



# TradeReform

## [Panama, Colombia, Korea: Obama Makes a Bad Trade Situation Worse](#)

Posted on [07 October 2011](#) by Ian Fletcher.

This Monday, Obama submitted the long-pending Colombia, Panama, and South Korea free trade agreements to Congress. White House chief of staff William Daley has promised to pass them by the end of the month.

Guess the need for campaign cash finally caught up with the administration.

Honestly, I didn't have my hopes up, but I did harbor the vague hope that somehow Obama was going to stall on these. The Republicans have actually been accusing him of not really wanting to pass them, and one could certainly see why he wouldn't want them hanging around his neck for the 2012 election.

Frankly, I hope one of the Republicans who has wised up about free trade, like [Buddy Roemer](#), long-shot former governor of Louisiana, takes a stick to him about it. Even Mitt Romney, who supports these agreements but also [says](#) (repeat, *says*) he wants to get tough on China's trade practices, might be better—if he means it.

You know a Democratic president is in trouble when he's getting outflanked by Republicans on an issue where Democrats are the natural owners of the popular (and correct) position.

Granted, Obama now seems to have the thin fig leaf of the so-called Trade Adjustment Assistance program, a "painkiller" program designed to blunt the harm to laid-off workers, in the bag. (The Republicans don't like TAA one bit, but accepted it as the price of the ticket.)

But these agreements are still bad news. [You'd think America would have learned its lesson from NAFTA, which the Labor Department has estimated cost us 525,000 jobs?](#) Think again.

[The Panama treaty, for example, might as well be known as the Money Laundering Protection Act. Panama is one of the worst countries in the Western Hemisphere for both money laundering and tax evasion, and it's getting even worse now that Switzerland has gotten just a little more scrupulous about enabling foreign criminals.](#)

[These illicit transactions range from otherwise-honest business people ducking the IRS to outright drug-trafficking gangsters. Colombia and its billions in drug money are right next door.](#)

If there's one thing we learned in the 2008 financial crisis, it's that if you really want a debacle, you take bad policy plus ordinary greed and add a dollop of outright criminality. Make no mistake, this is a pro-financial-crisis bill. And it makes matters even worse by committing us to forswear basic measures of prudent finance like limiting the size of financial institutions. It prevents us from limiting what financial services they may offer. It bans regulation of derivatives. And it bans limits on capital flows designed to tame volatile "hot money."

*Question: can a drug cartel be "too big to fail?"*

As for the Colombia agreement: quite apart from all its other problems, this is a country whose government is accused of being in cahoots with right-wing death squads that hunt down and kill labor leaders. Something like 3,000 over the last 25 years. (Whatever one may think about labor unions, I think civilized people can agree this isn't acceptable.)

To what degree the Colombian government actually approves of this, and to what degree it is simply running a chaotic country with a long heritage of political violence, is unclear. But either way, America should not be entering into the intimate economic embrace entailed by a free-trade agreement with a nation at such a troubled stage of its history.

The Korea agreement is in a class by itself. Basically a NAFTA clone, it is the biggest trade agreement since NAFTA, measured by the size of the economy involved, and the first since NAFTA that includes an industrialized country. Korea has serious automobile and electronics industries, among others, and aggressive industrial policies to target American industries for displacement.

The Economic Policy Institute has estimated it will cost America 159,000 jobs over the next five years. At a time when the president says that his number one economic priority is job creation, this is nothing short of perverse.

Even the official U.S. International Trade Commission has admitted that KORUS-FTA will cause significant job losses. And not just in the low-end industries we are told are the sole casualties of freer trade: the ITC foresees the electronic equipment manufacturing industry, with average wages of \$30.38 in 2008, as a major victim.

Paradoxically, Obama provably knows all this. He campaigned against KORUS-FTA during the 2008 campaign. (It was originally negotiated, but not ratified, by Bush in 2007.) Among other things, Obama said:

I strongly support the inclusion of meaningful, enforceable labor and environmental standards in all trade agreements. As president, I will work to ensure that the U.S. again leads the world in ensuring that consumer products produced across the world are done in a manner that supports workers, not undermines them.

Nice words. Unfortunately, none of them are reflected in KORUS-FTA, which contains no serious new provisions on these issues.

This agreement, like NAFTA, is fundamentally an offshoring agreement. That is, it is about making it easier for U.S.-based multinationals to move production overseas with confidence in the security of their investments in overseas plants. The provisions to protect workers and consumers are unenforceable window dressing. (That's why they're allowed to be in there.)

As an example of how one-sided the treaty is, consider that it will allow America to export 75,000 cars a year to Korea. This translates to about 800 jobs. Korea's exports of cars to the U.S. in 2009, on the other hand? Over 475,000.

Furthermore, even if the U.S. does get to sell more cars in Korea, American companies will mostly not be making the steel, tires, and other components that go into them, because the agreement allows cars with 65 percent foreign content to be considered American. Worse, it allows goods with as much as 65 percent non-South-Korean content to count as Korean, opening the door not only to North Korean slave labor but to the whole of China.

Even leaving aside trade-balance issues, this agreement is a legal disaster thanks to so-called "investor-state arbitration." This subjects American democracy to having its laws overruled by foreign judges as interfering with trade. To date under NAFTA, over \$326 million in [damages](#) has been paid out by governments as a result of challenges to natural resource policies, environmental protection, and health and safety measures.

There about 80 Korean corporations, with about 270 facilities around the U.S., that would thereby acquire the right to challenge our laws.

"Free trade agreement," in American English, means "free trade agreement." In other languages, it means "gentleman's agreement for managed trade at a low tariff." Europe invented this game—known as mercantilism—back when trade was conducted with sailing ships. South Korea learned it from Japan, which learned it from Germany.

Uncle Sam (and maybe John Bull and a few others) are the only naïfs who still don't get it.