



215 Pennsylvania Avenue, SE • Washington, D.C. 20003 • 202/546-4996 • [www.citizen.org](http://www.citizen.org)

For Immediate Release:  
Nov. 2, 2017

Contact: Ufuoma Otu (202) 454-5108, [uotu@citizen.org](mailto:uotu@citizen.org)  
Matthew Groch (202) 454-5111, [mgroch@citizen.org](mailto:mgroch@citizen.org)

## PRESS MEMORANDUM

### **Asia Trip Spotlights Chasm Between Trump Campaign Rhetoric on Trade and Action, Raising Political Stakes for Meaningful Deliverables**

WASHINGTON, D.C. – With President Donald Trump beleaguered on many fronts, the stakes for delivering on his trade promises are high as his first trip to Asia features the very nations Trump targeted with the heated trade critique that helped him win the presidency. Undoubtedly there will be announcements of “breakthroughs,” so below we offer some indicators to measure the actual trade outcomes.

Trump pledged to make U.S. trade policy “a lot better” for working people, starting with [day-one action](#) to [reverse the China deficit](#), renegotiating or ending the “[job-killing](#)” Korea Free Trade Agreement (FTA) and reducing the U.S. trade deficit with [Japan](#). But so far, beyond formally burying the Trans-Pacific Partnership (TPP) – a pact widely acknowledged as already dead for a lack of majority congressional support – Trump has [accomplished nothing](#) on the Asia trade front.

**The lack of action is especially problematic because many of Trump’s trade critiques – including those raised by Democrats for decades - are correct. Since his election, the situation is getting worse and whether Trump can deliver on his pledges to bring down the trade deficit and create American manufacturing jobs will be measurable via monthly government trade and jobs data.**

- The latest monthly U.S. goods deficit with China reached \$35 billion (August), the largest in nearly two years. The China deficit is on track to be higher in Trump’s first year than in 2016. Absent real changes in China trade policy, Trump cannot deliver on his pledge to bring down the U.S. trade deficit and create American jobs given China typically represents nearly half of the overall U.S. goods and services deficit.
- After doubling the U.S.-Korea goods trade deficit in its first four years, the Korea FTA is again on track for another large deficit by the end of Trump’s first year in office with the auto industry centered in his politically crucial Midwest states slammed while U.S. farmers have yet to see the promised gains.

Ironically, the trip also spotlights the hollowness of the panicky claims from the corporate lobby. No, Asian nations have not signed an alternative trade deal, the Regional Comprehensive Economic Partnership (RCEP), with China after the TPP’s demise. RCEP is as [stuck](#) as ever. No, the TPP did not go forward minus the United States. Expect claims of ‘general agreement’ on that goal on the sidelines of the Asian Pacific Economic Partnership summit in Vietnam. But in fact, the administration’s decision to roll back the investor-state dispute settlement (ISDS) corporate rights and tribunals in the North America Free Trade Agreement (NAFTA) renegotiations reflects an issue that has bogged down

Japan's efforts to get the remaining 11 countries to enact TPP. No, Trump has not launched a China trade war. Indeed, the promised trade actions on steel and aluminum are [mired](#) and the 100-day plan touted this spring proved to be a repackaged list of things China promised the Obama administration.

*Some less-than-obvious indicators of concrete action would include:*

**CHINA: Will Trump terminate negotiations for a U.S.-China Bilateral Investment Treaty (BIT) that the Obama administration nearly completed?** Or, as China demands, revive this deal that would make it easier to outsource more American jobs to China? China has indicated some “new” trade deals could be in the offing during Trump’s visit. One way to unpack whether these are simply rewarmed promises from the past or real change will be the fate of the China BIT, an expansive treaty started by the Bush administration and almost completed by Obama. The pact, which China is keen to sign, would give Chinese firms broader rights to purchase U.S. firms, land and other assets and newly expose the U.S. government to demands for compensation from Chinese firms empowered to attack U.S. policies in extra-judicial ISDS tribunals. Former Goldman Sachs executive-turned National Economic Council chief [Gary Cohn reportedly shut down plans to terminate the China BIT negotiations](#) earlier this year.

Given that the administration is demanding a major roll back of the ISDS provisions in NAFTA, it would be notable if Trump does not shut down the China BIT, which provides special protections to firms that outsource to China and simultaneously would greatly expand U.S. ISDS liability. Because only a small portion of foreign investment in the United States is now covered by ISDS agreements, to date the United States has avoided paying corporations over ISDS claims. But with China continuing to invest aggressively throughout the United States, a BIT with China would greatly increase U.S. liability. According to a soon-to-be-unveiled Public Citizen database on the footprint of Chinese investment here, total investment reached over \$45 billion in 2016 including over 40 acquisitions of American assets worth at least \$50 million each, a high-water mark for inbound investment. Buyers include large Chinese conglomerates with ties to the government like Dalian Wanda as well as state-owned enterprises like the Chinese sovereign wealth fund, China Investment Corporation. Chinese investors have entered U.S. sectors similar to those in which foreign investors have launched the [most egregious ISDS cases](#) worldwide such as energy and pharmaceuticals. These 2016 deals include Chinese purchases of over 100 oil wells in Texas and a pharmaceutical distribution center in Kentucky.

