



January 2017

Korea, Colombia and Panama FTA Outcomes: U.S. Exports to Korea Are Down, Imports from Korea Are Up, Colombia's Anti-Unionist Violence and Panama's Tax Haven Policies Continue

In 2011, the Obama administration promoted free trade agreements (FTA) with Korea, Colombia and Panama as a way to create American jobs, promising that the pacts would increase U.S. exports. A specific benefit was also promised for each: “greater U.S. access to the Korean auto market, significantly increased labor rights and worker protections in Colombia, and enhanced tax transparency and labor rights in Panama.”¹ The pacts passed with strong GOP support. Many congressional Democrats opposed. The deals were modeled on the North American Free Trade Agreement (NAFTA).²

The U.S.- Korea FTA: A majority of congressional Democrats and many Democratic base groups opposed the Korea FTA, the most economically significant NAFTA-style trade pact since NAFTA. Four years into the Korea FTA, U.S. goods exports to Korea have declined 10 percent (a \$4.5 billion decrease) in comparison to the year before FTA implementation, even as the Korea economy grew each year. U.S. goods imports from Korea have surged 18 percent (a \$10.8 billion increase). U.S. exports to Korea of agricultural goods have fallen 19 percent, or \$1.4 billion, under the FTA. That includes a loss of more than 96,000 metric tons of beef, pork and poultry exports to Korea. The U.S. manufacturing trade deficit with Korea has grown 48 percent, or \$11.1 billion. This includes a 66 percent increase in the U.S. automotive trade deficit with Korea.³

Overall, the U.S. trade deficit with Korea has swelled 99 percent, or \$15.4 billion, from the year before the FTA to the deal's fourth year.⁴ This deficit increase equates to the loss of more than 99,000 U.S. jobs in the first four years of the Korea FTA, counting both exports and imports, using the trade-jobs ratio that the Obama administration used to project job *gains* from the deal.⁵

Despite the Obama administration's promise that the U.S. auto sector would be one of the FTA's biggest beneficiaries,⁶ average annual imports of vehicles and auto parts from Korea have soared 52 percent (an increase of \$9 billion) in the FTA's first four years. The surge in automotive imports has swamped a comparably tiny \$0.9 billion increase in automotive exports to Korea, spurring a 50 percent increase in the U.S. automotive trade deficit with Korea.

The Obama administration promised that U.S. exports of meat would rise particularly swiftly under the Korea FTA, thanks to the deal's tariff reductions on beef, pork and poultry.⁷ Compared with the exports that would have been achieved at the pre-FTA average monthly level, U.S. meat producers have lost a combined \$62.5 million in poultry, pork and beef exports to Korea in the first four years of the Korea deal – a loss of more than \$5 million in meat exports every month.

The Colombia FTA: The same unions and civil society groups that opposed the Korea FTA opposed the Colombia FTA, as did many human rights organizations including TransAfrica and Human Rights Watch. It also replicated the worst aspects of the NAFTA model.

More than five years after the Obama administration announced a Labor Action Plan (LAP) with Colombia to improve Colombia's labor protections, which facilitated passage of the controversial pact, the LAP has failed to alter the on-the-ground reality of anti-union repression in Colombia. Since the U.S.-Colombia FTA has been in force, 99 Colombian unionists have been assassinated, 66 unionists have survived assassination attempts, and 955 death threats have been levied against unionists, according to the data relied upon under the LAP.⁸ Of the 99 unionist assassinations, perpetrators have been brought to justice in only 14 percent of the cases, according to the Colombian government's own data. During the debate over the Colombia FTA, Colombian unions and human rights organizations had predicted that the LAP would not alter on-the-ground realities. In a report on the third anniversary of the LAP, Colombian unions concluded that the LAP "was taken by the Colombian government as a step toward unfreezing the FTA with the United States rather than as an institutional mechanism to promote real protection of the labor and union rights that Colombian workers have lacked for so long."⁹

In addition, violent mass displacements of Colombians have continued under the Colombia FTA,¹⁰ adding to the more than six million Colombians who have been displaced amidst Colombia's wrenching internal displacement crisis.¹¹ The U.S. Department of Labor recently filed a report that found that the Colombian government has "failed to effectively enforce its labor laws related to the rights to freedom of association and collective bargaining; has failed to adopt and maintain in its statutes, regulations, and practices, the fundamental rights to freedom of association and collective bargaining; and has failed to comply with the procedural guarantees enumerated in the labor chapter" of the U.S. – Colombia free trade agreement.¹² Despite this, no enforcement actions have been taken under the agreement.

The Panama FTA: Many unions and civil society groups also opposed the Panama FTA. It replicates the worst aspects of the NAFTA model, and the financial services and investor provisions of this agreement pose special problems related to Panama's status as a major tax haven. This FTA limited policy tools Congress had used to battle tax havens. In November 2016, the Organization for Economic Cooperation and Development, which tracks countries' tax haven statuses, reported that Panama was one of just five nations in the world that had received a "non-compliant" rating under the Phase 2 review of its tax transparency measures.¹³ Even the Cayman Islands did not earn that dubious distinction. To counter criticism that the Panama FTA would assist corporations seeking to dodge U.S. taxes via secretive Panama-based subsidiaries and bank accounts, in late 2010 the Obama administration announced a new Tax Information Exchange Agreement with Panama. However, a loophole in that agreement allows Panama to sidestep new tax transparency provisions if they are "contrary to the public policy" of Panama, an interesting concept for a country that earns much of its revenue by providing strict banking secrecy and tax-free status for foreign firms incorporated there.¹⁴

ENDNOTES

¹ Office of the U.S. Trade Representative, "Statement By U.S. Trade Representative Ron Kirk On Congressional Passage Of Trade Agreements, Trade Adjustment Assistance And Key Preference Programs," October 12, 2011. Available at: <http://www.ustr.gov/about-us/press-office/press-releases/2011/october/statement-us-trade-representative-ron-kirk-congres>.

