

TIM O'NEILL: Hi everyone. And welcome to Talks at GS. I'm Tim O'Neill and I'm very excited and happy to be joined by my good friend Bob Zoellick. Among a number of key roles, Bob has served as President of the World Bank, Deputy Secretary of State, and U.S. Trade Representative. He is currently a Senior Fellow at the Belfer Center for Science and International Affairs at Harvard's Kennedy School of Government. And he's out with a timely new book, *America in the World: A History of U.S. Diplomacy and Foreign Policy*.

Bob, thank you so much for being here. And welcome back.

ROBERT ZOELICK: Thanks Tim. Great to be with you.

TIM O'NEILL: So Bob, you've said publicly that you got this idea for the book decades ago when you read Henry Kissinger's classic *Diplomacy*. That book gave a very Euro-centric view of the issue and a much grimmer view of the U.S. How did you want to reframe those issues in your book?

ROBERT ZOELICK: Well, as you said, I liked the way that Kissinger used history to talk about foreign policy. So, many books and universities these days focus on international relations theories and more of a conceptual approach. And Kissinger was very skilled at talking about history. But as you said, he tended to reflect a European perspective.

So, my idea was to try to use stories and focus on individuals, particularly for people who enjoy reading biographies and, in particular, on special episodes that emphasized the practical work of policy making. So, I wanted to help people get into a little bit of the idea of what it's really like to deal with some of these issues.

TIM O'NEILL: Let's start with one of the founding fathers, Alexander Hamilton, who you described as the architect of American power and the first practitioner of economic statecraft. So, why was Hamilton so impactful? And why has his impact lasted so long?

ROBERT ZOELICK: Well, as you noted, I wanted to actually start with the Secretary of Treasury as opposed to the Secretary of State because lots of foreign policy has overlooked the economic dimensions. And I think what was most striking about Hamilton, people at Goldman will know Hamilton is the father of the financial and economic and credit system, but he had a sense of how the pieces related to the whole and how the whole could

be greater than the sum of its parts. So, he actually looked at the Bank of England and its creation, but he realized that he wanted to try to achieve not only a strong credit for the new U.S. dollar, but the larger political and social and economic ends that grew from that.

And one was a recognition that he made in 1781. So, the Revolutionary War was still going on. He took a leave from working as Washington's aide and he goes to the library of his father-in-law and he's basically trying to understand the nature of the conflict with Britain. And he realizes it's a war of attrition. And in that war of attrition, even Britain's credit, much stronger, was going to be one of the factors. And so, he understands something that sometimes Americans take for granted today which is the credit of the United States is a huge asset, gives us a huge amount of power. And so, when he becomes Treasury Secretary, he moves quickly to establish this.

And there's another observation that I found interesting there, which is that, you know, he not only wanted to have a strong financial basis to pay for the credit, to assume the debts of the states and the revolutionary government. But he wanted to do so quickly so as to establish confidence. He had a sense, as you would know from the market, that the timing is significant.

And you have this wonderful irony where he's resisted by Thomas Jefferson, who's the third president. But when it comes time for Thomas Jefferson to buy Louisiana in 1803, he wouldn't have been able to do it if he didn't have the bonds that Hamilton had created, or by the way the sense of Constitutional authority, the broader reading of the Constitution.

But the other part, on a practical side, was that Hamilton is also the father of America's neutrality policy in foreign policy. And that's because many people forget, but the customs duties paid 90 percent plus of America's revenue. So, if you have a war that interrupts your trade and you don't have customs, well, you're going to be defaulting. And so, he partly sees building America's strength as not staying away from the European relations, but to try to manage them in a way so they don't add to our internal strife.

And I guess the last thing about Hamilton that I found so impressive was that he actually studies people from an earlier age. He studies Colbert who was a French finance minister. And he recognizes that the statesperson really needs to try to shape events, not just react to them, and try to see how the pieces

fit together. He also has one other quality that I think's important, whether it be in banking or in diplomacy, and that is, is that small gestures matter. Ben Franklin made the same point. Which is that, you know, sometimes small actions to important people can have big effects later on. Not to take those for granted.

