



Senate compromise gives Obama 'fair' Pacific trade deal

Shawn Donnan and Megan Murphy

May 13, 2015

Less than a day after delivering a firm rebuke to President Barack Obama over the trade legislation he needs to seal a Pacific Rim accord that is one of his signature economic priorities, Senate Democrats forged a compromise with Republicans that would allow the legislation to move forward.

But even as leaders from both parties outlined what Senate minority leader Harry Reid described as a "fair" deal, it is hard to escape a hardening reality: Mr Obama and the Trans-Pacific Partnership he is trying to close with Japan and 10 other countries are running out of time.

All but one Democrat in the Senate on Tuesday voted to block progression of a bill that would grant the president the so-called "fast-track" authority he needs to wrap up the TPP negotiations and guarantee the smoothest path possible through Congress for an eventual deal.

Fearing that a core piece of Mr Obama's economic agenda - and potentially his legacy - was in danger, the White House scrambled overnight to rally support for a compromise.

Under the deal announced by Mr Reid and Mitch McConnell, the Senate majority leader, the chamber will now vote first on a trade enforcement deal that includes a controversial currency manipulation provision, before voting on trade promotion authority.

Many Democrats, particularly on the party's left, have a longstanding aversion to trade agreements. Mr Obama has, as a result, been waging an increasingly ugly and public fight on trade with figures such as Elizabeth Warren, the de facto leader of the Democratic left, that amounts to a battle for the party's economic soul.

The more immediate consequence may be that this week's unexpectedly dramatic machinations has added to the frustrations in other TPP countries where governments now stand ready to close the deal.

"What happened [on Tuesday] at the US Congress will not be helpful to close the TPP negotiations," one senior Japanese official told the FT after the vote.

"Even if they sort it out it's pushing the timetable out," New Zealand's trade minister, Tim Groser, said in a radio interview there on Wednesday.

The consensus view in Washington has long been that for the TPP to have a chance the negotiations need to be concluded before the summer so that a ratification vote can be held before the political heat rises in the 2016 US presidential campaign year.

Before Tuesday's vote the hope was that Congress would give Mr Obama what is formally called Trade Promotion Authority by the end of May, or early June. TPP trade ministers could quickly gather shortly afterwards for a final ministerial meeting to seal the deal, triggering a six-month race to get a final agreement before Congress for ratification. So hopeful was everybody that progress would be made in Congress that what has been billed as a final meeting of chief negotiators from the TPP countries was scheduled to begin in Guam on Friday.

The tabular content relating to this article is not available to view. Apologies in advance for the inconvenience caused.

Even with a quick resolution to the current procedural stand-off in the Senate, the timeline has slipped, says Daniel Ikenson, the head of the libertarian Cato Institute's trade analysis unit.

By his calculations, the earliest a ratification vote could be held in Congress is December.

The issue, Mr Ikenson argues, is that the Obama administration is now paying the price for its procrastination on trade.

Mr Obama could have sought fast-track authority, which last expired in 2007, years ago.

The president, Mr Ikenson says, now looks like a student scrambling to catch up the night before an exam. "He has taken the 'No Doze' [pills] to stay up all night and cram for his exams. But it's making him jittery. It's having ill-effects."

US trade officials have also said they are working to compress the process needed to get a TPP bill before Congress. Lawyers are already poring over those of the 29 TPP chapters that have been closed as part of a needed "legal scrub", for example, and many of the other needed steps can happen concurrently. Moreover, they say, while the fast-track legislation would give Congress 90 days to hold up-or-down votes on the TPP there is no reason why a vote could not be held sooner than that.

But Tuesday's vote in the US Senate was already leading some to raise questions about the longer-term fate of the TPP.

"While Washington has gotten stuck in partisan battles over [fast-track authority], the timing for TPP has only gotten worse," Deborah Elms, the executive director of the Singapore-based Asian Trade Centre, wrote in a blog post on Wednesday.

Mr Obama was not alone in facing political challenges related to trade, she pointed out, and the longer the battle in Washington dragged on the worse it would get for other TPP countries.

"This 'procedural' issue in the United States Senate . . . could end up like the proverbial butterfly flapping its wings," she wrote. "The consequences of this delay could, indeed, reverberate for a long time to come."