
Triumph! NAFTA and the WTO

The early 1990s were big years for American trade policy. Two landmark agreements were completed and then implemented by Congress. One of them—the North American Free Trade Agreement (NAFTA)—set off the most prominent and contentious domestic debate on trade since the Smoot-Hawley Tariff Act of 1930. The second—the Uruguay Round under the General Agreement on Tariffs and Trade (GATT)—broke new ground in three major ways: the comprehensiveness of its coverage; the number of countries signing onto its main obligations; and the creation, at long last, of a World Trade Organization (WTO) with strengthened dispute settlement procedures.

The same years featured other important trade action. There were contentious talks with China: over human rights improvements as a condition for extending most favored nation (MFN) status and over Chinese violations of international norms of intellectual property. The Clinton administration, which entered office in 1993, also took an aggressive new tack on economic issues with Japan, generating new conflict and modest results. However, it balanced this bilateral aggressiveness with an active consensus-building role in the Asia Pacific Economic Cooperation (APEC) forum, whose 18 members committed themselves to achieving free trade by the second decade of the 21st century. Western Hemisphere nations followed by establishing 2005 as their target date for completing a NAFTA-type arrangement among themselves.

The evolution of trade policy was not entirely in the liberal direction. Antidumping laws, for example, survived a major international reform effort without significant change in their net impact. But taken as a whole, the period was one of major policy and political victories for advocates of

trade expansion. Protectionists were unusually vocal and visible, but they ended up losers.

Back from the Precipice

Before its triumphs of the early 1990s, of course, US trade policy had to get through the 1980s. Fortunately, in the middle of that decade, even as the trade politics steamroller seemed to gather speed, the economics were changing direction. The dollar peaked in late February 1985, and dollar depreciation became the declared objective of the advanced industrial countries in the Plaza Agreement the following September. By the last quarter of 1986, the *constant-dollar* US trade deficit (reflecting all-important volumes of goods) began to decline. A year later, the *nominal* deficit followed. American exports surged—doubling between 1986 and 1992. Not until 1991 would the total merchandise deficit fall below the magic number of \$100 billion, to \$74.1 billion, but the ratio of imports to exports dropped over this period from 1.65 in 1986 to 1.18 in 1991.

During 1980–85, the trend had been quite the opposite. The trade deficit shot up from \$26 billion to \$122 billion, dwarfing the previous peak deficits of \$6.5 billion in 1972 and \$34 billion in 1978. Some of this reflected inflation and increased trade volume, but what was alarming was that the US imbalance was proportionately greater with each cycle. US merchandise imports were 113 percent of exports in 1972, 124 percent in 1978, and 157 percent in 1985.¹

Moreover, these record current-dollar trade imbalances understated the real changes in product flows, and hence the impact of trade on US producers, because the super-strong currency depressed the dollar prices of imports. Measured on a price-deflated basis, total merchandise imports rose from 18.9 percent to 25.8 percent of US goods production between 1980 and 1986. And between 1980 and 1984, exports plunged as a share of goods production from 18 percent to 14.8 percent,² a drop nearly as great as that precipitated 50 years earlier by the Great Depression and the Smoot-Hawley Act.³

1. Imports would reach 182 percent of exports in 2004.

2. These percentages are based on production and trade in 1982 dollars, as reported by the Bureau of Economic Analysis, Department of Commerce. See *Economic Report of the President*, February 1991, tables B-7 and B-21. The careful reader may notice that these figures differ from those in the first edition, which were calculated using the 1972 dollar data then available. The pattern between 1970 and 1980, by contrast, was of a significant increase in the proportion of both imports and exports: the former rose from 14.7 percent to 18.9 percent of US goods production, and the latter surged from 11.7 percent to 18 percent. This growth was part of an enormous expansion in the volume of trade worldwide.

3. Between 1929 and 1933, price-deflated merchandise exports dropped from roughly 9.6 percent to 7.6 percent, or by 21 percent, as a share of US goods production. Between 1980 and

Thus, American producer interests that normally had the strongest stakes in trade expansion found themselves at a serious disadvantage in overseas markets, even as foreign products surged into US markets. Consequently, even as many more industries hurt by imports sought trade protection, the political counterweight weakened as exporters lost market share and grew demoralized.

And trade restrictions grew, particularly in the form of “special deals” for “special cases,” arranged by the executive branch. Automobiles, the largest and long the proudest of US manufacturing industries, sought and won voluntary export restraints (VERs) enforced by Japan in 1981. Sugar import quotas were reimposed in 1982. Carbon steel restraints were negotiated with the European Community in 1982 and with other major exporters two years later. Meanwhile, producers of motorcycles, specialty steel, and wood shingles gained temporary protection through escape clause proceedings, machine-tool makers won a presidential import relief decision on national security grounds, and the textile industry won several tightenings of quota restrictions.

Taken together, these cases meant a substantial expansion of the proportion of the US market governed by “managed trade.”⁴ It seemed to vindicate the conclusion of many contemporary observers that, in the words of a 1985 *New York Times* editorial, “industry by industry, the battle to maintain open markets is being lost.”⁵ But quantitative estimates showing substantially increased overall US protection rested overwhelmingly on the automobile restraints. And while these remained technically in

1984 they dropped by 18 percent. Percentages are computed from data in 1982 dollars. See *Economic Report of the President*, February 1991, tables B-7 and B-21.

4. Bela and Carol Balassa found just 6.2 percent of US manufactured imports subject to visible quantitative restrictions in 1980; in 1981–83, an additional 6.52 percent of US imports came under such restraints. Bela and Carol Balassa, “Industrial Protection in the Developed Countries,” *World Economy* (June 1984): 187. For the product breakdown, see their “Levels of Protection on Manufactured Goods: The U.S., EC, Canada, Japan,” 1984, processed.

Gary Clyde Hufbauer and his colleagues calculated that “US imports covered by special protection,” including high tariffs as well as quantitative restraints, rose from 12 percent of total imports in 1980 to 21 percent in 1984. Gary Clyde Hufbauer, Diane T. Berliner, and Kimberly Ann Elliott, *Trade Protection in the United States: 31 Case Studies* (Washington, DC: Institute for International Economics, 1986), 21.

5. “Even Out the Free Trade Pain,” *New York Times*, 14 January 1985. Even then, of course, the increased imposition of legal impediments to imports represented in part a rear-guard, defensive reaction to the ongoing internationalization of the US economy. In this sense, it was perhaps a testimony to the success of liberal policies rather than a harbinger of their failure. A related interpretation is that of Charles Lipson, who asked in 1982 why “world trade has continued to grow while trade restraints have been tightened.” He concluded that the new barriers were in mature, basic industries, while trade expansion had come mainly in growth sectors where industries have differentiated products and high R&D expenditure. See Lipson, “The Transformation of Trade: The Sources and Effects of Regime Change,” *International Organization* 36, no. 2 (Spring 1982): 417–55.

force into the early 1990s, the quotas were enlarged by 24 percent in 1985, and by the end of the 1980s they had lost their bite.

Restraints on textiles retained *their* bite, of course, notwithstanding the failure of the industry to win statutory protection. And the number of products subject to countervailing or antidumping duties rose 42 percent between mid-1983 and the end of 1990. There was also, as discussed in chapters 5 and 7, a new precedent for managed trade in semiconductors under the US-Japan agreement reached in 1986 and renewed in 1991. In summary, however, the most reasonable conclusion is that American trade protection increased sharply in the early 1980s but receded somewhat thereafter. The Reagan administration, which had granted much import relief in its first term, gave surprisingly little in its second.

A major reason was that, by late 1986 the trade numbers had begun to improve: The constant-dollar ratio of exports to goods production rebounded to 15.2 percent in 1986, 19.4 percent in 1988, and 23.2 percent in 1990.⁶ And as the trade balance improved, the political balance did likewise. American exporters reentered the political fray to support liberalization and fight proposed laws that might impede open trade. Their boom was beginning, and they wanted it to continue.

Even at the peak of their activism, congressional leaders were reluctant to reclaim direct, product-specific authority over trade policy. They failed to override a presidential veto of textile quotas in 1986, as well as in 1988 and in 1990. They did initiate, and push to fruition, the Omnibus Trade and Competitiveness Act of 1988, the first major trade bill *not* originating with the executive since the days before Smoot-Hawley. But Congress excluded product-specific measures from that law, and watered down measures aimed at further tilting the trade remedy laws. The act's main theme was not protectionism on imports but aggressiveness on exports. And though the prime vehicle of this approach, Section 301, has been widely and bitterly denounced abroad, it appears to have had a net liberalizing effect on world trade, and to have been tolerated by America's trading partners.⁷

The latter 1980s also saw a reassertion of executive branch trade leadership. This began on 23 September 1985, the day after the Plaza Agreement, with President Ronald Reagan's White House speech calling for "fair trade" and announcing that the administration would, for the first time, initiate unfair-trade cases against foreign firms and governments. And if, under the circumstances, US Trade Representative (USTR) Clayton Yeutter was inevitably in a defensive posture, his successor—Carla Hills—was

6. The parallel imports/production ratio also kept rising, albeit at a slower pace, from 25.8 percent in 1986 to 28.2 percent in 1990.

7. Thomas O. Bayard and Kimberly Ann Elliott, *Reciprocity and Retaliation in U.S. Trade Policy* (Washington, DC: Institute for International Economics, 1994).

able to take the offensive. Turning statutory mandates into opportunities, she pressed specific trade cases with Japan and other nations, even as she softened the hard edges of “Super 301.” Consulting assiduously with Congress in general, and the trade committees in particular, she could declare the Uruguay Round her “top trade liberalization priority” and subsequently win plaudits on Capitol Hill for her willingness to walk away from the negotiating table when the requisite deal did not materialize.

Hills’s enhanced credibility helped make possible the extension of fast-track authority in the spring of 1991, as Congress renewed one more time its delegation of negotiating power. Thus was continued the notable, interbranch political innovation of the 1970s, which made it possible for the United States to negotiate and implement nontariff trade agreements. Extension of fast-track authority renewed the possibility of constructive US leadership in the Uruguay Round, just as the procedure had made possible the completion of the Tokyo Round. The vote of confidence was all the more impressive given the stalemate at Geneva and the new issues raised by the proposal by President Bush and Mexican President Carlos Salinas de Gortari for what became the North American Free Trade Agreement (NAFTA).

So the system held. Congress pressed its priorities—its predisposition toward toughness—but refrained from reclaiming, directly, the primary trade power granted by the Constitution.⁸ Protrade interests rose to counter the forces for restriction. The USTR, armed with new statutory powers, had once again vindicated its anomalous, but critical, brokering role. Just as in the 1970s it had secured legislative authority for the Tokyo Round and brought that round to completion, so it had in the 1980s resisted trade protection, launched the Uruguay Round, turned congressionally forced unilateralism to domestic and international advantage, and won continued delegation of congressional trade authority.

The USTR entered the 1990s with a continuing—and in some ways strengthened—central role. As set forth in chapter 5, Hills was unable to complete the Uruguay Round talks before President George H. W. Bush’s term expired. But she did complete NAFTA, and this presented the first major trade-political challenge to Bush’s successor, William Jefferson Clinton.

