Barack Obama’s fast-track hopes on trade remain stuck in the slow lane

By Shawn Donnan in London

When US President Barack Obama set off for a long-delayed tour of Asia last week, he had one overwhelming economic priority. If nothing else, he needed to notch up progress and restore faith, both in Asia and at home, in the Trans-Pacific Partnership, the mooted 12-country Pacific Rim pact at the top of his trade agenda.

But Mr Obama returned home this week with anything but a clear win. That ought to be of concern to anyone in business hoping for a new round of global trade liberalisation, or anyone from Geneva to Brussels to Beijing engaged in trade negotiations with Washington.

The US is leading a push around the world to bring the rules of global commerce into the 21st century. The TPP, which includes Japan, Australia and other countries making up some 40 per cent of global output, is the most mature part of that. But the push also includes negotiations, begun last year, with the EU and an effort by two dozen economies on the sidelines of the World Trade Organisation to update the $4.5tn-plus annual global trade in services, which China is eager to join.

As Mr Obama and Shinzo Abe, his Japanese counterpart, both indicated, the TPP and its siblings are part of a bigger strategic project. Mr Obama has “pivoted” to trade as well as to Asia as he seeks to construct a strategic economic response to the rise of China and other emerging economies.

But to get the job done before he leaves office in January 2017, Mr Obama’s pivot to trade all depends on delivering a certain sequence of events. As the clock ticks and domestic politics intrude, the president and his team appear to be making only slow progress.

The White House’s latest plan has been to close the deal on the TPP in order to convince reluctant Democrats in Congress to grant him the “fast-track” authority that allows US presidents and their interlocutors to conclude trade deals without fear they will be renegotiated on Capitol Hill.

Crucial to that plan is striking a bilateral deal with Japan over agricultural and automotive market access, the absence of which has caused the broader TPP negotiations to stall.

Those bilateral discussions dominated Mr Obama’s visit to Japan last week. The end result, according to the leaders’ joint statement, was the identifying of a “path forward”, language that left observers scratching their heads.

The problem for Mr Obama is that despite the best efforts of his officials to spin this as a “breakthrough”, it may do little to re-energise the TPP talks. The spin may prove to be right. But negotiators worry that, without a firm agreement between the US and Japan, the TPP discussions could easily drag on through the summer and quite possibly until the end of the year.

Why does that matter for EU negotiators? Or for China? It is a question of timing and politics. And it all comes back to the question of fast-track authority, which Mr Obama also needs to wrap up the transatlantic pact and a new global services agreement in Geneva.

Once the TPP negotiations are done, it is likely to take months of work by lawyers to draft a final text that can be presented to Congress. To get a deal to Congress for approval – and make the case for fast-track authority – by the end of this year, or even early in 2015, the trade negotiators have to finish their work this summer. That now seems ambitious.

The risk is that if the TPP and fast-track debates drag on deeper into 2015, they could come up against US presidential politics. The first primaries are just 20 months away and few Democrats are likely to want the divisive issue of trade making an appearance as they
woo the party’s base in Iowa and New Hampshire.

To be fair, the future of world trade does not hang entirely on Mr Obama or the TPP. Another round of negotiations on the services agreement began on Monday in Geneva. Mr Abe is in Europe this week to discuss a Japan-EU trade agreement. Angela Merkel, the German chancellor, is visiting Washington later this week and is also dealing with a centre-left coalition partner with a more sceptical view of the proposed transatlantic pact than she has.

Still, the US is clearly the most important player. Just six months ago Mr Obama was restoring badly needed dynamism into the global trading system via the TPP and his other efforts. The risk now is that he may be running out of time.

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