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Release of Two Years of Korea FTA Data Throws More Cold Water on Obama TPP and Fast Track Efforts After Asia Trip Fails to Change Dynamic

U.S. Exports to Korea Down 5 Percent, Imports from Korea Up and Trade Deficit With Korea Swells 50 Percent, Contradicting Obama Claims of U.S. Export and Job Growth

WASHINGTON, D.C. – The just-released official U.S. government trade data covering the first two years of the U.S.-Korea “free trade” agreement (FTA) further chills the prospects for the Trans-Pacific Partnership (TPP) and Fast Track trade authority. Today’s release of the U.S. International Trade Commission (USITC) data likely will intensify congressional antipathy toward Fast Track and concerns about the TPP. The USITC data, corrected to remove re-exports not produced in the United States, show falling U.S. exports to Korea and a ballooning U.S. trade deficit under the Korea FTA, which served as the U.S. template for the TPP.

U.S. goods exports to Korea have dropped 5 percent under the Korea FTA’s first two years, compared to the two years before FTA implementation, in contrast to the Obama administration’s promise that the Korea FTA would mean “more exports, more jobs” and recent claims that the agreement has shown “strong results.” Imports into the United States from Korea have climbed 8 percent under the FTA (an increase of \$4.7 billion per year).

From the year before the FTA took effect to its second year of implementation, the U.S. goods trade deficit with Korea swelled 50 percent (a \$7.6 billion increase). In 23 out of 24 months since the Korea FTA took effect, the U.S. goods trade deficit with Korea has exceeded the average monthly level seen in the two years before the deal. The trade deficit increase under the FTA indicates the loss of more than 50,000 U.S. jobs, according the trade-jobs ratio that the Obama administration used to project gains from the deal.

“The fact that the Korea deal has resulted in a worse trade deficit and more lost jobs has had a very chilling effect on public and congressional support for the TPP and Fast Track, and the Obama administration’s dishonest claims that the pact has expanded exports has only hardened that opposition,” said Lori Wallach, director of Public Citizen’s Global Trade Watch. “While most Democrats and a sizeable bloc of Republicans in Congress have already voiced opposition to Fast Tracking the TPP, both the negative outcomes of the Korea FTA and the administration’s dishonest claim that the pact is a success are adding more converts daily.”

Rather than acknowledge that the Korea pact has resulted in declining U.S. exports and a larger trade deficit, the administration’s Office of the U.S. Trade Representative (USTR) has relied on data omissions and distortions in press materials that attempt to paint failure as success. For a full response to the USTR’s litany of data errors, visit <http://www.citizen.org/documents/Korea-FTA-USTR-data-debunk.pdf>.

The USTR’s biggest distortion is counting foreign-made products that are simply shipped through the United States en route to Korea as “U.S. exports” to Korea. Rather than use the official U.S. government trade data provided by the USITC that counts only U.S.-made exports, USTR cites data that treat the 14 percent rise in

foreign-made exports to Korea under the FTA as a boost to U.S. exports, artificially diminishing the dramatic U.S. export downfall.

The USTR relies on a series of other data errors in attempt to hide the dismal Korea FTA record, including:

- **Failing to account for inflation:** By treating a rise in prices as a rise in exports, the USTR mistakenly claims that the observed decrease in U.S. exports to Korea in manufactured goods under the FTA is an increase.
- **Ignoring aggregate losses to cherry-pick tiny winning sectors:** The USTR does not mention the overall 34 percent downfall in U.S. agricultural exports to Korea under the FTA's first two years. Instead, the USTR boasts export increases in products like fruit and wine. The combined annual export gains in fruit and wine amount to \$69 million, less than 6 percent of the more than \$1.2 billion aggregate annual export loss in agricultural products.
- **Using a selective timeframe:** The USTR's assessment of the Korea FTA record ignores 12 months of available data under the FTA and fails to include in the pre-FTA baseline of comparison the three months of data immediately prior to the deal's implementation. This selective timeframe, combined with the decision to incorporate foreign-made exports, allows the USTR to claim that the U.S. export downfall under the FTA is entirely because of diminished exports in corn and fossil fuels. But even after discounting both corn and fossil fuels, the full set of data shows that U.S. exports to Korea have still fallen under the FTA, and the U.S. trade deficit with Korea has still ballooned.

“The USTR's resort to major data deceptions to try to play down the debacle of the Korea FTA indicates just how desperate the administration is to shake the mounting evidence that the FTA model it now seeks to expand with the TPP costs U.S. jobs,” said Wallach. “But using data tricks to try to cover up the failure of the largest Obama trade deal, like treating foreign-made products as U.S. exports, is likely to backfire, and members of Congress do not take kindly to deception.”

The decline in U.S. exports to Korea under the FTA's first two years was broad-based; of the 15 U.S. sectors that export the most to Korea, nine of them have experienced export declines under the FTA. Export shifts under the FTA have been larger for losing sectors than for winning sectors. Of the 15 top export sectors, eight have seen declines in exports to Korea of greater than 5 percent while only three have seen growth of exports to Korea of greater than 5 percent.

Many of the sectors that the administration promised would be the biggest beneficiaries of the FTA have been among the largest losers, including U.S. meat producers. U.S. poultry exports to Korea have plummeted 31 percent under the FTA, while U.S. beef and pork exports have fallen 10 and 19 percent respectively.

The U.S. automotive industry, another promised winner under the deal, has endured a surge in automotive imports from Korea that has swamped a marginal increase in U.S. automotive exports to Korea since the FTA took effect. While U.S. average annual automotive exports to Korea under the pact have been \$294 million higher than before the deal, average annual automotive imports from Korea have soared by \$4.9 billion under the deal, spurring a 32 percent increase in the U.S. automotive trade deficit with Korea.

Overall, U.S. export growth to countries with pacts like the Korea FTA has been particularly lackluster. Growth of U.S. exports to countries that are not FTA partners has exceeded U.S. export growth to FTA partners by 30 percent over the past decade.

For further analysis of the outcomes of the Korea FTA's first two years, visit <http://www.citizen.org/documents/Korea-FTA-USTR-data-debunk.pdf>.