POLITICO

Cato dishes advice on U.S.-EU trade deal

By Matthew Korade

10/14/13

The Cato Institute has a few pieces of advice for those negotiating the massive United States-European Union trade deal: Be realistic, go "negative" and grab the low-hanging fruit.

In a trade bulletin that the conservative think tank released Monday, Daniel J. Ikenson, director of the Cato trade policy center, advises both sides in the proposed Transatlantic Trade and Investment Partnership agreement how they can avoid getting sucked into a morass of difficult, if not intractable, issues and turning the talks, in effect, into a 10-year cocktail party for trade officials and lobbyists.

First, draw up a short list of specific goals and set realistic deadlines for achieving them, he recommends. Be sure to specify a "negative list" of regulatory issues that are off limits at the outset, so that the scope of what is achievable is crystal clear from the beginning. And finally, realize that the deal doesn't have to be wrapped up in a single, giant bow and delivered, as proposed, by 2014; instead, go after a few successive biennial agreements, harvesting those things that are within easy reach.

A joint Atlantic Council and Bertelsmann Foundation survey of trade experts in April provides a good starting point, Ikenson says. Among the most important and easiest to achieve of the issues, respondents said, is reducing and eliminating tariffs. On the other hand, those surveyed listed two issues, converging the U.S. and EU regulatory processes and dealing with concerns about genetically modified organisms, as the most-important and most-difficult challenges.

For those regulations on the table, negotiators should default to a standard of mutual recognition or otherwise aim for convergence toward a single standard, Ikenson says. For example, mutually recognizing the equivalence of such things as the U.S. and EU drug approval processes or safety standards for electrical cords would be ways to save the respective industries money and bring benefits to consumers.

"There are hundreds, perhaps thousands, of similar regulatory processes and standards that could be bridged through such mutual recognition or convergence," Ikenson writes.

The author points out that any deal to liberalize trade, investment and regulatory barriers would build upon an already integrated economic foundation: The U.S. and EU, which have a combined gross domestic product of $34 trillion, or nearly half of the world's output, account for about $1 trillion a year in bilateral trade and are involved in about a third of global trade.

But, given the raft of difficult decisions and potential political consequences, striking a deal won't be easy, Ikenson says.

"What is needed for success is enthusiasm," he writes. "What breeds enthusiasm are tastes of success. And tastes of success can come from setting and reaching goals in shorter increments, starting with agreement on the lowest hanging fruit first."