

POLITICS

Trump Secures Trade Deal With South Korea Ahead of Nuclear Talks

By MICHAEL D. SHEAR and ALAN RAPPEPORT MARCH 27, 2018

Update: The United States and South Korea formally announced the trade agreement in a joint statement on Wednesday, and said that it “represents important progress in improving U.S.-Korea trade and economic relations.”

WASHINGTON — President Trump scored his first significant trade deal this week, securing a pact with South Korea that represents the type of one-on-one agreement that Mr. Trump says makes the best sense for American companies and workers.

The deal, which is expected to be formally announced on Wednesday, opens the South’s market to American autos by lifting existing limits on manufacturers like Ford Motor and General Motors, extends tariffs for South Korean truck exports and restricts, by nearly a third, the amount of steel that the South can export to the United States. Mr. Trump used his threat of stiff steel and aluminum tariffs as a cudgel to extract the concessions he wanted, helping produce an agreement that had stalled amid disagreements this year.

But winning the deal may have had more to do with the geopolitical realities confronting the United States and South Korea as America embarks on tricky nuclear discussions with North Korea. The United States cannot afford a protracted trade standoff at a moment when it needs the South as an ally.

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The trade deal came as the Chinese state news media reported that North Korea's leader, Kim Jong-un, made an unannounced visit to Beijing to meet with President Xi Jinping weeks before planned summit in Seoul and South Korean leaders.

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The political success of the trade agreement — and its ability to be replicated in other negotiations — is not guaranteed. Many countries have reacted coolly to Washington's pugilistic approach to trade, viewing the president's preference to punch first and negotiate later as counter to global interests.

President Emmanuel Macron of France lashed out at the approach on Tuesday, saying he was frustrated by the seemingly coercive negotiation tactics coming from Washington.

"We talk about everything, in principle, with a friendly country that respects the rules of the W.T.O.," Mr. Macron said. "We talk about nothing, in principle, when it is with a gun to our head."

The implications in the United States will depend on how well Mr. Trump and his allies are able to sell the deal's direct benefits to voters in midterm elections in the fall. They did not succeed in doing so in a recent special election in Pennsylvania, where a Democrat won in a district that should have been especially receptive to Mr. Trump's argument about trade and tariffs.

Stephen K. Bannon, Mr. Trump's former chief strategist, said the president's political team "must get on the ground and make sure working people understand the direct economic benefits that come from these measures — get it from being academic to simple."

The deal with South Korea, he said, "is a big victory resulting from the president's smart tariff policies."

The agreement is also a victory for a president whose most ardent campaign supporters were animated in part by a promise that Mr. Trump would fight for them against an international free-trade establishment that they believe had robbed them of jobs and depressed their wages.

As a candidate, Mr. Trump had repeatedly threatened to withdraw from trade deals he said were unfair to the United States and its workers — or even rip them up. Even as recently as last September, associates of the president made it clear that he was willing to withdraw from trade negotiations with South Korea if he thought the result would be unfair.

Mr. Trump has also made clear his disdain for the multicountry trade agreements that the United States has long championed. One of his first moves as president was to pull out of what was then the 12-nation Trans-Pacific Partnership, an agreement that President Barack Obama had helped solidify.

On Tuesday, supporters of Mr. Trump's protectionist approach to trade cheered the new pact as a victory for American workers and the dawn of a new era in globalization.

"The agreement with South Korea to better level the playing field on steel and autos is an encouraging sign that the administration's trade strategy is achieving results," said Scott N. Paul, the president of the Alliance for American Manufacturing. "We believe the deal's steel provision will be as effective as a tariff in achieving the goals of strengthening our domestic industry and ensuring it can supply America's security needs."

Through the agreement, South Korea — the third-biggest exporter of steel to the United States in 2016 — is permanently exempt from the White House's global tariffs of 25 percent on steel. In return, South Korea 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.

The deal also doubles the number of vehicles the United States can export to South Korea without meeting local safety requirements to 50,000 per manufacturer. However, trade experts said that American companies had not come close to meeting their existing quota last year, and that American carmakers had not done enough to tailor their products for South Korean consumers, who prefer smaller vehicles. The revised agreement does ease environmental regulations that American carmakers

face when selling vehicles in South Korea and makes American standards for auto parts compliant with South Korean regulations.

Importantly for the Trump administration, the agreement extends tariffs on imported South Korean trucks by 20 years to 2041. Those tariffs were set to phase out in 2021, which officials said would have harmed American truck makers.

The deal will also establish a side agreement between the United States and South Korea that is intended to deter “competitive devaluation” of both countries’ currencies — which can artificially lower the cost of imports bought by consumers — and to create more transparency on issues of monetary policy. Administration officials suggested that this new type of arrangement was likely to be replicated in other trade deals, though they acknowledged that it was not enforceable.

Senior White House officials trumpeted the addition of the currency provision to the negotiations, which would seek to prevent South Korea from reducing the value of its currency to make its goods cheaper abroad and export more to the United States. In a report published in October, the Treasury Department declined to label South Korea a currency manipulator, but placed it on a “monitoring list” for its currency practices and large trade surplus with the United States.

However, the effect of the currency agreement may be mostly symbolic, since it was signed in a side deal to the pact to avoid a lengthy legislative approval process. Unlike other provisions of the official agreement, the currency provision is not enforceable through panels that typically settle disputes, or through officially sanctioned retaliation, the usual method for policing trade deals.

The Obama administration had fought for a similar currency provision to be included in the Trans-Pacific Partnership.

On automobiles, the biggest source of trade tensions between the countries, the negotiation delivered modest victories that were likely to be welcomed by American carmakers who have long sought to sell more cars in South Korea. It also smoothed customs and regulatory procedures that American businesses say have made it harder to sell goods in the country.

Ana Swanson contributed reporting.

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