

Obama's free-trade goal hits roadblock



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Eight months after he called for action on a string of stalled free-trade deals, President Obama is battling fierce opposition from his own party and concerns over a rising trade deficit in a rush to meet his own self-imposed November deadline for finishing a major accord with South Korea.

But the failure of the Obama administration to advance any major trade deals has many of his allies on the issue - including many top Republicans - questioning where Mr. Obama can deliver on his promises.

"I've never heard a president make the arguments for trade agreements as eloquently as President Obama did in January and not say at the end of that statement: 'I will send this agreement to you and expect you to pass it, and want to work with you to pass it,'" said Rep. David Dreier, a California Republican and an outspoken proponent of trade deals. "I don't quite get it."

"Everybody is moving forward except for us right now," said Christopher Wenk, senior director of international policy at the U.S. Chamber of Commerce, noting that South Korea, for one, is preparing a free-trade deal with the European Union.

Trade has been a particularly contentious issue for Mr. Obama's political base. Labor unions are virulently opposed to free-trade deals, which they contend threaten American jobs.

Nervous Democrats are wary of any divisive issues heading into a difficult midterm election.

The president's "fast-track" authority to negotiate trade deals expired in President George W. Bush's second term, and there is no visible sign that Mr. Obama will push the Democratic House and Senate majorities to renew fast-track authority.

Mr. Obama, in his State of the Union address in January, asked for bipartisan cooperation from Congress to approve pending trade pacts with South Korea, Colombia and Panama, while he announced a goal to double U.S. exports in five years. Mr. Obama used a June meeting with South Korean President Lee Myung-bak to say he wants sticking points to be hammered out by November, when he visits Seoul for the next Group of 20 summit.

Mr. Obama, who as a presidential candidate opposed the South Korea agreement as it was written, said in Toronto that he hopes to submit the final pact to Congress for approval within

a few months after the Seoul meeting.

"It is the right thing to do for our country. It is the right thing to do for the Koreans. It will strengthen our commercial ties," he said on June 26.

Proponents say news that the U.S. trade deficit in June ballooned to nearly \$50 billion, its largest level since October 2008, should inject a sense of urgency into the debate. But the ever-thorny issue of trade has put the president in the precarious position of butting heads with key allies.

The three agreements, all negotiated under Mr. Bush, have languished for years in the face of stiff resistance from labor unions and various U.S. industries that argue that the terms as written give an advantage to their foreign competitors.

In the case of South Korea, U.S. auto manufacturers say that the June 2007 agreement - under which the two countries would eliminate tariffs on 95 percent of consumer and industrial goods within three years - does not address Seoul's strict vehicle standards that inhibit U.S. imports and jeopardize U.S. jobs by eliminating import duties on Korean pickup trucks, for example.

The administration suggests publicly that negotiations over South Korea are on track. A spokeswoman for U.S. Trade Representative Ron Kirk said, "The president's announcement gives us the timeline and focus we need to get this agreement done and ready to submit to Congress."

Asked whether there were any specific signs of progress in resolving outstanding issues, spokeswoman Carol Guthrie said the government has, since late June, "been engaging more closely than ever with Congress and with stakeholders in preparation for discussions with Korean counterparts in the coming months."

But critics of the agreement aren't optimistic that sticking points can be resolved in time for the November summit.

"I would be surprised if they're able to come through with a major breakthrough on autos" by then, said Jeff Vogt, the AFL-CIO's global economic specialist. Even if those issues were worked out, the union still has major concerns with other aspects of the agreement relating to investments and services, he added.

Business groups - which were pleasantly surprised by Mr. Obama's November deadline for a South Korea deal - warn that the U.S. government must act quickly. They note that South Korea's trade agreement with the European Union, tentatively set to be signed this fall, has caused American meat and dairy exports to South Korea to plunge.

The Chamber of Commerce's Mr. Wenk said efforts by some in the United States to renegotiate pieces of the South Korea deal could open the floodgates for other industries

seeking better terms and lead some South Korea industry groups to demand changes as well.

According to a November study by the Chamber of Commerce, the U.S. stands to lose \$35 billion in exports to the world and as many as 345,000 jobs if it fails to implement the agreement with South Korea. Canada, which recently ratified a trade pact with Colombia, is in negotiations with South Korea, as is Australia.

As a result of his public push, Mr. Obama now has "a little bit of credibility on the line," said Daniel J. Ikenson, a trade policy analyst at the Cato Institute.

"There's just no way that there's any momentum or any effort to get this Korea deal passed in Congress before November," he said. "I think Obama wants to go to Korea and say, 'Look, we've made some progress.' "

In addition to autos, South Korea's restrictions on U.S. beef is another point of contention. More than 100 House Democrats, in a July letter to Mr. Obama, asked for a meeting on the South Korea agreement. Though not part of the deal, the country's partial ban on U.S. beef imports dating back to an outbreak of mad cow disease in 2003 has several lawmakers calling for the South Korean government to ease its ban before moving ahead on the deal.

"I don't know why I should schedule a hearing" on the free-trade agreement if the disparity continues, Senate Finance Committee Chairman Max Baucus, Montana Democrat, told Mr. Kirk at an oversight hearing earlier this month.

The National Cattlemen's Beef Association, however, argues that South Korea could be the biggest bilateral trade-opening agreement the U.S. industry has ever seen. Gregg Doud, the trade group's economist, said the impact of eliminating Seoul's 40 percent tariff could create a \$1 billion beef market for U.S. producers - the world's biggest single export market.

Free-trade advocates say the deals signed by the Bush administration with Colombia in November 2006 and with Panama in June 2007 should be more of a sure thing, considering the U.S. already imposes no tariffs on 95 percent of imports from those countries. In July, Mr. Obama said he would like to submit the Colombia and Panama agreements to Congress "as soon as possible."

But unions and top congressional Democrats are staunchly opposed to the Colombia agreement on the grounds that the country doesn't do enough to prevent violence against labor leaders. Mr. Vogt said 30 union members have been killed so far this year.

Supporters of the trade agreement swiftly reject those concerns as outdated, saying critics do not give the Colombian government enough credit for improvements in safety over the past few decades. Mr. Ikenson called the argument a red herring, saying "it's just a conversation-killer."

Indeed, Mr. Dreier said postponing consideration of those two agreements until after South

Korea was a "real slap in the face of our strongest allies in this hemisphere."

Analysts say Mr. Obama's best hope for getting the deals approved by Congress is probably for Republicans to pick up seats in November.

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