TIM O'NEILL: So, let's jump to the 20th century now, Bob, and spend some time between the two World Wars, which you have three really interesting personalities there that I want to spend some time talking to you about. Let's start with Charles Evans Hughes. He's one of my favorite characters in your book. A man who was Governor of New York, presidential candidate. He was ultimately Supreme Court Chief Justice and he was Secretary of State for Warren Harding. And what I liked about him, he was a man, as you point out, from central casting. As you quote someone in the book as saying that he "looked like god and he talked like god." And you open the capture with him with a wonderful little excerpt which I want to focus you on in 1921 where he had a conference in Washington DC. And the subtitle of this chapter in your book is "The Speech That Sank More Battleships Than All the Admirals." Do you want to expand on that a little bit for us?

ROBERT ZOELLICK: Sure. Well, as you mentioned, and Hughes, by the way, almost was president. In 1916 he loses the State of California by about 3,800 votes. And there's a little story about political conflict. So, but as you mentioned, he becomes Secretary of State in 1921. And to set the stage for people, remember, this is after Woodrow Wilson has failed after World War I to sort of have America ratify the Paris peace treaty, the Treaty of Versailles and join the League of Nations.

So, the context is Hughes is trying to figure out how can the United States engage internationally, but without alliances, which was off limits since Washington and Jefferson. Without the League of Nations. Without the traditional balance of power. But still try to avoid isolation?

So in some ways, I point to how he's sort of the antidote to Woodrow Wilson because he assesses, sort of the public's scene [PH] which was, in part, there was a great disappointment after World War I. In a sense the high hopes had been dashed. By the way, they had also just been passing through a terrible pandemic as we have today. The Spanish Flu. There was a sense that a need for budget discipline. And naval battleships were, in a sense, the great strategic missiles of the Cold War. They were the

strategic weapons. And there was a movement in Congress and in other countries to try to reduce them.

So, what he proposes at this Washington Naval Conference is not only naval arms control but linking it with regional security in East Asia. And this is a point, again, that many historians have missed. Many people look upon this as a failed arms control experiment because we had World War II some 20 years later. But what I don't think that they appreciate is that he's trying to deal with some of the leftovers after World War I, particularly in the East Asian context. And it recognizes arms control is a process, it's not a result. You constantly have to relook at the, in a sense, where you have to strengthen it, where you have to redirect it. And of course, the reason it fails, ultimately, is the international economic collapse of the 1930s. Japan moves away from a strategy of fitting into the world economy to a breakup of the world into regions. And again, not to draw too many distinct parallels. But you can see some of the seeds of what we see going on today if we break up the current alliances. Then you could see some of that happening again.

But as what you mentioned is, he uses a speech to make proposals, quite unusual in diplomacy, that are quite specific about ending U.S. battleships, but also the British and the Japanese battleships. And it's a case where he uses diplomacy to create a momentum that pushes the negotiation forward.

So, it's a story that, in some ways, could be applicable today if you think about arms control and regional security in North Korea where it's not just a question of arms management, it's a question of regional security. Or in Iran. So, I think some of the uncertainties people had about the Obama era agreement was what did it deal with Iran's missiles, its behavior in the region? So, if you want to be on the positive side, some of these recent moves that you've seen with the UAE and Bahrain and Israel could start to create a regional security context in which you could revive arms control as part of a partnership. But we'll see whether that occurs.

TIM O'NEILL: During this period, the first profile, as you just mentioned, was on Charles Evans Hughes who's focusing on arms control. The next one that you have is on the establishment of international law, Elihu Root, a world-class lawyer. And he goes on what I would have thought was a quixotic quest to try to establish the rule of law among international countries. Do you want to expand on that a bit.