² Two-thirds of Democrats in the U.S. House of Representatives opposed the Korea FTA, and 82 percent opposed the Colombia FTA – the largest percentages to ever vote against a Democratic president on trade pacts. (Global Trade Watch, "Job-Killing Trade Deals Pass Congress Amidst Record Democratic Opposition," Public Citizen press release, October 12, 2011. Available at: <http://www.citizen.org/documents/gtw-statement-job-killing-trade-deals-pass-10-12-11.pdf>.)

³ For this paragraph and the following bullet points, manufactured goods are defined as 31,32 and 33 in the NAICS system of the U.S. Department of Commerce's Census Bureau; autos and auto parts are defined as a 3 in the one-digit end use system of the U.S. Department of Commerce's Bureau of Economic Analysis; agricultural goods are defined as total agricultural goods in the FATUS system of the U.S. Department of Agriculture; beef is defined as "beef and veal," pork is defined as "pork" and poultry is defined as "poultry meats" in the FATUS system of the U.S. Department of Agriculture. U.S. International Trade Commission, "Interactive Tariff and Trade DataWeb," accessed May 12, 2015. Available at: <http://dataweb.usitc.gov/>. Foreign

Agricultural Service, “Global Agricultural Trade System,” U.S. Department of Agriculture, accessed May 12, 2015. Available at: <http://apps.fas.usda.gov/gats/default.aspx>. All data count domestic exports and imports for consumption. All data expressed in dollars are inflation-adjusted using the CPI-U-RS series of the U.S. Department of Labor’s Bureau of Labor Statistics. Bureau of Labor Statistics, “CPI Research Series Using Current Methods (CPI-U-RS),” U.S. Department of Labor, accessed May 12, 2015. Available at: <http://www.bls.gov/cpi/cpiurs.htm>.

⁴ For this paragraph and the following bullet points, autos and auto parts are defined as a 3 in the one-digit end use system; beef is defined as SITC 011; pork is defined as SITC 0122, 0161, and 0175; and poultry is defined as SITC 0123 and 0174. All data is inflation-adjusted. U.S. International Trade Commission, “Interactive Tariff and Trade DataWeb,” accessed May 8, 2014. Available at: <http://dataweb.usitc.gov/>.

⁵ For the ratio, see [International](#) Trade Administration, “Exports Support American Jobs,” U.S. Department of Commerce, 2010, at 3. Available at: <http://trade.gov/publications/pdfs/exports-support-american-jobs.pdf>.

⁶ See The White House, “The U.S.-South Korea Free Trade Agreement: More American Jobs, Faster Economic Recovery through Exports.” Available at: http://www.whitehouse.gov/sites/default/files/09272011_wh_overview_fact_sheet_us_korea.pdf.

⁷ See The White House, “The U.S.-South Korea Free Trade Agreement: More American Jobs, Faster Economic Recovery through Exports.” Available at: http://www.whitehouse.gov/sites/default/files/09272011_wh_overview_fact_sheet_us_korea.pdf.

⁸ The Escuela Nacional Sindical (ENS) is recognized by the LAP as an authoritative source of monitoring data. Escuela Nacional Sindical, “Informe Sobre Los Cuatro Primeros Años de Implementación del Plan de Acción Laboral (2011-2015),” April 2015, at 44. Available at: http://ens.org.co/apc-aa-files/4e7bc24bf4203c2a12902f078ba45224/Informe_final_completo_Plan_de_Acci_n_Laboral_2011_2015_Versi_n_4_Abril..pdf. The ENS methodology is extremely conservative, only counting assassinated unionists when they are members of unions that are officially recognized by the government (the government has refused to recognize numerous worker attempts to form a union), and when there is absolute certainty that the worker’s union affiliation was the motive behind the assassination (the government alleges ulterior motives for many other murdered unionists). As such, the ENS-reported number should be considered the lowest possible number of targeted unionist assassinations in Colombia.

⁹ ENS, CTC, CUT and RECALCA, “Report on the First Three Years of Implementation of the Labor Action Plan – LAP,” April 7, 2014, at 1. Available at: <http://www.wola.org/sites/default/files/Colombia/Labor/ENS%20LAP%20Report%20English%20translation.pdf>.

¹⁰ Government of Colombia, Red Nacional de Información, “Registro Único de Víctimas,” accessed June 30, 2015. Available at: <http://rni.unidadvictimas.gov.co/?q=node/107>.

¹¹ Internal Displacement Monitoring Centre, “Global Figures,” accessed January 11, 2017. Available at: <http://www.internal-displacement.org/global-figures>.

¹² U.S. Department of Labor, “Public Report of Review of U.S. Submission 2016-02 (Colombia), January 11, 2017, https://insidetrade.com/sites/insidetrade.com/files/documents/jan2017/wto2017_0011a.pdf.

¹³ Global Forum on Transparency and Exchange of Information for Tax Purposes, “Peer Review Process,” Organization for Economic Cooperation and Development, November 2016. Available at: <http://www.oecd.org/tax/transparency/exchange-of-information-on-request/ratings/>.

¹⁴ Global Trade Watch, “Testimony of Todd Tucker: House Ways and Means Committee’s Subcommittee on Trade Hearing on the Pending Free Trade Agreement with Panama,” Public Citizen, March 30, 2011, at 2. Available at: <http://www.citizen.org/documents/panana-testimony-march-30-2011.pdf>.