From Candidate to President

Republicans were overwhelmingly positive about the NAFTA negotiations; Clinton’s party was divided but leaning against, as reflected in

8. For an extended discussion of why such restraint may serve legislators’ political interests, see I. M. Destler, “Constituencies, Congress, and US Trade Policy,” in Alan V. Deardorff and Robert M. Stern, *Constituent Interests and U.S. Trade Policies* (Ann Arbor: University of Michigan Press, 1998), 93–108.

House Democrats' 170–91 vote against fast-track renewal in May 1991. Thus, once agreement was reached, Bush pushed candidate Bill Clinton to take a stand one way or the other (and thereby alienate part of his party). In October 1992, Clinton responded with a major speech endorsing NAFTA, rejecting the idea of renegotiating the text but declaring it insufficient in dealing with three issues: the environment, worker standards, and the threat of sudden import surges. He called for negotiation of side agreements for each of these three. Through this politically adroit response, which gave something to both sides, Clinton solved his campaign problem. But the cost would prove dear once he entered office, for the speech encouraged NAFTA opponents to believe that he might reconsider his support, since he could always declare that satisfactory side agreements were proving unattainable.

In any case, Clinton entered office with two major pieces of unfinished trade business: to implement NAFTA, assuming suitable agreements could be reached on labor and the environment, and to complete the Uruguay Round. He had not, in his campaign, given special attention to trade policy, but he had given top billing to the economy, hammering away at the weak recovery from the Bush recession, and to the longer-term problem of stagnation in middle-class incomes. He had signaled, moreover, that he intended to elevate the weight given to economic interests in US international relationships.

Charged with the task of bringing NAFTA and GATT to fruition was Clinton's national campaign chairman (and Democratic party activist) Mickey Kantor. Kantor was smart, experienced as a bargainer in his legal and political careers, and a *tabula rasa* on trade. In choosing such a person for US trade representative, Clinton was emulating his three predecessors. None of their initial designees—Robert Strauss, William Brock, and Carla Hills—had been identified with trade policy before being chosen for the post. And in so acting, Clinton passed over trade policy veterans clearly associated with the free trade and protectionist camps. Both continuity and trade expertise, however, were provided by the designation of Rufus Yerxa as deputy USTR with prime Washington responsibility for the Uruguay Round. Yerxa had served as the Geneva deputy during the Bush administration and prior to that as senior staff aide to the House Ways and Means Committee.

In its initial months, the Clinton administration sent off mixed signals, both substantive and organizational. The president gave a free trade speech in February but appeared to be supporting in March a steep rise in tariffs on minivans⁹ and became identified—beginning in April—with a

9. Technically, the question was whether minivans should be classified for tariff purposes as passenger cars or light trucks. Established practice was to treat them as cars, since they had, in practice, replaced station wagons in the US market. This meant a tariff of 2.5 percent. If

“managed trade” stance in negotiations with Japan. He gave Kantor the principal mandate for trade policy implementation but created a National Economic Council (NEC), parallel to the National Security Council (NSC), to raise the priority to overall economic policy, international as well as domestic. The NEC’s trade role was distinct from USTR’s in theory—coordination and oversight, not negotiations—but it overlapped in practice. Clinton appointed a “cautious trade activist,” Laura Tyson, as chair of his Council of Economic Advisers (CEA), a move widely interpreted as a break with the normal practice of placing a vintage free trader in that position.¹⁰ He did seek, and win, legislation extending to 15 December 1993 the deadline for concluding the Uruguay Round.¹¹ But on NAFTA there was mostly silence, as Kantor moved to negotiate the labor and environment side agreements.

The NAFTA Debate: Critics Rush to Fill the Vacuum

This silence made some tactical sense. If the president was to deliver on his campaign promise, he needed to withhold final endorsement of NAFTA until the side agreements were completed and he could declare the overall package improved and worthy of his endorsement. Moreover, the president was centering his attention on his budget and tax package, a serious (and politically courageous) attack on the federal deficit. Winning its enactment (in modified form) took until early August, and the margins were razor-thin: 218-216 in the House and 51-50 (with Vice President Albert Gore’s tiebreaker) in the Senate.

But the president not only withheld the final go-ahead on NAFTA, he allowed White House aides to fight one another more or less publicly over it through the spring and into the summer. Nor did the White House press congressional Democrats to remain neutral until the side agreements

reclassified as trucks, they would be subject to the 25 percent duty established in the 1960s in retaliation for new European Community trade restrictions. In the 1990s, of course, this tariff bore principally on Japanese light trucks, and Japan was the principal source of imported minivans as well. The import share of the minivan market was modest, however. In the end, the administration did *not* take this step, which would certainly have been challenged as a violation of US commitments in prior trade negotiations.

10. The quotation is from the title of chapter 1 of her book, *Who’s Bashing Whom?* (Washington, DC: Institute for International Economics, 1992), published just before her designation as CEA chair. In fact, Tyson generally supported liberal trade—spiced with some aggressive export bargaining—and she proved a “free trade” stalwart within the Clinton administration.

11. Technically, the deadline was 16 April 1994, but the president had to notify Congress of his intent to enter the agreement no later than 15 December, and this notification had to contain details on the expected substance of the agreement. Advisory committee reports were due 30 days thereafter. If these target dates were not met, the fast-track procedures would not apply to the Uruguay Round implementing legislation.

were negotiated.¹² All this had the effect of fueling doubts as to whether Clinton would *really* support NAFTA in the end, much less make the all-out push that congressional approval would require. These doubts extended to NAFTA supporters inside the administration: Secretary of the Treasury Lloyd Bentsen, by Bob Woodward's account, "felt that the odds were that Clinton would abandon NAFTA because the labor groups in the party opposed it,"¹³ and Mickey Kantor reportedly offered as late as mid-summer to "blow up" the negotiations over the side agreements if the president so wished.¹⁴ With the administration divided and ineffective for a full half year, NAFTA opponents had a field day. They won the ear of the public and votes on Capitol Hill.

Most visible among these opponents was Ross Perot. In his self-financed independent campaign for president in 1992, Perot had attacked NAFTA (though he gave much more prominence to the fiscal deficit). But in 1993, he made NAFTA his central issue—with frequent speeches, with a widely circulated book entitled *Save Your Job, Save Our Country: Why NAFTA Must Be Stopped—Now!* He wrote (and spoke) "of a giant sucking sound": NAFTA would mean "the loss of millions of jobs" pulled southward by low Mexican wages, with no less than one-third of US manufacturing jobs (6 million out of 18 million) "at risk."¹⁵

These arguments had real resonance in a nation where middle-class incomes had been stagnant for 20 years and whose industrial heartland had faced fierce foreign competition. They established "jobs" indelibly as the central NAFTA issue, with the public disposed to see the agreement as a job loser.¹⁶ And if Perot supplied the most visible opposition, organized

12. Carter administration officials had done this on the Panama Canal treaties in 1977, persuading a number of senators not to cosponsor an opposition resolution but hold off until negotiations were completed. Pro-NAFTA Congressman Robert Matsui (D-CA) had asked that at least the freshmen be brought to the White House so the president could suggest to them that they remain neutral, but this proposal fell victim to the internal White House fight.

13. *The Agenda: Inside the Clinton White House* (New York: Simon and Schuster, 1994), 317–18.

14. Elizabeth Drew, *On the Edge: The Clinton Presidency* (New York: Simon and Schuster, 1994), 288–89. Kantor argued at the same time, however, "that if Clinton fought for congressional approval of the treaty and won despite the opposition of labor and some of the House leadership, it would be a big win and a big plus for him. He would have stood up to the unions and fought a bipartisan fight . . ." (289).

15. Ross Perot (with Pat Choate), *Save Your Job, Save Our Country: Why NAFTA Must Be Stopped—Now!* (New York: Hyperion [for United We Stand America], 1993), especially 41–57.

16. A Yankelovich poll published in *Time* on 7 June asked, "Do you agree with Clinton's view that the free trade agreement will create US jobs, or with Perot's view that it will cost US jobs?" Twenty-five percent sided with Clinton, 63 percent with Perot! (Some polls conducted in the fall showed less lopsided results.)

labor provided the muscle. With membership declining and wages being squeezed, its rank-and-file members saw competition from low-wage Mexican workers as a serious threat. So the AFL-CIO and its member unions went to their many Democratic friends in Congress, making it clear that labor considered NAFTA to be *the* test of fidelity to the workers' cause. Their hope, of course, was to confront the president with such overwhelming opposition within his own party that he would decide not to press ahead. Many members signed up—enough so that Clinton's budget director, former Congressman Leon Panetta, declared NAFTA "dead in the water" that spring.

Not only was labor aroused; environmental groups were upset as well. They had at least three concerns. First, they saw trade as spurring industrial development, which produced environmental degradation—unless it was carefully regulated. Terrible conditions on the US-Mexico border made this more than a theoretical concern. Second, they saw lower developing-country environmental standards as an incentive for industries to leave the United States, thus putting pressure on the United States to ease its standards in order to prevent the flight of US manufacturing. Last but not least, in some circumstances environmentalists wished to employ trade sanctions in support of environmental goals: The Marine Mammal Protection Act of 1972, for example, provided that tuna harvested by foreign fleets be barred from the United States if the methods used killed too large a number of dolphins. When this resulted in blocking imports of tuna from Mexico, the Mexicans appealed to the GATT. USTR lawyers defended the US position in Geneva, but a GATT panel ruled in the Mexicans' favor. Environmentalists hit the roof.

It was assumed throughout that the main NAFTA battle would be in the House, just as had been the case with fast-track extension in 1991. And the Democratic leadership was divided: Speaker Tom Foley (D-WA) was supportive, but Majority Leader Dick Gephardt (D-MO) was leaning against, and the number three Democrat, David Bonior (D-MI), was leading the opposition. To lead the pro-NAFTA forces, the White House initially looked to Bill Richardson (D-NM), a Hispanic-American (surname notwithstanding) who would later serve as Clinton's UN Ambassador and Secretary of Energy. But Ways and Means Chairman Dan Rostenkowski demurred. He felt he and his committee should be calling the shots, and he insisted on a senior Ways and Means colleague, Robert Matsui (D-CA), a focused, effective legislator (who happened to be a Japanese-American). The presumption was that NAFTA would need overwhelming Republican support. But unless Democrats could deliver a substantial number of their own, it was not clear that Minority Whip Newt Gingrich (R-GA) would play ball. And Gingrich was *the* rising force on the Republican side of the aisle.

