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Korea, Colombia and Panama FTA Outcomes: U.S. Trade Deficit With Korea Is Up, Colombia's Anti-Unionist Violence and Panama's Tax Haven Policies Continue

In 2011, the Obama administration promoted free trade agreements (FTA) with Korea, Colombia and Panama as a way to create American jobs, promising that the pacts would increase U.S. exports. Benefits were also promised for each: “greater U.S. access to the Korean auto market, significantly increased labor rights and worker protections in Colombia, and enhanced tax transparency and labor rights in Panama.”¹ The pacts, modeled on the North American Free Trade Agreement (NAFTA)², passed with strong GOP support but most Democrats opposed. Since going into force in 2012, the Trump administration has made limited revisions to the U.S.-Korea FTA, while the two others remain unchanged.³

The U.S.-Korea FTA: The agreement, sold by the Obama administration with a “[more exports, more jobs](#)” slogan, has resulted in U.S. goods exports to Korea only increasing 1 percent (\$427 million in inflation-adjusted terms) and imports from Korea increasing 16 percent (\$10.1 billion) by the end of its sixth year. The 66 percent trade deficit increase with Korea under the pact – from \$15 billion in the 12 months before the pact went into effect on March 15, 2012, to \$24 billion in its sixth year – occurred despite the overall U.S. trade deficit with the world decreasing slightly.⁴ While U.S. goods imports from the world *decreased* by 2 percent in inflation-adjusted terms, imports from Korea increased by 16 percent.

Defenders of the pact claim the results stem from weakness in Korea's economy, but in fact, Korea's GDP has risen by 20 percent in real terms from 2011 to 2017, while the unemployment rate has averaged 4 percent – hardly the indicators of a weak economy.

Meanwhile, the U.S. service sector trade surplus with Korea has increased by only \$5.9 billion from 2011 to 2017, which did not offset the ballooning trade deficit in goods. (Services data reporting lags goods, so 2018 data are not yet available.) Exports of services to Korea under the FTA grew slower than they did before the FTA: 5 percent annually in the six years while the FTA has been in effect compared to 9 percent annually in the six years *before* the FTA went into effect.

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 six years of the FTA – in 70 of the 72 months since the Korea FTA took effect, the U.S. goods trade deficit with Korea has exceeded the average monthly trade deficit in the year before the deal.
- **Since the FTA took effect, U.S. average monthly exports to Korea have fallen in 9 of the 15 industry 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 30 percent in the pact's first six years.** Korea purchases only about 50,000 U.S.-made vehicles while sending 1.2 million cars to the United States. U.S. imports of motor vehicles from Korea have increased by 34 percent, or \$4.1 billion, by the sixth year of the Korea FTA.

- **Exports of chemicals and computer/electronic products, collectively comprising 27 percent of U.S. exports to Korea, have fallen 8 and 14 percent, respectively.**
- **U.S. exports to Korea of agricultural goods have only increased 4 percent in the first six 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 56 percent under the FTA. As a result, the U.S. agricultural trade balance with Korea has only improved 1 percent 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 2015, 2016 and 2017. Comparing the sixth year of the FTA to the year before it went into effect, U.S. poultry producers have faced a 76 percent collapse of exports to Korea – a loss of 82,000 metric tons of poultry exports to Korea.

The Trump administration negotiated revisions in 2018. Despite calling KORUS a [“horrible deal”](#), Trump's changes, which went into effect in 2019, were [very limited](#). The changes did not eliminate job outsourcing incentives or the extreme Investor-State Dispute Settlement (ISDS) tribunals, and did not tighten automobile rules of origin or add strictly enforced labor and environmental standards. The absence of currency disciplines in the original pact – to counter Korean devaluations used to gain trade advantages – fueled opposition to the deal in 2012. Trump also raised this as a major problem. But the revised deal did not address it. A currency side letter that was supposedly under negotiation on a parallel track during the 2018 renegotiation never emerged. Whether the modest changes to the deal did anything to accelerate the trade balance improvements that started at the tail end of the previous administration remains to be seen.

