

Europe Thumps U.S., Again

First lower taxes, now freer trade.

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On present trends, most of Europe will soon have lower income tax rates than most of America. And now the European Union is stealing another competitive march on Washington, this time on a free trade deal with the world's 13th largest economy, fast-growing South Korea.

Last week Brussels and Seoul finished the outline of a new trade agreement, and the two sides will now write up the technical language to codify it. As for the pending U.S.-Korea trade agreement, Congress has done . . . nothing.

South Korea has made negotiating trade deals a centerpiece of its foreign and economic policy. The U.S. FTA, signed in 2007 but still not ratified, is one example. Negotiations are planned or under way with a long list of countries, including India, Canada and Australia. On the EU side, the Commission is vigorously defending the pact against domestic critics, including the European auto industry. EU approval isn't a sure thing, but Swedish Prime Minister Fredrik Reinfeldt is aiming to finish it by December.

Compare that to the U.S., where the FTA with Korea is bogged down in Big Labor politics. Bashing the deal became de rigeur in the Democratic Party primary before last year's Presidential election. Candidates Barack Obama and Hillary Clinton both claimed the deal wouldn't open Korea's auto market to U.S. imports, all evidence to the contrary. Now, with Democrats running both the White House and Congress, prospects are bleak for any trade deal. Colombia has also been left hanging, even though its goods already enter the U.S. duty free under the Andean preferences program.

Don't count on progress any time soon. President Obama's trade representative, Ron Kirk, rose from his slumbers last week to give his first big speech but he failed to mention either South Korea or Colombia. Instead, he focused on "trade enforcement," by which he seems to mean picking fights with U.S. trading partners. This will include, Mr. Kirk said, investigating "labor violations" inside other countries. "And if they don't fix their labor problems, we will exercise our legal options," he said. Just what our friends want to see when global trade is contracting: Another U.S. excuse for protectionism.

Korea's progress with the EU shows how risky U.S. delays are. The European Commission says the EU-Korea deal will eliminate \$2.2 billion in duties Korea currently imposes each year on European goods -- and cut duties and eliminate nontariff barriers on imports of European cars. American companies could gain similar benefits if only Congress would approve the U.S.-Korea pact.

Across the globe, countries are moving ahead with similar bilateral trade deals, often giving their own national companies an edge over U.S. competitors. In a perfect world, all countries would be able to benefit from multilateral trade opening under the Doha Round. But for now bilateral deals are better than nothing, and America is leaving itself behind.