mention to the President the Forest Products Agreement. A month earlier, I had reported to the President, "Forest products is a problem." Here in this memo, I reported, "This morning we reached an agreement with Japan"—that's April. We were making progress. We were at least entering agreements that Japan would open its market. Can I say that we have sold anything? We had just reached the Supercomputer Agreement. Can I say that they bought a Cray? Not yet. But what Super 301 asked was, "Are you making progress?" The fact that the Japanese government was willing to enter into an agreement to open its market gave us something that we could subsequently point to and say, "we were making progress."

You can see that we were focused intently on the Japanese. Here is another report in June, a couple months later. I'm skipping a lot of material here. It documents another agreement, "Formal conclusion of agreements in the Super 301 cases on satellites, supercomputers, and wood products." That is June 15th. We had a signed letter agreement in those three areas. Instead

of blasting Japan, we picked sectors had substantial U.S. interest and therefore would have substantial Congressional response combined with the fact that they were well documented.

I can remember saying to the representatives of some industries that, “It’s very tough if you just come in and complain and whine. I can hear whining from Penney’s about Wal-Mart’s competition. What I need to have is a statement of the facts describing the barriers preventing you from being competitive in the Japanese market. USTR can’t do it for you. You have to tell us what are the problems that you face?” In these industries, we did get them to do the analysis.

Schoppa: In the diplomacy of trying to get enough concessions on all of these issues to convince the Congress that Japan had fulfilled its responsibilities under Super 301 there were a couple of key developments. One was March 1990—President Bush inviting Kaifu to Palm Springs.

Hills: I did go to that meeting. The President was on one side of Kaifu, and I was on the other side. He got an earful on trade. I honestly believe that he tried to do his very best on the issues. We did get some results from that meeting. I have a memorandum here on the Kaifu meeting.

Schoppa: Do you recall whose idea it was to invite Kaifu—to set up the meeting in this particular way?

Hills: I think that Kaifu wanted to meet with the President, and Palm Springs was halfway between Tokyo and Washington, D.C. In other words, he didn’t have to come all the way to Washington. A telecommunications agreement was reached. Actually, the Kaifu meeting—I think was in 1990.

Schoppa: It was in March 1990. It came before this, and there was a breakthrough in April 1990.

Hills: Ok, I may not have put a tab on it.

Adamson: March 2nd and 3rd.

Hills: I’m pretty sure that I made a suggestion to the President on the meeting—here it is. I wrote a memorandum to the President on February 25, 1990 entitled: “Your meeting with the Japanese Prime Minister Kaifu.” In it I say, “Your upcoming meeting affords us an opportunity to resolve several existing trade disputes, and to construct a new architecture for the bilateral trading relationship.”

You’re welcome to read this. I spell out what our policy is, what our objective is, what our strategy is. I can summarize it for the transcript.

The objective of our trade policy is to ensure that the second largest industrialized market in the world is open to competitive goods and services, thereby supporting the open multilateral trading system upon which the world’s prosperity depends. Our goal is a Japanese economy where decisions to import or export are based on market signals of price and quality, not on collusion and administrative guidance. Our strategy for opening the Japanese market has involved the application of firm, but measured, pressure on Japan through the Uruguay Round, the sectoral

negotiations, which include semiconductors, construction, as well as the Super 301 cases on forest products, supercomputers, and satellites—and finally, negotiations on structural or systemic trade barriers, particularly through SII. It describes the domestic political environment. I add that “we seek to enhance the effectiveness of these initiatives by stressing aspects of our case (e.g., high consumer prices) that generate support for our trade liberalization efforts among constituencies in Japan.”

Our strategy was opposed by some in Congress and by some in industry, who desired quick results. They generated pressure for managed trade—agreements setting market share targets. However, for the most part, we rejected managed trade because in our view it failed to deal with the underlying barriers to competition and set a ceiling on what our companies could achieve rather than a floor.

USTR did a study on some of the Reagan percentage arrangements. Not one of them achieved market penetration by a foreign company that was even one tenth of a percent over the percentage stated. They clearly served as a ceiling, not a floor, even where in every other geographic market in that sector where we were in head-to-head competition we did much, much better. So we wanted not to use that strategy. Congress was calling for tougher sanctions against the Japanese with respect to their practices that kept their markets closed. Experience indicated that Japan often responded only to outside pressure. However, our economic interdependence made it very difficult to restrict our imports from Japan. In other words, you can hurt your computer manufacturers at home if you can’t import the component parts, many of which came from Japan.

USTR set forth a proposed game plan for the Kaifu meeting. Steps one, two, three, and four. The President invited me to come with him. We met at Ambassador Walter Annenberg’s house, courtesy of the Annenbergs. We had a lovely dinner. The Prime Minister sat between the President and me. The President and I had fully discussed the steps in our memo. The President addressed the trade issues as we had discussed them with him and other members of his administration. As in all other cases, I had copied Baker, Brady, Mosbacher, Roger Porter, Scowcroft, and Sununu on the memo that I had sent to the President. There were no hidden balls or agendas here. I very clearly spelled out what I thought our strategy should be.

We suggested that first we had to have credible results on the SII report and that we had to be very clear about that. Then we urged prompt action on several of the sectoral areas. Finally, we suggested seeking a new economic compact with Japan. This compact would have a chapeau, as we called it— an agreed statement of principle for open free trade, as you would have in any trade agreement. Any unresolved barrier we ran into in the future with Japan could be negotiated under this compact. This would enable us to move forward quickly. We would not have to wait to cite a sector under section 301. It would give some renewed impetus to the sectoral issues that were being brought to our attention by various U.S. industries.

For example, I wanted to establish a formal link between our Justice Department and theirs because collusion was one of the barriers we found very difficult for our businesses to cope with. We complained about their flooding of patents and how that eroded patent protection. But their failure to crack down on collusive, horizontal, anti-competitive practices was a big, big problem.

Finally, we wanted Japan to launch an import/export promotion. For example, if they let Toys 'R' Us in under the Large Retail Stores Act that would promote imports. If Japan sent buying missions over, that would show a visible effort to promote imports. We did talk about all of this with Kaifu.

Schoppa: Did you have a particular interest in antitrust in your background?

Hills: Yes.

Schoppa: Did you take a particularly predominant role in that piece?

Hills: I'm sure that the fact that antitrust was in my background enabled me to understand the complaints of people who talked about the collusion they confronted. We received studies done by groups that would document the fact. There was a tremendous amount of collusion in Japan. Business leaders talked about the Iron Triangle between business and government and the fact that anti-competitive arrangements were worked out in advance to the detriment of inward investment.

Knott: Have we exhausted the Bush '92 visit to Japan—the one that you opposed?

Hills: Well, it was an unfortunate visit. I think it was made more so because the President was ill. But the circumstances of the visit were unfortunate. The agenda was not properly massaged. You can't go public announcing the players and the agenda if you haven't worked out a strategy—a plan. I was disappointed that it took place. As it turned out, it was not a successful trip.

Schoppa: One of the main outcomes of that trip was this informal agreement that the Japanese automakers would purchase a specific amount of auto parts from American-sourced auto parts makers. It was the violation of this supposed agreement that was one of the first things that got the Clinton administration upset when they came in. The Japanese had not lived up to their word of importing this sum of auto parts. Do you think that could have been avoided?

From the Japanese point of view, it was a misunderstanding. This was not an ironclad commitment by the government to purchase auto parts. This was a statement by Japanese automakers that they would try to purchase this sum of auto parts. And yet the Clinton administration treated it as a—I think Ron Brown was the one who made a clear statement when he came in. "This was a promise by the government and they didn't live up to it. Now we're going to crack down on the Japanese." Do you think that kind of a later tension could have been avoided with more staff work and making the agreement somehow more clear?

Hills: In fact it was a "best effort" agreement. It probably was a stretch for our successors to say that it was an absolute commitment. On the other hand, when you're talking to the Japanese, who have had a closed market, and you want to show results, you need to have some measurement. It is a very difficult tightrope to walk. We did that with semiconductors, too. Remember, the Reagan administration had persuaded Japan to use every effort to have imports reach 20 percent

of the total market, and I said, “We don’t have to specify any percentage. We just want results. Imports have to be growing.” At that point it was at 9 percent. We tracked it for a while, and it went up to 13 percent. It was like pulling teeth. The commitment was that they would try to buy more. The fact is their auto industry had long-term collusive agreements with parts suppliers. They were paying more for domestic parts than if they had imported the parts. Economically, it didn’t make sense for the Japanese auto manufacturers, or certainly the Japanese consumers.

Is what you are asking, “If the trip hadn’t taken place, would the Japanese government have made a ‘best effort’ commitment on auto parts?” I don’t know. There clearly was pressure on auto parts. How do you get an “auto parts agreement that isn’t managed trade,” but still gets that market open? I believe we probably would have reached some agreement on that issue—just as we did with respect to semiconductors, forest products, and many other sectors.

One difference between us and our successors with respect to Japan was that they did not try as hard to ally themselves with Japanese consumers.

I think it was Mickey Kantor, not Ron Brown, who made that statement you referenced. Mickey took a very hard-nosed approach to the Japanese, as you remember, on automobiles. He put a luxury tax on all imported automobiles. That changed the mood in the Japanese media from, “Right on, Uncle Sam—we should open our markets and give support to the reform elements in the Japanese markets” to, “Stop, you bully United States. You’re attacking our domestic policy.” I thought it was unfortunate step backwards because we were moving in the right direction, albeit slowly. The auto agreement it may have had some domestic political mileage, but it certainly had no positive economic effect and I believed that it slowed progress in Japan considerably.

