



Obama, Romney, and Trade: Part I

Jeffrey J. Schott says that the Trans-Pacific Partnership trade talks will be a top priority in 2013 regardless of who wins the US election.

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Steve Weisman: Trade has come up as an issue in the presidential race. This is Steve Weisman at the Peterson Institute for International Economics with Jeffrey Schott, senior fellow and trade expert at the Institute. In the first part of this interview, I want to ask you about President Obama's statement in the third Presidential debate that one of his trade priorities was to reach a deal across the Pacific as part of the administration's so called pivot to the Pacific. He was referring to the Trans-Pacific Partnership. What is going on with that negotiation?

Jeffrey Schott: The Trans-Pacific Partnership [TPP] is a negotiation now among 11 countries. Canada and Mexico recently joined the talks a few weeks ago. Their aim is to develop a state of the art free trade agreement, going beyond even what is included in the Korea-U.S. Free Trade Agreement to establish a benchmark for the eventual construction of the long-sought free trade area of the Asia Pacific.

Steve Weisman: What countries in Asia are participating?

Jeffrey Schott: A number of countries: Singapore and Malaysia and Vietnam. Australia and New Zealand are also participating. We have several countries in the Western hemisphere as well. But the hope is that this core group of 11 countries will rapidly expand. And indeed I think it is quite possible, even probable, that before the deal is finally concluded, which will take some time yet, we're likely to see both South Korea and Japan join the talks.

Steve Weisman: You've left out a country that might join, namely China. President Obama portrayed his discussions as a counter balancing trade regime, countering China.

Jeffrey Schott: There's been a lot of talk about containing China.

Steve Weisman: Right.

Jeffrey Schott: Which sort of borrows from the strategic literature. But it really has no meaning in the context of commercial relations, because one cannot contain a country as large as China through a trade agreement. And indeed nobody participating in the Trans-Pacific Partnership wants to do that. All of the countries involved have extensive trade and investment relations with China and want those relationships to grow.

But China is on their minds with everything that they do in these negotiations and they are trying to craft an agreement to help them become more competitive vis-à-vis China, so that they can compete more at home and in third country export markets against this dominant economic power in Asia. To that extent, there is a competition, even among countries that are strong trade and investment partners with China.

Steve Weisman: Isn't it in the United States' interest to have trade relations that are healthy with other countries besides China?

Jeffrey Schott: Yes, You can look at this situation bilaterally, particularly with globalization and the development of global supply chains, there is a great interrelationship of markets. One has to work with China and its trading partners as part of this broader production and trade network. Trying to isolate one segment of that could be quite disruptive of those global supply chains.

Steve Weisman: Will this discussion proceed if we have a President Romney?

Jeffrey Schott: I think the Trans-Pacific Partnership will be the number one trade negotiating priority of whoever is in the White House next year. It is a crucial development; one that could set important precedents for U.S. engagement in the region for decades to come. It also could set important precedents that could be moved forward, back to Geneva, to establish new multilateral trade agreements. Indeed that would be the preference of all the participants, to use this as a stepping stone to broader multilateral trade accords.

Steve Weisman: How long is it going to take to reach an agreement?

Jeffrey Schott: If you listen to the targets set by trade negotiators, you'll be totally confused.

Steve Weisman: But you're here to clarify this.

Jeffrey Schott: It is a negotiation that has been going on since March of 2010. And in that time the negotiators have made tremendous progress. They are negotiating 29 different chapters, so it's a very comprehensive agreement compared to past trade accords. But there's still a lot of work to be done. Indeed when you're talking about such a broad based agenda of issues, involving both trade measures at the border and domestic policies that can affect trade and investment, it's a very complicated task.

So I suspect that among the 11 countries there are significant differences even though those 11 countries are so-called like minded countries to the extent that they have a common objective of achieving a comprehensive agreement. But they have different priorities and different sensitive sectors that they will want to protect for political reasons.

Steve Weisman: Jeff, in the second part of the interview I'm going to ask you about Governor Romney's main statement at the presidential debate, setting up new trade agreements in the Western hemisphere. Thank you for doing Part 1. Part 2 is coming up.