Clinton Recovers, and Wins Big

In August, the labor and environmental side agreements were completed. Clinton approved them, had more than one “last” meeting among his advisers, and came down strongly, at last, in NAFTA’s favor.¹⁷ The side agreements did nothing to soften labor opposition, but the results were much better on the environment: NAFTA now won support from most of the mainstream environmental organizations.¹⁸ Environmental issues, very prominent during the NAFTA negotiations, now receded to the periphery in the congressional battle, particularly after the administration won its appeal of a 30 June decision in Washington, DC District Court that NAFTA required submission of a comprehensive “environmental impact statement.”¹⁹

Progress with environmentalists notwithstanding, NAFTA still faced an uphill struggle. The White House congressional relations chief, Howard Paster, feared that the votes were not there and that the administration had spent all its political chips in the budget fight. But once the decision was made, the administration knew it had to go all out. The president recruited William Daley of Chicago (brother of the mayor) to coordinate the pro-NAFTA congressional campaign. Republicans asked for their own representative on the White House team, and after consulting with them Clinton named William Frenzel, a Minnesotan recently retired from 20 years of congressional service. Frenzel took the job after asking for, and receiving, face-to-face assurance from the president that “you’re going to work your head off on this.” Frenzel then set out to “sell Republicans,” stationing himself in the minority staff office of the House Ways and Means Committee.²⁰

17. Drew, *On the Edge*, 290. As Drew notes, Clinton was so open to discussing and rediscussing issues that his staff didn’t always treat matters as decided even when the president thought he had decided them.

18. NAFTA was endorsed on 14 September 1993 by six major groups, including the National Wildlife Federation, the Environmental Defense Fund, and the Natural Resources Defense Council. They called it “an unprecedented tool for reconciling ecological and economic objectives.” Grassroots-oriented organizations like Friends of the Earth and the Sierra Club opposed the pact, aligning with the Citizens Trade Campaign to denounce it as “ravaging” the North American environment. For a more detailed discussion, see Daniel C. Esty, *Greening the GATT: Trade, Environment, and the Future* (Washington, DC: Institute for International Economics, 1994), especially 27ff, and John J. Audley, *Green Politics and Global Trade: NAFTA and the Future of Environmental Politics* (Washington: Georgetown University Press, 1997).

19. The case was filed by Public Citizen, the Sierra Club, and Friends of the Earth. The requirement was routinely applied to domestic legislation but had never been imposed on an international agreement.

20. For a fascinating, detailed treatment of the politics of NAFTA negotiation and ratification, see Frederick W. Mayer, *Interpreting NAFTA: The Science and Art of Political Analysis* (New York: Columbia University Press, 1998).

With Daley as overall coordinator and Kantor handling the substance, the campaign began in earnest after Labor Day, in the expectation of a vote before Congress adjourned for the year. President Clinton invited three former presidents to the East Room of the White House on 14 September to dramatize their united, bipartisan support. In a stirring speech, he pointed to the global changes that were revolutionizing the US marketplace—NAFTA or no NAFTA—and defined “the debate about NAFTA” as centering on “whether we will embrace these changes and create the jobs of tomorrow, or try to resist these changes, hoping we can preserve the economic structures of yesterday.”²¹ His governmental team worked in tandem with USA-NAFTA, the corporate support coalition. With a widely circulated survey finding the sentiment in the House still moving the wrong way, the first need was to stop further erosion in support.²² Fence-sitting Democrats were feeling heat from labor; Republicans were worried about Ross Perot, with whose local organizations many of them had allied in the budget fight.

One immediate need was to firm up support in the elite media—the editorial writers traditionally disposed toward free trade. This was done expeditiously: Administration officials pulled together the economic case, stressing that NAFTA would create US jobs and buttress global US competitiveness. This campaign was aided by careful outside analyses.²³ It was also aided unwittingly by Ross Perot. A number of statements in his book were illogical, extreme, and easy to refute, and they drew attention away from more moderate anti-NAFTA arguments.

When the campaign began, members’ mail was running overwhelmingly against NAFTA. USA-NAFTA set out to turn it around, and by November “the mail bags were balanced,” in the words of one active participant. And while this involved mainly working with pro-NAFTA business interests, the fall also brought a significant rise in public support: from 42 percent in September to 53 percent in November.²⁴ Republicans were reluctant to commit unless Democrats did their share; they insisted on a minimum of 100 votes. (Ninety-one Democrats had backed fast-track

21. Transcript released by White House Press Office, 14 September 1994. Speaking after the president, George Bush declared graciously that after hearing Clinton’s “very eloquent statement . . . now I understand why he’s inside looking out and I’m outside looking in.”

22. A USA-NAFTA poll found that, as of 20 September, 47 Democrats and 114 Republicans were in favor (strongly or leaning), with 159 Democrats and 31 Republicans against. The remainder were undecided or their views were unknown. (*Inside US Trade*, Special Report, 1 October 1994) This was a decline in support from a survey taken in August.

23. See Gary Clyde Hufbauer and Jeffrey J. Schott, *NAFTA: An Assessment* (Institute for International Economics, revised edition, October 1993).

24. NBC News/*Wall Street Journal* polls of September and November 1993, cited in Eric M. Uslaner, “Trade Winds: NAFTA, the Rational Public, and the Responsive Congress,” draft paper, 1994.

extension in 1991.) So targets were agreed to: 100 Democrats, 120 Republicans. The president was phoning Democrats and finding the going hard—the price of his earlier neglect. Members expressed sympathy substantively and politically but declared they were committed. At one point, this drove Clinton to frank, public criticism of labor, and this helped with Republicans by showing he was really serious. Also, of course, Republicans took satisfaction in the strains that NAFTA was imposing on the Democrats' support coalition.

Early in the year, NAFTA supporters saw Majority Leader Gephardt as key: He had backed fast track in 1991 after extracting commitments on labor and the environment. But he was increasingly critical of NAFTA, and soon came out in opposition. White House Chief of Staff Mac McLarty stayed in touch, but it was increasingly clear that the battle would need to be won without Gephardt's help. And the number three Democrat, David Bonior of Michigan, was leading the fight against. So neither supporters nor opponents could use the regular House organization to line up votes. Matsui played a central role among the Democrats in mobilizing support, and Richardson proved important as well. The most energetic and effective Republicans included two members not on Ways and Means: Jim Kolbe of Arizona and David Dreier of California. In the end, however, the single most effective Republican was Minority Whip Gingrich, who was particularly helpful in negotiating agreement on how to replace the tariff revenues that NAFTA would cost the US Treasury.²⁵

The battle remained uphill through October and into November, driving the administration into policy bargaining as well. An October promise to create a North American Development Bank, aimed at Hispanic legislators, netted at first only the idea's originator, Rep. Esteban Torres (D-CA). "One bank, one vote," concluded skeptics. But attention soon moved to product areas directly affected by the agreement. Two key industries, automobiles and textiles, had done their policy bargaining during the negotiations. The Big Three automakers won a 62.5 percent "North American content" requirement, making it harder for Japanese firms to produce in Mexico and export tariff-free to the United States. Textiles won a "triple transformation test": to benefit from NAFTA's provisions, apparel would have to be made in North America from North American cloth that was produced from North American fiber.²⁶ The

25. The budget law required that any measure that reduced revenues must contain provisions to offset this loss.

26. Kenneth Oye has argued that regional free trade agreements that produce trade diversion are particularly capable of gaining domestic support because of the particularized benefits they convey. See his *Economic Discrimination and Political Exchange: World Political Economy in the 1930s and 1980s* (Princeton, NJ: Princeton University Press, 1992).

American Textile Manufacturers Institute responded with a strong endorsement of NAFTA.²⁷

The House vote was set for 17 November, and with each side looking to win, neither used parliamentary powers to delay it, even though the president did not actually submit the implementing bill until 4 November. Submission had been preceded by “nonmarkups” in the key committees, where members helped draft implementing bill language, but this was subordinate to the larger public fight. In the final struggle for votes, attention focused particularly on members with sugar and citrus constituencies. On the former, USTR Kantor extracted from a very reluctant Mexican government a new commitment that would effectively limit sugar exports to the United States. On citrus, several concessions of lesser importance were made.

This policy bargaining provoked press and opposition cries that the administration was “buying votes.” This characterization was accurate but oversimplified, for the people being “bought” were, by and large, members who wanted to support NAFTA but needed a reason to justify doing so. By the time of the vote, it was widely recognized that a secret House vote would have endorsed NAFTA decisively; extracting concessions therefore cleared the way for on-the-fence members to vote their consciences! And while the sugar deal did change, significantly, how the agreement would affect that politically sensitive commodity, the total impact of the concessions on NAFTA’s substance was modest.²⁸

As the day of reckoning approached, with their “NAFTA creates jobs” case established, supporters began adding more traditional arguments: about how US-Mexican relations and US global leadership would be devastated by NAFTA’s rejection and about the need to send the president off a winner to the upcoming summit of the Asia Pacific Economic Cooperation (APEC) forum in Seattle. And with the tide in Clinton’s favor but the outcome not yet assured, the president took a giant gamble. He authorized his vice president, Albert Gore, to accept an invitation to debate Ross Perot on the national talk show “Larry King Live.” A Perot “win” might conceivably have turned things around, but in fact the vice president dominated the encounter. He was relentless in challenging Perot, even presenting him with a joint portrait of Smoot and Hawley. The practical effect was to liberate some of the Republicans still on the fence.

27. Congressmen from the most important single textile state, North Carolina, would shift from a 9-2 margin against fast-track extension in 1991 to 8-4 *support* of the agreement itself.

28. Some NAFTA promises concerned US positions in the Uruguay Round, raising concern that the global negotiation would be mortgaged to pay for the regional one. In practice, the impact proved limited here also. A promise to the textile industry that the administration would seek an extension of the MFA phaseout period to 12 or 15 years (from 10) meant just that: the administration sought the extension, but other countries rejected it!

Once a NAFTA victory appeared likely, a common assumption was that it would win just enough votes for passage—a frequent occurrence when marginal members favor a measure on its merits but see it as unpopular. Congressional action on Clinton’s budget package followed this pattern. The final NAFTA vote of 234-200 was thus a surprise: 102 Democrats and 132 Republicans came down in favor. The margin was remarkably similar to the 233-194 vote in favor of fast-track extension two and a half years before. Comparing the two votes, 11 more Democrats supported NAFTA, and 10 fewer Republicans. The shift among the Democrats was virtually all within the southern delegations, which had opposed fast track by 41-43 but backed NAFTA by 53-32. They were less affected by labor and more influenced by the textile provisions—and the deals of November.

For Clinton, the NAFTA vote was a big win—the biggest of his presidency. The budget vote was arguably more important, but it was eked out in a way that made the chief executive look weak. On NAFTA, by contrast, he was strong and persistent once he made his final commitment. In the spring and summer, he had dug himself one deep hole, but he and his team dug themselves out in the fall, turning the public debate around and winning the House of Representatives going away. The Senate followed as expected, clearing the way for the agreement to take effect in January 1994. Finally, and particularly important in the image-conscious 1990s, Bill Clinton had confounded press expectations that he would lose, and he had won by confronting major figures and interests within his party. His victory thus launched the most successful-seeming period of his incumbency.

Winning approval of NAFTA inaugurated what became a Clinton administration “triple play” on trade in November–December 1993. A day after the key House vote, the president flew to Seattle to host the first-ever summit meeting of Asia-Pacific states under the auspices of the APEC forum. And Mickey Kantor entered down-to-the-wire negotiations to win Uruguay Round agreement by the new deadline of 15 December.

Japan, China, and APEC

The APEC summit in December 1993 was the president’s second major Asia policy venture of the year—the first was his trip to Tokyo in July,²⁹ during which the president sought to further his earlier commitment to “the rebalancing of our relationship” through “an elevated attention to our economic relations.”³⁰ Administration officials declared repeatedly

29. The impetus for this trip was the seven-nation economic summit, but the administration also used the trip for important bilateral trade negotiations with Japan.