Knott: There was a really ugly Japanese-bashing mood in the late ’80s.

Hills: Oh definitely.

Knott: Some of the articles that we have in the briefing book talk about this. There’s this quote from Senator [Fritz] Hollings about—

Hills: Senator Hollings was an interesting fellow. Here’s a man who bashed the Japanese, bashed the Koreans. When I was in Korea, they took me on a tour of that street, where they have the knock-off items so I could see. In this tailor shop is a picture of Senator Hollings, thanking his tailor for all his imported suits. [*laughter*] The fact is, this man who wouldn’t let an imported thread cross the U.S. threshold was well dressed in Korean suits. I mean, this is so outrageous.

Adamson: He’s from South Carolina.

Hills: Yes, exactly. He lost whatever admiration I might have been able to summon for him on that trip. I thought it was so hypocritical.

Knott: I think the quote in the briefing book was to a group of textile workers in South Carolina, to the effect of, “They should emblazon the mushroom cloud logo with the words ‘Made in the U.S.A. by American workers.’”

Hills: I know. He was just really beyond the pale. And it wasn't only textiles, although textiles and apparel were his primary focus. Here is a memo documenting formal conclusion on June 15th of the Super 301 cases on those three areas. We exchanged letters with Ambassador Murata, formalizing the agreement we reached. I give the President the background. We had launched this investigation on June 16th 1989. We reached agreement in principle on these various areas I have described to you. The statutory deadline for concluding the formal agreements is June 16, 1990. This is a note I am writing to the President on June 15. Believe me, most negotiations go up to the deadline.

The Super 301 statute provided that once agreements are reached—the 301 investigation is suspended and it is only re-opened in the future in the event that the country under focus fails to comply with the commitments it entered into. We were able to go to the Congress and legitimately suspend the three investigations that we had launched. The President was really pleased with that.

Schoppa: What did he write then?

Hills: I just remember that he was so glad to get that Japanese problem more or less solved. You know, with Japan it is hard to say you ever solve it. Trade liberalization is kind of like polishing silver. You have to keep coming back to it.

Adamson: As we're talking about Super 301, I'm curious about the decision-making process—of who to put on the list. It's obvious that Japan was going to be there. The legislation was created for them. But any number of different countries could have been placed on the list at any given time. How did your agency and the administration decide, "Well, this year we're going to choose these cases"? What role did politics and other issues play in choosing the countries?

Hills: We didn't want Japan to be alone. We wanted our selection to be credible. You're quite correct that we had a number of nations that we could have selected. But it seemed to us that Brazil and India provided good company for Japan and had issues that needed to be addressed. USTR made that recommendation.

Schoppa: Was it related to these countries being key players in the Uruguay Round? The issues you targeted being related to the Uruguay Round?

Hills: All the issues we cited in our 301 investigations were important to the Uruguay Round and to our garnering support for the Uruguay Round, but I wouldn't say they were key players in the negotiations. Brazil was part of the Cairns Group. They were on our side in agriculture. It was on the industrial side that they were deficient. As to India, I think I was the first Cabinet officer to visit India since the '80s. India's participation in the global economy was deminimus. It was on the brink of bankruptcy because its market was so closed. Many of our industries—Ford, IBM, Kellogg—had left India because of India's policies enforcing import substitutions. Everything Indian-made for Indians. I went over there and met with Finance Minister Manmohan Singh and Trade Minister P Chidambaram. We resolved that Super 301. But my recollection was that India's cited transgressions involved trade restricting investment measures and barriers to foreign

insurance providers. India also refused protection of intellectual property, particularly patent protection. But it's all here, for the record.

Knott: Could we talk a little bit about—I'm going to defer to my colleagues to ask the specifics—I think there's more to be said about the Uruguay Round, the Blair House accords and so forth. Do you need a more specific question than that?

Hills: No. Agriculture loomed, from the beginning and to the end, as the big impediment to the Uruguay Round. Poor countries did not want to open up their services markets and deal with issues that were important to us and other Western countries and key to our building political support, unless they achieved access to agricultural markets. Bringing agriculture into GATT was something that hadn't been done before. Even though not much market opening occurred as a result of the Uruguay Round—just bringing agriculture in—the very fact of bringing agriculture under the disciplines of the GATT [General Agreement on Tariffs and Trade] was an accomplishment.

We agreed to convert quotas to tariffs making the barrier more visible. For example, the rice tariff in Japan was about 900 percent, which was not going to get much rice in, but at least everyone can see the enormity of the restriction and efforts can begin to bargain it down. In fact, bringing in foreign rice to Japan has gone from being the basis of a criminal prosecution—to bring in foreign rice—to today having some foreign rice come into Japan. Clearly, Japan's destiny is not as an agrarian country, so you're not asking them to do something that is contrary to their national interests. But we had to persuade them, to help them find a political solution.

The same problem, and the same set of characters, exists today. You've got Europe, hugely defensive—primarily led by France—toward opening up their agricultural markets. To achieve an opening of agriculture market, you have to do three things: First, you have to deal with market access—that means dealing with tariffs and quotas (quotas are now being “tariffed”). In the case of the U.S. we have high restrictions on such products that range from orange juice to dairy, sugar to peanuts. The kinds of things poor countries produce.

Second, we and our trading partners also had to deal with the internal supports paid to our farmers. From the U.S. point of view, historically, we have not been aggressive as Europe in providing internal support payments to farmers, for growing a particular crop. If I pay you to grow wheat, you're going to grow wheat. If I pay you to have healthy land, you may grow wheat or you may grow kiwi berries. You are more likely to respond to price and market pressures. You may not grow anything at all. Farmers have traditionally been opposed to what they regard as welfare programs. They would prefer to have a production link. Senator [Richard] Lugar, who was for years chairman or ranking on the Senate's Agriculture committee, launched the 1996 Freedom to Farm Bill and generated a lot of reform. We began to de-link this production and support.

The Western world pays more than one billion dollars a day in terms of farm supports. It is an expensive program that we thought, at the time, Europe couldn't continue to afford. We thought with enlargement that they would have to break the cycle. Moving to Europe '92—we believed

that they would have to have some reform in their agriculture. And we were right, but they didn't do much. That has fueled the resentment that has pervaded poor countries vis-à-vis agriculture.

There is a third part to agricultural reform, and that is export subsidies. Europe provides export subsidies about 10 to 1. Maybe it's up to 30 to 1 now, but a very high multiple of what we provide. I'd say that our export subsidies are more like a "meeting competition" defense.

If the United States meets Brazil and Europe in a third market, and Europe offers an export subsidy in order to dump its product, we'll meet their price on a targeted case basis. It has to be authorized specifically by the Department of Agriculture. Europe's program of export subsidies is what is making the negotiations ongoing now in the Free Trade Agreement in the Americas so difficult. We could agree never to provide an export subsidy in this hemisphere, and Latin American governments could agree never to accept subsidized product from a third country. But when we meet Europe in another market, there's the rub. It has been a problem, and it is a problem still.

Schoppa: Many of these issues you mentioned—France was the main recalcitrant party.

Hills: And Germany. Germany subsidized its farmers at a very high rate. France, on just a policy ground, was very adamant.

Schoppa: Who were your most valued allies elsewhere in Europe in trying to bring along an agreement that would be acceptable to all?

Hills: On the Commission, [Martin] Bangeman, a German, was in favor of open markets. In general, the Europeans, or the Brits, were more positive. I have written an assessment here for the President on some of the players when there was a changing of the guard in Europe players. I can remember seeing [Michael] Heseltine was brought in as the new Trade Minister for Britain. I said, "He really doesn't know his portfolio. He's hopeless." So, we'd go directly to John Major.

Bangeman was a very strong person, but he was on the Commission. At this time, the comfort of the member states with the Commission—was less than it is today. The Commission was sometimes railed at as "the unelected bureaucracy in Brussels." So members of the Commission tread on tiptoes, when they worked on tough issues. You know, when you look at the cast of characters who were there on the Commission—Bangeman, Ray MacSharry, Frans Andriessen, I suppose were key. You know, I ended up with a lot of affection for Ray MacSharry. He held the agricultural portfolio and actually resigned over the failure of the Council to support him. He was instrumental in the Blair House Agreement, which resolved our quarrel over the Oilseeds Agreement.

Schoppa: Could you speak a little more about the oilseeds case, and at what point it became part of the strategy.

Hills: The oilseeds case was a case that we had won twice. We won it once in my first year. GATT ruled for us, down the line. Under the GATT rules, a party found in violation has a reasonable period of time to bring its trade regime into compliance. Europe took a reasonable

period of time; some would even say an unreasonable period of time. Then it adopted a new oilseeds regime that we believed also violated the GATT. We took it back to the panel and it found, yes indeed, it did violate the GATT. So here we had two wins against Europe. Nobody was anxious to have a major trade confrontation with Europe—so we proceeded quite deliberately. But the agricultural community was watching how we handled the oilseeds because it was precursor to how you would handle corn, wheat, soybeans, sorghum, and a host of other violations.

At a certain moment, we said we would retaliate, but we wanted a perfect record on the violation and the damage. So we would go back to the panel to say, “Our view is that our damage is X amount of money,” and it agreed; it blessed that amount of money. With that record, we were in a position to retaliate. And it wasn’t until at the very end of our tour of duty that USTR actually announced the retaliation, which was directed against wines from France. See Hills’ memorandum to the President dated November 3, 1992. Very quickly, France capitulated. We had the Blair House Agreement. We reached a decision in the oilseeds. But it wasn’t all that easy. It sounds easier. That was in November, I think, of 1992.

