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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. The administration also promised a concrete benefit for each pact on the date of their passage: “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 were passed with strong GOP support, while many congressional Democrats opposed the deals, which are based on the model of the North American Free Trade Agreement (NAFTA).²

Three years into the Korea FTA, U.S. goods exports to Korea have declined 7 percent (a \$3 billion decrease) in comparison to the year before FTA implementation, while U.S. goods imports from Korea have surged 18 percent (a \$10.6 billion increase). U.S. exports to Korea of agricultural goods have fallen 5 percent, or \$323 million, under the FTA. That includes a loss of more than 60,000 metric tons of beef, pork and poultry exports to Korea. And the U.S. manufacturing trade deficit with Korea has grown 47 percent, or \$10.6 billion, under the FTA, which includes a 36 percent increase in the U.S. automotive trade deficit with Korea.³

Overall, the U.S. trade deficit with Korea has swelled 90 percent, or \$13.6 billion, from the year before the FTA took effect to the deal's third year.⁴ The trade deficit increase equates to **the loss of more than 90,000 U.S. 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.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 38 percent (an increase of \$6.4 billion) in the FTA's first three years.** The surge in automotive imports has swamped a comparably tiny \$0.7 billion increase in automotive exports to Korea, spurring a 36 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 However, **U.S. beef exports have declined by 6 percent** under the FTA's first three years – a loss of more than 7,000 metric tons of beef exports to Korea. **U.S. pork exports have fallen by 1 percent** in comparison to pre-FTA levels – a loss of more than 1,000 metric tons of pork exports to Korea. And **U.S. poultry producers have faced a 49 percent collapse of exports to Korea** – a loss of more than 52,000 metric tons of poultry exports to Korea. U.S. exports to Korea in each of the three meat sectors have fallen significantly below the long-term growth trend since the Korea FTA took effect.

Anti-Unionist Violence Remains Rampant in Colombia: More than four years after the Obama administration announced a Labor Action Plan (LAP) with Colombia to improve Colombia's labor protections, which enabled passage of the controversial Colombia FTA, the LAP has failed to alter the on-the-ground reality of anti-union repression in Colombia. In the LAP's first four years, 105 Colombian unionists have been assassinated, 65 unionists have survived assassination attempts, and 1,337 death threats have been levied against unionists, according to the data relied upon under the LAP.⁸ Of the 105 unionist assassinations under the LAP, only four have resulted in guilty sentences, according to the Colombian government's own data. Of the 3,067 documented unionist assassinations in Colombia since 1977, Colombian government data indicate that just 369 cases, or 12 percent, have resulted in guilty sentences.⁹ Of the 1,337 death threats against unionists under the LAP, approximately three out of four have never been investigated, and only two cases have resulted in guilty sentences.¹⁰ 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."¹¹ In addition, violent mass displacements of Colombians have continued under the Colombia FTA,¹² adding to the more than six million Colombians who have been displaced in the world's second-largest internal displacement crisis.¹³

Panama Tax Haven Status Continues Unabated: In April 2015, the Organization for Economic Cooperation and Development, which tracks countries' tax haven statuses, reported that Panama remains one of just 11 nations in the world that has not passed a first-stage review of its tax transparency measures, due to nonconformity on basic regulatory checks against tax evasion.¹⁴ 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.¹⁵

And Now, the TPP: Same Empty Promises Used for Massive Expansion of Status Quo Trade Model

The initial government data on the Korea, Colombia and Panama FTAs provide just the latest evidence of the damaging outcomes of NAFTA-style deals sold to Congress with broken promises. Despite this track record, the Obama administration has made its top trade priority the completion of an even more massive expansion of the failed NAFTA model through the Trans-Pacific Partnership (TPP). The TPP is a sweeping NAFTA-style pact under negotiation with 11 Pacific Rim countries that the administration seeks to complete in 2015. To sell the TPP, the administration is recycling the same counterfactual job and export growth promises made for the Korea FTA, which served as the U.S. template for the TPP. Thankfully, a majority of the U.S. public and many members of Congress are not buying it.