30. Clinton spoke these words to Japanese Prime Minister Kiichi Miyazawa during their joint White House news conference of 16 April 1993.

(and inaccurately) that previous negotiations to open Japan's markets had been uniformly unsuccessful. One important reason for failure, they insisted, was the lack of agreed-upon ways to measure success: "specific results," in Clinton's words, for "specific sectors of the economy." Therefore, such measures should be included in future agreements. Two previous agreements had done so: the semiconductor arrangement of 1986 and the auto parts agreement of 1992. Both contained quantitative targets for import expansion—labeled voluntary import expansion (VIE) targets, or temporary quantitative indicators (TQIs)—and Clinton mentioned these two agreements explicitly in his April 1993 press conference as examples that "gave some hope that this approach could work."³¹

Japanese bureaucrats seized upon the evident US interest in VIEs and launched a successful national and international campaign against such "numerical targets," accusing the United States of seeking a new form of "managed trade." They thus united, against the US position, both those Japanese who had always resisted market opening and those who had frequently supported it. The two nations reached a compromise at the July summit, a "framework" agreement to negotiate on market opening and deregulation in specific market sectors that made no mention of targets, calling rather for development of agreed "qualitative and quantitative indicators" of import progress in each sector. But through the fall, Americans continued to advance proposals that could reasonably be construed as quantitative targets, and Japanese gave far more energy to resisting these than to devising alternative measures.

Within the administration, Japan policy became a prime preoccupation, and the NEC Deputies Group met to address it as often as two or three times a week. At USTR, the lead actor was Deputy US Trade Representative Charlene Barshefsky, a purposive, knowledgeable trade negotiator. At the National Economic Council, Deputy Assistant to the President Bowman Cutter played a major Japan policy role, not just in development of strategy but in negotiations as well. Commerce was visibly engaged, as was State, and the Council of Economic Advisers was active in internal debates. And Secretary of the Treasury Lloyd Bentsen was always a force to be reckoned with. There was exceptional agreement on basic policy, at least by comparison with past administrations. But the Japanese were atypically united in their resistance.³²

US trade relations were also strained with Asia's other economic giant, the People's Republic of China. As a communist country (and a non-member of GATT), China was subject to general provisions of US law

31. Ibid.

32. For details, see I. M. Destler, *The National Economic Council: A Work in Progress* (Washington, DC: Institute for International Economics, POLICY ANALYSES IN INTERNATIONAL ECONOMICS 46, November 1996), 21–22 and 27–39.

denying MFN status to its exports. Under the provisions of the Trade Act of 1974, however, China had received, since 1980, MFN treatment through a presidential waiver, which had to be renewed annually. This was done without controversy until the brutal suppression of Chinese dissidents at Tiananmen Square in June 1989. In its wake, human rights advocates (among them congressional Democrats, including Senate Majority Leader George Mitchell) demanded that President Bush revoke MFN status or condition it explicitly on human rights improvements. Bush resisted but had to wage annual campaigns to prevent Congress from overriding his annual decisions extending China's MFN status.

Clinton had attacked Bush's softness on the matter during the presidential campaign, and thus entered office committed to linking China MFN and human rights. On 28 May 1993, he granted another one-year waiver but also issued an executive order setting forth human rights criteria for his decision the following year. This order provided that the secretary of State "shall not recommend extension" in 1994 unless he determined that it would "promote freedom of emigration," that China was complying with a bilateral agreement concerning prison labor, and that the People's Republic had "made overall, significant progress" on such specifics as "releasing and . . . accounting for Chinese citizens imprisoned or detained" in the 1989 democracy campaign, "ensuring humane treatment of prisoners," "protecting Tibet's distinctive religious and cultural heritage," and "permitting international radio and television broadcasts into China."

With serious ongoing disputes with Japan and China, and facing a broader East Asian reaction to US trade aggressiveness, Clinton came to the APEC summit in Seattle bearing real burdens. But he was politically reinforced by his NAFTA success, which many pundits had labeled unlikely. Moreover, East Asians worried that NAFTA signaled a US shift from a strategy of global trade liberalization to one stressing regional blocs. By assuaging such fears, by committing the United States to open trade relations within the world's fastest-growing region, by winning agreement on the goal of building a regional "community," and simply by hosting the first Asia-Pacific summit meeting ever, the president scored another triumph. And as the administration intended, movement in APEC raised alarms among Europeans, who feared the United States was turning away from its traditional Atlantic-first orientation.

Brussels and Geneva: Completing the Uruguay Round

Thus when Mickey Kantor flew to Brussels for the penultimate Uruguay Round talks, he did so with somewhat enhanced leverage. The European Union, pressed forward by its determined lead negotiator Sir Leon Brittan, was clearly committed to reaching agreement this time, and APEC was a force against backsliding. The basis remained the "Dunkel text,"

submitted by GATT Director General Arthur Dunkel in December 1991. And pressing the talks toward completion was Dunkel's aggressive Irish successor in Geneva, Peter Sutherland.

Agreement required further concessions to the French position on agriculture: in the end, the United States and the "Cairns Group" of farm product exporters settled for modest limits on European subsidies and a slight opening of the Japanese and Korean rice markets in exchange for bringing agriculture as a whole under GATT discipline for the first time and for the requirement that agricultural quotas be converted to tariffs. Unable to budge the Europeans (again the French!) on treatment of cultural properties, but unwilling to risk the wrath of the US motion picture industry and its advocate, Jack Valenti, Kantor agreed to set the issue aside. Kantor won—from Japan, the Asian newly industrializing countries, and Canada—some modification of the Dunkel text on antidumping to ease its impact on petitioning US industries.³³

Other major deals were firmed up: tariff cuts averaging nearly 40 percent; a 10-year phaseout of the Multi-Fiber Arrangement (MFA) on textile and apparel trade; a comprehensive agreement on trade safeguards, including an outlawing of VERS; language restraining domestic subsidies, but with a green light for certain government support of research and development; a new General Agreement on Trade in Services (GATS), coupled with modest liberalization commitments in specific services sectors; a substantial new agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS); a major strengthening of dispute settlement procedures, which removed the ability of the party found "guilty" to block a decision; and the formal establishment of a new, umbrella institution—the World Trade Organization (WTO)—to succeed the GATT (which had evolved into an international organization despite its original establishment as a temporary device).

The United States had placed high priority on establishing "a more effective system of international trading disciplines and procedures,"³⁴ so

33. According to GATT Director General Sutherland, "It was the United States versus the rest of the world" on the 11 antidumping changes it proposed. "But it had been made abundantly clear politically by Mickey Kantor from the very beginning that this was a crunch issue as far as the US was concerned." (Interview in *Inside US Trade*, Special Report, 24 December 1993, 4.) Nor should this have been a surprise, for Kantor was simply delivering on promises made to win approval of an unencumbered Senate extension of fast-track authority the previous summer. For details on this issue, see Robert E. Cumby and Theodore H. Moran, "Testing Models of the Trade Policy Process: Antidumping and the 'New Issues,'" chapter 6 in Robert C. Feenstra, ed., *The Effects of U.S. Trade Protection and Promotion Policies* (Chicago: University of Chicago Press for the National Bureau of Economic Research, 1997).

34. This was one of three "overall US trade negotiating objectives" set forth in Section 1101 of the Omnibus Trade and Competitiveness Act of 1988, which authorized the round. A "more effective and expeditious dispute settlement process" was the first of the 16 more detailed goals spelled out in the same section.

the dispute settlement provisions constituted a major victory. The WTO, by contrast, was something to which the United States agreed only at the very end. Its most prominent advocate was an American, trade law authority John H. Jackson, but the proposal was in fact initiated by the Canadians and embraced by the Europeans as a means to constrain US unilateralism. US resistance was more tactical than strategic, however. After procedural improvements, the administration supported the WTO as consistent with its aim of a truly global, enforceable trade regime.³⁵ But because it emerged at the end of the negotiations, the WTO idea had received little attention in Congress, or in the broader public. This would cause problems during the implementation phase.

Perhaps most important was the sheer sweep of the Uruguay Round agreement. It was, for the most part, a “single undertaking” subscribed to by no fewer than 125 countries as of 15 September 1994. This meant that agreements on dispute settlement, intellectual property, and so on were universal in their coverage and the discipline they imposed. By contrast, the Tokyo Round codes on issues such as subsidies applied only to nations specifically adhering to them. The substantive coverage was also comprehensive. Agriculture was brought into GATT rules effectively for the first time; the special MFA regime for textiles was to be phased out. And important new issues were incorporated in the regime: trade-related investment and intellectual property rights, and trade in services.³⁶

The Uruguay Round agreement completed Clinton’s “triple play” on trade in 1993. And the president’s persistence paid political dividends. The NAFTA victory had shown him willing to take a stand and fight for what he believed; the follow-on achievements suggested a broader trade liberalization strategy. The press began treating the president with new respect. His public approval rating, below 40 percent through most of the summer, topped 50 percent in December.³⁷

Unlike NAFTA, the Uruguay Round agreement generated little controversy in the United States when it was signed. House Majority Leader Gephardt, who had opposed NAFTA, endorsed it within a week. Organized labor did not take up arms and would remain largely on the sidelines throughout the next year. The administration entered 1994 determined to move expeditiously and avoid giving opponents the sort of

35. See John H. Jackson, “The World Trade Organization, Dispute Settlement, and Codes of Conduct,” together with comments by Julius L. Katz, in Susan M. Collins and Barry P. Bosworth, eds., *The New GATT: Implications for the United States* (Washington, DC: The Brookings Institution, 1994), 63–78.

36. For a comprehensive analysis of the round, see Jeffrey J. Schott (assisted by Johanna W. Buurman), *The Uruguay Round: An Assessment* (Washington, DC: Institute for International Economics, 1994).

37. The figures are for positive responses to the *New York Times*/CBS News poll question: “Do you approve or disapprove of the way Bill Clinton is handling his job as President?”

open political field they had enjoyed during the NAFTA side agreement negotiations of 1993. USTR began working with congressional staff on implementing legislation in January, even as they were pinning down the details for the final Uruguay Round text to be signed in April.

But progress on the implementing legislation was slow. One reason was the complexity of certain issues, particularly the antidumping law revisions. Another was that the Clinton administration was giving top priority to the president's health care initiative. And this dominated the agenda of the key trade committees—Senate Finance and House Ways and Means—through the spring and into the summer. A third reason was the relative weakness of trade policy leadership in both House and Senate. A fourth was the lack of supportive pressure from business.

Business leaders were cool because of Mickey Kantor's pursuit of a labor and environmental trade agenda not to their liking. More important was the priority that multinational firms were giving in early 1994 to another trade issue: MFN status for China.

