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Today's Five-Year Korea FTA Data Show March Imports From Korea Higher Than All But One Month Since Pact Started: What Is Trump's Plan for Pact?

U.S. Trade Deficit With Korea Has Soared as U.S. Exports Have Fallen; Imports Jumped Since 2012 U.S.-Korea Free Trade Agreement

WASHINGTON, D.C. –Imports from Korea in March 2017 were higher than any month but one in the five years the U.S.-Korea Free Trade Agreement (FTA) has been in effect. Today's release of new U.S. Census trade data for the first full five years of the Korea FTA spotlight statements from both President Donald Trump and Vice President Mike Pence in the past month that the pact's outcomes are unacceptable. While the statements were notable for coming despite escalating military tensions on the Korean Peninsula, what the administration will do about the pact and when remains a mystery.

“Our trade deficit with Korea has increased dramatically under this agreement, which Trump bashed on the campaign trail, and workers in the swing states that elected Trump have been hardest hit, so what will Trump do about it,” asked Lori Wallach, director of Public Citizen's Global Trade Watch.

While then-Representative Pence voted to pass the agreement in 2011, now-Vice President Pence, in an April 2017 trip to Seoul, declared the pact to be “[falling short](#)” and needing review and reform. Later that month, Trump declared of the Korea deal: “We've told them that we'll either [terminate or negotiate](#). We may terminate.” Trump spotlighted the “job-killing trade deal with South Korea” in his [nomination acceptance speech](#) and on the stump, where he also often [noted](#) that “this deal doubled our trade deficit with South Korea and destroyed nearly 100,000 American jobs.”

Many of Trump's trade-related campaign pledges were broken in his first 100 days, calling into question the prospects for action on the Korea pact. A powerful White House faction opposes the trade policy changes that Trump promised would deliver more American jobs and lower deficits.

The agreement, sold by the Obama administration with a “[more export, more jobs](#)” slogan, has resulted in U.S. exports to Korea declining 7.8 percent (\$3.7 billion) and imports from Korea increasing 13.1 percent (\$8.1 billion) by the end of its fifth year. The 85 percent trade deficit increase with Korea under the pact – from \$14 billion in the 12 months before the pact went into effect on March 15, 2012, to \$26 billion in its fifth year – came in the context of the overall U.S. trade deficit with the world decreasing by 5 percent. While U.S. goods imports from the world decreased by 7.1 percent, goods imports from Korea increased by 13.1 percent.

Defenders of the pact claim the results stem from weakness in Korea's economy, but in fact, Korea's GDP has risen by 15 percent from 2011 to 2016 while the unemployment rate has averaged 3.4 percent – hardly the indicators of a weak economy.

Meanwhile, the U.S. service sector trade surplus with Korea has increased by only \$2 billion from 2011 to 2015 a growth rate of 29 percent in its five years in effect that is notably 64 percent slower than our services surplus growth over the five years before the FTA went into effect. (Service sector data for the full fifth year of the deal will be released in October.)

Despite the Korea FTA including more than 10,000 tariff cuts, [80 percent](#) of which began on Day One:

- **Record-breaking U.S. trade deficits with Korea have become the new normal under the FTA – in 59 of the 60 months since the Korea FTA took effect, the U.S. goods trade deficit with Korea has exceeded the average monthly trade deficit in the five years before the deal.**
- **Since the FTA took effect, U.S. average monthly exports to Korea have fallen in 9 of the 15 U.S. sectors that export the most to Korea, relative to the year before the FTA.**
- **The auto sector was among the hardest hit: The U.S. trade deficit with Korea in motor vehicles grew 55.7 percent in the pact's first five years.** U.S. imports of motor vehicles from Korea have increased by 64.2 percent, or \$6.4 billion by the fifth year of the Korea FTA.
- **Exports of machinery and computer/electronic products, collectively comprising 27 percent of U.S. exports to Korea, have fallen 17.1 and 18.8 percent, respectively.**
- **U.S. exports to Korea of agricultural goods have fallen 5.4 percent** in the first five years of the Korea FTA, despite almost two-thirds of U.S. agricultural exports by value obtaining immediate duty-free entry to Korea under the pact. U.S. agricultural imports from Korea, meanwhile, have grown 45.4 percent under the FTA. As a result, the U.S. agricultural trade balance with Korea has declined 8.1 percent, or \$554 million, since the FTA's implementation. The Obama administration promised that U.S. exports of meat would rise particularly swiftly, thanks to the deal's tariff reductions on these products. However, despite U.S. officials' promises that the pact would enhance cooperation between the U.S. and Korean governments to resolve food safety and animal health issues that affect trade, South Korea has imposed temporary bans on imports of American poultry in each of the last three years, including 2017. Comparing the fifth year of the FTA to the year before it went into effect, U.S. poultry producers have faced a 78 percent collapse of exports to Korea – a loss of 82,000 metric tons of poultry exports to Korea. U.S. pork exports have also dropped 1 percent.

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