In April of 1992 USTR recommended that we state our intention to take action. That’s in April of 1992. The President goes along with that. Taking action meant going back to the GATT for greater clarity. What I didn’t want to do is to find ourselves in breach of the GATT. We wanted this case to be absolutely pure; that what we were doing was GATT-compliant so the EU couldn’t get off the hook by saying we had acted extra-legally.

Schoppa: Was there opposition within the administration to carrying out sanctions against these allies?

Hills: There was—yes—at the outset. I think that we reached a consensus. But again, this was an example of people coming in with views at the fences and bringing them along by going through the history.

My view is that the reason that the GATT is valuable, and why everyone from labor to environmentalists say the WTO has “teeth” and want to hang other responsibilities on the back of trade negotiations, is not that the institution has enforcement powers or “teeth”, for it has nothing other than the consensus of its member states. Specifically, what it has is the support of the members. Members, like the United States, think that the GATT, and its successor, the WTO, are valuable to the maintenance of the global trade regime. It is the global trade regime that they want to protect and support. They don’t want to weaken it by violating the rules, which would encourage others to do the same and thus weaken it. So when Costa Rica wins the underwear case against the United States, the United States doesn’t say, “Oh, my, we will ignore it.” It doesn’t say, “Oh, my, we’re so worried about retaliation that Costa Rica can impose upon us — that’s going to be really frightening to us—if we fail to comply.” Instead it is, “If we don’t abide by this agreement, we dare not to erode something that’s very valuable to the global trading system.” There was that kind of debate. It’s a debate on policy and what is important to our nation. That is why these trade issues intersect foreign policy and are difficult.

In the oilseeds dispute, in my November 3rd, 1992 memo to the President, I remind him that he approved, the week prior, our three-part strategy to demonstrate to the EC our resolve to enforce our GATT rights on oilseeds.

First we announced limited retaliation, effective in 30 days. Before the retaliation was implemented, the EU had a chance to comply. Second, we renewed the offer to submit to binding arbitration the amount of damages. And EC estimate was that the trade damage they had done to us was about \$200 million. We thought that was about 20 percent of what we estimated our trade damage to be. Finally, we would publish for public comment so the American people, as well as the EU, could see that we were intent upon upholding the trade system.

You can't go to Congress, which is not too enthusiastic about trade, and ask its members to be enthusiastic about the WTO if, when you win a case, you just stand by and say, "It's too much trouble" or "They're too close an ally." To maintain credibility, it is essential to show some kind of results. We had to present this. I talked to Ed Madigan. He was very nervous. He was the new Secretary of Agriculture. He met with Ray MacSharry, who was giving a speech in Chicago. Ray MacSharry got so upset when he spoke to [Jacques] Delors—who was a Frenchman and against the agriculture reform—that MacSharry resigned. Later, he took back his resignation, and thank goodness, because subsequently we reached the Blair House Agreement. It was at the end of November. By settling the oilseeds case, we also were able to make progress to unblock the agricultural negotiation.

One interesting thing that is probably not in the record. When we finally finished, a day and a half meeting at the Blair House—very strong, but cordial discussions, just the four of us there. I got up and said, "Now, Ray, I can count on you on this one?" He said, "Yes."

I said, "Frans, can we go out and tell the press? I can assure you that the press is going to be outside the Blair House door." He said, "Yes." We get just to the hallway in the Blair House, and Ed leans over and says, "Carla, I can't go on with this." So here I've got the other side with me, and my team falters. I said, "OK, let's just delay this a minute." Aside to Ed, I ask "Are you sure you mean you cannot go along with this? And in what particulars?" We (the two of us) had it all out. He really got cold feet. So I said to Franz and Ray, "I'll tell you what. Let Ed and me cross the street to the White House. We will get a meeting with the President and let him decide whether or not this is an agreement that he feels he can be comfortable with," which is what we did. The President didn't come to that meeting, but everyone else in the Economic Policy Council did—and it was unanimous.

We went back across the street. We had gone out the back door, and we came in the back door. We went out the front door, and had a wonderful press conference. And that was how the Blair House Agreement finally got off and running. If we had reached agreement just a couple of months earlier, we could have concluded the Uruguay Round. Although in fairness, there was no real pressure for the EU to move. I have to say that Europe did not have to address CAP, the Common Agricultural Policy, until December. It's sort of like my saying, "Why don't we do something today with respect to the excesses in our 2002 Farm Bill that does not expire until 2006?"

Two things will happen in 2007. One, we will need to renew Fast Track June 1, 2005. Two, we will need to renew the Farm Bill in 2006. Those are terrific levers in 2005 and 2006 to push us to begin to make progress in the current Doha Round. Similarly in 1992, politically, Europe had no incentive to move ahead. France had elections in September 1992 on the Maastricht referendum. Agriculture was a very sensitive issue. But the Blair House Agreement did unlock the door, and we did get a settlement on oilseeds and subsequently on including agriculture. The French caved, so their wine kept coming, and Americans were happy. So that was the Blair House Agreement.

Schoppa: There were a couple of deals that were really at the very last minute. There was NAFTA and this Blair House Agreement.

Hills: NAFTA was not at the last minute. NAFTA was perhaps the fastest trade agreement ever negotiated.

Schoppa: Well, last minute for the administration.

Hills: Yes, you hope you have eight years; it's fine if you only have four. But we negotiated the NAFTA, 14 months to the day. It could have been negotiated in ten months or nine months. The Mexicans were a bit slow. It is too bad they took so long in the spring because I kept telling them, "The closer we get to the election, the more problematic it's going to be." We did not get an agreement that we could present, one that we thought we could sell, until August.

There is a memorandum in this book, where I suggesting to the President, "Do not agree with Salinas that you're going to announce this at the Summit Meeting in Dallas or San Diego on July 28th. I think we shook hand on the NAFTA on August 12th. We report to him that: "We made notable progress in autos and agriculture, and we have issues remaining in investment, government procurement, energy, and duty draw back." We scheduled Jules Katz, leading the negotiating group, to meet with Herminio Blanco and try to work on some of these open issues. That is on the 28th of July, and Salinas is pushing the President to make an announcement that would have stopped further progress.

The way we finished it was by total emersion. We took the negotiating team into the Watergate Hotel, and we locked the doors. You know, this business of going for four days to Zacatecas and then four days to Dallas wasn't working because people were waiting to get out of town. So I proposed to Jaime Serra, "Let's go and lock the doors until it's done. Just stay. If it takes four days, terrific; if it takes eight days, not so good; if it takes 12 days—we will stay until it is done."

And we were there for 14. We had some hot words. Interestingly, because we had all agreed that we were going to zero barriers on everything except energy including agriculture. We didn't have a market opening on agriculture with Canada, and still don't. They have a trade or marketing board. Canada exempted agriculture with Mexico, but we do have zero barriers on agriculture with Mexico. We have disputes from time to time, but our agreement spells out zero barriers. There's still some time for the phase out, because there's a 15-year transition in some items.

We reached the agreement after an overnight session, very late. I called the President. He held a Rose Garden program that morning. It was the 12th. But that was very close to the Republican convention. In fact, some people said, “Did you do that for the Republican Convention?” It had nothing to do with that. We wanted to have it done around February so it would be less tainted with politics and not become a political football.

Schoppa: Do you think either the Mexicans or the Europeans saw the election—in Mexico’s case, coming up; in Europe’s case, in the past—increase their sense of urgency? “We’ve got to strike a deal with this administration, before anybody else comes in.”

Hills: I think that may have been an incentive with Mexico because they had been ignored for so long. The Bush Initiative for the Americas was so unique, and created such a lot of good will. Mexico couldn’t count on the fact that a successor administration would be that open.

Europe was different. There were actually rumors—we heard lots of rumors—that in Europe, there was a desire to delay negotiations in the Uruguay Round. In fact, there was one published report—I believe a rumor and I cannot verify it—that came into USTR’s office, that the political operatives in the Clinton administration had contacted Europe saying, “Hold up. Don’t conclude an agreement. Wait until after the election. We were furious. As of December 31st, Frans Andriessen was out of a job. We wanted to finish the negotiations with him, rather than the new commissioner coming in. We still had 21 days. We probably could have finished it. We believed that it was very important to finish this year.

Whether that, in fact, occurred, or was authorized by the Clinton campaign, I do not know. Perhaps it was like when a foreign government leader sometimes said to me, “I heard your government say A, B, C.” I would respond: “You have to understand our government. We have 535 elected people who can say anything that comes into their head. This is not a government position.” Similarly, it may have been a political operative who knew somebody in Europe—everybody knows somebody in Europe—who said, “We’ll do better by you. Don’t finish an agreement. We’ll do it.” Who knows? Conduct your oral history and find out. [*laughter*]

Fortier: Let’s move on to Europe and the Common Market. A couple things: one, the Bush administration was much more favorable to that than the Reagan administration. Or that was the perception. That there was some reticence—it was a new thing—in the Reagan administration. The Bush administration was more open. Does that square with your—

Hills: My perception is, if you take the long range view, that both Democrat and Republican administrations, going back many decades to World War II supported European integration and felt that economic interdependence was in our mutual interest as the best means to build prosperity and stability. Of course there were hiccups along the way and worries, as there surely were about Fortress Europe. There were worries in our administration, which gravitated around how Europe would behave after EC ’92. That’s correct. Whether we were less skittish than the “Reagan administration,” (you are talking about a broad spectrum of people), I simply don’t know. I know we tried to be very supportive. President Bush, Sr. was extremely supportive of the Germans’ unification. I think he was deeply disappointed that Chancellor Kohl was not more reciprocating in political kindness.