ROBERT ZOELLICK: So, Elihu Root was, in some ways, cut from the same cloth as Charles Evans Hughes. As you said, he was a very successful lawyer. He was a Secretary of War, Secretary of State, Senator. And I wanted to put in this chapter because international law today is seen by many foreign policy experts as sort of a utopian exercise. Does it really bear reality power politics?

And what I wanted to explain is if you look at a career of someone like Root, these are very practical people. These are not utopians. I mean, he's brought in to become Secretary of War by McKinley basically to create the American colonial system. There's an interesting legal story about how he does that for the Philippines and Cuba. He's the father, actually, of the National War College system. Helped create, in a sense, the modern American Army that fought in World War I. So, these are not sort of airy, fairy people in terms of their thought processes.

And again, he's trying to find a way for the United States to interact outside of the League of Nations, outside of alliance, outside of balance of power. And what I draw in this chapter is America had actually had a long experience with international law. As you know, if you read the Declaration of Independence it's basically a legal indictment of George III. And it talks about, sort of, the rules of law of nature and sort of speaking to all of humankind. And America was one of the first advocates of using international arbitration treaties which we actually did in the Jay Treaty in 1795. And we created a naval arms agreement with Britain which led, eventually, to the peaceful border with Canada, which has been very much to our benefit.

But there's always the challenge of the Senate because if you create an international legal system, the Senate wanted to judge each case. And so, during the course of the '20s and '30s, Root gets very close to having the United States join the World Court. He actually gets the Senate to ratify the treaty with reservations. And four of the five reservations are accepted. But he never quite gets it over the line.

But the point I wanted to leave in this chapter, and I close with a debate in 2006 among international lawyers to say, well, is the problem that rule of law, international law can only work among democracies? Is international law maybe a discipline on democracies? Or is it the case that you need to have a basic security stability? So, I partly put that in with the idea that the debate still continues.

But if you read in the newspaper about rules-based systems, whether it be international economics or climate or, frankly, biological security, think about Elihu Root because, in a sense, what those institutions do is they share information. They make it easier to have joint action. They create institutional capacity, as I had when I was at the World Bank with some financial ability. They create incentives. Urge people towards compromises. And offer mediation. So, they're not all or nothing systems. But if you ask yourself what the challenges that the world faces today from international economy to climate to biological security to non-proliferation, how effective are we going to be if we don't have some rules-based systems?

TIM O'NEILL: Yeah. So, what's come through on your profile of Mr. Root is persistence, not only his pragmatism, but his persistence. You have that great quote where he says, "Men don't fail. They just stop trying." That's good advice, I think.

The third profile in this space is Cordell Hull, a very experienced politician. He becomes FDR's Secretary of State. And his focus, among other things, is on a specialty of yours, trade. And talk about being quixotic, to try of the resurrect international trade from the destruction of Smoot-Hawley. And you tell that tale very well. Can you help us out?

ROBERT ZOELLICK: So, recall that in 1930, just as the Depression was getting to started, Congress passes this Smoot-Hawley tariff act. Moves the average U.S. tariff up to about 59 percent. Depending on volume or value our trade drops by about 40 to 70 percent. So, for people who need warnings about the danger of protectionism, that's a pretty good reminder of what can happen when the system starts to come apart. And you start to get these cycles of retaliation where others then raise their barriers.

And so, in 1934 Hull, as you mentioned, had been a very strong proponent of trade in the Congress. And he convinces Franklin Roosevelt to support what's called the Reciprocal Trade Agreements Act of 1934. And people in your policy and regulatory office that work the legislation today would be shocked. The whole bill is three pages long. But it's fundamental in that it shifts the authority from Congress setting individual tariffs, some 20 or 30,000 tariffs, to giving the executive branch authority to negotiate trade agreements and cut tariffs by up to 50 percent. And at that time the agreements actually didn't have to go back to Congress.

