A Breakthrough on Trade

Cathleen Cimino explains why a new technology agreement with China and a compromise over India’s food subsidies has revived the Obama administration’s trade agenda.


Steve Weisman: The Obama administration’s trade agenda has been stalled for a long time, but during President Obama’s trip to Asia there were some new developments that moved the agenda forward.

This is Steve Weisman with Cathleen Cimino at the Peterson Institute for International Economics. Cathleen, first, what was the first big development in Asia?

Cathleen Cimino: The first breakthrough, and I think it’s fair to call it a breakthrough, was between the United States and China. This essentially involved agreement over a list of high-tech products for tariff liberalization as part of an ongoing negotiation called the Information Technology Agreement.

This agreement was first agreed to in the mid-1990s, but since then trade in IT products has expanded exponentially, so efforts have intensified over the past few years to agree to an expanded list of products to cover under the agreement. Now China is the leading export of IT products and also a leading importer, so participation of China has been crucial. But since the past year, or probably since the summer, the talks have stalled primarily over what products to cover. And so, this was the essence of the compromised reached by the US and China.

Steve Weisman: Is this going to usher in an increase in trade?

Cathleen Cimino: Yes, it will. The agreed list was for about 200 products and according to estimates this would cover another $1 trillion in trade. And these include important US exports, like advanced semi-conductors, GPS devices, video games. So it really could be a big deal. Estimates by the US trade representative are that the deal could lead to global gains of almost $200 billion.

Steve Weisman: There was another agreement, with India. Tell me about that.

Cathleen Cimino: Exactly. Shortly after the US-China compromise the US and India reached an understanding over the Trade Facilitation Agreement. This was to unblock the impasse over the agreement, which WTO trade ministers had agreed to last December in Bali at the recent WTO Ministerial. India had blocked the deal because they insisted that terms to another deal be agreed to and this deal has been a priority of theirs for some time.

Steve Weisman: And this other deal had to do with what they call food security.
Cathleen Cimino: Exactly. These programs are food stock piling and distribution programs. It’s long been a negotiating priority of India to fully exempt these types of programs from challenges by WTO members. So India had decided that they weren’t satisfied with this so-called peace clause that effectively said, “Well, WTO members won’t litigate against these programs for the next four years until we reach a permanent solution.” India said, “No. Let’s reach the permanent solution now.”

So this created some controversy. And these concerns were legitimate but the issue was that they decided to hold hostage this other agreement, the Trade Facilitation Agreement, that was the crowning achievement of compromise that the WTO had been able to move forward with.

Steve Weisman: Do we have any good estimates that, if this temporary agreement is permanent and everyone signs on to the trade facilitation agreement, what the gains would be from that?

Cathleen Cimino: In our previous research, led by Gary Hufbauer and Jeff Schott, we calculated in the payout to the World Trade Agenda that full implementation of an ambitious trade facilitation agreement could reach nearly $1 trillion in global gains.

The focus of this agreement is basically to improve logistics, customs administration, reduce corruption, basically to facilitate the movement of those across borders. To realize these gains would require swift implementation and also comprehensive implementation. So that’s sort of what we’ll see whether that will happen in the coming years.

Steve Weisman: Thank you very much Cathleen.