Schoppa: What kind of favors did Bush want from Kohl that he didn't get?

Hills: I think he could have pressed the French and moved the agricultural negotiations forward. This was raised, mind you, at every single economic summit. There were only seven men sitting around the table. I went to the Houston Summit. Kohl would say nice things about what he was going to do, and go home, and do exactly the opposite. For someone who put his political support behind Kohl's plan of re-unification, and who supported EC '92, you might have thought they would have tried to do a little bit more. But politics are politics. Clearly, Europe had its share of them, too.

Fortier: On EC '92, you mentioned that in any administration you had these dissenting voices. Can you break down some of the players on that in the Bush administration? Again, is it Commerce that's more concerned about Europe walling itself off, or is it—

Hills: I don't recall anybody specifically being overtly opposed. When you talk about an administration, it is not monolithic. It is like talking about the White House calling. Does that mean the President is calling you? Or does that mean some assistant to the President is calling you? Or does it that mean that someone's secretary is calling you? To get more specific, what do we mean?

There were concerns expressed on the front covers of *Forbes* and *Fortune* that expressed worries in the body politic about "Fortress Europe." Just like in '89, the front cover of *Fortune* magazine reported, "The Fear and Loathing of Japan." They didn't just make that up. They distilled that from a concern in the countryside about Japan buying our real estate, our monuments, and doing extremely well in competitive manufacturing practices. It looked to some like they were going to eat our lunch; that the next decade was going to be the decade of Asia, to the detriment of the West. We see a little of that right now with respect to China.

Fortier: Another topic—the war in Iraq. Trade and the war in Iraq. Obviously, Jim Baker is running around assembling a coalition of people. Promises are being made. What sort of effect did this have on your office? Were you engaged in this as part of a larger coalition-building? Or was the war completely separate?

Hills: We knew that Jim was building an international coalition. Of course we supported it. But I was not asked to speak to Trade Ministers about giving money. Not even in Japan. You remember, Japan was criticized for doing too little too late. In fact, they gave about \$13 billion, which was a tidy sum. They never quite got credit for it, partly for how they did it, the time and place.

Fortier: So this was a State Department operation.

Hills: Jim Baker gets the credit for putting together that coalition—and the President, also, of course.

Knott: Do you recall any Cabinet meetings, or other meetings, about the time the war began?

Hills: Absolutely.

Knott: When the President just kind of spoke to you all about—

Hills: The President elicited views on a range of issues. We had Cabinet agendas and talked about the issues. We could ask questions, disagree and agree with points.

Knott: I'm just wondering if anything from those stood out in your memory.

Hills: You remember that the President had to sell the issue of invading Iraq. He was courageous. At the end he did create a coalition that was very helpful in handling the issue. I think his Secretary of State deserves credit for helping to put that coalition together. That doesn't mean that the President didn't work hard at it, making phone calls to leaders worldwide. It does mean that the two of them worked as an effective team.

Schoppa: I was just wondering. In the most recent iteration of this same kind of scenario, there have been some cases where our valued allies on the war on terrorism suddenly face a major tariff problem—or steel dumping cases, this kind of punishment of people we're trying to recruit as our allies. Were there any episodes of that kind?

Hills: No.

Schoppa: There's no particular system for avoiding those kind of episodes?

Hills: No. You have heard in this administration some words that sound like, "One of the criteria for entering a trade agreement is whether you've been with us or against us." We had none of that. In my own personal view, that approach is not helpful. That paints the picture of pettiness. You want to expose the image of the U.S. as being open to debate, capable and interested in listening to other leaders. You can't consult closely unless you're prepared to listen. If all you are doing is talking and not listening then it is hard to say you have a coalition that is with you. It may be possible in some circumstance to buy a coalition. But to have a voluntary, supportive coalition that is going to give both men and treasure, you had better listen.

Fortier: Can I ask about the campaign? Were you involved in the President's re-election campaign? President Bush, Sr. in '92?

Hills: Yes. I tried to help. I gave speeches here and there. But I was not in the political structure, running the campaign.

Fortier: Did it compare to when you worked on the Ford campaign in '76? A similar sort of setup for you—you were a Cabinet-level person, going out doing some speeches on a political level, but you weren't directly involved in the administration of the campaign. Is that the way you'd describe it?

Hills: They were the rough equivalent in the sense that in both instances we tried to say what it was that we were doing: To tell the public, “This is the President’s record,” and to try to sell the record and the President. We wanted him to get the credit for what we were doing— these things we believed in, whether it be housing or trade. If you look at where I was in the last months of the Bush administration, I was less domestic. I was really on the road a lot.

Schoppa: Doing these trade deals?

Hills: Yes.

Schoppa: We had talked about bringing up these issues—kind of a diversion from the trade topics, but I wanted to make sure we had some discussion of your experience, both in the Ford administration and in the Bush administration, as a senior woman in the Cabinet at a time when this was still relatively unusual. It’s still relatively unusual, even more unusual. What was your experience? Did you find your colleagues uniformly supportive—a positive experience? Did you find there were unexpected slights? I don’t know what aspect of this you’d like to talk about.

Hills: I have to say that in my life as a trial attorney I never felt that I had a slight too heavy to bear. I am sure I did have them. But my skin is not so thin. I was winning my cases. People would say, “Who’s your mentor, who’s your role model?” My answer was the best trial lawyer I could find in the courtroom—male or female. It wasn’t the best female in the courtroom. That is why I didn’t want the Women’s Law Association to exist at all. I thought that women should be the best in the profession—in the LA County bar, in the State bar, in the Federal bar, whatever bar it was.

In my jobs at the Justice Department I tried to lead by example. Nobody works harder; let me put it that way. I never felt any slight there. I could have strong disagreements and engage in strong efforts at persuasion. But I didn’t feel that because I was a woman that I was at a disadvantage. Nor did I feel I had an advantage. Many people ask that same question with respect to negotiating in countries that are adverse to women. But, you know, when you represent the United States of America, leaders will talk to whoever comes if they want to talk. And since most countries do want to talk to the United States, the United States doesn’t have to be shy about having a minority or a woman representing it. I do not think you should have a minority or a woman in office who can’t discharge their responsibility. If you have a woman or a minority who has experience and can carry out the responsibility, that’s good.

Schoppa: Did you feel any personal motivation in the sense of demonstrating for the young women of America as a role model? Did you conceive of your role, in any way, as representative of your gender? Since you were a path breaker, especially in the Ford administration.

Hills: Perhaps. Because I have three daughters, I feel that women should be able to do anything in the professional world they want. But even more, I wanted to be a model to all the young people in America, not only young women.

Fortier: You mentioned in your confirmation hearing in 1989 that you had a spouse involved in the corporate world, and this may not be very common. Congress may not have seen this that

much, but they will. Can you discuss some of the challenges? Your husband was involved in many business enterprises. You had to go through hoops to promise a lot of things that other people didn't promise. Is there something to be learned from that? Have things changed and improved since the Ford administration? What can you tell us?

Hills: Actually I think the Ford administration was, perhaps, more humane. Keep in mind it was the Bush administration that imposed the capital gains problem upon us and required Rod to step down from boards. To this day, I don't understand the legal logic. I'm very sensitive, as you can tell from how I've structured my business activities post government, to avoid any appearance of a revolving door or taking advantage.

Hills & Company simply does not represent foreign governments. We've been asked to represent the Singaporeans in their trade negotiations, the Costa Ricans, and the Chileans. Japanese companies have asked us to represent them. We have declined. And even with people like the Singaporeans—whom I know so well—and believe they have an open system—I don't want to be on the other side of the table from my government on a trade issue. There will always be some issue where the foreign government will want to open more slowly, or it will want to give a little bit less. Even if both sides agree to go to zero barriers, there could be differences. I saw the kind of heated discussions we could have with Mexico and Canada.

So we have made those decisions, which means that we focus I on a very small niche. But those are choices. I didn't want to find us being attacked in the left-hand column of the *Wall Street Journal*—in someone's exposé of the revolving door. But, no. I do not think that it has become easier to enter public service. To the contrary, and I think that is too bad.

Knott: I wanted to follow up on something that John asked about the '92 campaign. I realize I'm taking you outside your area of expertise, but I'd be interested in hearing your thoughts on just what happened to President Bush in '92. How do you go from a 91 percent approval rate down to 38 percent on Election Day? What you may have seen that led to such an overwhelming defeat.

Hills: It can happen. You can lose your popularity quickly in politics. You can get a spurt in popularity, where people stand with you swelled with patriotism. If you're in an election, you really have to be cognizant that the climate can change fast. I guess I would pin the rationale more on a poorly run campaign.

Knott: You mentioned earlier the three-man team.

Hills: Yes, it was a three-man team. I'd call over there at 5:00 to make a suggestion—everybody had gone home. I thought, *My goodness. I'm not going home until 9:00.* As we did in the Ford administration I wanted to leave my desk absolutely clean. I didn't want anyone to come in and face what I had faced at HUD—nine months after a new law is passed and still no regulations. We cleaned up at HUD so that our successors had nothing to do but move forward when they walked in, literally.

And similarly so at USTR, where we worked extremely hard to try to get things completed. So to call over to the campaign headquarters and find nobody there at 5 pm struck me as madness. I

think people will look back and think that it was a poorly run campaign. It never really got a theme. I think that President Clinton was extremely articulate and got a theme, “It’s the economy, stupid.” The economy wasn’t doing well, and he pounded on it effectively. He gets a lot of credit for his knowledge of the issues across the board, his capacity to articulate, and his dedication to politics. He has a sixth sense on politics. He’s really good at it.

