



215 Pennsylvania Avenue, SE • Washington, D.C. 20003 • 202/546-4996 • www.citizen.org

For Immediate Release:
March 13, 2015

Contact: Alisa Simmons (202) 454-5111
Lori Wallach (202) 454-5107, lwallach@citizen.org

Unhappy Third Birthday for Korea Free Trade Agreement Drags Down Obama Push for Fast Track Trade Authority

U.S. Exports Down, Imports from Korea Up and Job-Killing Trade Deficit With Korea Balloons 84 Percent on Third Anniversary of Korea Pact, Which Is TPP Template

WASHINGTON, D.C. – Three years after implementation of the U.S.-Korea Free Trade Agreement (FTA), [government data](#) reveal that the administration’s promises that the pact would expand U.S. exports and create American jobs proved to be the opposite of the pact’s actual outcomes. The post-Korea FTA decline in U.S. exports to Korea and a new flood of imports from Korea have resulted in a major surge in the U.S. trade deficit with Korea that equates to nearly 85,000 lost U.S. jobs. The abysmal FTA record deals a fresh blow to the administration’s controversial bid to Fast Track the Trans-Pacific Partnership (TPP), for which the Korea FTA served as the U.S. template.

“Three years ago we heard the same ‘more exports, more jobs’ sales pitch for the Korea FTA that the administration is making for the TPP, but the reality is that tens of thousands of U.S. jobs have been lost as exports have fallen and trade deficits have surged,” said Lori Wallach, director of Public Citizen’s Global Trade Watch. “The only silver lining of the Korea FTA debacle is that it further cripples the administration’s push to Fast Track the TPP, which was literally modeled on the Korea deal, perhaps saving us from more of the same pacts that offshore jobs and push down middle-class wages.”

MONDAY 3/16 NOON PRESS CALL:
PEOPLE AFFECTED BY THE KOREA FTA
CALL-IN: 1-877-366-0711, passcode: 54842826#
Please RSVP to ssanders@citizen.org.

Contrary to the administration’s promise that the Korea FTA would mean “more exports, more jobs,” U.S. International Trade Commission and U.S. Department of Agriculture data reveal that:

- **The U.S. goods trade deficit with Korea has ballooned an estimated 84 percent, or \$12.7 billion, in the first three years of the Korea FTA (comparing the year before the FTA took effect to the projected third full year of implementation). In January 2015, the monthly U.S. goods trade deficit with Korea topped \$3 billion – the highest level on record.**

- The surge in the U.S. trade deficit with Korea under the FTA equates to **the loss of nearly 85,000 American jobs**, according to the trade-jobs [ratio](#) that the administration used to promise job gains from the deal.
- **U.S. goods exports to Korea have fallen an estimated 5 percent, or \$2.2 billion**, in the first three years of the Korea FTA.
- Had U.S. exports to Korea continued to grow at the rate seen in the decade prior to the Korea FTA's implementation, **U.S. exports to Korea in the FTA's third year would have been 24 percent, or \$9.8 billion, higher** than they are actually projected to be.
- **Imports of goods from Korea have risen an estimated 18 percent, or \$10.5 billion**, in the Korea FTA's first three years.
- U.S. exports to Korea of manufactured goods have stagnated under the Korea FTA, growing an estimated zero percent in the first three years of the deal. U.S. manufactured imports from Korea, meanwhile, have grown an estimated 18 percent under the FTA. As a result, **the U.S. manufacturing trade deficit with Korea has grown an estimated 44 percent, or \$10.1 billion**, since the FTA's implementation.
- **U.S. exports to Korea of agricultural goods have stagnated under the Korea FTA, growing an estimated zero percent** in the first three years of the deal – even as U.S. agricultural exports to the world increased six percent during the same period. U.S. agricultural imports from Korea, meanwhile, have grown an estimated 28 percent under the FTA. As a result, the U.S. agricultural trade balance with Korea has declined an estimated 1 percent, or \$72 million, since the FTA's implementation.

Given the bleak data, the Office of the U.S. Trade Representative (USTR) may repeat past efforts to try to obscure bad Korea FTA results. Congressional upset about the facts is fueling opposition to the administration's push to Fast Track the TPP through Congress. Typical USTR data omissions and distortions regarding the Korea FTA include:

- The USTR likely will count foreign-produced goods as "U.S. exports," falsely inflating the export figures that can be reported. It is by using this raw Census Department data versus the corrected official U.S. International Trade Commission (USITC) trade data that USTR falsely claims that U.S. exports to Korea have grown and were at a record level in 2014. Despite congressional demands to stop using the distorted data, USTR continues to report export figures that include "foreign exports," also known as "re-exports." These are 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 no U.S. production jobs. Each month, the USITC removes foreign exports from the raw data gathered by the U.S. Census Bureau. But the 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 an estimated 13 percent, or \$284 million, which the USTR may errantly count as an increase in "U.S. exports."*
- The USTR might misrepresent the relatively small increase in U.S. exports to Korea of passenger vehicles under the FTA as a large percentage increase, while omitting both that

the touted increase amounts to an estimated 23,000 more passenger vehicles exported from a base of fewer than 15,000 and that imports of passenger vehicles from Korea have surged by an estimated 450,000 vehicles – from about 863,000 to more than 1.3 million in the first three years of the FTA. This trick was included in the USTR’s press [release](#) on the FTA’s second anniversary. While U.S. automotive exports to Korea have increased an estimated \$686 million in the FTA’s first three years, U.S. automotive imports from Korea have ballooned an estimated \$6.4 billion. As a result, the U.S. automotive trade deficit with Korea has increased an estimated 36 percent, or \$5.7 billion, in the FTA’s first three years.

- The USTR also may claim, as it did in its press release on the Korea FTA’s second anniversary, 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 an estimated \$1.4 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.
- The USTR also may try to dismiss the decline in U.S. exports to Korea under the FTA as due to a weak economy in Korea – another claim made in the USTR’s press release on the FTA’s second anniversary. 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 an estimated 5 percent in the first three years of the FTA.

###