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How Obama Can Win a European Free-Trade Deal

By: Ben W. Heineman Jr.
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Overcoming the vested interests on both sides of the Atlantic will take canny and political muscle.



The contrast was striking. In his State of the Union address, President Obama buried the start of a U.S.-E.U. free trade negotiations in a single sentence well down in the text: " Tonight, I'm announcing that we will launch talks on a comprehensive Transatlantic Trade and Investment Partnership with the European Union, because trade that is fair and free across the Atlantic supports millions of good-paying American jobs."

Yet, remarkably, *The New York Times*, *The Wall Street Journal* and *The Financial Times* led their editions the second day after the speech with the trade talk stories, and under multi-deck headlines ("[Obama Bid for Trade Pact with Europe Stirs Hope: Rise of China May Spur Deal Despite Past Failures--Visions of Lower Prices.](#)")

In trumpeting the story, the newspapers acknowledged the potential significance of such a deal between the first and second largest economies in the world (E.U. \$17 trillion; U.S. \$15 trillion; China \$12 trillion), reflecting the views of politicians and other leaders on both sides of the Atlantic. In downplaying the announcement, the president was hedging his bets: because of parochial interests in both the U.S. and the E.U., it will be hard to get a meaningful deal done on a host of technocratic issues, and he doesn't

want the trade negotiations to detract politically from the host of other issues he wishes to advance during his second term.

Yet the irony is that the president cannot hedge his bets without effectively undermining, or indeed killing, the talks in their infancy. He must be prepared to put the full weight of the administration, and the full weight of the presidency, behind this project for it to have a decent chance of succeeding.

As I described in some detail in a [scene-setting piece](#) late last year, talks would be aimed at reducing barriers to transatlantic trade in goods, services, investment, and public procurement. In broad outline, a truly substantive agreement between the U.S. and the E.U., which together account for nearly half of world GDP and 30 percent of world trade, could have significant benefits: in economics (reduced costs, higher GDP, more jobs in both regions, without the need for governmental stimulus); in foreign policy (energizing transatlantic relations, reaffirming the continuing vitality of democratic, rule of law nations and being an even more effective counter-weight to the Hobbesian state capitalism of China); in global product and regulatory standards (U.S.-E.U. agreements would have major impact around the world--China's export economy would have to conform).

But, as virtually all observers have noted, this new round of transatlantic trade talks begin against a background of many failed efforts in the past twenty years owing to stubborn, high visibility disagreements--not just with the U.S. but within Europe itself--about the value of different approaches, especially in key areas like privacy, food, agriculture, aircraft, services, and public procurement.

In addition, Europe today is struggling to find continent-wide mechanisms for more coordinated fiscal and monetary policy (although trade talks are seen as a unifying process). Poor economic conditions are generating protectionist sentiment in both the U.S. and Europe, and head-of-state leadership is necessary but may be lacking in some Euro countries (like France). Plus, the subject matter of the talks is so detailed and technical that it is difficult to make a broad, appealing political case for hard choices. Most trade negotiators start with the fanfare of broad themes before descending into a cacophony of detail.

The talks do begin with some impetus from a joint U.S.-EU "High Level Working Group on Jobs and Growth," which has been working on the possibility of such talks since the Fall of 2011 and airing issues with affected groups. It issued its [final report](#) on schedule with the State of the Union, urging talks go forward because the officials had made some progress on preliminary agreements (although not describing them in any detail).

Nonetheless, despite this modest momentum, President Obama and the administration must make this a first-order priority to overcome the powerful parochial interests on both sides of the Atlantic. For example, very soon:

- The administration must decide whether and when it can work with Congress to enact trade promotion authority, which gives the president the power to negotiate trade agreements which are subject only to an up-or-down vote in the Congress and cannot be amended or filibustered. That authority expired in 2007 and has not been renewed. (The leaders of the Senate Finance Committee, Senators Max Baucus (D-Mont) and Orin Hatch (R-Utah), have said they would support its reinstatement.) Otherwise, getting an U.S.-EU agreement through a Congress that wants to add its own pet ideas could be a nightmare, although similar political hurdles must be also cleared in Europe institutions as well. The authority will ultimately be needed, because the Europeans don't want to renegotiate a deal with the Congress.
- The president must appoint a powerful, highly regarded public figure as U.S. trade representative who can stand above the vested interests (including regulators in the executive branch's various departments and agencies) and strike compromises that will draw pressure group fire in such fraught areas as agriculture, aviation, drugs, autos, medical devices, and professional services. This appointment will be an early test of Obama's commitment to the issue.
- The administration must promptly define with the EU a negotiating agenda that is broad enough to have real economic and geopolitical impact, that combines relatively easy issues (removing remaining tariffs) with hard ones (scientific differences over food), and that can be done, in the words of White House official Michael Froman, "on one tank of gas" -- i.e. in two-plus years, so some promise of additional growth is realized when economies are still lagging. Parties talk today of a "comprehensive" agreement, but terms of the talks must still be clarified.
- The president must make clear to the administration, the Congress, and the major interest groups that he will personally have a strong interest in a successful outcome and, although he must obviously delegate to the U.S. trade representative, he is prepared to support strongly the transatlantic compromises on sensitive issues that will be necessary. Because of the breadth of the undertaking, it is contemplated that there will need to be "sector-by-sector" negotiations. But it is, of course, between sectors in the U.S. and the EU (aviation, food, professional services, procurement) where the fights can be fiercest. So the trade representatives must stand above these inevitable disagreements and help resolve them--with the president's support as necessary.
- The administration and its European counterparts must agree on a team of first-class trade and economic analysts who can credibly make the case that the agreements will have the broad benefits claimed to justify special interests being dented. Invariably in trade agreements there are bitter fights over job creation or loss, over effects on prices (should be lower), and over whether what is finally negotiated will positively impact economic growth/GDP.

Given the deep historical relationship between the U.S. and the states of Europe, it is not hard to be enthusiastic about the broad possibilities of a free trade agreement. Uniform safety and emissions standards for autos, or one-stop shopping for drug approval may sound good--or at least mutual recognition of each trading blocs' regulatory approach. But the hard, technical realities of the subject mean that the public is not likely to be very engaged (to put it mildly) and the lift will be heavy. This is why we need to watch with such care to see if the President and the administration are really ready to face into the risks and fight them to the ground as a high priority of the administration.

Shortly after the State of the Union, a strong statement of support for trade negotiations was issued by the National Chicken Council, the National Turkey Federation and the U.S. Poultry and Egg Association. Well and good, even if these weren't high on the list of groups you recognize. Different scientific views about food safety is one of many contested issues.

But the negotiations are a quintessential national-international issue that will require the broad perspective, and the unique power, of the presidency to succeed.

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