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Trump Gets First Major Trade Deal as South Korea Looks to Avoid Tariffs

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President Trump is on the verge of securing his first major trade deal, leveraging the threat of tariffs to gain concessions from South Korea on exports of steel and imports of American cars.

The deal, which the White House could announce on Tuesday, would come at a moment of heightened tension on the Korean Peninsula as the Trump administration prepares to hold talks with North Korea's leader, Kim Jong-un. Ties between Washington and Seoul had become strained over disagreements about trade, including Mr. Trump's steel tariffs, and threatened to further complicate the already fraught discussions with North Korea.

The finalization of a trade agreement with South Korea would hand Mr. Trump a victory in his "America First" approach to trade, in which he has threatened to take tough trade action unless other countries agree to concessions, including a reduction in the gap between what they export to the United States and what America exports to their shores. The blanket steel and aluminum tariffs announced by the White House earlier this month are the most recent example of that blunt approach, with the White House using exemptions and revisions as a carrot to avoid the tariff stick.

"I think the strategy has worked, quite frankly," Steven Mnuchin, the Treasury secretary, told Fox News in an interview on Sunday. "We announced the tariff. We said we were going to proceed. But, again, we said we'd simultaneously negotiate."

"I think this is an absolute win-win," he added, referring to the agreement with South Korea.

The South Korean government announced the deal on Monday.

"It looks like we're going to have a good result on that," Peter Navarro, Mr. Trump's trade adviser, said of the South Korea deal on CNBC on Monday.

It remains to be seen whether the revised pact will be enough to satisfy lawmakers and industries that have been critical of South Korea's trading practices. Among the biggest concerns have been access to its markets for American exports of automobiles and agricultural products.

The reduction of trade deficits have been a priority for the United States; in 2016, it had a \$17 billion trade deficit with South Korea.

In a statement published on Monday, the South Korean Trade Ministry said it had agreed to adhere to a quota of 2.68 million tons of steel exports to the United States a year, which it said was roughly equivalent to 70 percent of its annual average sent to the United States from 2015 to 2017. It also agreed to lower trade barriers to vehicles imported from the United States. Trump administration officials cited what they considered unfair barriers against American-made cars when they began last year to pressure South Korea to amend the trade pact.

In return, the Trade Ministry said, South Korea would be exempt from the steel tariffs.

Under the deal, the number of vehicles the United States can export to South Korea without meeting local safety requirements would double to 50,000.

Cars are a major reason for Seoul's trade surplus with Washington. Brands like Hyundai and Kia have found ready markets in the United States, but the big American automakers have complained that restrictions keep them from trying to make the same headway in South Korea. The agreement is also expected to allow the United States to extend the tariffs that it imposes on Korean pickup trucks to 2041. The tariffs are currently scheduled to be phased out in 2021.

Kim Hyun-chong, South Korea's trade minister, told journalists on Monday, however, that there would be no further opening of his country's agricultural markets, and no changes to tariffs that had already been lifted.

The Trump administration suggested last week that the deal with South Korea was nearing completion as it unveiled the new tariffs targeting China.

Trade experts said that while the concessions were a win for the Trump administration, they would most likely do little to dent the trade deficit and that South Korea was probably happy to have the negotiations behind them after the United States briefly flirted with withdrawing from the pact.

Washington and Seoul began negotiations in January on changes to the six-year-old trade agreement, one that Mr. Trump had previously called a "horrible deal."

"I'm happy that they can take this off the table as another trade policy irritant," said Dan Ikenson, a trade expert at the Cato Institute who argued that the administration's trade policies and focus on trade deficits are out of sync with economic reality. "This administration happens to believe, and it's a fairy tale, that bilateral trade accounts matter."

Some labor groups and others who share Mr. Trump's general frustration with America's trade relationship with South Korea reacted coolly on Monday to the public details of the renegotiated deal, saying that the administration appeared to have achieved only modest progress and left some important issues out of the agreement. Several said the increased auto import numbers did not guarantee that automakers would be able to crack the Korean market, which is notoriously hostile to foreign cars.

Others expressed cautious optimism.

“As with all trade agreements, the details are important, so I want to see the specific concessions we secured from Korea — especially on steel,” said Senator Sherrod Brown, Democrat of Ohio. He added that it was “good news” that Robert Lighthizer, the United States trade representative, “appears to have taken steps to make the Korea agreement better for U.S. workers and auto companies while also getting the Koreans to limit their steel exports to the U.S.”

Mr. Trump’s proposed tariffs — set in motion by a Commerce Department declaration that steel and aluminum imports posed a national security threat because they degraded the American industrial base — prompted American allies and trading partners including Australia, the European Union and Japan, as well as South Korea, to jostle for exemptions. But the impact of the tariffs may not be as great as expected, since most of the biggest suppliers of foreign metals have been granted at least temporary exemptions.

South Korea was the third-biggest exporter of steel to the United States in 2016, after Canada and the European Union. Mr. Lighthizer said last week that those three trading partners, along with Argentina, Australia and Brazil, would initially receive a reprieve from the tariffs.

Mr. Trump pulled out of the Trans-Pacific Partnership trade pact last year and said that he would focus on negotiating new bilateral deals with countries around the world. The steel tariffs are speeding up that process, and Mr. Mnuchin signaled on Sunday that more deals were on the way.

“Where we’ve put a pause on tariffs, we’re negotiating,” he said.