The U.S.-Colombia FTA: The same unions and civil society groups that opposed the Korea FTA opposed the Colombia FTA, as did many human rights organizations including TransAfrica and Human Rights Watch. The agreement also replicated the worst aspects of the NAFTA model.

Eight years after the Obama administration announced in 2011 a Labor Action Plan (LAP) with Colombia to improve Colombia's labor protections, which facilitated passage of the controversial pact the following year, the LAP has failed to alter the on-the-ground reality of anti-union repression in Colombia. Between the start of 2016 through April 2019, 681 social leaders and human rights defenders have been murdered.⁵ Seventy trade unionists have been killed between 2016 and 2018⁶. From the year the LAP went into force until today, 172 trade unionists have been murdered, 98 unionists have survived assassination attempts, and 1,694 death threats have been levied against unionists, according to the data relied upon under the LAP.⁷ Of the 99 unionist assassinations through 2014, perpetrators were brought to justice in only 14 percent of the cases, according to the Colombian government's own data, which is not available after 2014. During the debate over the Colombia FTA, Colombian unions and human rights organizations had predicted that the LAP would not alter on-the-ground realities. In a report on the third anniversary of the LAP, Colombian unions concluded that the LAP “was taken by the Colombian government as a step toward unfreezing the FTA with the United States rather than as an institutional mechanism to promote real protection of the labor and union rights that Colombian workers have lacked for so long.”⁸

In addition, violent mass displacements of Colombians have continued under the Colombia FTA,⁹ adding to the more than six million Colombians who have been displaced amidst Colombia's wrenching internal

displacement crisis.¹⁰ The U.S. Department of Labor filed a 2017 report that found that the Colombian government has “failed to effectively enforce its labor laws related to the rights to freedom of association and collective bargaining; has failed to adopt and maintain in its statutes, regulations, and practices, the fundamental rights to freedom of association and collective bargaining; and has failed to comply with the procedural guarantees enumerated in the labor chapter” of the U.S.-Colombia FTA.¹¹ Despite this, no enforcement actions have been taken under the agreement.

The U.S.-Panama FTA: Many unions and civil society groups also opposed the Panama FTA. It replicates the worst aspects of the NAFTA model, and the financial services and investor provisions of this agreement pose special problems related to Panama’s status as a major tax haven. This FTA limited policy tools Congress had used to battle tax havens. To counter criticism that the Panama FTA would assist corporations seeking to dodge U.S. taxes via secretive Panama-based subsidiaries and bank accounts, in late 2010, the Obama administration announced a new Tax Information and Exchange Agreement with Panama. However, a loophole in that agreement allows Panama to sidestep new tax transparency provisions if they are “contrary to the public policy” of Panama, an interesting concept for a country that earns much of its revenue by providing strict banking secrecy and tax-free status for foreign firms incorporated there.¹² In the wake of the 2016 Panama Papers leak that revealed thousands of offshore accounts in Panama and other “fiscal paradises,” a commission chaired by Nobel Prize-winning economist Joseph Stiglitz was formed by the government of Panama to strengthen the transparency of its financial and legal system. Within months, however, Stiglitz quit the committee saying, “It increasingly became clear that the government...had a purpose other than reforming the system in a transparent way.”¹³

ENDNOTES

¹ Office of the U.S. Trade Representative, “Statement By U.S. Trade Representative Ron Kirk On Congressional Passage Of Trade Agreements, Trade Adjustment Assistance And Key Preference Programs,” October 12, 2011. Available at: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2011/october/statement-us-trade-representative-ron-kirk-congres>.

² Two-thirds of Democrats in the U.S. House of Representatives opposed the Korea FTA, and 82 percent opposed the Colombia FTA – the largest percentages to ever vote against a Democratic president on trade pacts. (Global Trade Watch, “Job-Killing Trade Deals Pass Congress Amidst Record Democratic Opposition,” Public Citizen press release, October 12, 2011. Available at: <http://www.citizen.org/documents/gtw-statement-job-killing-trade-deals-pass-10-12-11.pdf>.)

