A Japanese Breakthrough on the TPP?

Jeffrey J. Schott says the apparent agreement by Japan to lower tariff barriers on beef, poultry, and other products needs to be fleshed out but could pave the way for a broad accord later this year.

Steven Weisman: President Obama's trip to the Far East, initially to Japan, appears to have yielded some progress in the negotiations between Tokyo and Washington on the Trans-Pacific Partnership trade agreement or TPP. Jeffrey Schott, a senior fellow at the Peterson Institute has studied some of the news reports and is here to analyze the implications of a breakthrough if one has indeed been achieved.

Jeff, what do we know?

Jeffrey Schott: We know that they've made a lot of progress and that they've moved forward from where they were several weeks ago in terms of talking about specific reforms and protection on the most sensitive agricultural products that Japan would like to keep off the table in the TPP.

Steven Weisman: Which are those?

Jeffrey Schott: Beef, pork, dairy, rice, wheat, sugar. Some of those products are high priority concerns for the United States and for US producers, particularly beef and pork and dairy to some extent.

Steven Weisman: Without concessions on those, there's not much of a chance an agreement would fly in Washington.

Jeffrey Schott: That's correct. The agricultural constituency, service industry, some manufacturing groups, you have to have a broad coalition of supporters to get trade legislation through the Congress.

Steven Weisman: Were there any United States concessions that might have contributed?

Jeffrey Schott: I think what the negotiators were trying to do is find an appropriate landing zone or comfort zone of where they can meet the needs of their constituents in terms of depth of reform and flexibility in how you implement the reform. In some cases, I think the United States probably committed to the Japanese that we would not demand total elimination of protection on all the products.

On the other hand, the Japanese had to commit to the United States that they would commit to deeper cuts on many of the products than they had recently committed to Australia in their bilateral free trade agreement.

Steven Weisman: So maybe it sounds like given more time, they'll go more.

Jeffrey Schott: I think they're going into the details by product, how much to cut, whether to go all the way to zero, how long to implement the reforms. It could be for some products, the reforms are implemented relatively quickly. In others, it may take a long, long time.

So these are some of the details that are being worked out and it was very significant that in the week before the summit meeting, senior officials from the US Department of Agriculture joined the USTR [US Trade Relations] negotiators so that they could get in to the real nitty-gritty on the specific products.

Steven Weisman: On the US side, were there any barriers that the Japanese wanted lowered?

Jeffrey Schott: The Japanese I think had more of a defensive posture with regard to agriculture. Their offensive interests ironically are very similar to US offensive interests in the overall Trans-Pacific Partnership.

Steven Weisman: For example?

Jeffrey Schott: The US and the Japanese negotiators are working very closely together to try to have strong provisions in the TPP on investment and on intellectual property. And this is an area where I think Prime Minister [Shinzo] Abe, once a deal is put together, can argue that they made some concessions on agriculture, but there were huge gains to be harvested for Japanese manufacturers because of the overall deal that the United States would help them get with the other ten countries.

Steven Weisman: If this bilateral agreement is completed, does it become the key to unlocking the agreement among the ten or eleven countries in total?

Jeffrey Schott: There are 12 countries participating in the TPP and I think you're right. The US-Japan discussions or commitments on agricultural market access really are the key to unblocking the TPP talks. It's the main bottleneck to completion of the TPP.

Once the 12 countries have a clearer idea of the possibilities or the scope and depth of the potential market access package on agriculture, then they will be better able to calibrate how much additional commitments or concessions they have to make on many of the rule-making obligations: investment, intellectual property, disciplines on state-owned enterprises that are not yet resolved, but issues in which the trade ministers have been working on very energetically for the past four, five months.

Steven Weisman: It sounds like an immensely complicated task. What is the optimistic timetable? What's the realistic timetable?

Jeffrey Schott: I thought it was very interesting that as the chief negotiators were talking even a week or so before the summit meeting, that agreement was made among the TPP countries to have a full meeting of the chief negotiators in the middle of May in Vietnam and for trade ministers to meet shortly thereafter.

So there's an expectation that there will be continued progress on the details and enough momentum and enough detail to show to the other ten countries that the US and Japan could actually be able to push this overall negotiation forward.

If that's the case, then you could see the ministers getting into near final agreements next month, something that they can take back and consult with their domestic constituencies and possibly have a political handshake on a deal before the summer or by early summer. I think that's an optimistic scenario but one that certainly is possible given the progress that was made in the last few days in Japan.

Steven Weisman: Jeff, thank you very much.