So, over the course of the next 13 or 14 years, Hull negotiates some 31 agreements with 28 countries. Basically brings U.S. tariff levels down to what they were before Smoot-Hawley. But just as important, the agreements include basic principles like most favored nation status and the idea that you would try to make barriers into tariffs which you can reduce, nondiscrimination. And those become the principles of the GATT, the General Agreement on Tariff and Trade system that is created in 1947. And of course, that's the basis of the WTO system today.

TIM O'NEILL: So let's jump to the last profile in the book that I want to spend some time on, which is the first President Bush, George H. W. Bush, Bush 41. And the title of this chapter for you is "Alliance Leader" which you can expand on for a minute. But let me just set the table here for everyone for a moment.

So, this is a president, one term president, that basically brought the Cold War to an end. Put the coalition together for the Gulf War. NAFTA and GATT leading into the GTO. Now here I want to ask one favor of you. Some people may claim to be in the room where things happen. I know you were in the room when these things happened. So, could you spend some time describing what President Bush was like, his frame, and importantly, also, the relationship he had with his best friend Jim Baker?

ROBERT ZOELLICK: So, as you mentioned Tim, I used this chapter to talk about the special qualities when the United States can act as an alliance and global leader. And as you mentioned, the Bush/Baker relationship is fundamental in understanding the nature of Bush's leadership.

People at the time, and historians often associate Bush with the word prudent, which he was. And he was a true gentleman. And honestly, you often don't find that in higher level politics. People are smooth, but not necessarily gentlemen. But what they offer overlook was he was fiercely competitive. So, whether it was playing the golf course in two hours. Whether it was tennis. Whether it was his speedboat, this is a person who wanted to win.

And so, in 1989 Gorbachev is the big name. Gorbachev is the big superior. Bush has spent eight years as the vice president and is kind of, inevitably, a secondary role. So he wanted to get some points on the board. And Baker was the person who he looked

to to get things done. And my experience with Baker was always based on the notion of not what you say, but kind of what you can do.

And so, in 1989 the key judgment that they both made was to focus first on the alliance as opposed to Gorbachev. And again, remember the context. The Reagan administration had eliminated all intermediate ranged nuclear missiles in Europe. So, the only missiles left were the short-range missiles. They were called SNM. And NATO had agreed to modernize these missiles to maintain the nuclear deterrent. But as one German political leader said, the shorter the missiles, the deader the Germans. So, the idea of modernizing these missiles wasn't so popular. And Gorbachev was a charismatic figure appealing to the German public.

So, Bush comes up with a very important proposal that historians have tended to overlook, which is a conventional forces proposal that said the United States and the Soviet Union will cut their armies in Europe, but they will equalize them at much lower levels. And since the Soviet forces were about three times the size of the NATO forces, that mention that they'd come down from here to both set of lower levels. But that also meant that the nuclear missiles were less important because the reason you wanted to have nuclear deterrents was because the Soviet conventional forces were so much larger.

So, Bush quite courageously comes up with this proposal. His Chairman of the Joint Chiefs actually resists. And it's one of the sad commentaries. I don't think he ever forgave Bush. He didn't get appointed another term. And he becomes one of the admirals that support Bill Clinton in 1992. And it's actually one of the first times you're starting to see the U.S. military start to play in the political game, which has had some effects over time.

But Bush and Baker use this proposal and the NATO summit to establish the U.S. leadership, to put Germany at the heart of their relationship. And in a way from a historical sense, many of the people who look at the era focus on what they'll call the Russia question, you know, the Soviet Union, the future of Russia. Bush and Baker were focusing on the German question. And in some ways, we overlook that there was a big German question because it got solved rather well. Because since Germany was formed in 1871 the question was what do you do with a big Germany in a heart of Europe. And we had two world wars to try to come up with the answer to that question. So, they were trying to not only unify Germany, but do so within the NATO and

what is today the European union structure. And that actually leads to a debate on when the Cold War ended. So, if you see Thatcher's work, she feels given the relationship with Gorbachev, the Cold War was over by 1988. But Bush and Baker, until you had a Europe Poland-free, the Cold War really wasn't over.

