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OFFICE OF THE INTERNATIONAL PRESIDENT

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RE: KORUS FTA

Dear Representative,

The loss of six million U.S. manufacturing jobs in the last decade continues to haunt our economy. For ordinary Americans this has meant persistent and deep unemployment. While last December's employment report seemed to offer a glimmer of hope when the official unemployment rate fell to 9.4 percent, a closer examination reveals just how troubled our economy continues to be. Hundreds of thousands of Americans have given up looking for nonexistent jobs and have dropped out of the workforce. In December, 260,000 Americans stopped looking for work, which dropped labor force participation to 64.3 percent, the lowest since the start of the Great Recession.

Long-term unemployment, the percentage of the unemployed out of work for over six months, has risen to 44.3 percent, only slightly off last year's record 45.6 percent. The other significant employment rate, the U-6 measure of underutilization which includes the unemployed, discouraged, and those working only part time continues to hover near 17 percent. The Economic Policy Institute (EPI) estimates that if just half of all discouraged workers were looking for work the unemployment rate would jump to a stunning10.7 percent.

With the continued loss of jobs comes downward pressure on the wages and benefits of working Americans. According to the Department of Labor, workers' pay for the twelve months ending in September rose a scant 1.5 percent before adjusting for inflation. The economic news, however, is not all bad. For the quarter ending last September, U.S. corporations earned profits at an annual rate of $1.659 trillion—the highest amount ever recorded in the sixty years the government has been tracking such data.

"Free trade" policies designed to protect the interests of multinationals have not helped working families and have facilitated the transfer of work and jobs overseas. The U.S. needs to change these flawed trade policies and take significant action to support our manufacturing base, the bedrock of the real economy.

Unfortunately, the recently announced trade agreement between Korea and the U.S. (KORUS FTA) fails to move our trade policies in the right direction and will contribute to further job loss in the U.S. According to the EPI, our trade deficit with Korea will grow by roughly $16.7 billion. The EPI further estimates that the KORUS FTA will eliminate approximately 159,000 American jobs. Job losses in aerospace, auto parts manufacturing, appliances, machinery, textiles, and dozens of other industries far out shadow any possible small gains in the auto assembly industry.

Even the U.S. International Trade Commission (USITC), which provides data on the impact of trade agreements for the U.S. government, predicts that the KORUS FTA will increase our trade deficit. It is important to note that prior official estimates by the USITC of the impact of trade agreements have significantly underestimated U.S. trade imbalances and job losses. According to the USITC, China's entry into the World Trade Organization was not supposed to have appreciably affected employment, but an estimated 2.4 million American jobs have been lost to China since 2001. A similar impact was felt after the passage of NAFTA, which was originally projected to create a trade surplus for the U.S.

The deal also raises concerns over the possibility that goods made in the Kaesong Industrial Complex, the North Korean free trade zone where some 120 mostly South Korean companies employ over 40,000 North Koreans, and where labor rights are nonexistent, could gain future access to the U.S. market. The North Korean government is paid $3 per hour for labor of workers in the zone. The government keeps 60% of the income passing along slightly more that one dollar per day to the workers. These payments provide an important source of foreign currency for North Korea, pumping millions per month into the corrupt regime, and, ironically, helping to fund the North's dangerous nuclear program. The Kaesong Industrial Complex has remained opened despite the ongoing geopolitical tensions on the Korean peninsula that have required the presence of 28,500 U.S. military personnel for the last sixty years at an extraordinary cost to U.S. taxpayers and military personnel and families.

Any extension of the U.S.'s meager 2.5 percent protective tariff will continue to be nullified by the manipulation of Korea's currency, an issue that the FTA fails to address. While much has been made of the improved market access in Korea by multinational U.S. auto makers, which the agreement allows to potentially increase to 75,000 U.S. cars per year (but, importantly, does not guarantee this number), the U.S. will still maintain a huge imbalance. Our exports to Korea number a mere 6,000, while Korea currently exports nearly 500,000 vehicles to the U.S., and that number will not decrease. The Korea Automobile Manufacturers Association actually expects exports to the U.S. to increase.

The agreement contains inadequate provisions regarding the rule of origin and allows for 65 percent foreign content in manufactured goods that are eligible for the lower tariff treatment. This is even higher than the percentage permitted under the EU-Korea agreement (45 percent foreign content). Further, the KORUS FTA incentivizes the outsourcing of production to countries with lower wages and fewer labor rights than South Korea by allowing Korean corporations to avoid tariffs on imported parts. This "duty drawback" provision refunds tariffs paid on imported components put into an assembly that is ultimately exported; more specifically on Korean vehicles shipped to the U.S. This serves as a gateway for North

Korean and Chinese made auto parts and puts at risk the jobs of both American and Korean workers, which is a primary reason why South Korean unions oppose the KORUS FTA.

South Korea has announced a ten fold expansion of the existing North Korean Free Trade Zone and the development of a new trade zone on the North Korean/Chinese border.

This agreement also fails to address flaws in the May 2007 framework that the Bush Administration negotiated. That framework, which also applies to FTAs with Columbia, Panama, and Peru, specifically excludes reference to the conventions of the International Labor Organization, the only internationally enforceable labor standards. The framework also extends extraordinary private investor rights that undermine federal and state sovereignty and incentivize the offshoring of U.S. jobs. Additionally, the agreement's deregulation of financial services ignores the experience of the recent financial debacle that led to our current economic crisis and threatens to undermine the re-regulation of that industry.

Korea has strategically positioned itself to be a manufacturing leader in the global economy. Its latest effort is in promoting green industries, which Korea predicts will be a strong engine for export growth and will create one million jobs in the next twenty years. The U.S. needs to do the same, but adhering to the outdated trade policies embedded in the KORUS FTA will not revitalize our economy and create good paying jobs. Americans of all political persuasions understand this and want a real change in our trade policies.

The KORUS FTA continues the basic framework of NAFTA style trade agreements by protecting multination corporate investors at the expense of workers and communities. I strongly urge you to oppose the KORUS FTA and to work for trade policies that will create good jobs and are to the benefit of all Americans.

If you have any questions, please contact Legislative and Political Director Matthew McKinnon at (301) 967-4575.

Sincerely,

R. Thomas Buffenbarger

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International President