US Business, Human Rights, and the China Market

Business had been concerned about Clinton's potential China policy well before the 1992 election.³⁸ Reacting to his criticism of Bush's refusal to link China's MFN status to its human rights performance, the National Association of Manufacturers (NAM) released a statement calling MFN "the minimum requirement of meaningful economic exchanges between two countries. It is the sine qua non of the US-China commercial relationship. As such, it cannot be the basis for the exercise of US leverage within that relationship."³⁹ After Clinton's victory, the NAM joined with other business organizations in the Business Coalition for US-China Trade. In May 1993, the coalition sent Clinton a letter signed by 298 companies and 37 trade associations opposing any conditioning or compromising of MFN status. Prominent were firms such as Boeing and General Electric, which feared loss of current and future export markets. Also active were wheat growers and footwear retailers; the latter "flooded the White House with letters from thousands of shoe store managers."⁴⁰

There were many previous occasions when broad business coalitions had been formed to support the president on a critical trade-expanding vote. Typically, however, these were orchestrated by executive branch leaders. The 1992–94 China campaign was different, for here a broad

38. This section draws upon the research assistance of Ning Shao.

39. "NAM Statement on US-China Commercial Relations," 24 October 1992.

40. *New York Times*, 14 June 1993.

range of commercial interests united for a major, trade-expanding purpose. One reason was the fear of big losses in current business, something that often drives businesspeople to political action. But there was a strong, forward-looking element to the campaign as well. China loomed large—for exports, for investment—in almost all major multinationals' corporate plans. It was the most rapidly growing large economy in the world and potentially the dominant economy of the 21st century. Being shut out of that market could prove devastating for firms' broader competitiveness—in East Asia and throughout the world. This mix of hopes and fears produced what became known as "the new China lobby,"⁴¹ perhaps the most formidable, protrade coalition ever sustained by US business on its own initiative.

As earlier recounted, Clinton responded in 1993 by extending MFN and establishing relatively moderate human rights criteria for his decision due in June 1994. This was widely perceived as a victory for commercial interests. But China's human rights performance on the specified criteria continued to be, at best, mixed, and Secretary of State Warren Christopher went to Beijing in early March 1994 to press the linkage policy. He was publicly rebuffed by Chinese officials. He was then rebuffed at home a day after his return, when the Council on Foreign Relations sponsored an unprecedented public forum in Washington in which three former secretaries of state and numerous other notables attacked the linkage policy.

With Chinese human rights cooperation at best partial, grudging, and hard to square with the criteria in Clinton's executive order, business criticism of the policy intensified. During the president's trip to California to attend Richard M. Nixon's funeral, the Business Coalition presented a petition signed by nearly 450 California-based companies saying MFN revocation would be "an additional devastating blow" to the state's economy.⁴² The coalition also worked with supportive legislators to counter advocates of the human rights linkage led by Nancy Pelosi (D-CA); Jim McDermott (D-WA), who counted thousands of Boeing workers among his constituents, helped mobilize 106 representatives to sign a May letter to Clinton calling for MFN renewal.⁴³ Visibly aligned with business (and against the State Department's tough human rights position) were the economic agencies—Treasury, Commerce, USTR, and the NEC. Together they reinforced expectations that Clinton would not, could not, revoke

41. The original "China lobby," much feared in the 1950s and early 1960s, supported the "Republic of China" on Taiwan and opposed recognition of Beijing.

42. *Far Eastern Economic Review*, 12 May 1994, 16.

43. Congressman Matsui's office provided another sort of balance by sponsoring a May press conference for some Chinese students who had gathered more than 1,000 student signatures on a pro-MFN petition for the president and Congress.

MFN, effectively undercutting whatever leverage the threat might have had on Chinese human rights behavior.

Also influential in Washington was the argument that, over the longer term, trade and human rights were not competing but mutually reinforcing values. Market freedom and economic development and international engagement were more likely over time to promote democracy and basic freedoms in China, many believed, than heavy-handed US pressure. By this logic, it was important not only that the president continue MFN in 1994 but that the United States abandon the practice of linking its extension to annual human rights reviews.

As the early June deadline approached, therefore, Clinton faced a tough political choice. Even a selective denial of MFN—the choice of some human rights advocates—would have serious economic consequences, but an unconditional extension would violate the spirit, and perhaps the letter, of his own executive order. He opted for the latter, and played it straight. The Secretary of State had concluded “that the Chinese did not achieve overall significant progress in all the areas outlined in the executive order. . . .” Clinton agreed with this assessment. Given this fact, he asked, “how can we best advance the cause of human rights and other profound interests the United States has in our relationship with China?” The answer he had reached was to “renew Most Favored Nation trading status,” which “will permit us to engage the Chinese with not only economic contacts but with cultural, educational and other contacts, and with a continuing aggressive effort in human rights. . . . I am moving, therefore, to delink human rights from the annual extension of Most Favored Nation trading status for China . . . we have reached the end of the usefulness of that policy.”⁴⁴

There was some negative reaction from Democratic liberals, including Senate Majority Leader George Mitchell (D-ME), a champion of the linkage policy. But it proved short-lived and ended with the decisive defeat of a House disapproval resolution. Clinton’s decision commanded the political center, as Bush’s similar decisions had not. And one major reason was the fierce business campaign that the possibility of MFN denial had brought forth. For liberal traders, this campaign suggested a new capacity for internationalist business to mobilize on a trade expansion issue when the administration was not leading the charge. In the context of early 1994, however, the campaign had a price. For it diverted business energy from support of the Uruguay Round and from specific struggles on implementing language.

44. News conference of May 26, 1994, *Weekly Compilation of Presidential Documents*, 30, no. 21 (May 30, 1994): 1166–67.

Japan: Failure and Modest Success

As the China issue was moving toward resolution, fractious economic talks continued with Japan. The administration was united in its determination to press for major Japanese market-opening measures, as well as macroeconomic policy change (in the form of an income tax cut) to stimulate demand.⁴⁵ Offering hope—but also frustration—was the reform government of Prime Minister Morihiro Hosokawa, whose eight-party coalition had ended 38 years of Liberal-Democratic Party rule in the summer of 1993.

Hosokawa was committed, in principle, to economic deregulation and to the weakening of the special-interest influence that had made Japanese import liberalization so difficult to attain. But his government was also weak and inexperienced. This meant even greater power for Japan's traditionally strong bureaucracy. As discussed earlier, the way the administration had developed and described its proposal provoked a strong Japanese reaction, uniting that bureaucracy with Japanese business and liberal academics in opposing what they labeled a US campaign for "quantitative targets" for imports. US officials called this a misrepresentation of their goal; they just wanted agreements with meaningful "qualitative and quantitative indicators" of progress in specific sectors, as the Japanese government had agreed to seek in the "framework talks" launched in July 1993. It was Japan that "managed trade," Americans asserted.⁴⁶ But other nations joined Japan in denouncing the US position.

Matters came to a head at the Clinton-Hosokawa summit of February 1994. The sectoral negotiations were deadlocked, and the Japanese government was divided over economic policy—hence its macroeconomic package was weak. So in a joint news conference, Clinton and Hosokawa announced that the framework talks had failed, and they would not paper over the failure. Instead, the US administration indicated its readiness to consider unilateral action, including trade sanctions. Luckily, there was a particularly ripe issue: Japanese regulatory authorities had prevented Motorola from competing effectively for market share in the lucrative Tokyo cellular telephone market, despite a previous official agreement.

45. Japan's prolonged recession, in reaction to the "bubble economy" of the late 1980s, had produced new records in Japan's trade surpluses as demand for imports stagnated. The bilateral imbalance with the United States, which had shown significant reduction between 1987 and 1990, reached a new record of \$59.4 billion in 1993.

46. Independent evidence in support of this argument can be found in C. Fred Bergsten and Marcus Noland, *Reconcilable Differences?* (Washington, DC: Institute for International Economics, 1993), and Yoko Sazanami, Shujiro Urata, and Hiroki Kawai, *Measuring the Costs of Protection in Japan* (Washington, DC: Institute for International Economics, 1995).

The Clinton administration threatened sanctions, and the Japanese regulators backed down.⁴⁷

In the weeks after the February summit, the Clinton administration refused to reopen the talks unless the Japanese made significant movement toward reaching an agreement. But as weeks became months, the benefits of this posture receded. Hosokawa resigned on 8 April over charges of shady financial practices in financing his governorship campaign 12 years before. A successor “reform government” under Tsutomu Hata took power. On 23 May the two nations reached a written understanding clarifying the framework and relaunching specific sectoral talks. The Japanese accepted new language on goals “to deal with structural and sectoral issues in order substantially to increase access and sales of competitive foreign goods and services.” The US side accepted an explicit statement that the “qualitative and quantitative criteria” to be developed “do not constitute numerical targets, but rather are to be used for the purpose of evaluating progress. . . .”⁴⁸ Four months later, after an all-night session, Kantor announced agreement the morning of 1 October 1994 on government procurement of medical technology and telecommunications equipment and on government deregulation of insurance. By this time, Japan had its fourth government in a year, under Socialist Prime Minister Tomichi Murayama in coalition with the LDP.

Disagreement remained on the long-festered issue of trade in automobiles and auto parts. And in the spring of 1995, with the arrival of the Section 301 deadline, this dispute moved to the brink of what the press labeled “trade war,” with the United States initiating multibillion dollar sanctions against imports of Japanese luxury automobiles, and both sides preparing cases to take to the newly established WTO. In June, the two sides reached a singular agreement: the United States proclaimed specific goals for Japanese purchases of imported autos and parts (based on Japanese private industry targets) and Japan’s Minister of International Trade and Industry, Ryutaro Hashimoto, formally disassociated his government from these numbers. Both sides declared victory, and the US-Japan trade conflict receded rapidly.⁴⁹

47. Clinton also responded to the breakdown of the framework talks by issuing, in early March, what he labeled a “Super 301 executive order”—presumably meant to be a basis for pressing product issues with Japan. While the original “Super 301” had provided that the USTR name “priority foreign countries,” Clinton’s version referred instead to naming “priority foreign country practices” (emphasis added). This made it diplomatically more acceptable but less distinguishable from actions taken under the regular section 301. (Bayard and Elliott, *Reciprocity and Retaliation*, 48–49.) “Not-so-Super 301” seemed a more appropriate label. It was nonetheless popular on Capitol Hill as another “shot across the bow” vis-à-vis Japan.

48. “US-Japan Agreement on Framework,” published in *Inside US Trade*, 27 May 1994, 2.

49. For details and analysis, see Leonard Schoppa, *Bargaining with Japan: What American Pressure Can and Cannot Do* (New York: Columbia University Press, 1997) chapter 9, and Edward J. Lincoln, *Troubled Times: US-Japan Trade Relations in the 1990s* (Washington: Brookings Institution Press, 1999), chapter 4.

Implementing the Uruguay Round: A Slow Start

Approval and implementation of the Uruguay Round were, nonetheless, the major trade-political action of 1994 in the United States. As noted earlier, the action began with staff-level discussions in January, as Mickey Kantor and his deputy, Rufus Yerxa, pursued the now established “non-markup” process to get bipartisan consensus on the provisions of the non-amendable bill that the president would submit under the fast-track procedures. There was talk of rapid movement at both ends of Pennsylvania Avenue: agreement on the substance of a bill by April, and final congressional action before the August recess.

The reality proved very different. On the House side, the first formal Trade Subcommittee session on the agreement was a 26 May review of its agricultural provisions. Specific administration proposals on key issues were not available until mid-June. The full Ways and Means Committee did not hold its comprehensive “walk-through” session with Mickey Kantor until 14 July. Senate Finance began its nonmarkups on 19 July.⁵⁰ It was not until 27 September that the president submitted his implementing bill for congressional action.

