



US-European Trade Talks Start: Part II

Jeffrey J. Schott says disclosures about US Internet and telephone spying and France's desire to protect homegrown entertainment could make it harder to reach a deal.

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Steve Weisman: Jeffrey Schott, senior fellow at the Peterson Institute for International Economics is here with me, Steve Weisman, discussing the launching of trade negotiations under the Transatlantic Trade and Investment Partnership or TTIP.

Jeff, you just mentioned the food safety issue. The Europeans are very worried about these safety issues and I guess the U.S. has an agenda on them, too. How tough are those going to be to solve?

Jeffrey Schott: They're going to be very tough because there are very deep-rooted concerns in the general public in Europe about certain practices and concerns -- whether backed up by scientific evidence or not -- that certain practices and certain types of products could lead to health problems. That's not going to change immediately. And indeed, I think the most that can be done in a trade agreement is to ensure that there is the full information available to the regulators in each side as they continue to set evolving regulatory policies dealing with food safety issues.

Right now, there is some concern that not all of the information, some of the scientific test data and the like, is being fully brought to bear in these regulatory proceedings. I think what the negotiators can do is develop new procedures to ensure that each side has a full airing of its views during the regulatory processes of the other. Then over time, one would think that that additional information will breed a little more understanding of the issues of the competing positions and that you would have some convergence over time as the public sentiments are more fully informed. But that's going to take some time, I think, and one would not expect early resolution of the GMO [genetically modified organism] issue.

Steve Weisman: Shifting the subject a little bit to the audio visual. There was a big kerfuffle around the time of the European Summit over France's desire to continue its subsidies and barriers to protect its movie, television, music industries. Then they were criticized in other quarters in Europe for being reactionary and overly protective. Is this a potential barrier or a sideshow?

Jeffrey Schott: It was a lot of noise, and it was noise that was appropriately distracted away from the negotiating table. I think that the French primarily made a big fuss about this for domestic political reasons. It was a risky ploy because by opening up some of the agenda or taking issues off the negotiating agenda, they raised the possibility that the United States would follow suit and exempt certain concerns, problem areas that we had. We didn't do that because once you start down that road, it's a tit for tat process where one thing is taken off in retaliation for another thing being taken off.

I think the U.S. response was quite measured and quite appropriate. And as a practical matter, I don't think it made much of a difference in terms of negotiations. What the United States would have been seeking from Europe in terms of reforms and audiovisual would have been quite modest, and the ability to get that is not going to have a big impact on the overall balance of concessions. At the end of the day, I think it will lead to the U.S. removing some concessions that would be of interest to France because the French were not participating in the full negotiation.

But this is a second-order problem, I think, and one that could have been a major diversion or distraction for the negotiations but was handled in a very adult manner.

Steve Weisman: One other wild card that's even more a matter of speculation is the recent disclosures about U.S. tracking of emails, phone calls, Internet activity, that has a lot of Europeans worried about privacy concerns. There have been more recent disclosures that the U.S. may have been spying or bugging European and EU diplomatic offices. Do you think this endangers the talks in any way?

Jeffrey Schott: I don't think it endangers the negotiations. If anyone is shocked that countries spy on each other, then I'd be surprised about that. But it does further deepen problems that already exist with trying to seek resolution of differing positions with regard to cross-border flows of data. That broad issue raises concerns about access to data and related privacy concerns. Of course these privacy concerns are now given full blown attention because of the recent events.

Steve Weisman: It's hard to think that they shouldn't be.

Jeffrey Schott: That's correct. And it only reinforces views in Europe that much more priority should be given to privacy concerns, which contrasts the U.S. position that wants freer access and availability of data across borders.

Steve Weisman: Do you want to make one more point?

Jeffrey Schott: There's another area where there has been substantial discussion and confusion about what will take place in the negotiations. That's with regard to financial services. Trade agreements over the past decade have included substantial chapters on financial services as they affect certain trade-related matters. They have not gotten into the basic topics of financial stability or capital adequacy of banks, for example, that have come up in other contexts. And there have been some calls to broaden the scope of the negotiating agenda in the TTIP with regard to financial services. That has met understandable resistance from finance officials and financial regulators. There is a lack of clarity about what the negotiations actually will cover once the officials start sitting down. And indeed, I think that this is one area that the negotiators are going to have to spend the first several negotiating sessions figuring out exactly what they're negotiating about before they get into the depth of the content.

Steve Weisman: They did call it TTIP, where the "I" stands for investment.

Jeffrey Schott: Investment will be included and there will be an investment chapter. The question is how deep you go into the consideration of financial regulations that get into the aspects of ensuring the stability of the financial system.

Steve Weisman: Right.

Jeffrey Schott: Most of the past trade agreements have been very clear that there are very broad carve-outs for prudential reasons. This has eliminated a lot of the content of that financial regulation from the overview of the trade agreement. There have been some calls in some quarters of Europe to encroach upon that space. That has met very sharp criticism from the U.S. Treasury. And indeed, Michael Frohman, the new U.S. trade representative, has indicated that while financial services need to be covered by the TTIP, it did not mean that every financial issue needed to be covered and that there were a number of areas where the U.S. and the European Union were conducting parallel discussions in the Financial Stability Board and other forums to deal with these broader financial regulatory issues.

Steve Weisman: Thank you very much, Jeff.

Jeffrey Schott: Thank you.