Opposition to more-of-the-same trade pacts is one of few issues on which independent, Democrat and Republican voters agree. A June 2015 *New York Times* / *CBS News* poll revealed that 63 percent of the U.S. public believes that "trade restrictions are necessary to protect domestic industries" while only 30 percent think "free trade must be allowed, even if domestic industries are hurt by foreign competition." Democrats, Republicans and independents all overwhelmingly supported protection of domestic businesses over "free trade" at any cost.¹⁶ A June 2015 *NBC News* poll found that 66 percent of the U.S.

public says “protecting American industries and jobs by limiting imports from other countries” is more important than “allowing free trade so you can buy products at low prices no matter what country they come from.”¹⁷ One month earlier, a poll from Ipsos Public Affairs found that 84 percent of the U.S. public believes that “protecting American manufacturing jobs” is more important than “getting Americans access to more products” when trade agreements put U.S. jobs at risk.¹⁸ The findings are relevant for the TPP, which includes special protections for firms that offshore U.S. jobs to countries like TPP member Vietnam,¹⁹ where minimum wages average less than 60 cents an hour.²⁰

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_Accion_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 Escuela Nacional Sindical, “Informe Sobre Los Cuatro Primeros Años de Implementación del Plan de Acción Laboral (2011-2015),” April 2015, at 49-52. Available at: http://ens.org.co/apc-aa-files/4e7bc24bf4203c2a12902f078ba45224/Informe_final_completo_Plan_de_Accion_Laboral_2011_2015_Versi_n_4_Abril..pdf.

¹⁰ Escuela Nacional Sindical, “Informe Sobre Los Cuatro Primeros Años de Implementación del Plan de Acción Laboral (2011-2015),” April 2015, at 55-56. Available at: <http://ens.org.co/apc-aa>

files/4e7bc24bf4203c2a12902f078ba45224/Informe_final_completo_Plan_de_Accion_Laboral_2011_2015_Versi_n_4_Abril..pdf.

¹¹ 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>.

¹² 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>.

¹³ Internal Displacement Monitoring Centre, “Global Figures,” accessed June 30, 2015. Available at: <http://www.internal-displacement.org/global-figures>.

¹⁴ Global Forum on Transparency and Exchange of Information for Tax Purposes, “OECD Secretary-General Report to G20 Finance Ministers,” Organization for Economic Cooperation and Development, April 2015, at 13. Available at: <http://www.oecd.org/tax/transparency/2015-April-GF-report-G20.pdf>.

¹⁵ 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>.

¹⁶ “Americans’ Views on Income Inequality and Workers’ Rights,” *The New York Times / CBS News* Poll, June 3, 2015.

Available at: <http://www.nytimes.com/interactive/2015/06/03/business/income-inequality-workers-rights-international-trade-poll.html>.

¹⁷ *NBC News*, “NBC News Online Survey: Public Opinion on Free Trade,” June 9, 2015. Available at:

<http://msnbcmedia.msn.com/i/MSNBC/Sections/NEWS/NBCOnlineSurveyFreeTradeTOPLINES.pdf>.

¹⁸ Ipsos Public Affairs, “Perceptions of International Trade,” conducted for the Alliance for American Manufacturing, May 6, 2015. Available at: <http://www.ipsos-na.com/download/pr.aspx?id=14490>.

¹⁹ See Public Citizen, “TPP Leak Reveals Extraordinary New Powers for Thousands of Foreign Firms to Challenge U.S.

Policies and Demand Taxpayer Compensation,” PC press release, March 25, 2015. Available at:

<https://www.citizen.org/documents/tpp-investment-leak-2015-release.pdf>.

²⁰ Government of Vietnam, Decree 182/2013/ND-CP, wages in effect for 2015. Available at:

<http://www.wageindicator.org/main/salary/minimum-wage/vietnam>.