

# Obama's Asia Trip Opens Window for Trade Deal

But political issues, tariffs raise doubts

By DOUG PALMER

President Barack Obama's trip to Asia has raised hopes that countries will soon reach a deal in long-running talks on a huge Asia-Pacific trade pact, but it has also renewed doubts that he can finish the deal without key trade legislation.

U.S. Trade Representative Michael Froman said teams working under orders from Obama and Japanese Prime Minister Shinzo Abe made significant progress last week in narrowing the gaps on difficult agriculture and auto market access issues, even if a final deal was not reached.

The Tokyo meeting was "a pretty key moment in terms of hitting a milestone that will allow the negotiations to now proceed to the next level towards closure," he said.

"We made clear before we left that we didn't expect to reach an agreement," Froman told POLITICO in an emailed statement, responding to news accounts that focused on the lack of a deal. "We hoped and worked hard to make progress; that's exactly what we achieved. In fact, the progress was such that we felt we reached a milestone, which will take the overall TPP talks to a new level. But it's not a final agreement."

The headway should allow chief negotiators from the 12 countries involved in the Trans-Pacific Partnership talks to push the deal closer to the finish line when they meet in Vietnam in mid-May, said Tami Overby, senior vice president for Asia at the U.S. Chamber of Commerce.

"I think the end is within sight and momentum is building," Overby said. "I'm feeling like the next six to eight weeks are going to be really exciting."

Jeffrey Schott, a senior fellow at the Peterson Institute for International Economics, also saw momentum coming out of the Obama-Abe meeting, which administration officials said took the discussions between the United States and Japan to a higher level by laying out the parameters of a final deal.

"I'm cautiously optimistic that there could be a political handshake by this summer," Schott said, referring to negotiations on the overall TPP pact.

Other experts stressed the value of Obama and Abe personally interacting on the issues. While both countries have highly experienced and capable negotiators, some trade-offs can only be made at the highest political level, requiring leaders to signal what they can give and need to get in return.

"I think we'll know with benefit of hindsight whether the meeting between Abe and Obama marked a breakthrough in the negotiations," said Jay Eizenstat, a partner at McDermott, Will & Emory and former U.S. trade negotiator. "The follow-through is huge. The next four to six weeks are really important."

The TPP, a so-called 21st-century trade agreement, is supposed

to go further than previous trade pacts in areas like protections for workers, the environment and intellectual property while also forging rules in new areas like digital trade and state-owned enterprises.

But the 10 other TPP countries have been waiting for the United States and Japan — the world's biggest and third-biggest economies — to reach a deal on market access before making all the other trade-offs needed to reach a final agreement.

During marathon negotiating sessions last week in Tokyo, the two sides agreed on a "path forward" for completing a market access deal, although no specifics were announced.

However, the United States appears to have conceded that Japan could keep tariffs on some agricultural goods, rather than phasing them out completely, which has been a goal of the TPP talks.

At the same time, Japan appears ready to further open its market in six agricultural sectors — rice, dairy, sugar, wheat, beef and pork — that it has been trying to protect from tariff elimination.

"We went through each one of these products, and oftentimes line by line of the tariffs, to determine what was the most robust outcome in terms of opening markets for U.S. exports and to do so in a way where we could secure Japan's agreement," a senior administration official told reporters

aboard Air Force One, according to a White House transcript.

"There are these parameters, and there are trade-offs among parameters. The deeper the cut in the tariff, the longer time it may take to get there. And so we have a sense of what the packages might be and what the pathway forward is to us resolving this," he added.

U.S. officials believe there is now enough clarity about what the U.S.-Japan market access deal will look like that other countries can begin the final push to conclude their own market access agreements.

As in most trade negotiations,

president and counsel for international affairs at the National Pork Producers Council. "The Japanese continue to stonewall. We are not anywhere near the point of a deal that NPPC can support."

Many U.S. farm groups are starting to question whether Japan should leave the negotiations, Giordano added, warning that the entire trade deal could unravel or be substantially weakened if all countries don't make the necessary concessions on their sensitivities, whether in market access or the rules provisions of the proposed pact.

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nothing is final until everything is final, so the outcome of other issues like protections for labor, the environment and intellectual property still could affect the market access elements.

In addition, a deal that does not completely eliminate Japan's tariffs could be a hard pill for many in the U.S. agricultural community to swallow, increasing the difficulty of it winning congressional approval.

"We are not happy with the situation," said Nick Giordano, vice

U.S. Agriculture Secretary Tom Vilsack, whose department is closely involved in the talks with Japan, seemed to agree in an interview with Bloomberg on Monday.

"It is incumbent upon us to have market access, and if the Japanese are unwilling and unable to provide that market access, then the other alternative is that you have a less comprehensive agreement in which the Japanese are not part," Vilsack said, stressing that the United States preferred Japan remain in the talks.

The Chamber's Overby said Japan's continued participation is an appropriate question if it becomes apparent Tokyo is not offering meaningful new market access. For now, she said she is optimistic negotiators can put together a deal that U.S. business and the agriculture community can support.

But others doubted whether an agreement was really nearer after last week's meetings.

Dan Pearson, a senior fellow at the Cato Institute and former Republican appointee to the International Trade Commission, said he remains convinced the Obama administration cannot finish the TPP talks without first winning "trade promotion authority," a politically difficult lift given opposition from many congressional Democrats.

That legislation would allow Obama to submit the trade deal to Congress for a straight up-or-down vote without any amendments, giving Abe confidence to make politically difficult concessions to the United States without worrying that U.S. lawmakers will take away whatever trade-offs Japan received from U.S. negotiators in exchange.

"The United States is asking Abe to go way out on a limb when the United States is not similarly exposed," Pearson said. "It just defies my conception of what makes sense for the United States from a negotiating standpoint."

In addition, the apparent U.S. compromise that would allow Japan to keep tariffs on some agricultural commodities may have permanently weakened the TPP because Tokyo is unlikely to give back ground on that point, Pearson said.