



TPP Talks: Getting to Yes

Jeffrey J. Schott explains why trade negotiators for the Trans-Pacific Partnership (TPP) are hopeful they can complete a deal by early September, clearing the way for a presidential signoff by the end of the year.

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Steve Weisman: Negotiators working to complete agreement on the Trans-Pacific Partnership, the TPP, which is the trade agreement between the United States and 11 other countries in the Western Hemisphere and in Asia. Those negotiators failed to reach an agreement at the end of July when they were meeting in Maui.

But Jeffrey Schott of the Peterson Institute for International Economics, who's the co-author of our book on understanding the TPP, is here with me, Steve Weisman, at the Peterson Institute to explain why, even though they failed to reach that agreement, the prospects for reaching an eventual agreement are not unreasonable.

Jeff, thanks very much for joining us.

Jeffrey Schott: My pleasure.

Steve Weisman: First of all, some press reports said that the negotiators failed to reach an agreement. Is that quite correct?

Jeffrey Schott: Right, they didn't finish, but they got very close to the finish line and there are only now a small handful of issues that remain unresolved, obviously the most difficult and politically sensitive ones. But they're within striking distance and with continuing talks; it would not be surprising if they could finish in August or early September.

Steve Weisman: Jeff, can you say what the most difficult issues are that remain to be resolved?

Jeffrey Schott: Well, there are a set of issues that are really interrelated and so the resolution in one area depends on success in another and it involves traditional market access issues like in agriculture, particularly dairy and sugar. It involves traditional problems with rules of origin; what type of content is required from the participating countries to qualify for the tariff preferences in the important area of autos.

It involves issues with regard to intellectual property, particularly for a certain class of pharmaceutical products, Biologics, where this is probably the most politically sensitive issue among the 12 countries.

Steve Weisman: Let's talk about pharmaceuticals for a second. That's very important to the United States because of the industry located here. What exactly is the United States seeking out of the negotiations and why are those talks so tough?

Jeffrey Schott: Well, the particular issue involves the extent of which there will be exclusive access to the data for certain tests for a class of products called Biologics. And the US industry would

like a long period of protection of those test results to ensure their advantage in deriving products and selling products based on that very costly research that they do. Other generic manufacturers would like to get access to that data, so they don't have to replicate those costly trials.

Steve Weisman: I see.

Jeffrey Schott: And therefore can bring products to the market more quickly once they can develop non-patented goods.

Steve Weisman: Some people, critics of the TPP in the United States, actually feel that the Obama Administration is catering too much to the pharmaceutical industry, which is a little bit of a reversal of the criticism that you usually hear.

Jeffrey Schott: Well, this is really a traditional problem with regard to intellectual property. You want to provide this protection of the intellectual property of the patents and the like so that you can encourage companies to invest in research and development. So you want to encourage innovation through this type of legal protection. But you also want to encourage the broadest dissemination of the knowledge, so that it can be used to produce additional and new knowledge and new products.

And there's always a tension; how much do you provide the protection to encourage innovation? How much do you provide access to that information so that you can expand the dissemination of the knowledge and new production at lower cost?

Steve Weisman: Where do you see the compromise?

Jeffrey Schott: I think right in the middle, where most compromises fall.

Steve Weisman: Between what and what?

Jeffrey Schott: Australia has a law that says five years for data exclusivity for these products. The US position had been for 12 years and I think they will probably come in somewhere around seven to eight years. And that will require some changes in a number of countries. But if everyone has to step up and say, "We're going to reach this compromise and have a common standard for the entire region." I think it would make some sense, particularly if it is in that range where it seems to hit a sweet spot between the innovation and distribution objectives.

Steve Weisman: So Jeff, tell me in your blog posts in the trading investment blog at the Institute on the website, you said that it might be possible, what, to reach an agreement by the end of August?

Jeffrey Schott: It's possible, though the Trade Ministers left Maui at the end of July, many of their negotiators in the open issues stayed over to try to work out details, to try to clear away the remaining obstacles to having a political decision in these areas taken by their Ministers or Heads of State.

That has led to some optimism that Ministers could reconvene even in late August or early September. There's a great desire among the Ministers to do so, but they're not going to meet until they are ready to—they're in a position to take decisions.

Steve Weisman: So if they reach that agreement by the end of August or early September, what are the prospects for President Obama signing it and Congress approving? What's the timetable?

Jeffrey Schott: Well, once the agreement is concluded, then President Obama under the new trade promotion authority has to notify Congress of his intent to sign so that Congress can review the agreement before the deal is actually signed by the United States. And he has to do that at least 90 days prior to signing. So under that scenario, if the deal is concluded in early September, President Obama could sign it before Christmas.

Steve Weisman: And then Congress would presumably take it up in the first quarter of 2016, just as the Presidential Campaign is heating up. What are the prospects of getting it approved in that timetable?

Jeffrey Schott: Well the deeper you go into 2016; the more difficult it will be to manage the political pressures that inevitably arise during an election campaign.

But the 2016 election campaign started a long time ago and heated up a long time ago. But, I think there seems to be enough support for this agreement among both the Republican leadership in the Congress and the President, that they could get together – if they work quickly and with the same commitment to compromise that occurred in the TPA process, that they could develop implementing legislation, which could then be acted on rather quickly in the Congress. The difficulty will be drafting the implementing legislation.

Steve Weisman: Right, Jeffrey Schott, thank you very much for your help. Again Jeff is the co-author of a Peterson Institute book, Understanding the TPP. There'll be more materials presented on our website as the agreement moves forward, if there is one. Thank you very much.