The most important cause of this delay was Washington’s preoccupation with health care, which was the administration’s absolute top priority until the failure of the Clinton-backed legislation in August, and which dominated the attention of the House and Senate leadership and the members of Ways and Means and Finance. Hence USTR had to carry the trade issue pretty much alone for most of 1994.

Another problem was the weakness of congressional trade leadership, at least when compared with 1988, the year of the last major trade legislation. In May 1994, Congressman Dan Rostenkowski was indicted on long-pending charges of abusing his office for personal gain, forcing him (under Democratic caucus rules) to yield the Ways and Means chairmanship. The Illinois Democrat had achieved formidable effectiveness in this role: One senior colleague found his performance even more impressive than that of Wilbur Mills, if one factored in the reduced formal powers of chairs in the postreform era. Replacing him (on an “acting” basis) was longtime Trade Subcommittee Chair Sam Gibbons (D-FL), a committed and knowledgeable liberal trader who lacked Rostenkowski’s bent for moving legislation. Succeeding Gibbons in the post of acting Trade Subcommittee chairman was Matsui, who was emerging as the most effective trade Democrat. Ranking Republican Bill Archer played an increasingly important role as the nonmarkup proceeded, but his capacity to speak for his party colleagues was not always clear. Most of all, the administration

50. This stands in contrast with the Tokyo Round agreement, finalized in April of 1979—on that occasion, nonmarkups began in March, the “nonconference” was held in May, the bill was sent down in June, and the House and Senate votes came in July.

sorely missed having, at the top of the committee, a leader who could cut policy deals and make them stick.

On the Senate side, the change had been of Clinton's making: His appointment of Lloyd Bentsen as Secretary of the Treasury brought Daniel Patrick Moynihan into the chairmanship of Senate Finance. The *New Yorker* was an erudite policy thinker of vast experience. He had voted against NAFTA, as had most Democrats with similar labor constituents, but his commitment to the liberal, multilateral trading system was deep and genuine. He knew trade history, including the failure of the International Trade Organization during the Truman administration, and he was generous enough to share this knowledge more than once with his colleagues. He lacked, however, Bentsen's power and focused approach, and his meandering reflections on substance and process entertained his audiences without instilling confidence. On the Republican side, ranking member Bob Packwood of Oregon was hobbled by charges of recurrent sexual harassment, though he would increasingly use the trade issue as a means to reestablish himself as a consequential and substantive player in the Senate.

Another source of delay was the vexing matter of how to pay for the Uruguay Round. The financing problem arose because cutting tariffs reduced revenues, by roughly \$12 billion over five years. Under congressional rules designed to hold down the fiscal deficit, any reduction in revenues had to be offset by other measures (e.g., spending cuts, tax increases). Thus, the administration had to find \$12 billion in fiscal offsets or ask Congress to waive the budget rule.

The budget issue was tailor-made for posturing, with the administration squirming to find acceptable revenue increases and antitax Republicans quick to denounce them. Determined to maintain a strong posture on deficit reduction, President Clinton did not seriously consider seeking an overall waiver of the budget rules. So USTR excluded certain matters from the bill to limit the cost—the expiring system of trade preferences, for example, was extended for just one year, and a proposal to offset the negative impact of NAFTA on Caribbean nations had to be postponed. In any case, the specifics of the budgetary package were bound to generate controversy and some delay.

All these matters were outside the control of USTR Mickey Kantor. But he made his own contribution to GATT's slow legislative progress by his handling of two key matters: the revision of US antidumping law to comply with the Uruguay Round accord and the issue of providing fast-track authority for future trade negotiations.

Antidumping: Reversing the Round

As spelled out in chapter 6, the antidumping laws had become the best recourse for US industries seeking protection, with the rules so tilted that

few petitioners failed to win dumping findings from the Department of Commerce. If they could also persuade the US International Trade Commission that imports had caused them “material injury,” imposition of an antidumping duty was automatic.⁵¹ As noted in chapter 6, the Uruguay Round featured a major effort, facilitated by GATT Director General Arthur Dunkel, to constrain the use of such laws for protectionist purposes. This precipitated, in turn, a strong reaction by the champions of the “fair trade” statutes.

Robert E. Cumby and Theodore H. Moran have chronicled the struggle within the Clinton administration, where Moran was among an unsuccessful group of officials seeking to push US policy toward support of antidumping law reform.⁵² The policy struggle continued during the drafting of implementing legislation. Here, as in the final Geneva talks, Kantor and his USTR colleagues sided with those who worked to dilute, or offset, the changes agreed to at Geneva. The technical details are laid out in chapter 6 and will not be repeated here. The net result, in this author’s analysis, was not—as Cumby and Moran argue—an increase in trade protection. But it did represent a lost opportunity to bring greater balance to the US antidumping procedures.

Tilting this way was a political choice made by the Clinton administration. The congressional committees were not especially protectionist, though Gibbons had shifted his position somewhat in this direction, and Representatives Sander Levin (D-MI) and Amo Houghton (R-NY) were active on the petitioners’ side. Also unchanged from earlier periods was the relative weakness of internationalist firms and import users, each of which had interests in changing the laws to bring treatment of import pricing closer to treatment of pricing of domestically produced goods. There had been dramatic cases showing the costs of high dumping duties to certain US firms—those on ball bearings and flat-panel displays were particularly telling. But in the main, CEOs of internationalist firms were preoccupied with other issues—especially China MFN. And some of them, companies such as Boeing, Kodak, and Motorola, had found the antidumping laws useful for their own purposes.

The decision to limit or offset the impact of the Uruguay Round changes on antidumping petitioners complicated the rewriting of the dumping laws and increased the time required. Four months is normal for such a comprehensive effort, according to one experienced official. But the administration’s approach did apparently buttress overall congres-

51. Douglas Nelson has argued, in a cogent essay, that the politics of antidumping resemble the pre-Smoot-Hawley politics of tariffs, with a built-in protectionist bias in the law arising from the asymmetrical activism of interests that were hurt by “dumped” imports. See his “Domestic Political Preconditions of US Trade Policy: Liberal Structure and Protectionist Dynamics,” *Journal of Public Policy* 9, no. 1 (1989): 83–108.

52. “Testing Models of the Trade Policy Process” (footnote 33).

sional support. Gephardt and Levin, two respected “tough on trade” Democrats, were solid supporters of the GATT bill.

The Loss of Future Fast Track

The second issue where the administration’s approach cost precious time concerned future trade negotiations: whether fast-track authority for them would be included in the Uruguay Round bill. In this case, it cost USTR the substance as well. Mickey Kantor and his colleagues needed congressional authority to pursue their regional and global negotiating agenda. They did not get it.

Authority to employ fast-track procedures for the results of future trade negotiations had been included, almost unnoticed, in the 1979 legislation implementing the Tokyo Round. But the 1991 renewal debate had made fast track a visible and controversial issue, particularly for members of Congress not on the principal trade committees. Kantor made the matter more controversial by delaying his specific renewal proposal until mid-June, springing it on the trade community without full consultation, and including in it two provisions bound to provoke opposition. One was the duration of the proposal: It would cover essentially all trade negotiations completed by December 2001, seven years into the future. This seemed to many legislators an excessively long and broad request, particularly since the post-Uruguay Round trade agenda was only beginning to be developed. The second was a proposal to include trade-related labor and environmental issues among the specific negotiating priorities set forth in the fast-track extension. This got the business community up in arms.

In its post-Uruguay Round planning, USTR had placed very high priority on initiatives to reconcile trade liberalization and environmental protection and to bring internationally recognized labor standards into the trade dialogue. Politically, the latter was a peace offering to labor and its congressional allies, who had opposed NAFTA. Early in 1994, therefore, USTR launched an aggressive international campaign to include labor standards on the agenda of the new World Trade Organization. Specifically, Kantor pressed for agreement to be announced on this matter at the Marrakesh meeting on 15 April, where final Uruguay Round agreements would be signed. He faced “overwhelming international opposition,”⁵³ particularly from developing countries, and in the end had to settle for agreement that the issue would be discussed by the Preparatory Committee, which was being established to help manage the transition from GATT to WTO. But Vice President Gore highlighted the issue in the address he delivered at Marrakesh.

53. *Inside US Trade*, 1 April 1994, 1.

Business interests had acquiesced only reluctantly in NAFTA labor and environmental side agreements, fearing they would increase regulation. They reacted very negatively to the administration's spring labor-standards campaign. Then USTR, with only limited consultation, unveiled its fast-track proposal in June, which made "labor standards" and "trade and the environment" the fifth and sixth of seven "principal trade negotiating objectives" for which the new authority was to be employed.⁵⁴ The business community reacted strongly. Before long, many Republicans were saying that they would approve new fast track only if labor and environmental issues were explicitly *excluded*, a stance heartily endorsed by small and medium-sized businesses. Multinational firms in the Business Roundtable accepted the idea that some treatment of labor and environment issues might be appropriate in trade talks. But they felt frustrated. The administration, they believed, was undercutting its own cause by not working closely with the business allies upon whose support extension of fast track would depend. With Moynihan and Packwood already skeptical about fast track's inclusion in the implementing bill, the best hope was for the administration to win agreement in the House and then work hand-in-glove with business in persuading the Senate. But from the business standpoint, there was a lack of the close consultation and confidence that would make this possible.

The labor-environment issue, and the way Kantor was handling it, divided Congress along partisan lines—just the thing that he needed to avoid. The financing issue had a similar effect. Moreover, while Republicans remained generally supportive of free trade in general and the agreement in particular, their sights were increasingly set on the upcoming November elections, where they saw a chance for major gains. They feared that a Clinton "victory" on a major piece of legislation—or, worse yet, several major victories—would give him and the Democrats a political countermomentum like that which he had gained from the NAFTA vote. Their immediate target was health care, the predominant business of the second session of the 103rd Congress. But as Clinton's prospects on this issue receded, Republicans began thinking of denying him a trade victory as well, or at least of making sure that the victory came on their terms. Thus, although the core Uruguay Round debate was never substantively partisan (like the budget in 1993 or health care in 1994), the issue became tactically partisan, and remained so through the November elections.

The WTO and US "Sovereignty"

The most prominent public issue was the creation of the new World Trade Organization. As noted earlier, US officials had initially resisted it, partly

54. For the full text, see *Inside US Trade* Special Report, 21 June 1994, S-26.

out of concern over its domestic reception. And once the WTO was agreed to, it became the target and mobilizing issue for an odd anti-GATT alliance, bringing together Ralph Nader, Pat Buchanan, and Ross Perot. The buzzword was “sovereignty,” and whether the WTO would take it away from the United States. Newt Gingrich pressed the issue in the spring, partly because a Georgia primary opponent was raising it. He won a special hearing in House Ways and Means and won also a provision, in the implementing legislation, whereby the Congress could vote every five years on withdrawal from the WTO.

