

'Fast tracking' away from the brink

IRA SHAPIRO

In late June, by the narrowest of margins, the U.S. Congress voted to give President Barack Obama the authority needed to complete the Trans-Pacific Partnership negotiations. Obama's improbable alliance with key Republicans, which Senate Majority Leader Mitch McConnell called "an out-of-body experience," allowed him to overcome fierce opposition from more than 80% of congressional Democrats – opposition that reflected the views of his party's strongest constituencies.

The complex 12-nation TPP is not yet finished. Talks on a handful of remaining issues, to be conducted over the next few months, will no doubt be difficult. But a congressional rejection of trade promotion authority for the president would have effectively ended U.S. participation in the pact after five long years of negotiations. This, in turn, would have confirmed America's status as perhaps the world's most unreliable trading partner, and a nation unmistakably in retreat.

The passage of so-called fast track authority was thus a rare political moment that genuinely qualified as historic, given the magnitude of the disaster that was averted.

Picking a fight

The intensity of the fight came as no surprise to experienced observers of the U.S. The country has been engaged in an internal war over trade policy since the epic battle concerning the North American Free Trade Agreement, or Nafta, in 1993. Thanks to President Bill Clinton's strong leadership, Congress approved Nafta, bringing to completion the regional trade agreement largely negotiated by the Republican administration of George H.W. Bush. This provided powerful impetus for U.S. leadership to finish the Uruguay Round of trade talks just a month later. Flush with victory, the Clinton administration unveiled ambitious visions for a Free Trade Area of the Americas and a Free Trade Area of the Asia-Pacific, and soon after spearheaded the effort for a new multilateral round in Seattle.

The disconnect between those visions and the reality of U.S. politics was as wide as the Grand Canyon. Whatever one's view of Nafta – and I am an unabashed supporter – it shattered the political consensus that supported the negotiation of ambitious trade agreements.

Clinton never got trade negotiating authority again after Nafta and the Uruguay Round. Congress did grant negotiating authority to George W. Bush, his successor, by the slimmest of margins after a bitter fight. But the Democratic Congress subsequently reneged on the basic compact of trade negotiating authority – a yes or no vote on trade agreements within a certain time frame – by simply refusing to consider deals that had been negotiated with South Korea, Colombia and Panama.

Obama ran for president as a trade skeptic, probably the only

way that a Democrat could have competed for votes in important primary states. Once elected, he understandably put trade negotiations on the back burner as he worked to prevent the financial crisis of 2008-2009 from becoming a second great depression.

But when the economic crisis began to ease, Obama recognized that the economic future of the U.S. required a strong position in the Asia-Pacific, the world's most dynamic region. The president concluded that the U.S. must be inside a rapidly integrating Asia-Pacific, ensuring that its manufacturers, service providers and farmers were not disadvantaged, and that it could play an important role in setting the rules of trade – rather than ceding leadership to China.

Obama endorsed large regional trade agreements as the best, most realistic alternative to the multilateral system, which had failed as a negotiating forum, or an endless series of bilateral free trade agreements. He made the TPP the economic centerpiece of his "rebalance" toward Asia. And he committed the U.S.

OBAMA RECOGNIZED THAT THE ECONOMIC FUTURE OF THE U.S. REQUIRED A STRONG POSITION IN THE ASIA-PACIFIC

to the most ambitious trade agenda in 20 years, with an absolute understanding that most of the congressional Democrats would not support it.

A political leader has to have very compelling reasons to pick a fight with his closest allies, and for Obama, the reason was a clear vision of what the national interest required.

Converging interests

Obama's evolution on trade and his willingness to throw caution to the political wind bear considerable resemblance to the path taken by Japan under Prime Minister Shinzo Abe. Just a few years ago, the country was mired in the battle against deflation. On top of that, it was struggling to cope with the effects of the March 2011 earthquake and nuclear disaster. Abe's Liberal Democratic Party had been critical of the idea of Japan joining the TPP negotiations when Prime Minister Yoshihiko Noda endorsed it during the last year of the Democratic Party of Japan government in 2012. But Abe, getting a second chance to serve as prime minister, quickly recognized that the TPP was of existential importance to Japan.

The TPP could be a powerful lever to liberalize Japan's economy – most prominently, but not only, its protectionist agriculture sector. The pact could help Japan bid for a leadership role in Asia, as well as be a powerful response to China's rise and



U.S. President Barack Obama smiles after signing a trade bill at the White House on June 29.

the intense competitiveness of South Korea in electronics and potentially autos.

Abe startled political observers by endorsing Japan's entry to the TPP within months of taking office, taking on some of his Liberal Democratic Party's strongest supporters before the 2013 upper house election. He put the question of the TPP to voters and won a strong mandate.

It was Japan's entry that made the TPP the most consequential trade negotiation since the Uruguay Round – one involving the world's largest and third-largest economies, with the 12 countries accounting for 40% of global gross domestic product. Japanese officials always note that their government is also involved in two other Asia-Pacific trade negotiations: the Regional Comprehensive Economic Partnership and the China-Japan-Korea trilateral pact. But no serious observer doubts that the TPP is the deal that matters most.

There has been a striking convergence of U.S. and Japanese interests in the TPP. The contentious trade disputes of the 1980s and 1990s are distant memories, as both the U.S. and Japan see great benefit in a more open Japanese economy. Their already substantial trade and investment relationship has plenty of room for additional growth, in areas that include energy, defense, services and agriculture. World leaders in virtually every technology, the U.S. and Japan share a commitment to high-standard trade rules, particularly robust protection of intellectual property, an open Internet, limitations on state-owned enterprises, and

strong labor and environment protections.

And of course, the U.S. and Japan are united in the desire to offer an alternative model to China's state capitalism. Obama has been impressively candid on that point, stating: "China wants to write the rules for the world's fastest-growing region. That would put our workers and businesses at a disadvantage. Why would we let that happen? We should write those rules."

Against the backdrop of a darkening global economic picture, the TPP offers a model to which some reformers in China will aspire. Beijing may decide to seek entry into the TPP in a few years, or it may intensify its effort to spearhead competing trade arrangements. But the congressional grant of negotiating authority to the president provides assurance to the countries of the Asia-Pacific that the U.S. remains committed to the region and its future.

The U.S. decision to reject the course of protectionism, isolationism and retreat will be remembered as profoundly important.



Ira Shapiro is the president of Ira Shapiro Global Strategies, a consulting firm specializing in trade law and policy and global government relations. He is also chairman of the National Association of Japan-America Societies.

He served as general counsel, chief negotiator with Japan and Canada, and ambassador in the Office of the United States Trade Representative during the first administration of President Bill Clinton. He is the author of "The Last Great Senate: Courage and Statesmanship in Times of Crisis."