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On Unhappy Fifth Anniversary of U.S.-Korea Free Trade Agreement, Deficit With Korea Has Doubled as U.S. Exports Fell, Imports Soared

President Trump Appoints a Leading Promoter of Korea Pact as White House Special Assistant for Trade and Goes Silent on Deal After Decrying 'Job-Killing Trade Deal With South Korea' on Stump.

WASHINGTON, D.C. –President Donald Trump has been conspicuously silent about the U.S.-Korea Free Trade Agreement (FTA) since taking office, so whether the administration comments on the pact's March 15 fifth anniversary is being closely watched. Trump spotlighted the "job-killing trade deal with South Korea" in his nomination acceptance speech and on the stump, where he also often noted "this deal doubled our trade deficit with South Korea and destroyed nearly 100,000 American jobs."

Trump's approach to the pact was called into question when he appointed one of the Korea FTA's most persistent promoters, Andrew Quinn, to be special assistant to the president for international trade, investment and development. When the deal was initially completed in 2007, Quinn, who played a role in FTA negotiations as counselor for economic affairs at the U.S. Embassy in Seoul, declared: "It's a great agreement" that "demonstrated the effectiveness of the model, i.e., a comprehensive high-standard agreement." When Quinn later served in the Obama White House National Security Council as director for Asian economic affairs from September 2010 to August 2012, he worked on the ratification of the Korea FTA. He most recently served in the Obama administration as the deputy lead negotiator for the Trans-Pacific Partnership.

"Our trade deficit with Korea doubled under this deal, so it's not surprising Trump spotlighted it as a job-killer during his campaign. But voters who supported him because they thought he'd do something to reverse the damage of this and other deals will be furious if he fails to act, and more so when they learn that the very 'insiders' he criticized on the stump are calling the shots," said Lori Wallach, director of Public Citizen's Global Trade Watch.

The agreement, sold by the Obama administration with a "more export, more jobs" slogan, had already resulted in the doubling of the U.S. goods trade deficit with Korea by its fourth year, as U.S. exports declined 10 percent ($4.5 billion) and imports from Korea increased 18 percent ($10.8 billion), resulting in a trade deficit of $31.6 billion relative to one of $15.9 billion in the 12 months before the pact went into effect on March 15, 2012. That deficit increase with Korea came in the context of the overall U.S. trade deficit with the world decreasing by 2 percent.

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 that is notably 64 percent slower than our services surplus growth over the four years before the FTA went into effect. In the 10 months of available trade data since the FTAs full fourth year, the goods deficit with Korea has totaled $25.5 billion compared with $25.3 billion in the comparable period a year ago. Goods trade data for the full fifth year of the deal will be released May 4 and service sector data in October.

The division among Trump staff over trade policy was on display in the only Trump administration comment on the Korea FTA, which came in the March 1 President's Trade Agenda report that reflects the views of Trump's nominee for U.S. Trade Representative Robert Lighthizer: "Further, the largest trade deal implemented during the Obama Administration – our free trade agreement with South Korea – has coincided with a dramatic increase in our trade deficit with that country. From 2011 (the last full year before the U.S.-Korea FTA went into effect) to 2016, the total value of U.S. goods exported to South Korea fell by $1.2 billion. Meanwhile, U.S. imports of goods from South Korea grew by more than $13 billion. As a result, our trade deficit in goods with South Korea more than doubled. Needless to say, this is not the outcome the American people expected from that agreement. Plainly, the time has come for a major review of how we approach trade agreements. For decades now, the United States has signed one major trade deal after another – and, as shown above, the results have often not lived up to expectations."