Knott: I suppose you could make the case that President Bush was hurt by the presence of Ross Perot in the race—who made free trade something of an issue.

Hills: Yes. And I believe had he won the election, he would have offered the NAFTA to Congress in February. I think it would have gone through with alacrity. When Ross Perot bought TV time on Memorial Day of 2003. CNN [Cable News Network] asked me to come up and listen to what he said and respond. He bought 30 minutes of what is called an “informational documentary,” and railed against “the great sucking sounds of jobs” going to Mexico. That was a turning point. People began to gravitate around that slogan. Up to that point, there was lots of opposition, just as there was lots of opposition as we negotiated and just as there was lots of opposition as we had to renew Fast Track to cover the NAFTA. But it wasn’t acrimonious, severe, well-organized opposition. After Ross Perot, it was very tough.

And President Clinton didn’t bring the NAFTA to Congress until fall. Congress wants to get out of town in November. People give him a lot of credit for fighting for it, and I guess I should. I give him credit because if he hadn’t fought for it, and we lost it, that would have been a disaster.

Knott: Were you asked to be part of this effort?

Hills: I did help.

Knott: The Clinton administration asked you to help?

Hills: Yes. They invited me to the White House to speak in the East Room in favor of the agreement and to try to sell it. I walked the corridors on the Hill, even though I don’t lobby. This was, you know, a pro bono effort. It was the same thing I did with respect to China’s entry into the World Trade Organization—try to inform members regarding what’s at stake.

You know, in a marketing sense Clinton spoke of the NAFTA in the way a manufacturer might buy a company that makes soap and say, “This bar of soap isn’t perfect, and it probably won’t get your hands very clean, but I’m going to try to fix it.” Now how many people are going to want to buy that bar of soap? And that’s exactly what he did with the NAFTA. He tried to play both sides by saying to his core constituency, “I really don’t like it. But I’m going to fix it. I’m going to graft upon it provisions that are now not there—environmental and labor provisions.”

The side agreements have not been very effective. We had a mechanism to have the Environmental Minister sit down on a regular basis, talk about the environmental issues, and try to resolve them the same way Trade Ministers sit down and try to resolve trade differences. We had lots of confrontation on trade. With Canada—on lobster, and herring, softwood lumber, and wheat—I could go on and on. With Mexico, on a host of things. When John Crosbie, followed

by Michael Wilson, came down into my office and we talked about those issues, we tried to resolve them. We tried hard to find a solution. If you put between Ministers a bureaucratic apparatus, it doesn't begin to have the same effectiveness.

President Clinton was willing to try to support the agreement, but found so many things are wrong that he was going to try to fix. That caused a long delay. All the things he found wrong with the agreement strengthened a constituency that also wasn't happy with it. It put the agreement in grave jeopardy. It finally passed in the fall of '93. Even before it was passed, it had positive effects. The fact that the U.S. had negotiated it stimulated some very positive outcomes in trade and investment, both in the global trade negotiation and regionally.

Schoppa: You mentioned China briefly. I just wanted to get you to talk about what you feel were the most important achievements with the Chinese during the Bush administration? The IPR [Intellectual Property Rights] issues—just to give a more challenging spin to the question—the IPR issues that continue to come up since then—were you satisfied with what was achieved during your term?

Hills: Well, as I said, you're never satisfied with trade. It's like shining silver. You just finish one end of the tray, you go back, and it's getting dark, so you have to keep working at it. Trade is something that takes constant effort to keep it going—and to keep it shiny.

We negotiated two major trade agreements with China. One dealt with market access. I negotiated with Madame Wu [Yi], a wonderful lady, who is now Vice Premier. On market access I took her somewhat on faith, for we agreed to a rolling, five-year market opening on about 10,000 tariff items or more. Certain markets were to be open by December 31, 1992, '93, '94, '95, and '96.

In about 1995, I called up Charlene Barshefsky—to ask, “Have the Chinese lived up to their market access agreement?” Because I was being asked to support their Most Favored Nation treatment for China, I wanted to know. Her answer was “Yes, absolutely—literally to the word.” That was the experience of the World Bank in their deals with China. That was also the experience of a number of international organizations. On market access, we may have a tough negotiation to get there, but when we got there I think they had a pretty good record of compliance. Certainly no worse than many other country I can think of.

Our intellectual property agreement was entered into in the fall of 1992. China did not have laws dealing with patent protection or copyright protection. Those areas were important to us because of our export of CDs and movies, and lots of counterfeiting was ongoing, and partly financed by the PLA [People's Liberation Army]. We achieved a good Intellectual Property Agreement. But shortly thereafter, we were out of office. So the Clinton administration had to ensure that the agreement it was enforced.

China was going through very rapid change. China today is nothing like it was in 1992. In the decade of the '90s, it has made such a transformation. The next administration had to work very hard to get the laws enforced. Even today, with the laws in place and the government sentiment is increasingly with you; the fact is that the country is very large. As they say, “The mountains

are high and the Emperor is far away.” It’s very tough to keep track of all the local and provincial leaders who want to have their hand in the till, or a place in the sun vis-à-vis these unlawful activities. But China is getting better. We have a list of issues where it needs to improve under the WTO. But then the U.S. has a list of issues, and so does Brazil, so does Mexico, and India. It’s not simply one country.

Schoppa: The early part of the administration, you were dealing with a China that was still dealing with the aftermath of Tiananmen Square incident. Did that delay really tackling China issues until the final years of your term?

Hills: Yes, absolutely. The hostility towards China was just immense. But not as great as our hostility towards Japan, where the hostility was commercially and economically driven. In China it was focused on the human rights side. It was very real.

Schoppa: Does that mean that your staff wasn’t even talking at the staff level?

Hills: No, no we had people who dealt with China because we had to protect our economic interests there. But when you talk about them getting most favored nations trade status, there was substantial opposition to the Jackson-Vanik Act of ’74, made freedom of emigration the criterion for whether a Communist country could get Most Favored Nation status. That made sense in context of the Soviet Union. It emanated out of our cold war relationship. The Soviet Union was preventing Jews from emigrating out of Russia and had pogroms that were devastating to the Jewish population. When that problem no longer existed, the Jackson-Vanik Act, which by its terms applied to all Communist countries, but by its terms applied only to those that restricted freedom of emigration, began to be applied for other reasons. Congress used it not according to its terms of pressuring free immigration but to in an effort to levy pressure for change in whatever was politically popular at the time: human rights, freedom to worship, environmental policies. China became the principle focus, requiring the President to exercise his right to waive the restriction yearly. It became an annual rite.

I remember talking to the Chinese. They knew of the story Henry Kissinger tells of his talk with Mao Tse Tung who asked, “Isn’t Jackson-Vanik based upon emigration? Tell me, how many Chinese do you want—10 million, 20 million, 30 million?” But members of Congress were saying nothing about immigration; they wanted China to have a democracy, human rights, religious rights, and a whole host of other policies that they substituted for immigration. And Congress—we used the Jackson-Vanik hearing every year having to renew China’s Most Favored Nation status to raise its complaints.

In fact, every new administration seems to have trouble developing a China policy. You remember, when Clinton came in 1993, he had no China policy. He had campaigned on the fact that he wouldn’t do business with “the butchers from Beijing.” He also said, “I will make their Most Favored Nation status conditional on their improving their human rights record.” Well, what does that mean? That creates very difficult standard. I could say, certainly comparing the Mao days, when China engaged in “the great leap forward” and the Cultural Revolution that clearly in 1993 human rights were much, much better. But how are we going to measure improvement in a single year? What’s the matrix?

Well, it didn't work. In the next year, 1994, he couldn't look the body politic in the eye and say, "See, they're now more like us than they were before. There is now a democracy there." Because there wasn't. So he just gave up on that. But he wasted about two years trying to formulate his China policy.

This administration had a little trouble at the beginning trying to differentiate itself from the Clinton administration. It seems that each administration as it comes in has to find its own sea legs on some of these difficult issues.

Knott: How about Taiwan? I understand you took a mission to Taiwan.

Hills: I did make a trip to Taiwan. That was in December '92. I remember writing the President about it. I was the first Cabinet officer to visit Taipei. It pleased the Taiwanese enormously, and it did lead to our opening its market. The Taiwanese also made tremendous gains—[here is the memo on the Taiwan trip, it was December 7]—in terms of U.S./Taiwan trade relations. It was quite positive.

Knott: There was no other motive there, in terms of sending a Cabinet officer to Taiwan at that particular time?

Hills: No. I had designated Taiwan early on with specific difficulties with trade issues. At one point, we threatened—

Knott: Well, there was an intellectual property issue with Taiwan as well.

Hills: Right. But in addition to that, they had quite closed markets where we couldn't get our products in. And they have gradually opened. Exporters faced many unusual problems—Federal Express, for example, couldn't get space at the airport and thus could not deliver package General Motors had a problem with customs, so it couldn't get cars in through the ports. The intellectual property protection was always a problem. We entered into a bilateral trade and investment treaty, which really did help to clear the air. I think that there was a legitimate trade reason for going. I believe it was helpful in solving a number of our issues.

Also, you know, we not only started the Economic Ministers meeting of the ASEANS. We helped to create of the APEC, [the Asia Pacific Economic Cooperation forum] which was the one forum where China, Taiwan, and Hong Kong sat together. It was very valuable to be able to meet and talk with each of them, and together, since they weren't talking to each other. This APEC forum provided some ability to do that.