**KOREA: Will Trump push for changes to the 2012 U.S.-South Korea Free Trade Agreement (FTA) or will his visit focus only on North Korea?** How to peacefully resolve North Korea’s nuclear escalation is a thorny question. What should happen with the Korea FTA is an entirely separate question that is not complicated. Civil society organizations and many Democrats in Congress opposed the U.S.-Korea FTA in 2011 when the deal was before Congress because at its heart are new rights and powers for corporations to raise medicine prices and attack environmental, health and financial stability safeguards and to get duty free access for goods with significant Chinese content.

U.S. exports to Korea actually *declined* after the pact. U.S. average monthly exports to South Korea have fallen in nine of the 15 U.S. sectors that export the most to South Korea, relative to the year before the FTA. U.S. exports to South Korea of agricultural goods have even fallen 5.4 percent in the first five years of the FTA. As with most other U.S. FTAs, imports into the United States soared. Thus, the U.S. goods trade deficit with Korea increased by 85 percent in five years. The U.S. goods trade deficit with Korea is once again deteriorating as imports from Korea grow faster than U.S. exports to Korea, reaching \$2.3 billion in the latest available monthly data (August 2017).

A broad network of Korean civil society organizations, trade unions, public health organizations similarly opposed the U.S.-Korea deal. [Opposition Korean parliamentarians raised many of the same](#)

[concerns](#) over corporate rights and ISDS, financial stability, access to medicines and more. The deal sparked violent clashes among parliamentarians after parliament was [physically barricaded to avoid a vote and then when tear gas was unleashed in the legislative chambers](#).

- Here is a [full breakdown of trade data from the U.S.-Korea deal's five year anniversary](#)
- To speak with an English-speaking expert for a Korean civil society perspective contact **Heesob Nam**, committee chairman of the Korean Alliance Against the KORUS FTA: [hurips@gmail.com](mailto:hurips@gmail.com)

**JAPAN: Will Japan agree to a bilateral U.S. trade agreement and/or specific measures to reduce what is the third largest bilateral U.S. trade deficit (behind only China)?** The U.S.-Japan goods trade deficit was \$74 billion in 2016, and Japan has been a permanent fixture on the U.S. Treasury Department's "monitoring list" for currency manipulation. It is unclear whether Trump can achieve much to address the deficit or the bipartisan call for binding disciplines on currency manipulation, which Japan rejected in the context of the TPP. But, interestingly, the administration's position on ISDS in NAFTA is thwarting the Abe administration's efforts to salvage the widely-rejected corporate rights enshrined in the TPP via a "TPP-11" deal. Many TPP countries, including Malaysia, Vietnam, Australia, and others, had only accepted the ISDS provisions under extreme duress to make a deal with the United States. But recent comments by U.S. Trade Representative Robert Lighthizer about the U.S. proposals to radically roll back the ISDS provisions in the context of the NAFTA renegotiations has emboldened the opposition to these provisions among the TPP-11 nations. Lighthizer's explanation of why investors do not need ISDS were widely circulated in Australia, New Zealand, and elsewhere.

The New Zealand government, for instance, had been supporting Abe's efforts to salvage the TPP with minimal changes, but New Zealand's recently elected new Prime Minister Jacinda Arden, [announced this week](#) that her government would "do our utmost to amend the ISDS provisions of the TPP" and that her Cabinet has "instructed trade negotiation officials to oppose ISDS in any future free trade agreements." Adding this bombshell to the [reported 50 requests by the TPP-11 countries](#) to freeze or amend the deal's clauses, including [shelving intellectual property provisions on pharmaceutical data](#), the prospects for a TPP-11 deal in Vietnam are diminishing. Even in Japan itself, the political foundation within Abe's ruling Liberal Democratic Party (LDP) is on much shakier ground for a TPP-11 deal. Koya Nishikawa, a former agriculture minister and LDP leader who was key in delivering needed support from the powerful farm caucus for the TPP, [recently lost his seat in the Japanese Diet](#). Without Nishikawa, Japan's already skeptical agricultural sector may not be supportive of a TPP deal.

- On TPP-11 dynamics: Jane Kelsey, University of Auckland, [j.kelsey@auckland.ac.nz](mailto:j.kelsey@auckland.ac.nz);
- English-speaking expert from Japanese civil society on TPP-11 and Japan's political dynamics surrounding trade: Shoko Uchida, Director, Pacific Asia Resource Center, [kokusai@parc-jp.org](mailto:kokusai@parc-jp.org)

###