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# Three Years of Korea FTA Show Failure of Obama's 'More Exports, More Jobs' Trade Pact Promises, Further Imperiling Bid for Fast Track

## *Trade Deficit With Korea Balloons 90 Percent as Exports Fall and Imports Surge Under Korea Pact Used as Trans-Pacific Partnership Template*

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U.S. government trade data covering the full first three years of the U.S.-Korea free trade agreement (FTA) reveals that the U.S. goods trade deficit with Korea has nearly doubled. The U.S. International Trade Commission data show Korea FTA outcomes that are the opposite of the Obama administration's "more exports, more jobs" promise for that pact, which it is now repeating for the Trans-Pacific Partnership (TPP) as it tries to persuade Congress to delegate Fast Track authority:

- **The U.S. goods trade deficit with Korea has swelled 90 percent, or $13.6 billion**, in the first three years of the Korea FTA (comparing the year before the FTA took effect with the third year of implementation).
- The trade deficit increase equates to **the loss of more than 90,000 American jobs** in the first three years of the Korea FTA, counting both exports and imports, according to the trade-jobs ratio that the Obama administration used to project job *gains* from the deal.
- **U.S. goods exports to Korea have dropped 7 percent, or $3 billion**, under the Korea FTA's first three years.
- **U.S. imports of goods from Korea have surged 18 percent, or $10.6 billion** in the first three years of the Korea FTA.
- Record-breaking U.S. trade deficits with Korea have become the new normal under the FTA – **in 35 of the 36 months since the Korea FTA took effect, the U.S. goods trade deficit with Korea has exceeded the average monthly trade deficit in the three years before the deal.** In January 2015, the monthly U.S. goods trade deficit with Korea topped $3 billion – the highest level on record.
- **The 90 percent surge in the U.S.-Korea goods trade deficit in the first three years of the FTA starkly contrasts with the 2 percent *decrease* in the global U.S. goods trade deficit during the same period.** And while the strengthening value of the dollar has inhibited overall U.S. exports recently, U.S. goods exports to the world have remained level (zero percent change) while U.S. exports to Korea have fallen during the FTA's first three years.
- **The U.S. manufacturing trade deficit with Korea has grown 47 percent**, or $10.6 billion, since implementation of the Korea FTA. The increase owes to a 1 percent, or $0.5 billion,

decline in U.S. exports to Korea of manufactured goods and a 17 percent, or $10.1 billion, increase in imports of manufactured goods from Korea.

- **U.S. exports to Korea of agricultural goods have fallen 5 percent**, or $323 million, in the first three years of the Korea FTA. U.S. agricultural imports from Korea, meanwhile, have grown 29 percent, or $103 million, under the FTA. As a result, the U.S. agricultural trade balance with Korea has declined 6 percent, or $426 million, since the FTA's implementation.

The Office of the U.S. Trade Representative (USTR) has tried to obscure the bleak Korea FTA results, as congressional ire about the pact is fueling opposition to the administration's push to Fast Track through Congress the TPP, for which the Korea FTA served as the U.S. template. USTR's factsheet on the third anniversary of the Korea FTA's implementation included these data omissions and distortions:

- USTR misleadingly emphasizes a relatively small increase in U.S. exports to Korea of passenger vehicles under the FTA, while omitting the much larger surge in job-displacing imports of passenger vehicles from Korea. U.S. imports of passenger vehicles from Korea have ballooned by 416,893 vehicles in the first three years of the Korea FTA, dwarfing a 24,217-vehicle increase in U.S. passenger vehicle exports to Korea. As a result, the U.S. trade deficit with Korea in passenger vehicles has grown 46 percent. And while total U.S. automotive exports to Korea have increased $0.7 billion in the FTA's first three years, U.S. automotive imports from Korea have risen $6.4 billion. As a result, the U.S. automotive trade deficit with Korea has swelled 36 percent, or $5.7 billion, under the FTA.

- USTR also claims that the decline in U.S. exports to Korea under the FTA is due to decreases in exports of fossil fuels and corn. But even after removing fossil fuels and corn products, U.S. exports to Korea still have declined by $1.5 billion, or 4 percent, in the first three years of the FTA. Product-specific anomalies cannot explain away the broad-based drop in U.S. goods exports to Korea under the FTA.

- USTR also tries to dismiss the decline in U.S. exports to Korea under the FTA as due to a weak economy in Korea. But the Korean economy has grown each year since the FTA passed, even as U.S. exports to Korea have shrunk. Korea's gross domestic product in 2014 is projected to be 9 percent higher than in the year before the FTA took effect, suggesting that U.S. exports to Korea should have expanded, with or without the FTA, as a simple product of Korea's economic growth. Instead, U.S. exports to Korea have fallen 7 percent in the first three years of the FTA.

- USTR counts foreign-produced goods as "U.S. exports," falsely inflating actual U.S. export figures. USTR often reports export numbers that include "foreign exports," also known as "re-exports" – goods made abroad that pass through the United States before being re-exported to other countries. By U.S. Census Bureau definition, foreign exports undergo zero alteration in the United States, and thus support zero U.S. production jobs. Each month, the U.S. International Trade Commission removes foreign exports from the raw data reported by the U.S. Census Bureau. But USTR regularly uses the uncorrected data, inflating the actual U.S. export figures and deflating U.S. trade deficits with FTA partners like Korea. *In the first three years of the Korea FTA, foreign exports to Korea have risen 13 percent, or $290 million, which USTR errantly counts as an increase in "U.S. exports."*