

# Trump's Looming Trade Crack-Up

*His fight with Seoul would leave the U.S. a loser.*

*Congress needs to assert its authority to stop him.*

Robert B. Zoellick

**Donald Trump's trade policy is speeding toward a shipwreck. Under the Constitution, Congress has principal authority over trade, although it has delegated considerable powers to the executive. Congress needs to reassert control to block Mr. Trump's crack-up.**

The president threatened last week to abandon the U.S.-Korea Free Trade Agreement. The immediate result would be to increase barriers to American exporters, especially farmers, ranchers, manufacturers and service industries. Without the FTA, Korea's average tariff could be boosted to almost 14%, quadruple the average U.S. tariff. The European Union will retain free access to Korea through its trade deal.

Mr. Trump's impulses are strategically incoherent. China has been squeezing Korean companies because Seoul has been installing missile defenses against North Korean rockets. When Mr. Trump seeks to cut off South Korea's trade with the U.S., Seoul's logical course is to accommodate Beijing to protect ties with its largest trading partner.

Combined with his withdrawal from the Trans-Pacific Partnership, the president's attack on the Korean FTA signals America's unreliability as an economic partner. Asian countries will inevitably question whether America's economic retreat is consistent with U.S. security commitments across the Pacific. No one will understand why Mr. Trump would fracture ties with Seoul—and provoke public hostility in South Korea—at a moment when North Korea's threats necessitate tight cooperation and trust to thwart Pyongyang. North Korea's Kim Jong Un will proclaim that he is Korea's true national patriot, having shown his countrymen that America is selfishly thrashing the “running dogs” in Seoul.

The recently appointed South Korean trade minister, Kim Hyun Chong, is the same man who negotiated the FTA with the George W. Bush administration, who patiently renegotiated with Barack Obama, and who worked with Congress during both terms to forge closer links. South Korea's economic and democratic development has been an incredible success story; Korea grew to become America's sixth-largest trading partner for goods even without an FTA. But Mr. Kim wanted to lock in an alliance with America in the 21st-century competition for power in the Indo-Pacific. Especially in Asia, where respect and reliability

**in personal relations are valued highly, Mr. Trump's shocking slap to America's Korean friends will be noted and long remembered.**

**Mr. Trump's tirade about South Korea is part of a much larger problem. He has repeatedly threatened to terminate the North American Free Trade Agreement, too. Conventional wisdom has treated these trade tantrums as passing storms, but the rationalizers have misread his purposes. Mr. Trump wants to reverse bilateral trade deficits, which he views as "losing." In reality, trade deficits with other countries reflect a mix of relative growth rates, differential production advantages, supply chains, savings and investment, and currency exchange rates. The U.S. has a trade surplus with Australia, which has a surplus with China, which has a surplus with the U.S.—each reflecting comparative advantages. I have a "deficit" with my local supermarket, but I offset what I owe by earning money elsewhere, not by stocking shelves at night to pay for my groceries.**

**The U.S. cannot reverse trade deficits through new agreements. Mr. Trump's negotiators will try to fix outcomes by having governments set market shares or through arrangements similar to barter, like the Soviet Union's old Council for Mutual Economic Assistance. Neither Mexico, Canada, South Korea nor any other market economy partner will agree to a central-planning trade model. Even if they tried, bilateral trade patterns would still reflect global comparative advantages. Some 60% of America's imports are for intermediate goods that contribute to U.S. competitiveness. Mexico's trade surplus with the U.S. primarily reflects integrated auto production, which helps U.S. companies and workers to compete globally.**

**The administration's Nafta proposals reveal its own contradictions. The U.S. demands more-open markets for American goods, pressing for provisions from the TPP that Mr. Trump denounced. But the U.S. also wants the ability to ignore its commitments. The administration, for example, wants to abolish neutral panels that apply agreed rules to resolve disputes about subsidies or selling goods below cost. The U.S. also wants to be able to raise new barriers when interest groups demand "temporary protection." And the administration wants to ignore rules on treating investors fairly. Mr. Trump's abandonment of investment protections could prove especially self-defeating if a new Mexican government reverses President Enrique Peña Nieto's move to open Mexico's energy markets.**

**Mr. Trump appears oblivious to these realities. His real aim may be to forge a domestic political realignment around matters such as trade protectionism, hostility to immigration and walling off Mexico. As he is unable to achieve simple solutions in North Korea, Afghanistan and the Middle East—and as his frustrations build with Congress and investigations—the danger is that he will lash out. Because his trade policy will not reverse bilateral trade deficits, the president will want to scrap "bad deals" that he can blame on others. He will destroy agreements to keep faith with his own false arguments—and to save himself.**

**Those in Congress who still want to give Mr. Trump the benefit of the doubt should ask how he plans to enact his new deals. Nafta's passage in 1993 required a huge effort by President Clinton and relied heavily on Republican support. Mr. Trump is inept with Congress and**

will never fight for any Nafta. Democratic lawmakers will happily embrace Mr. Trump's economic isolationism to reclaim voters they lost.

This trade policy will unravel vital ties across the Asia-Pacific region, hurt an ally facing a security crisis, destroy a North American partnership that should be the foundation for U.S. global power projection, and subvert confidence in the U.S. around the world. **Congress can no longer wait for Mr. Trump to speak and act sensibly. It needs to assert its constitutional powers over trade to stop this president's destruction.**

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