Knott: One of the other issues that we have listed in our briefing book that I don't think we've touched on is the whole question of steel quotas. It's still an ongoing issue. I was wondering if you might share with us your observations of dealing with that.

Hills: Well, it's a tough issue. The legacy costs of our steel industry are high. The industry in some areas is not competitive today. When we were there, the new mini-mills were coming on-

stream and they were super-competitive. The old-timers were becoming less competitive. My recollection is that we decided to get rid of the steel quotas. But again, to have a phase-in—we didn't do it overnight; we did it over a two-and-a-half-year period. Some people said that we extended for two-and-a-half years. I always said we phased out in two-and-a-half years.

[laughter]

Schoppa: Related to this was the whole issue of the antidumping policy of the United States. That was directly under the Commerce Department. But it certainly affected, I'm sure, your work as USTR. What's your evaluation of it as it affects American trade policy? Is it an extra point of leverage that can get other people talking about liberalization? Or is it a force of protectionism that doesn't have any redeeming values?

Hills: It's probably closer to the latter. Before I left the USTR, I asked the ITC [International Trade Commission] to do an evaluation of our dumping laws. My successor initially cancelled that study, but the report later was issued. In fact, the dumping laws are filed by individuals, individual sectors, or companies. It is not a government policy where you have good control. There is no initial government decision to move in a particular sector by bringing a dumping action. It is the sector that is the initiating force. What has happened is that our frequent use of dumping has caused them to proliferate around the world, as other governments have copied our laws. Americans were —when I was in office—the second largest target of dumping laws, second to the Japanese. It has become a favored mechanism of protection.

In addition, our laws themselves are probably deficient. We already have a WTO case against our 1916 dumping law. We haven't brought that into compliance. Also the current law, if my recollection serves me, requires a mandated profit margin. There is no one who has ever been in business who would say that even if you have a dip in the business cycle—that you are guaranteed a profit. Fire sales are frequent. Even Christmas sales are frequent. Our dumping laws, even if you believed in them, need an overhaul. I think the methodology is questionable.

Schoppa: The Uruguay Round had some discussion of antidumping remedies. Did you ever have any opportunity to bring American policy more into sync with where you think it should be on this issue?

Hills: This is going to require a negotiation. Our dumping laws are something that every country wants us to put on the negotiating table. They will have to pay to have us do it. I thought it was madness after the WTO had decided that our dumping laws were deficient (since we know and we stipulate that we want to support the trade regime), that we did not put them on the negotiating table, and get paid for doing what we have to do anyway? But that wasn't the tack taken.

Schoppa: At Seattle for instance, or even before then?

Hills: No, the WTO case came down after Seattle. But we are going to have to deal with the dumping laws for they are perverse. That is why, in one sense, the steel tariffs levied by this administration are preferable because they weren't levied under the safeguards provisions. Safeguards are three years in duration. They are the least bad of the protectionist mechanisms.

In context of globalization, as we move forward, people are displaced, things happen, the economy changes. Governments need some sort of a safety valve when there are huge surges of imports and a destruction of a domestic market results. You can't have the safeguard forever. Dumping laws are virtually forever. The U.S. has had dumping rulings that have been applied for years and years and years, even after the economy has changed. Whereas safeguards last three years. Industry can restructure itself in that period of time. The law gives it some time to do that.

Schoppa: If you had this perspective when you were at the USTR, is this anything you tried to push within the administration? As something the Bush administration could have taken the lead on?

Hills: The Bush administration was taking the lead. If you look at our agenda on issues, we were taking a lead on so many things. Dumping laws were not an issue we would lead on. We would respond to another nation's request as part of a negotiation. You don't lead with your sore points, especially when you have a hostile Congress.

Schoppa: And your trading partners didn't oblige by making enough of an issue of it.

Hills: I wouldn't say it wasn't on their list, but top on the list was agriculture. Most nations want market access for things that they could sell. Dumping has become more pronounced by more countries than it was in 1990. It is a greater problem today than it was in the early 1990s. And it will be a greater problem in the future. Almost every country has a dumping law, and most of them don't have any due process connected with it. So, it may be that we may be the demandeur in years ahead to try to correct the dumping laws of others that are impacting us. And the respondents will be those other countries.

Adamson: You've spoken a couple of times in positive terms of the effects of the Enterprise for the Americas Initiative. I'm wondering if you can expand a little bit on that. And another thing that was picked up by the subsequent administration is the Free Trade Area of the Americas. It's announced the same month as NAFTA is. Could you give us a little background on the decision to go forward with that? You mentioned it gave the administration a lot of political capital throughout Latin America. Perhaps expand a little bit on the initiative itself.

Hills: The Initiative for the Americas was announced by the President in conjunction with his announcing his intention to negotiate the North American Free Trade Agreement. In other words, he had a very clear vision about this hemisphere. He wanted the governments of North America to start the negotiations of the North American Free Trade Agreement and then expand it throughout the hemisphere. That gave him a lot of popularity in Latin American countries, but none of them voted. It gave him little popularity in our Congress because members were worried about opening our borders to the goods of poor people southward.

But when you say the next administration followed through—in point of fact, I focused on the Miami Summit in 1994. The successor administration was not fond of talking about trade issues at all. That issue was imposed upon them. The other countries put trade on the agenda, not the

United States of America. We suggested an agenda that focused on drugs, crime, immigration, and that sort of issue. And they said, “We want trade.”

The result of the Miami Summit was the agreement of the 34 democratically elected leaders in this hemisphere to negotiate a Free Trade Agreement of the Americas. I applaud the Clinton administration for its willingness to go forward with that initiative. The problem was that at that moment, Fast Track had expired. The U.S. can’t negotiate a trade agreement involving multiple parties without Fast Track any more than you can make a loaf of bread without flour. The Clinton administration never was willing to spend the political capital—admittedly it would be political capital—to get Fast Track. From 1994 on the U.S. was sidelined. So it’s wonderful to talk about a Free Trade Agreement of the Americas, but if you can’t negotiate, then you don’t get to where you have promised to go.

Fortier: I wonder if I could ask a general question about the President weighing in on issues. Obviously, some things were going to come to disagreement with other members of the administration—something was going to come to him. You gave the example of the Agriculture Secretary and how you had to walk over to the White House, even though he didn’t show up—

Hills: He came with me.

Fortier: Right. Bush didn’t come to the meeting to weigh in; he may have been traveling. But the rest of the administration—

Hills: He may have been out of town, but we got a decision there.

Fortier: Can you think of some other instances where the President didn’t weigh in?

Hills: That was the most dramatic. Normally, if I had had more time—had I not been facing a sea of press—I would have tried to sit down and negotiate with my colleague Madigan, and perhaps lobby some of my other colleagues. To-do that would have required more time to deal with the issue. But the fat was in the fire. I mean, I opened the door and—*[laughter]*

Fortier: It must have been a great feeling.

Hills: Yes, I couldn’t believe it.

Schoppa: Madigan’s concern was?

Hills: That he couldn’t sell it to his farm constituencies.

Schoppa: It wasn’t enough of a liberalization by the Europeans compared to what the American demands had been initially?

Hills: That, and he said, “I just don’t think I can sell this.” You know, he was not as forward leaning on trade as Clayton Yeutter. He came off the Hill, and probably was very conscious of the problems he would have on the Hill coming from this agreement.

Knott: We played a name game before, and we left one out: Roger Porter.

Hills: Yes, I think very well of Roger. He is now up at Harvard, spending a lot of time thinking about the organization of government. I did talk to him a lot. I knew him from the Ford administration, so we were good friends. Indeed, at the outset, I asked him to be my deputy, and he accepted. So I was going to have Jules and Roger as deputies. Then the White House asked him to take a position and kind of leaned on him. So he went over to the White House. I was pretty cross with him—for about 24 hours.

He was awfully helpful because he too cared also about open markets. He would tell me what was going on at the White House. He didn't miss too much about what was coming in and out of the White House. That was helpful. He was in the Ford administration. He understood the value of the transparency I described earlier. He tried to duplicate it in the Bush administration. I think if you asked him—I don't think I have—he would say the way the Ford White House worked in terms of focusing on issues, really was a model of excellence. I think he tried very hard to duplicate that.

Knott: We're going to, again, take you outside of your area of expertise. We've had some testimony to the effect that, as the '92 election approached, a number of the members of the Bush administration were concerned that the President did not have a domestic agenda. I'm thinking of people like Jack Kemp, I guess Louis Sullivan, maybe James Pinkerton, and others. They tried to come up with this "domestic paradigm," I think they called it. They just couldn't get anywhere with it, so the story goes. They tend to point the finger, I believe, at Richard Darman. I was just wondering if you might comment on that, if there's anything to that, from what you heard during your time in the administration.

Hills: I think there was frustration that we didn't think the President was putting his best foot forward. Jack Kemp is a wonderful guy. He was over at HUD. But he wished so much to be central to the economic arena—probably either at USTR or at Treasury. Maybe he wanted Mike Boskin's job, I don't know. He had a certain kind of ideological fix on supply-side economics, too. Probably if he tried to put together a particular paradigm or package, it might have been kind of off-putting to the President because you wouldn't call him an ideologue; he is what I'd call a centrist thinker—listening to ideas all over the spectrum. I didn't know that Lou Sullivan had hooked up with Kemp on anything. I didn't really focus on what they did, or what they were saying. Perhaps I could have my recollection refreshed. But George Shultz is right. You forget a lot about a lot. Unless you can look back through these memoranda and you can see how issues were presented at the time.