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

- **The U.S. goods trade deficit with Korea increased 99 percent, or $15.4 billion**, in the first four years of the Korea FTA (comparing the year before it took effect to the fourth year data) and in the 10 months of its fifth year is on track to beat the fourth year deficit. Nearly 80 percent of the deficit is in the automotive sector. Record-breaking U.S. trade deficits with Korea have become the new normal under the FTA – **in 47 of the 48 months since the Korea FTA took effect, the U.S. goods trade deficit with Korea has exceeded the average monthly trade deficit in the four years before the deal.**

- Since the FTA took effect, **U.S. average monthly exports to Korea have fallen in 10 of the 15 U.S. sectors that export the most to Korea**, relative to the year before the FTA. Exports of machinery and computer/electronic products, collectively comprising 27.8 percent of U.S. exports to Korea, have fallen 21.6 and 8.2 percent respectively under the FTA.

- **U.S. exports to Korea of agricultural goods have fallen 19 percent**, or $1.4 billion, in the first four years of the Korea FTA despite the administration's oft-touted point that almost two-thirds of U.S. agricultural exports by value would obtain immediate duty-free entry to Korea under the pact. U.S. agricultural imports from Korea, meanwhile, have grown 34 percent, or $123 million, under the FTA. As a result, the U.S. agricultural trade balance with Korea has declined 22 percent, or $1.5 billion, 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 beef, pork and poultry. However, U.S. exports to Korea in each of the three meat sectors have fallen below the long-term growth trend since the Korea FTA took effect**. Compared with the exports that would have been achieved at the pre-FTA average monthly level, U.S. meat producers have lost a combined $62.5 million in poultry, pork and beef exports to Korea in the first four years of the Korea deal – a loss of more than $5 million in meat exports every month**.

  - Despite the promises made by U.S. officials 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 Korean banned nearly all imports of American poultry at the beginning of 2015 due to several bird flu outbreaks in Minnesota and Iowa. Comparing the FTA's fourth year to the year before it went into effect, U.S. poultry producers have faced a 93 percent collapse of exports to Korea – a loss of nearly 100,000 metric tons of poultry exports to Korea. U.S. beef exports are finally nearing pre-FTA levels after declining an average of 11 percent during the first three years of the agreement. U.S. pork exports have also nearly recovered to pre-FTA levels after falling by an average of 16 percent in the first three years of the agreement.

- **U.S. goods exports to Korea dropped 10 percent, or $4.5 billion**, under the Korea FTA's first four years. In the 10 months of data since then, U.S. goods exports to Korea decreased by 1.4 percent or $483 million, relative to the same 10-month period in the previous year.

- **While U.S. goods imports from the world decreased by 6 percent, U.S. goods imports from Korea increased by 18 percent,** or $10.8 billion, during the FTA's first four years. In the 10 months of data since then, U.S. goods imports from the world decreased by 2 percent, while U.S. goods imports from Korea remained at the high levels of the period in the previous year.

	Pre-FTA	4th Year	#s	%
Exports	*14,284*	*50,864*	*36,580*	*256%*
Imports	*862,789*	*1,460,396*	*597,607*	*69%*
Deficit	**-848,505**	**-1,409,532**	**-561,027**	**66%**

The auto sector was among the hardest hit: The U.S. trade deficit with Korea in passenger vehicles grew 66 percent in the pact's first four years. In the 10 months since then, the U.S. trade deficit in vehicles has increased an additional 2 percent, relative to the same 10-month period in the previous year. U.S. imports of passenger vehicles from Korea has increased by 69 percent, or by an *additional* 597,607 vehicles by the fourth year of the Korea FTA in addition to the 862,789 vehicles sold to the United States by Korea before the FTA. This import flood dwarfed the 36,580 increase in U.S. passenger vehicles that the United States exported to Korea by the fourth year of the pact. Even so, expect defenders of the agreement to say U.S. auto exports have grown faster than Korean auto exports or that U.S. auto exports to Korea have tripled – without mentioning that this figure just represents the addition of the 36,580 vehicles from the low pre-FTA sales number of 14,284 U.S. vehicles sold in Korea without mentioning that on balance the United States has suffered a 66 percent expansion of our auto trade deficit with Korea.

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