³ Public Citizen, “On Announcement of Revisions to U.S.-Korea Free Trade Agreement,” Statement, March 28, 2018. Available at: <https://www.citizen.org/media/press-releases/announcement-revisions-us-korea-free-trade-agreement>.

⁴ KORUS was enacted in March 2012. Therefore, the analysis of U.S. goods trade with Korea uses FTA years that span from April of the first year to March of the following year. For example, the year before the FTA’s implementation is April 2011 through March 2012 and is labeled 2011. The sixth and most recent year of FTA implementation spans April 2017 through March 2018 and is labeled 2017. Data on the seventh year of FTA implementation will be available in mid-2019. KORUS trade data by value has been adjusted to 2017 dollars.

⁵ Indepaz, “Separata de Actualización de Informe Todos los Nombres, Todos los Rostros — Abril 30 de 2019,” April 29, 2019. Available at: <http://www.indepaz.org.co/separata-de-actualizacion-de-informe-todos-los-nombres-todos-los-rostros-abril-30-de-2019/Marcha+Patriotica/Cumbre/Indepaz>

⁶ Agencia de Información Laboral, “En 2018 Creció la Arremetida Contra Activistas y Líderes Sindicales,” December 10, 2018. Available at: <http://ail.ens.org.co/informe-especial/en-2018-crecio-la-arremetida-contra-activistas-y-lideres-sindicales/>

⁷ The Escuela Nacional Sindical (ENS) is recognized by the LAP as an authoritative source of monitoring data. Escuela Nacional Sindical, “Balance de 6 Años del Plan de Acción Laboral Colombia-EEUU. Informe Especial ENS,” April 7, 2017. Available at: <http://ail.ens.org.co/informe-especial/balance-6-anos-del-plan-accion-laboral-colombia-eeuu-informe-especial-ens/>. The ENS methodology is extremely conservative, only counting assassinated unionists when they are members of unions that are officially recognized by the government (the government has refused to recognize numerous worker attempts to form a union), and when there is absolute certainty that the worker’s union affiliation was the motive behind the assassination (the government alleges ulterior motives for many other murdered unionists). As such, the ENS-reported number should be considered the lowest possible number of targeted unionist assassinations in Colombia.

⁸ ENS, CTC, CUT and RECALCA, “Report on the First Three Years of Implementation of the Labor Action Plan – LAP,” April 7, 2014, at 1. Available at: <http://www.wola.org/sites/default/files/Colombia/Labor/ENS%20LAP%20Report%20English%20translation.pdf>.

⁹ Government of Colombia, Red Nacional de Información, “Registro Único de Víctimas,” accessed February 21, 2019. Available at: <https://www.unidadvictimas.gov.co/es/registro-unico-de-victimas-ruv/37394>. See: “Descarga de Datos Agregados - Número de Personas por Municipio y Año de Declaración.”

¹⁰ Internal Displacement Monitoring Centre, “Global Figures,” updated December 31, 2017, accessed February 21, 2019. Available at: <http://www.internal-displacement.org/countries/colombia>.

¹¹ U.S. Department of Labor, “Public Report of Review of U.S. Submission 2016-02 (Colombia), January 11, 2017, https://www.dol.gov/sites/default/files/documents/ilab/PublicReportofReviewofUSSubmission2016-02_Final.pdf.

¹² Global Trade Watch, “Testimony of Todd Tucker: House Ways and Means Committee’s Subcommittee on Trade Hearing on the Pending Free Trade Agreement with Panama,” Public Citizen, March 30, 2011, at 2. Available at: <http://www.citizen.org/documents/panana-testimony-march-30-2011.pdf>.

¹³ Joseph Stiglitz and Mark Pieth, “The Real Scandal Behind the Panama Papers,” *Vanity Fair*, September 29, 2016. Available at: <https://www.vanityfair.com/news/2016/09/the-real-scandal-behind-the-panama-papers>