



US-European Trade Talks Start: Part I

Jeffrey J. Schott assesses the obstacles and opportunities in the Transatlantic Trade and Investment Partnership (TTIP) talks. Part II: how audiovisual protection and cyber-espionage could roil the discussions.

Transcript of interview recorded July 1, 2013. © Peterson Institute for International Economics.

Steve Weisman: The much discussed talks to achieve a transatlantic trade agreement known as the Transatlantic Trade and Investment Partnership or TTIP get underway after the 4th of July holiday. Jeffrey Schott, Senior Fellow at the Peterson Institute for International Economics is here with me, Steve Weisman, to give a prognosis.

Jeff, the way was cleared for these talks to begin at the G8 Summit in Northern Ireland in mid-June. Explain a little bit of background.

Jeffrey Schott: The United States and the European Union agreed last spring to move forward with new negotiations and started a period of consultations with their domestic constituencies on how to set up the agenda for a comprehensive new trade agreement. Work progressed very rapidly over the ensuing months and at the G8 Summit in late June, President Obama and his European counterparts committed to launch the talks. They will start in Washington the week of July 8.

Steve Weisman: What are the toughest issues that they have to tackle, at least initially?

Jeffrey Schott: The first thing they have to do is get the ball rolling and that's what they're going to do next week. They're going to set the table for very comprehensive negotiations, and hopefully, start serving ample first courses in areas where U.S. and European positions largely converge. In fact, issues where previous negotiations that the United States and the European Union have done with other trading partners are closely similar.

Steve Weisman: You've mentioned before that the Korea negotiations with both the Europeans and with the United States could be a template. Where would they go to achieve those first convergences?

Jeffrey Schott: I think you're going to see that both sides will table very substantial text draft proposals and in relatively noncontroversial areas. They want to get off to a fast start, show that they're making a lot of progress before they dig into the areas where there are deep-rooted divisions in the U.S. and European positions.

Steve Weisman: Let's talk about what are those noncontroversial areas.

Jeffrey Schott: The noncontroversial areas are ones across the board in terms of cutting traditional trade barriers, tariffs, eliminating non-tariff barriers to trade. But even when you get into these traditional areas, there are sensitivities in the area of government procurement for example. Both sides want to expand the ability of their national firms to compete for contracts made by governments on the other side. Yet the Europeans would like that access granted to the

procurement by U.S. states. That's an issue, an area where the federal government would like to do more, but doesn't have the authority unless the states are willing to volunteer to provide those commitments to the Europeans.

Steve Weisman: Do a lot of states in the United States have Buy America provisions in their procurement?

Jeffrey Schott: It really depends on the state. There are a number of states that have made very modest commitments in the context of the WTO's government procurement agreement to have certain contracts that they vet at the state level open to bids from foreign suppliers. But in large measure, the big-ticket items are still subject to local preferences.

Steve Weisman: What about agriculture? That's always been an impediment in U.S. – European talks on a global scale. What is their inclination to make any concessions there? Are there that many concessions left to make?

Jeffrey Schott: Agriculture's going to be a very important part of this negotiation. Even though many people talk about the trade agreement being a 21st century agreement that's going to look at important regulatory issues affecting emerging technologies, in fact there are a lot of important agricultural barriers that still affect bilateral trade. Some are traditional tariffs and subsidies that distort trade and investment. Some are regulatory policies affecting food safety, some of which involve genetically modified foods, which are a very sensitive issue in our bilateral relationship, and so there are a number of problems that will have to be dealt with.

One of the key problems, though, that gets less attention is the fact that there seems to be a feeling that you can at least eliminate the barriers at the border—cut the tariffs—without getting into the deeply sensitive and highly politicized problems in our bilateral agricultural trade, when in fact many of those tariffs are part and parcel of a broader support program for farmers that include subsidies. And you can't cut the tariffs without cutting the subsidies. So even in that seemingly traditional area, we're going to have more problems than perhaps the general public anticipates.

Steve Weisman: Is there an incentive on both sides to cut subsidies because of budget reasons?

Jeffrey Schott: There is a big incentive. It's already the focus of a substantial debate in the U.S. Congress to cut subsidies for budgetary reasons. The Farm Bill that was recently voted down in the House contained cuts in agricultural subsidies. Oddly, however, the members decided that they would put on the chopping block the only subsidies in the U.S. arsenal that are not considered trade-distorting. So they were considering cutting income support to farmers while maintaining and even increasing crop insurance subsidies that can affect and distort trade and production decisions. Therefore I suspect that even though politicians have an incentive to cut subsidies for budgetary reasons, they also have an incentive for political reasons to cut the wrong types of subsidies.

Steve Weisman: Jeff, I'm going to stop there. We'll go to Part 2.