For the Buchanan-led hard right, the WTO was a new manifestation of the threat of a “world government.” For the left, the WTO raised concerns that the new trade institutions and procedures would override US laws on such matters as environmental protection and product safety. For Senate Minority Leader Robert Dole, it was a rationale for withholding support until the politically opportune moment. Claiming he had had more phone calls to his Wichita office on WTO than on NAFTA, he asked why Congress could not wait until the issue was clarified and why there was the need to rush to a vote in 1994.⁵⁵ Supporters brought in conservative jurist Robert Bork to quash the sovereignty question, and Bork declared that the WTO took away no authority from US institutions and could not force any changes in US law. The Heritage Foundation weighed in with a similar analysis. Together with the strengthened dispute settlement procedures, however, the WTO could produce legitimate decisions that US laws violated US trade commitments. And while it could not force changes in these laws, it could sanction retaliation by other nations if the laws were not changed. A specific aspect of this issue receiving prominence was the impact on laws below the federal level. State attorneys general mobilized and won a provision to protect their participation in any changes of state laws required to conform to Uruguay Round agreements, or as a result of adverse WTO decisions.

Other issues also brought complications. The textile industry, whose quotas the agreement would phase out in 10 years, sought (and would win) short-term gains through promised changes in the “rules of origin” used to enforce those quotas. Senator John Danforth (R-MO) led an early Republican protest against rules governing subsidies, which gave a green light to those aimed at enhancing research and development. Curiously absent from the debate, however, was the issue of trade adjustment measures. One reason was that, with the AFL-CIO on the sidelines, the issue of “jobs” was as marginal to the Uruguay Round debate in 1994 as it had been central to the NAFTA debate in 1993.

55. See Keith Bradsher, “Dole Urges Postponement for Approval of Trade Pact,” *New York Times*, 31 August 1994. Kansas was a particular target of GATT opponents, who apparently orchestrated the phone calls. Dole presumably knew this at the time, and he admitted it later.

Delaying the Process: Dole, Hollings, and Gingrich

Thus, despite its determination to move fast on Uruguay Round implementation, USTR found itself bogged down on a variety of issues as spring became summer and summer approached fall. And the process seemed to maximize the leverage of those who stood in the way. If the head start of opponents of NAFTA was the result of a Clinton political strategy, on GATT a somewhat similar political pattern was rooted in the fast-track procedures themselves. The way in which policy bargaining was centered on the drafting of legislation gave business interests an incentive to delay or condition their support in order to extract the last bit of gain—in the wording of the antidumping laws, for example, or in rules of origin for textiles. Once the package was finally put together, time was short, the opposition was mobilized, and business could not simply turn on a dime to all-out support. Thus the internationalist interests that had come together so strongly on NAFTA and on China MFN were not a powerful counterweight when Republicans subordinated GATT approval to their determination to deny all victories to Clinton.

The original administration goal was to get final action—or at least a House vote—before the August congressional recess. But while health care dominated members' attention, negotiations on the implementing bill ran on endlessly—in particular on the budget, future fast track, and antidumping. The first “nonconference” between Senate Finance and House Ways and Means was not held until 19 August, and the final one was on 20 September. Kantor struggled repeatedly to formulate a follow-on fast-track proposal acceptable to both Gephardt Democrats and Archer Republicans. He thought he had one in August, but by then Senate Finance was adamantly against including any such language. Under strong White House pressure, he continued to press the matter after its prospects had evaporated, delaying the process further. The administration finally gave up on future fast track in September.⁵⁶

More important, the bill now faced a time bind that threatened its very enactment. The law allowed up to 90 legislative days for Congress to consider trade-implementing legislation after its submission, and there were nowhere near 90 days between late September and the anticipated October adjournment. Of course, no previous fast-track bill had taken all of the 90 days, as steps had been skipped or statutory times truncated through leadership power (in the House) or unanimous consent agreements (in the Senate). The NAFTA bill was not even introduced until 4 November 1993, just 16 days before the final Senate vote, and the Senate skipped

56. At a meeting of the National Economic Council, Treasury Secretary Lloyd Bentsen declared that the votes were not there for fast-track extension. Deputy National Security Assistant Sandy Berger reportedly responded, “We shouldn’t yield on this matter until the last minute.” Bentsen’s Texas drawl was heard once more: “This is the last minute.”

over the statutory requirement that the bill, after House passage, “shall be referred to the appropriate committee or committees” in that body. But that required acquiescence of key committee chairs, and support from the minority. For the Uruguay Round, neither was automatic. Dole was not helping at all, seeing political advantage in delay. Patrick Leahy (D-VT), chairman of the Senate Agriculture Committee, had threatened to use the 45 days the law allowed his committee if he did not win satisfaction on certain provisions. And after Leahy’s agreement was won, there remained the chair of the Commerce Committee and one of the Senate’s few out-and-out protectionists, Ernest Hollings of South Carolina.

Moreover, the predominant interpretation was that the administration could submit a fast-track implementing bill only once for each agreement. If the Uruguay Round legislation was stalled and never came to final vote in the 103rd Congress, approval would have to be sought by regular legislative procedures in the 104th—with the bill open for amendments and filibusters. And even if procedural cooperation could be attained, the key committees would all have new members, who were unlikely to acquiesce in all of the balances struck by the old.

Understanding Hollings’ blocking power, USTR was solicitous and accommodating to him throughout—on antidumping laws, on textile rules of origin—although his committee’s actual jurisdiction covered only a modest number of Uruguay Round provisions. Thus, in the frenetic late-September days prior to submitting the president’s bill, USTR officials sought a commitment from the senator not to use his delaying power and explored at the same time the possibility of stripping from the bill the provisions under Commerce jurisdiction. They failed to win the first, and received overwhelming advice from friendly senators not to pursue the second, as it would alienate other senators now on the fence. They could, of course, have held off the bill until 1995, but that would have meant, in all probability, starting the nonmarkup process from scratch with a mix of old and new committee members. So they sent the bill down, and hoped for the best. Hollings was considered a friend of the president. Would he play into Republicans’ political hands by preventing a vote before the election?

The answer turned out to be yes. The implementing bill was sent to Congress on 27 September. After meeting with President Clinton, Hollings announced on 28 September that he would not waive his committee’s prerogative; he would insist on his 45 days.

On trade policy, Hollings was best known as an advocate of textile protection: As described in chapter 4, he had been proposing textile quota legislation as far back as 1968. And he numbered among his constituents Roger Milliken, the most politically prominent of mill executives and a fierce opponent of liberal trade. But while Hollings’ move was widely interpreted as doing textiles’ bidding, the larger industry did not back him. The American Textile Manufacturers Institute was officially neutral on the

agreement, and a number of firms were actually supportive—because of concessions they had won on textile tariffs and the details of the MFA phaseout, and because they, in some cases, had decided to go with the internationalist flow. Hollings, in turn, insisted he was fighting not just for textiles but for broader protectionist reasons, contending that free trade had been ravaging American firms and workers for decades. He would use his 45 days for hearings to make this case to the American people.

The South Carolinian's action killed the chances of a Senate vote before October adjournment, but the administration had a procedural fallback: to call a "lame duck" session after the election. Clinton had made it clear that he would do so if necessary, perhaps hoping that the inconvenience caused to Hollings' colleagues might deter him from delaying the vote. It didn't. But Hollings did not press his procedural rights as far as he could have; the White House and Senate leader Mitchell were able to work with him on the details.

On 30 September, standing with Hollings on the Senate floor, Mitchell sought and received unanimous consent "that the time for committee consideration of S 2467, the GATT implementing legislation, continue to be counted regardless of whether or not the Senate is in session." Hollings thus made a decisive procedural concession he did not have to make: that the 45-day clock would run while the Senate was in recess for the November elections! All he insisted on, at least in public, was "that I be recognized and have the floor and I can explain to my colleagues my position on this." With this key unanimous consent agreement, Mitchell was free to follow with a schedule consistent with giving Commerce its 45 days: the Senate would reconvene on 30 November for 12 hours of debate on GATT, and continue on 1 December with the remaining eight hours that fast track allowed—voting "at approximately 6 p.m." that day.⁵⁷ These arrangements minimized the inconvenience that the delay caused to senators, and they prevented further procedural maneuvers on Hollings' (and others') part.⁵⁸

House committees had no comparable power to delay if the leadership wished to proceed. So the administration pressed the House to proceed with its scheduled vote on 5 October, with GATT supporters and editorialists joining in the call. But while the Uruguay Round never became as hot an issue as NAFTA, it had become more than controversial enough to make members reluctant to take a preelection vote that could be avoided, especially when their Senate counterparts were avoiding *their* vote.

57. Quotations are from *Congressional Record*, 30 September 1994, S13765.

58. For example, once the House delayed its vote to 29 November, the language of the fast-track authority indicates that Senate committees would have had a right to hold the House bill for an additional 15 legislative days. Had someone exercised this right, the earliest date for Senate action would have moved perilously close to Christmas. But the unanimous consent agreement, reached before the House deferred action, rendered this option moot.

The politics became further heated when it was revealed that the *Washington Post* Company had a private interest in enactment of the legislation, one that had not been acknowledged in its editorials calling for GATT's enactment. At issue was a Federal Communications Commission (FCC) license being granted to a *Post* subsidiary, American Personal Communications, Inc. (APC) to provide wireless telephone service. Originally, it had been promised free, as a reward for "pioneering" communications work, but in 1993 Congress established a policy that such licenses should be auctioned, and the FCC moved to charge APC and other "pioneers" the amount that it estimated an auction would bring. APC filed suit, claiming the government had no right to charge it anything. A compromise was negotiated, requiring APC and others to pay a total of \$1.5 billion over five years.

The Clinton administration, needing revenue to offset GATT tariff losses and wishing to preempt possible court action denying the Treasury any payment, consulted with House Commerce Committee Chairman John Dingell and then included the agreed payment in the implementing bill sent to Congress. It was a substantial contribution to the \$12 billion total required. A rival company, Pacific Telesis, was outraged—insisting that the license was worth more than the *Post* and the other pioneers were paying. So in early October, shortly after a *Post* editorial endorsed the implementing bill without mentioning the deal, PacTel published full-page ads in the *Post* and the *Washington Times* denouncing the arrangement. The day after, the Nader-backed, anti-GATT Citizens' Trade Campaign took out ads denouncing the "multi-million dollar giveaway to the *Washington Post*." Talk radio picked up the issue, reinforcing the idea—pressed by Nader, Perot, and their allies—that the GATT legislation was the very sort of secret, inside deal, and back scratching among narrow interests in Washington that so incensed the public.⁵⁹

The *Post* affair gave House politicians yet another reason to step aside until the issue could be resolved or had spent its course. And last but not least, Republicans were increasingly bullish on the fall election and increasingly caught up in their strategy of denying Clinton legislative victories, even partial ones. So House Minority Whip Newt Gingrich began talking of having Republicans oppose the *rule* that had to be passed to allow the House to vote on the legislation. If Republicans united with anti-GATT Democrats, they could block the vote. The administration and the House leadership kept calling for that vote up to its scheduled day, but they knew the political logic working against them, and ultimately they had to yield.

