

Obama must push hard to save himself

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The only way to retrieve his trade agenda will be to reverse last week's defeat

There were troubling portents in the way Democrats humbled President Barack Obama last Friday. It is not only that he made a rare visit to Capitol Hill to appeal for Democratic support on his global trade agenda. Nor that he warned them that a vote against it would be the same as one against him. These were bad enough. Worse is that it was Nancy Pelosi — the Democratic leader, and linchpin of every legislative victory since Mr Obama took office, including healthcare — who put the knife in his back. When your closest ally betrays you, it is time to reach for your Shakespeare.

Mr Obama may have to beg, flatter and cajole his way out of this one. The only way to retrieve his trade agenda — let alone his credibility — will be to reverse last week's defeat. It has been done before. The best example is Congress's rejection of the \$700bn Wall Street bailout package (the troubled asset relief programme, Tarp) in September 2008. It was reversed 72 hours later. But George W Bush, the then president, could point to a stock market in free fall. The Dow fell almost 1,000 points after the first vote, enough to terrify lawmakers into the Yes camp on the second. Mr Obama has no such prompts. The Dow Jones index dropped 140 points last Friday, which was no more than an average bad day.

Mr Obama badly needs to come up with something in the next few days. The price of failure for him — and the US — is too high. The costs would be threefold. First, rejection of the trade promotion authority (TPA), or fast-track negotiating powers, would leave the US without a global economic strategy in a rapidly changing world. It would kill prospects of wrapping up the Pacific trade deal on which Mr Obama has been working for three years. The 12-member group covers almost 40 per cent of the world economy. It would also halt progress in the parallel transatlantic talks, which cover close to half the global economy.

Next, it would rob the US — pivot to Asia — of its most important element. Mr Obama's biggest argument for the Transpacific Partnership (TPP) is that it would force China to abide by global rules on trade and investment. China is not included in the group. Perhaps unwisely, Mr Obama has played that China card explicitly and repeatedly. A collapse in the TPP talks would breathe life into China's rival initiative, to which the US does not belong. Any scepticism that others would take the China-led trade talks seriously was laid to rest last month when America's regional allies, including Australia and South Korea, spurned the US boycott of the China-led Asian Infrastructure Investment Bank. There is no reason to suppose it would turn out any different on trade. Most countries would far prefer US leadership to China's. But in America's absence, there is only one alternative.

Last, the death of TPA at Democratic hands would deprive Mr Obama of credibility on the world stage. His trade team, led by the very able Michael Froman, has assured the US's Pacific partners that TPA's enactment was a foregone conclusion. Since Mr Obama already had the bulk of

Republicans on his side, it was only a matter of persuading a sliver of Democrats to back him. The fallout would go far beyond trade. Mr Obama faces a deadline to conclude US-led talks with Iran. This year – and over Mr Obama’s protestations – the US Senate took the unusual step of passing a bill that would give it 60 days to review the contents of any Iran nuclear deal. There is a clear parallel to fast track. Mr Obama had insisted an Iran deal would not qualify as a treaty and would therefore not require Senate approval. Iran is less likely to risk the necessary concessions if it thinks Congress will torpedo the deal. On what grounds would Iran trust Mr Obama’s assurances?

In an ideal democracy, any of these points ought to be a clincher. But in the real world politicians look to their own survival before thinking of the bigger picture. Mr Obama must thus come up with something more persuasive. One hope is that Republicans will save the day without Mr Obama having to do anything. After all, Republicans believe in free trade and fast-track powers would be inherited by Mr Obama’s successor, who might well be a Republican. Last week’s defeat was an ‘only on Capitol Hill’ moment, in which TPA was passed (by a majority of eight) only to be sunk by defeat of another part of the package. Enactment of that part, which subsidises retraining workers who lose their jobs to trade, was required for the whole bill to pass. Both parties voted heavily against.

If it squeaks through on the second try, Mr Obama would be saved. But it would require Republicans to hold their noses and vote for something they mistrust (subsidies) to save someone they abhor (Mr Obama). The other hope is that Ms Pelosi and colleagues change their mind on the merits of trade deals. But that seems improbable. So Republicans are left with a dilemma: should they defeat Mr Obama and hobble the US? Or give Mr Obama a victory that would also save America’s credibility? The coming days will be very revealing.