Knott: One of the people—I don't think his name has come up once today—is Vice President [Dan] Quayle. Did you ever go on any trips overseas with the Vice President?

Hills: No, but I briefed him. I tried to help him on trade issues.

Knott: Obviously, he had some pretty negative media at the time and since. What was your impression of him?

Hills: The President probably didn't do the kind of staff work on his selection that I would have recommended. When you stop to think that in Indiana you had two Senators: on the one hand you have Dan Quayle and on the other hand you have Dick Lugar. If you wanted to have a man from Indiana, an interesting choice, and one who was fully qualified to be President, I would have thought first of Dick Lugar. However, in defense of Quayle, I could say that the *National Journal* in 1989 named Dan Quayle as one of the up and coming new young Senators. He got plaudits for his knowledge of defense. My recollection of his performance—and I talked to him about trade issues—was that President Bush would have done better with Dick Lugar.

Fortier: The transition out of office—what can you say about that? Did you meet frequently with Mickey Kantor? Did you meet with others in the Clinton administration? You were transferring power out—

Hills: I tried to be as helpful to Mickey as Clayton was to me. I tried to bring him in, talk to him about people in the building. I wanted him to understand who I felt was superior—which was most of them—and what the issues were. I hosted meetings in our conference room before he was sworn in so that he could get to know them through briefings on issues and give them an opportunity to get acquainted with him.

He and Clinton, at the White House, called me from time to time when they wanted Republican support on an issue—like China, the NAFTA, and the Uruguay Round. I would be invited to the White House to participate, for example to speak for the NAFTA. I was asked to speak in favor of the Agreement and to help get support.

I still participate in yearly CSIS [Center for Strategic & International Studies] programs involving all the living prior USTRs to talk about trade policy. So I see Mickey, and Charlene, and Clayton, Bill Brock and Bill Eberle.

Knott: Do you gather regularly? The Congressional liaison people meet a couple times a year, almost as an alumni association. Do you have something similar to that?

Hills: No, but groups—CSIS for the past five or six years has had a program in February with the former U.S. Trade Representatives. They ask each one of us to talk five or six minutes about a particular sector, such as whither goes Doha for example, or what is going to happen with FTAA—that kind of thing. So we see each other there. A few years ago, Clayton moved out to Phoenix and he's now moved back, so I see him more now than I saw him before. He was gone for a couple, three years.

Knott: What do you feel was your greatest accomplishment as USTR?

Hills: Well, I suppose most people would say I would have to claim NAFTA because it was a negotiation that we took from beginning to end. I have a lot of pride in that agreement, because of not only the very positive effects that it had for the three participants, which have been lasting, but because of the positive effects that it had globally, in other regions, and on the Uruguay Round.

I think we also deserve applause for advancing the Uruguay Round almost to completion. On the other hand I would say that my predecessors Bill Brock and Clayton Yeutter deserve credit for they launched and brought the negotiations forward. Trade negotiations are kind of like farming: one USTR plants it, the next one waters it, it finally gets harvested, and no one can take all the credit.

Knott: You've mentioned a couple times today that you think we're in something of a crisis today. Could you elaborate on that?

Hills: After World War II, the Democrats and the Republicans were nearly unanimous and persuaded that economic interdependence and global integration constituted a strategy to raise standards of living and increase stability. Confidence in that view has diminished, frighteningly so. Since the Seattle Ministerial in 1999, the antiglobalists have gained momentum. They are connected by e-mail. It doesn't matter if the meeting is in Cancun or Genoa—they are there to march. It's not only against the World Trade Organization. It's against the G7, or the G8 or the G9, or the IMF [International Monetary Fund], or the World Bank. They are against international institutions, capitalism, multinationals, trade—you name it.

When you listen to their rhetoric it is so discouraging because it's so wrong. And yet they have the short, catchy and wrong bumper stickers. Some of us who understand that “No More NAFTAs” doesn't make any more sense than to say “No More Food.” But our explanation doesn't fit on a bumper sticker. Their slogans are easy to remember and various groups peddle them. When you ask them why, they say, “We're against international capitalists” or “capitalist cronies” or “capitalist neo-colonialism.” So few are standing up and speaking in opposition. Some think tanks are. From time to time, they get out a paper. But the media is not anxious to expose the emptiness of their arguments. And trade proponents are waiting for some other sector should do it.

I say all of us who favor open trade should do it. Because if you go back to the longest previous period of globalization, which probably ran from 1850 to the First World War, it is clear that government policies can shut down economic globalization. Many people who are thoughtful think that we were even more globalized economically then—things moved slower, but proportionately more things moved—including people without passports. So, if you were poor in one country—and there was a famine—you might sign on as a cabin boy to wherever you had hope and aspiration. That has stopped.

After World War I, we had a decade of exuberance in the stock market, a crash, a great worry about domestic jobs, and incremental protectionism that led to the Smoot-Hawley Bill. But it didn't come overnight. Europe and the United States ratcheted up gradually, to the political call of protecting the outsourcing of jobs. Our infant industries were terrified of Europe's manufacturing powers. They were terrified of our agricultural powers. Half a decade later we were at war.

If you fast-forward, after World War II we had until about 1975 an absolutely spectacular period of growth globally, where economic growth was the fastest in history, and reasonable growth

through the '90s Millions of people were lifted out of poverty. We had some financial crises in the '60s, '80s and '90s, but we literally had four decades that saw steady market-openings that resulted in tremendous economic growth. In 1989 we saw the fall of the Berlin Wall, and we again had a decade of remarkable exuberance in the stock market. In 2001 we had a sharp retreat in the market; it has come back some, but still, the global economy is not so robust that you would be willing to bet the homestead that it's going to be vibrant in the decade ahead. There has been tremendous stimulation—both fiscal and monetary—in the economy. And whether this is like the proverbial great goat going through the snake, or whether this will last and the snake will find other rabbits to eat, we just don't know. There is great uncertainty. People are concerned about jobs. We have security risks that are quite real. These security risks are aggravated by poverty that is too severe in too many countries. I believe that if more people understood that trade agreements make a difference not only in their ability to create wealth and generate prosperity, but also to encourage rule of law, respect of property, and democracy, they would support trade. If more people understood that they were actually getting greater security for themselves by opening their markets, besides getting cheaper products that make their dollar go further, maybe we could do better.

I point to the Jordan Agreement. We got them into the WTO in '98, and they began a series of economic reforms required by their accession agreement. We entered a bilateral free trade agreement with them a little more than a year ago. In that four or five years of opening their markets, they have gone from \$16 million of exports to over \$400 million. They've created a 40,000 jobs, and they are a much more secure country.

If that strategy could be used to provide opportunity to some of these poorer countries, it would make a tremendous difference. But if Congress is going to fiddle-faddle over whether we protect the last bolt of yarn that is being made in the United States—after we refuse to take their cloth—our rules of origin are really remarkably protectionist. If we are not careful, we could find ourselves repeating what happened in the early part of last century. It seems to me that we have something of a real crisis.

We have another challenge, and that is to bring in those countries that have not joined the WTO. It's one thing to get countries like Jordan in, but half the Arab League is not in the WTO. Talk about despair and hopelessness and poverty, and lack of rule of law and transparency. Then you add to those problems the fact that they can say, "We want to sell you our cotton. Egyptian cotton is better than your subsidized cotton—where you're paying your cotton producers more than their crop is worth. We want to sell you our orange juice or sugar." And we say no. Something is wrong with this picture. That is why I think we're at a crisis level regarding global trade, which is more important today than it has been since World War II.

Knott: Is it fair to say that you've been disappointed with the current Bush administration?

Hills: No that would not be fair to say. You know, the politicians can only do what the population will permit them to do. The President, and his economic team, could do more to lead on the marketing of the value of trade, but I think others should do much more too. Think tanks, universities, our businesses and others in the private sector all have an obligation. They all benefit and they should do much more.

Knott: We've had about ten years of Republican control of the Congress. Have Republican Congresses been as antitrade as their Democratic predecessors?

Hills: Probably not, although there are plenty of Republicans who are antitrade. You mentioned Pat Buchanan, for example. Certainly Duncan Hunter is no supporter of free trade. But most Republican Presidents favor open markets, and many Republican Congressmen want to support their President. So in that sense you should have a better crack at moving forward. But I still say that seven years without Fast Track was extremely harmful for our country and a terrible legacy of the Clinton administration. To turn that situation around, it forced the new Bush Administration to buy the votes through such actions as agreeing to steel tariffs and to the bloated farm bill that would not be appealing to it under normal circumstances—We will have to live through this period, just as we had to live through some of the restrictions we put on steel, machine tools, and a host of other things in the early '80s.

Schoppa: During the first Bush administration, the ratcheting up of Super 301, kind of aggressive unilateralism tactics, turned out to be something that Americans could bargain away in exchange for other things that we wanted—that you talked about.

Hills: The first Bush Administration didn't pass the Super 301 law. The Democratic Congress passed it, and we were sworn to uphold it.

Schoppa: “We” meaning the Americans. This did turn out to be something that could be bargained away. The Japanese were more willing to open up their rice market—or turn it into tariffs—partly because they knew the new Uruguay Agreement had these provisions to limit the use of Super 301 in the future. I'm interested in whether you agree with that characterization. That's part of the strategy of bringing the Uruguay Round to a close and just connecting with what we've been talking about. Whether you think that the big Farm Bill and some other things that went on early in this Bush administration are going to turn out to be things that we can bargain away at Doha, to bring that to a close.