This additional setback unleashed a torrent of criticism. Carla Hills, USTR under Bush, who had been working with Clinton to win the House

59. This paragraph draws particularly on Mike Mills, "How an Editorial and an Ad Changed the GATT Debate," *Washington Post*, 25 November 1994.

vote, accused the administration of a “major, major miscalculation in introducing the bill so late in the session,” when it had been “ready to be acted on since the spring. I’m a lawyer and this borders on malpractice. If I were involved,” she concluded, “I think I would have fired myself.”⁶⁰ The 7 October *Journal of Commerce*, on the other hand, saved its main fire for Gingrich. In an editorial entitled “Gutless on GATT,” it attacked the speaker-to-be as “too obsessed with pandering to Mr. Perot and bashing Bill Clinton to uphold his party’s historical commitment to free trade. If this is the kind of leadership Mr. Gingrich intends to provide in the future, Republicans, Congress and the country are in trouble.”

From Partisan Wrangle to Bipartisan Victory

Even as partisanship scuttled the vote, however, bipartisanship was paving the way for postelection action. In exchange for the postponement, Gingrich agreed to back a rule calling for a vote on 29 November, and this passed by a bipartisan margin of 293-123. He underscored his support in a letter to the president promising to work for approval of the legislation on that date.

Everyone agreed, however, that the harder test would be in the Senate because a 60-vote supermajority would be required for a necessary procedural vote,⁶¹ and because minority leader Robert Dole remained on the fence.⁶² Hoping to sway him was a curious left-right alliance signified by three prominent personalities—Ralph Nader, Ross Perot, and Pat Buchanan. Particularly energetic were Nader and the consumer advocacy organization, Public Citizen. Even more curious was the thinness of visible opposition within Congress. Hollings was actively and vociferously opposed, but his position was familiar and therefore discounted. Jesse Helms would urge, after the election, that the legislation be held over until 1995, and Robert Byrd opposed it on grounds of budget process. But it was hard to find prominent names beyond these three.

The business community was late getting organized and never really waged an all-out campaign, as they had on NAFTA. Business leaders did play an important role in October and November, however. Since Congress was not in session, they had to work through companies in the appropriate states and districts. They followed a two-stage strategy. Aware that the populist, antiestablishment tenor of the campaign did not tilt

60. Quoted in *Journal of Commerce*, 7 October 1994.

61. The administration was seeking waiver of a Senate rule that budget offsets needed to be provided for 10 years out—it had only been able to do so for five years.

62. “If the Uruguay Round legislation fails,” remarked one key administration trade official to the author around that time, “Bob Dole will bear a heavy share of the blame.”

things in their favor on trade, the umbrella business organization Alliance for GATT Now asked members to withhold commitment until after the election. This effort was generally successful; trade was not a front-rank issue in the campaign, despite Buchanan-Perot-Nader efforts to make it so. The second round, pushing for commitments, was also effective if judged by results. But “the business effort on GATT was not as vigorous, not as broadly based, and not as sustained as the effort on NAFTA a year earlier,” according to one trade veteran deeply involved in both. And it was considerably less critical to the outcome than the administration’s dialogue with key Republican leaders.

Bipartisan support is generally necessary in trade policy. It was overwhelmingly necessary for Bill Clinton after 8 November 1994. The result of that day’s election—the remarkable Republican capture of both House and Senate—was a devastating repudiation of his leadership. Moreover, the vote was bound to raise questions as to the legitimacy of the rejected, Democrat-controlled 103rd Congress taking final action on the Uruguay Round in a lame-duck session. The only people who could give this process legitimacy were the Republican victors, and especially those with the new mandate: Newt Gingrich and Robert Dole.

Gingrich had, as earlier noted, signed on unambiguously in October, in exchange for the agreement to postpone the vote. He would deliver on this commitment, just as he had delivered on NAFTA the year before. Dole, by contrast, had promised nothing before the election—indeed, he had been nothing but trouble to the administration. So the spotlight was on him—what would he do? In postelection press conferences he expressed a hope that he could support GATT. He wanted some safeguard against adverse, arbitrary decisions against the United States in the WTO. In addition, he wanted some way to reopen the *Washington Post* deal embedded in the nonamendable implementing legislation. When the administration suggested willingness to address these issues, the senator upped the ante and asked for a procedural concession on reduction in the capital gains tax rate! In the spirit of bipartisan comity, wouldn’t Clinton support that?

On this last item, the administration drew the line. It would not yield on an extraneous tax issue marked by strong partisan differences. With the boundaries of bargaining thus set, the deal quickly followed. On the Wednesday before Thanksgiving, Dole announced, from a White House podium, that he had won concessions that “fixed this as much as we can.” On the WTO, he won an administration commitment to support legislation to establish a “WTO Dispute Settlement Review Commission.” This would be composed of “five Federal appellate judges, appointed by the president in consultation with [congressional] leadership.” This commission would “review all final dispute settlement reports . . . adverse to the United States.” If it found, within any five-year period, three such decisions in which a WTO panel “demonstrably exceeded its authority” or

“acted arbitrarily or capriciously,” then any member of Congress could introduce and force a vote on a joint resolution mandating US withdrawal from the organization.⁶³ On the *Washington Post* controversy, Dole won a promise of a review that could lead to a higher price being paid for the license.

The deal was vintage Washington politics: the “good” kind, because it brought adversaries together behind a larger objective, but, ironically, the sort of practice that November voters had resoundingly repudiated. The deal had enough substance to address real concerns about a runaway international entity wreaking havoc with US policy, and some liberal traders felt that such a commission could in fact play a constructive role: in providing legal discipline for the new procedures in Geneva and in discrediting groundless attacks on WTO decisions. In any case, by settling with the key fence-sitting Republican, Clinton and Kantor had secured the necessary votes and won legitimacy for the lame-duck proceeding. And Dole achieved what was presumably *his* broader purpose—to signal, on the first available issue, his central role as power broker in the new Washington.

After the Dole deal, victory in the Senate was assured. Both opponents and supporters concealed this: the former for obvious reasons, the latter because they wanted to keep the pressure on and win the largest possible margin. There were therefore the last-minute White House meetings with undecided congressmen and senators, and a few minor policy deals.⁶⁴ These reinforced the strong pro-GATT momentum of the final week, and when the House voted the Tuesday after Thanksgiving, both parties supported the bill by margins of two-to-one, and the bill received at least 64 percent support from every region of the country.⁶⁵ GATT did even better in the Senate: the waiver passed with eight votes beyond the 60 required, and the count on final passage was 76-24, a happy surprise to the Clinton White House. In the Senate, the bipartisanship was mathematically perfect—as noted by Dole, each party voted 76 percent in favor: Democrats 41-13, Republicans 35-11. There were some unexpected defections, most notably that of outgoing Trade Subcommittee Chair Max Baucus.

63. Quotations are from Kantor’s 23 November letter to Dole, reprinted in *Inside US Trade*, 25 November 1994, 23–24. It was too late for Dole’s resolution to be considered in the 103rd Congress, which would adjourn shortly after the GATT vote. And in fact, the proposal was never enacted.

64. Because success was not riding on them, they were generally of minor consequence. For example, Senator Larry Pressler (R-SD) reportedly won an administration promise to push China to ease its import restrictions on soybeans (*Journal of Commerce*, 2 December 1994).

65. The House split 288-146, with Democrats 167-89 and Republicans 121-56. Regional percentages in favor were: Northeast, 70 percent; South, 64 percent; Midwest, 66 percent; and West, 67 percent. (Calculations are from the *New York Times*, 30 November 1994.)

Getting more national notice, however, was the decision of labor Democrat Barbara Mikulski of Maryland to “vote for GATT.”

I am a blue-collar Senator. My heart and soul lies with blue-collar America. . . . And in the last decade, working people have faced the loss of jobs, lower wages and a reduced standard of living, and a shrinking manufacturing base, everything that the critics say. But voting against GATT will not save those jobs or bring those jobs back. . . . The Uruguay Round [will] cut tariffs and reduce trade barriers for many of Maryland’s top export industries. . . . So I am voting for GATT to generate more exports, to create more jobs in my own State of Maryland and in the United States of America.⁶⁶

In November, before his GATT victory, Clinton had flown to Indonesia to sign an APEC summit declaration committing member states to achieving free trade by 2020 (by 2010 for the most advanced among them). In December the trade venue was Miami and the Summit for the Americas. The result there was a commitment to conclude a free trade arrangement for the hemisphere by 2005.⁶⁷

As 1994 came to a close, President Clinton was still absorbing his crushing mid-term election setback. But he was also, in the words of one commentator, “compiling a more ambitious record of trade liberalization than any President since at least Harry S. Truman.”⁶⁸ The road had been anything but smooth, and some of its obstacles had been of the administration’s own making. One important battle was lost—that for fast-track extension. But in the end, with bipartisan support, the administration came through. Mickey Kantor in particular had proved an adept “closer” of deals: with Mexicans on NAFTA issues, with the European Union on GATT, and with senators and representatives on both. Carla Hills and others had moved both enterprises very far along, completing the NAFTA pact and winning the key US-EC breakthrough at Blair House. Kantor had pushed them over the top. He was the first US trade representative called upon to deliver major results in his first two years. And he did.

End of an Era?

Once again, the US trade policymaking system had worked. Congress played an active role but allowed the administration to lead. On NAFTA, members came around because they were substantively persuaded, but also because they were unwilling to take the responsibility for its rejection.

66. *Congressional Record*, 30 November 1994, S15102.

67. This was the target date for agreement, not for the actual removal of barriers. This left ambiguous the question of which goal—APEC or Western Hemisphere—was more ambitious.

68. Ronald Brownstein, “Clinton Drawing Visionary Blueprint of Global Economy,” *Los Angeles Times*, 5 December 1994.

On GATT, direct rejection always seemed unlikely, but the limited enthusiasm of its backers made the agreement constantly vulnerable to other agendas. In the end, it received resounding bipartisan support. The trade policy process had once more overcome both partisan conflict and the separation of powers.

Kantor's USTR was less dependably antiprotectionist than the USTR of Carla Hills, reflecting the broader forces at play within Clinton's Democratic administration. It was responsive to a range of restriction-seeking industries: to steel on antidumping, to textiles on Uruguay Round and implementing-bill details, and to autos in seeking quantitative export targets vis-à-vis Japan. Its unrequited courtship of labor also fueled doubts over where Kantor and USTR stood. But these departures from free trade purity were well within the postwar trade-brokering tradition. The more important truth was that yet another administration had mastered the formula: firm commitment to negotiate and implement trade-liberalizing agreements and flexibility in accommodating key producer constituencies on the details. And trade continued to expand.

With NAFTA and GATT ratified, the biggest items had been removed from the US trade agenda. A new global trade organization had been launched, with robust dispute settlement rules. Protectionism was very much on the defensive. There were also, on the horizon, hemispheric negotiations toward free trade and the APEC liberalization process as well. All this suggested a bright future for liberal trade.

But 1994 would prove to be a high point, and the failure of fast track that year an omen. Thereafter, comparable trade policy achievements would elude the Clinton administration. Not only did it fail in subsequent efforts to gain fast-track renewal, but its effort to launch a new global trade round at the 1999 WTO Ministerial Conference in Seattle ended in disaster. Claiming credit were new antiglobalization forces that rose from the ashes of the losing campaign against NAFTA.

American trade politics would enter a new era. The chapters that follow tell that story, and assess its meaning for the United States in the 21st century.