As you mentioned, the other thing I think that's important about Bush is he's often associated with the end of the Cold War in Europe and the Persian War Gulf Coalition. But as I looked at this closely, I realized that in many ways he set the cornerstones for both the Clinton and the Bush 43 presidency. So, not only relations with Russia but after the Gulf War the Middle East peace process. As you mentioned, NAFTA, the Uruguay Round that creates the WTO, APEC in Asia, maintaining a relationship with China after Tiananmen Square. And indeed, one of the other items I was involved with was the only climate change treaty that has ever gotten through the Senate, which actually is a framework on which the Paris Accord and others had been built on.

So, I think one of the things to think about that applies, you know, also in the financial world, which is that Bush had a recognition that the United States could play a catalytic role. But it was really as the heart of a network. It wasn't just trying to be a hierarchal system. It wasn't trying to be a unipolar system. He emphasized personal contact a huge amount. So, your investment bankers would recognize this. Which is that when he first started to call presidents and prime ministers, they thought this was a fake. They couldn't believe the U.S. President was calling them on the line. But in the process, he listened to their needs. He treated them with respect. He exercised power, but with restraint and not with a bravado. And part of my point was that I think in some ways I used to watch Baker being treated as somebody who people wanted as their friend and they certainly didn't want as their enemy. And I think in some ways that's the greatest strength of alliance leadership, whether it was in 1990 or today.

TIM O'NEILL: So, China, you publicly describe that relationship as being in a free fall. How dangerous is it? And is there a remedy?

ROBERT ZOELLICK: So, I think from the United States point of view your strength always starts at home. So, the strength of our own society, I believe that's related to our openness, to people, goods, ideas, capital, technology, our university

system. Second, our alliance and our partnership relationships. As I talk throughout the book that will make us stronger, and frankly, give us more leverage in dealing with China. And frankly, I think there are still forces within China that recognizes that the strong state-owned sector is actually going to be a limit for them.

And then you get to work which in some ways is like you've encountered at Goldman, which is it's problem solving at a detailed level. So, take intellectual property rights. As China has become more innovative, it's doing a better job of protecting intellectual property rights. And indeed, they've created special courts where foreigners are winning about 85 to 90 percent of the time. But the penalties aren't high enough. So they should push for higher penalties. Or a lot of companies that I worked with had the problem of forced technology transfer. But they were unwilling to give evidence to the U.S. government because they were afraid they'd face retaliation.

So, I saw a lot of these develop out of the joint venture system. So, I would press to frankly end a lot of the joint venture requirements. Or if you take Belt and Road, when I was in China a couple years ago on one of their anniversaries, I gave a speech that was later given to Xi Jinping that said, "Look, nobody knows what Belt and Road is. Is it a geopolitical venture? Is it a development plan? Is it to use excess capacity in steel and cement?" I said, "It's probably all those things." I said, "But you're scaring people. And why don't you look at your success with the Asian infrastructure investment bank where you followed western standards for procurement and transparency and anticorruption and environment and made it more open?" And actually, Xi picked up a lot of those ideas. And frankly, I think, the United States and others would be smarter then to hold them to the promises. Because you're not going to stop that. The question is can you steer it in a more effective direction?

And I think to close on this, Tim. I think today the danger is I don't see anybody working on off ramps. So, a lot of my stories are about kind of how you have to defuse the situation. And I don't see anybody doing that. And even if I would close with the point about American values as represented by Reagan, the way that I would deal with that as opposed by sanctioning officials in Hong Kong, is I would open up a United States that people from Hong Kong come to the U.S. just as they are doing in Britain. What a better way to demonstrate the differences between the two societies.

TIM O'NEILL: Well listen, Bob, I've always told people that when you were here what I missed most about you is talking with you. Because every time I talk with you, I learn something new about history or politics or the life that you've lived. I want to thank you so much for being with us today.

ROBERT ZOELLICK: Thanks for having me, Tim. Good luck to everybody.

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