

Obama's Global Trade Gambit

By GERALD F. SEIB

In early November, President Barack Obama ended a trip to South Korea without a much-anticipated free-trade deal—and with the prospects of a broader free-trade agenda sliding rapidly downhill.

Last week, a South Korean trade delegation came to Washington and agreed to the deal on terms the Koreans wouldn't even discuss, much less accept, in Seoul.

The rapid change wasn't just startling. It was one of the most important international economic developments in recent years. The bilateral free-trade agreement with South Korea is both the largest trade deal the U.S. has struck since the North American Free Trade Agreement in 1994 and a milestone that had to be reached to foster any hope of crafting a new bipartisan free-trade coalition.

Given the stakes, it's worth asking: What turned the Korea deal around?

Conversations with people involved in the talks, both in Korea and in the U.S., suggest a combination of forces behind the demise and revival. Initially, there were political miscalculations on both sides. At a crucial moment, Mr. Obama made a risky decision to dig in his heels to prove a political point, which seems to have startled the South Koreans into recalculating. The U.S. made a key concession of its own. And the deal got an unexpected boost from the perpetually unpredictable regime in North Korea.

And in the end, leaders on both sides seem to have decided that the deal's details were less important than making a bold statement about the need for a new global consensus on trade.

The outlines of the U.S.-South Korea deal were struck in 2007, but the pact had been languishing until earlier this year. Then-White House Chief of Staff Rahm Emanuel helped persuade Mr. Obama to dust it off, **as much as a national-security move** to strengthen ties with Seoul as an economic move.

Mr. Obama set a goal of finishing the pact while world leaders were gathered in Seoul for an economic summit. The president's labor allies were unhappy, but his real political

problem was more specific. A trifecta of powerful forces—the United Auto Workers, Ford Motor Co. and the bipartisan leaders of Michigan's congressional delegation—would oppose the treaty's provision calling for an immediate end to the tariff the U.S. imposes on most Korean auto imports.

So while other issues were being resolved, or nearly so, the auto question remained outstanding when Mr. Obama arrived in South Korea, just days after his Democratic Party's devastating losses in midterm congressional elections. U.S. negotiators hoped to finesse **the auto issue**; they wanted to talk about a three- or four-year delay in ending the tariffs, less than the 10 years Ford wanted but maybe enough to close the deal.

They were wrong. The South Koreans appeared to think that Mr. Obama was so weakened by election losses that he would accept almost anything to have a foreign-policy triumph. So they refused to discuss a delay in eliminating tariffs—not for 10 years, four or three.

At that point, Mr. Obama decided he needed to demonstrate he wasn't as weakened as imagined. He pulled the plug and left Korea with no deal—merely a promise that South Korea would send negotiators to Washington soon to try again.



A worker last week at a Ford's plant in Chicago. The UAW endorses a proposed trade pact with South Korea.

He wasn't simply being a **tough negotiator**. His administration figured that without some give on the tariffs issue, the UAW and the influential bipartisan leaders of the Michigan congressional delegation—Democratic Rep. Sander Levin and Republican Rep. Dave Camp—could block ratification of the deal. He could get a treaty that would die in Congress.

Last week, the South Koreans returned to the table in Washington. But the atmosphere was different. **They seemed worried their broader relationship with the U.S. had been put at risk. Moreover, an outside force had intervened to underscore precisely that fear. North Korea had just stunned the world by shelling a South Korean island**, one of the most

serious provocations since the Korean War. The premium on strong ties to the American superpower had just gone up.

Perhaps more importantly, the South Koreans were surprisingly receptive when U.S. officials argued that, with a deal on auto tariffs, they could deliver broad bipartisan support for an agreement and thereby make **a powerful statement about the importance of trade to a global trade system** so important to Seoul.

So last Friday, South Korean negotiators agreed to **a five-year delay in lifting American auto tariffs**—a longer delay than the one they wouldn't even discuss back in Seoul. And they agreed to relax safety standards that had kept American-made cars out of South Korea. In return, the U.S. relented on its push to open Korea to American beef, an issue Korean leaders considered too explosive for concessions.

Now the UAW has actually endorsed the deal, as have the Michigan lawmakers. Many Obama gambles haven't paid off, but the Korean gambit just might.