



Obama's Trade Pivot to Europe and Asia

Jeffrey J. Schott notes that discussion on a transatlantic trade pact are picking up even as President Obama travels to Asia later this week on trade, political, and security issues for his second term.

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Steve Weisman: With President Obama's re-election, the two most promising trade initiatives facing the Administration are with Asia and Europe. Jeffrey Schott, senior fellow at the Peterson Institute for International Economics is here with me, Steve Weisman, to assess the prospects and the advantages and costs of agreements in these areas. First let's talk about Europe. A high-level working group is said to be close to some kind of agreement on a possible U.S.-Europe trade accord.

Jeffrey Schott: Yes. Last December U.S. and European leaders got together and established this high-level working group to issue recommendations on how they can formulate a new initiative that could deal with the broad range of transatlantic trade and investment issues and do so in an expeditious fashion so that they could avoid some of the pitfalls that beset transatlantic initiatives over the past 20 years.

The heads of that working group are supposed to issue their final report to leaders in the next few weeks, though there seem to be some continuing differences on the scope and scale of the proposed initiative.

Steve Weisman: How ambitious is the Obama Administration in trying to achieve a broad agreement?

Jeffrey Schott: I think they want to get as much done as quickly as possible. They certainly want to avoid the long, protracted negotiation that we saw in the World Trade Organization in the Doha Round. It spent more than a decade and achieved very little. So they want to avoid that type of experience, and basically get an agreement that gets the biggest bang for the buck, and gets results that can be fed into new opportunities for trade and investment very quickly.

Steve Weisman: What are the toughest impediments?

Jeffrey Schott: It's not simply a case of spelling out that we have a problem in agriculture or in certain regulated services or product standards or sanitary and phytosanitary regulations. It's really a question of the scale of the enterprise. If you try to focus on a narrow problem, you may find that you don't have the political support to make a basic change in national regulatory policy, and so you need a bigger deal to muster the broader based political support for broad liberalization.

Steve Weisman: Right, and gain the constituents for the deal.

Jeffrey Schott: But that runs into the problem that, if you get a big deal, you complicate the negotiating process. You may end up with a longer, more protracted negotiation and not get the results quickly that are needed to spur economic growth in the United States and in Europe.

Steve Weisman: But both sides have some incentives here, don't they?

Jeffrey Schott: Certainly for Europe, they're looking for all avenues to try to spur economic growth.

Steve Weisman: And exports.

Jeffrey Schott: And exports. But the United States, which is doing better than Europe in broad economic terms, still has the potential to export quite a bit more to Europe, as well as other parts of the world. So we want to take advantage of those opportunities in manufacturers, in services, and in agriculture.

Steve Weisman: Both the Europeans and the United States have concluded free trade agreements with Korea. How is that a model for where they might go in this agreement?

Jeffrey Schott: It seems to me that if you want a comprehensive framework for a transatlantic agreement, you've got one almost ready-made that you can take right off the shelf. That's the framework of the US-Korea Free Trade Agreement, which the Europeans used as the benchmark for their own bilateral free trade agreement with Korea. The two agreements are very comparable. There are only a few areas where there are any substantial differences. The objective of a negotiation, at least of the first order, could be to give to each other—the US gives to Europe, Europe gives to the United States – what each side has already given to Korea. And those agreements are generally considered the state-of-the-art of bilateral free trade agreements and therefore have the highest level and most comprehensive set of rule-making obligations of any international trade agreement.

Steve Weisman: Speaking of Korea and Asia, President Obama is leaving soon for a trip to Asia for the ASEAN leadership in Cambodia. I'm sure he'll be discussing the Trans-Pacific Partnership [TPP], which you and I have discussed here fairly recently. Can we expect any news out of that trip?

Jeffrey Schott: I think with the re-election of President Obama, there will be a clear signal from the US side that the Trans-Pacific Partnership is going full speed ahead, has the strong support of the Administration. It's the number one trade negotiating priority of the Obama Administration. Therefore the President will acknowledge that this is something that hopefully can get done sooner rather than later and that work will be accelerating in the next negotiating round that starts in New Zealand in early December.

Steve Weisman: The new developments in those negotiations are the possibility of Japan entering them.

Jeffrey Schott: The first new development is that Canada and Mexico will take a seat at the negotiating table for the first time.

Steve Weisman: Right.

Jeffrey Schott: They are now full members of the negotiating process. There has been some speculation that Prime Minister Noda of Japan will come forward with a much more explicit request of other TPP Leaders that Japan be allowed to participate in talks as well. This would be quite a political gambit or challenge for Prime Minister Noda to maintain that support for that position. He's been a strong supporter of Japanese participation in the TPP for quite some time, but his party is divided on it and the opposition party is against it. So this is something where they may have made a calculation that Japan really doesn't have better options than to join the TPP and to bite the bullet and try to work out the best deal possible while the terms of the deal are still under construction.

Steve Weisman: Thank you, Jeff.

Jeffrey Schott: Thank you very much.