Hills: The subsidies and supports in the 2002 Farm Bill we'll probably be able to bargain away. It costs some international political capital. One of the reasons we were able to persuade our trading partners in the Uruguay Round to move forward was because we carried high the banner of opening markets, meaning we led by example. Although we had the tariff peaks that hurt poor countries, of the major trading nations, we were the most aggressive in trying to open up markets.

We went into these Doha negotiations with a tarnished image. We had been sidelined for seven years without fast track; then came the steel tariffs, the Farm Bill, and then our recalcitrance over the pharmaceutical deal for poor countries. The last straw was our deal on agriculture with the Europeans a month before Cancun. So if you juxtaposition all of that to where we stood in Brussels in 1990, which collapsed, in Brussels we were seen as pressing for open markets. We had linked arms with the Cairns Group, made up of Brazil, Australia, the ASEAN nations, all the exporting nations of agriculture, and mostly poor. We were a banner carrier. We were prepared to eliminate these restrictions. So we could urge them to give us the political capital to sell the

deal at home by opening in services, investment and in our other areas.” Today we are seen as less of a banner carrier for open trade.

When I travel abroad—and I do that a lot—people say, “The U.S. has lost its free trade credentials. Your nation’s free trade reputation has been tarnished. You are down there at the level of Europe. You don’t want to open your agricultural market. You don’t want to help the poor countries with their HIV AIDS. You’ve imposed steel tariffs.”

They don’t want to listen to why our government might have been pushed—because of domestic political reasons or why we have taken these positions. All they know is that from World War II we were the leader in opening markets. We were saying, “Come on up, over the hill.” And now they see us at the bottom of the hill. We are no longer seen as one of the great standard-bearers for free trade.

I think that is worrisome. We need to be a banner carrier for open trade to persuade our citizens domestically, for our own economy to work well. We produce much more than we can consume. We need to trade. We also need to be a banner carrier because we need to have other countries open their markets.

Schoppa: It’s interesting that you’d put such weight on the moral authority giving the United States a bargaining advantage versus the kind of material trading away of trade barriers.

Hills: I think the moral authority helps enormously. One reason is that our average trade barriers are already quite low relatively speaking. Our tariffs average less than two percent. As a result, we have less to put on the table to trade away. In addition, the trading away of barriers can be a moral issue, or it can be a purely commercial issue. Open markets give everyone more opportunity. The U.S. can sell more heavy farm equipment and Brazil can sell more orange juice to the U.S. But when you talk about poverty alleviation in Western Africa, the building of democracy in China, the enhancement of security in Jordan, you get very much into foreign policy and moral issues.

Knott: This is a Bush oral history. Let’s assume that someone is reading this transcript in 50 to 100 years. I like to ask this question at the end of every interview. What would you want somebody generations from now to know about George Herbert Walker Bush?

Hills: He is—and was—a very decent man. He was and is sensitive to global issues and, I think, was a very good President. He had a moral compass. He knew the direction in which he wanted to go and thought he should go. He tried very hard to stay on that path. He was less deterred by political distractions that necessarily affect the office than many Presidents. One might even say most, except my benchmark is Ford. Bush had also of that integrity, very much so. He is a splendid human being.

I think it’s important for a President to have a moral compass. To say, “Beyond these bounds, I will not go, and to have direction, and say, “this is where I want to go.” It doesn’t matter if you have four or more major principles. But you can’t stray all over the map or you’ll be extorted beyond belief. And if you start buying votes, it’s contagious. Every member of Congress will has

his or her hand out. There have to be some constraints. If the President says, “I’m going to build a bridge in your district,” another member can’t go home and not get a bridge. And if the President promises to protect textiles in your district, another member can’t go home and argue to open up orange juice market, because his constituents will say that he has failed to respond to their interests; that he couldn’t negotiate with the administration. So there have to be some clear lines over which the President will not step. It doesn’t mean there is never an exception, for compromise is part of politics. Still, I think having a moral compass is indispensable to being a great President.

Knott: Have you kept in touch with him in the 11 years since the administration of President Bush?

Hills: I talked to him about three days ago. Every once in a while he calls me and says, “I hate to impose on you, but—” and then he has a question. And I write back saying, “You know, it’s my honor to be a resource.”

Knott: Has this administration asked you to play any role—official or unofficial?

Hills: Yes. Not in trade, but yes.

Knott: You don’t care to tell us what those were?

Hills: I will wait for the next history.

Knott: OK. Any other questions? This has been very enlightening. I want to thank you for your time. It’s been a long day, although not as long as the 14 days in the Watergate.

Schoppa: That wasn’t you, that was your deputy.

Hills: No, that was I. To wind up an agreement, the USTR has to be there. I didn’t tell you about the story—when it got to be a really tense period at the Watergate. Jaime Serra and I were in a room. Jules may have been there too. Mike Wilson got up, threw down his papers, and walked out. We saw him walking on this pathway around the Watergate Hotel, right on the Potomac. I said to Jaime, “We’ve got to take a break.”

I called my staff. It may have been my Congressional staff, Mary Tinsley. It may have been Josh Bolten. I said, “I’ve got to take these guys somewhere tonight. See if you can get tickets to the Kennedy Center. Let’s get our mind off trade because it’s just getting a little fractious.” I was told that The Kennedy Center was dark. I said, “OK, where do you take somebody?” Josh said, “Take them to Camden Yard to the baseball game.” I said, “I have done enough for my country!”
[laughter]

Then I said, “OK, see what we can get at Camden Yard.” The owner gave us his box. I come back in and say, “Jaime, I’ve got a great idea. I’m going to take you to dinner, up to Camden Yard, and we’re going to watch the baseball game.” His face drops. He’s a soccer nut but couldn’t care less about baseball. But Michael Wilson, a Blue Jays fan, was stalking the Orioles

for the Blue Jays, and the Oriole, and the two teams were playing against each other the next week in Canada. So, anyway, the deal is we go. I ride up to Camden Yard with Jaime. He says, “Do I have to get dressed up?” I said, “No.” He said, “Well, I’ve got this red sweater—oops, it’s got a big hole in the sleeve!” In this briefcase that I carry I have one of those travel-sewing kits. I said, “Look, not to worry, give me your sweater.” And I wrap the red yarn and sew up the hole in his sleeve.

We get to Camden Yard—it was really very nice, I have to say. I had never been there before. We’re sitting there, and in about the second inning Jaime leans over and says, “Can we go home?” Meanwhile, Michael’s hanging there, so entranced, having the best time. So I said, “No, you may not go home. You haven’t had dinner.” In about the fifth inning he comes and says, “Can we go home?” I say “Absolutely not. We haven’t had dessert.” So at the top of the sixth inning, he says, “Can we go home?” And I say, “OK, I understand you’re tired.” In any event, we assembled our team. Michael Wilson is weeping—he doesn’t want to go, “No, Mom, I don’t want to go....” [*laughter*] We straggle out and when we are outside there’s this huge roar from the crowd—a triple play. Michael could have killed me. Jaime didn’t know what a triple play was. I didn’t know what a triple play was, or care much more. We’ve all stayed close friends. It really was wonderful. It was a good time.

And John Crosbie—we had a dinner in New York. When we announced the negotiation with Mexico, it was to be bilateral. But the Canadians called up and they wanted to participate. The Mexicans said, “You know, the Canadians almost lost an election over your agreement. We don’t want them to mess up our agreement.” I talked to the President and he said, “Well, I don’t want to make the Canadians unhappy.” There is actually a note in here from the President saying, “How do the Canadians feel about that?”

As a result, the three of us had dinner. John Crosbie from Newfoundland, Jaime Serra, and myself. We worked out a deal and all signed the menu. It actually was a very fun dinner. We agreed what we would say to the press. It was not, “If Canada dropped out, then Mexico and the United States would go forward,” but rather, “If any party dropped out, the other two could proceed.” It worked pretty well.

Schoppa: Which restaurant was that?

Hills: I think it was the Rainbow Room. I think it was a private room somebody arranged, not one of our regulars.

Knott: Do you ever plan on writing about your experiences?

Hills: I have not thought about it. At some point, I might. If I had my spiral notebooks—it would make it a whole lot easier.

Knott: Do you mind telling that story? I don’t think we have that on tape. Do you mind telling that on tape?

Hills: No. I kept spiral notebooks that recorded my meetings with various leaders: Ambassadors, Trade Ministers, Congressmen, business leaders—who came in, the date they came in, what their issue was, and how I left the issue. After I had 10 or 12 of these notebooks accumulated, we were receiving so many frequent freedom of information requests from the Hill to provide all documents that had any mention of—fill in the blank. My general counsel came in to say, “Do you have a record of your meetings?” I said, “You know very well I do; I have my spiral notebooks.” He said, “Well, diaries and spiral notebooks would be included. Do you want all of what is in those exposed and leaked to the press?”

I thought of some of my kinder comments I made about my visitors and thought, *No, I do not*. So I threw my spiral notebooks into the trash in front of my general counsel. They were shredded and that was the end of my great record of history.

Knott: That’s the kind of testimony that oral historians love to hear.

Hills: I’m astounded that I found these. It’s absolutely a miracle. If we hadn’t moved our offices in October I would have never found them. They were in a bottom of a box. I must have 15 binders like this of speeches. Speeches from HUD and speeches from USTR. They all look the same as I was carting them all off to move into the new space. I was trying to get rid of everything I could. I thought, *What are these?* And lo and behold. So it is a good thing that I was not prompt in responding to your request. [*laughter*]

Knott: Well thank you again. It’s been very enlightening.

Hills: My pleasure. You started on time and ended on time. That makes you a good chairman.