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ECONOMY

Obama Can't Seal S. Korea Trade Deal At The G-20 Summit

By JED GRAHAM, INVESTOR'S BUSINESS DAILY

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PRESIDENT OBAMA hugs South Korean President Lee Myung-bak at the G-20 summit in Seoul on Thursday. A highly anticipated trade pact fell through as... [View Enlarged Image](#)

Korea.

The country, already dealing with inflation that has topped 4%, is considering erecting controls to limit capital inflows, as Brazil and Thailand have already done.

With the G-20 meeting coming a week after the Federal Reserve announced that it would buy an extra \$600 billion worth of Treasuries, economic cooperation took a back seat to currency kvetching.

The focus of trade frictions has changed markedly from June, when China responded to pressure ahead of the G-20 meeting in Toronto by saying it would let the yuan gradually rise vs. the dollar.

The weak U.S. economy has already weakened Obama at home and threatens to do so abroad, too.

It's unclear if the Korea setback is temporary or even if Fed easing had much to do with the impasse.

Analysts say that the bigger challenge is for Obama and Lee to overcome opposition from powerful domestic interests, notably automakers and unions in the U.S.

"Obama is able to say the right things (about advancing trade) at international summits, but he has yet to show he's willing to stand up to key constituencies," said Cato Institute trade analyst Daniel Griswold.

Ford Motor (F) ran newspaper ads in recent days criticizing the South Korean trade pact. AFL-CIO President Richard Trumka praised Obama

President Obama's bid to double exports ran into stiff head winds Thursday as a long-expected trade agreement with South Korea failed to materialize.

Obama and South Korean President Lee Myung-bak discussed the setback at a news conference, saying they would seek to finalize the deal in coming weeks.

"We need to make sure that over the next several weeks, we are crossing all the t's, dotting all the i's, being able to make the case to both the Korean people and the United States population that this is good for both countries," said Obama, in Seoul for a meeting of the top 20 financial powers.

U.S. Focus Of Global Ire

The disappointment comes as the U.S. draws fire from its trading partners for the Federal Reserve's money printing program, which has undercut the dollar and fueled money flows to economies such as South

for "holding out for a deal that puts working people's interests first."

Likewise, "the domestic interests are making it very difficult" for Lee to make concessions despite his commitment to the deal, said University of Maryland business professor Peter Morici.

Joanne Thornton, trade analyst at MF Global's Washington Research Group, which advises institutions, remains hopeful for a deal. She noted that talks didn't really get moving until the 11th hour because the administration waited until after the midterm elections.

On his overseas trip, Obama no longer sounds like "the Obama of the (2008) Democratic primaries."

"He sounds like a fan" of the South Korean trade pact, touting its potential to boost exports by \$10 billion a year, Thornton said.

The White House has set a goal of doubling exports within five years. Griswold sees the goal as "unrealistic," adding that Obama's rhetoric "sounds hollow" in light of the Korea impasse.

The U.S. Chamber of Commerce says the U.S. stands to lose 340,000 jobs without a deal because South Korea will soon implement a similar pact with the European Union.

President Bush inked a trade pact with South Korea in 2007, but neither the Democrat-led Congress nor Korean lawmakers ratified it.

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