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For Immediate Release:

May 4, 2016

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New Data Reveal That Obama’s Korea Trade Pact on Which the TPP Was Modeled Resulted in Doubling of Trade Deficit

Likely to Fuel Bipartisan Trade Revolt in Presidential and Congressional Campaigns as White House Gears up Push for Congressional Passage of TPP

WASHINGTON, D.C. – As the Obama administration intensifies its efforts to persuade Congress to pass the Trans-Pacific Partnership (TPP), new U.S. government data released today reveal an “inconvenient truth” about the Korea Free Trade Agreement (FTA) that served as the template for the TPP. The new [data](#) covering the first four years of the pact reveal that the U.S. goods trade deficit with Korea has nearly doubled. This 99 percent deficit increase with Korea comes in the context of the overall U.S. trade deficit with the world decreasing slightly.

The increase in the U.S. trade deficit with Korea equates to **the loss of more than 102,554 American jobs** in the first four years of the Korea FTA, counting both exports and imports, according to the trade-jobs [ratio](#) that the Obama administration used to promise job gains from the deal.

The International Trade Commission data showing the outcomes of the Korea pact are the opposite of the Obama administration’s 2011 “[more exports, more jobs](#)” promises for the deal. The administration is now employing similar claims to try to sell the TPP to Congress and the American public as bipartisan opposition to more-of-the-same trade policies surges and presidential and congressional candidates spotlight the problems with the TPP and the failure of U.S. trade policies.

“President Obama has stepped up his efforts to do a hard sell on the TPP, but much of the TPP text was literally cut and pasted from the Korea agreement, so to see what a disaster the Korea deal has been is a stark warning,” said Lori Wallach, director of Public Citizen’s Global Trade Watch. “President Obama has repeatedly asked that the TPP not be judged against his predecessors’ failed trade deals, but now we can see the disastrous results from President Obama’s signature trade package, which helps to explain why in this election cycle Americans are on the warpath against our trade policies.”

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 has 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).**

- Since the FTA took effect, U.S. **average monthly exports to Korea have fallen in 11 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 28.6 percent of U.S. exports to Korea, have fallen 22.6 and 6.6 percent respectively under the FTA.
- **The 99 percent surge in our Korea goods trade deficit in the FTA’s first four years starkly contrasts with the 2 percent decrease in the global U.S. goods trade deficit during the period.**
- **While U.S. goods imports from the world have decreased by 6 percent, U.S. goods imports from Korea have increased by 18 percent, or \$10.8 billion, during the FTA’s first four years.**
- **U.S. goods exports to Korea have dropped 10 percent, or \$4.5 billion, under the Korea FTA’s first four years.**
- **The auto sector was among the hardest hit: The U.S. trade deficit with Korea in passenger vehicles grew 66 percent.** 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 on top of 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, except the

administration to say U.S. auto exports have grown faster than Korea 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 vehicle from the low pre-FTA sales number of 14,284 U.S. vehicles sold in Korea and also without mentioning that on balance the United States has suffered a 66 percent expansion of our auto trade deficit with Korea.

	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%

- **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 Korea 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.

- **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.**

The Office of the U.S. Trade Representative (USTR) has tried to obscure the bleak Korea FTA results. The USTR's standard data omissions and distortions include:

- The USTR tries to dismiss the decline in U.S. exports to Korea under the FTA as due to a weak economy in Korea. 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 2015 was 11 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 10 percent in the first four years of the FTA.
- The USTR selects a few products that have gained exports to emphasize, while omitting the low value of such exports and the net trade deficit increase of 99 percent.

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