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FTAs with South Korea, Colombia, and Panama Would Create U.S. Jobs and Exports

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The Obama Administration—after allowing U.S. free trade agreements (FTAs) with South Korea, Colombia, and Panama to languish unapproved for nearly four years—lately appears eager to push Congress to ratify all three soon. The problem now is that some in Congress are trying to make their approval contingent upon an extension of the Trade Adjustment Act (TAA).

That would be a mistake. The three FTAs are intrinsically worth passing without any strings. Congress should act on them without further delay.

KORUS. The Korea-U.S. Free Trade Agreement (KORUS) would be America's largest free trade agreement in Asia. It would increase U.S. exports by an estimated $10 billion annually, increase U.S. gross domestic product (GDP) by $11 billion, and add 70,000 U.S. jobs—all without a dime in federal government spending.[1] The accord would also serve as a powerful statement of the U.S. commitment to East Asia at a time when many perceive declining American interest, presence, and influence in the region. The FTA would strengthen U.S. commercial ties and expand the bilateral relationship with South Korea beyond traditional military ties or the North Korean threat.

KORUS would also reduce the vulnerability of a key U.S. ally to Chinese pressure by diversifying Korea's trading base and decreasing its economic reliance on Beijing. Seoul has become increasingly concerned about China's belligerent and arrogant behavior and willingness to use its growing military and economic power to pressure smaller Asian nations.

Rejecting KORUS would disadvantage U.S. companies by locking in discriminatory trade barriers. During the four years the agreement was held hostage by special interest groups and congressional protectionists, the U.S. lost $40 billion in potential exports. American companies continued to lose market share to foreign competitors. The U.S. used to be South Korea's largest trade partner, but in less than a decade it has been displaced by China, the European Union, and Japan. As Korea's market opens further, it will be foreign competitors and not U.S. companies that will benefit.

Colombia: Leveling the Playing Field for U.S. Workers. Until this year, the Obama Administration and congressional leadership took its orders on the U.S.–Colombia FTA from protectionist U.S. labor unions and U.S. anti-globalization groups, joined by far-left allies in the region, who succeeded in delaying congressional approval of the FTA. The cost of delay has been significant. So far, according to the Latin America Trade Coalition's "Colombia Tariff Ticker,"[2] U.S. companies have paid $3.5 billion (as of this writing) in unnecessary duties to the Colombian treasury in the more than 1,600 days since the FTA was signed.

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That $3.5 billion has translated into higher prices in Colombia for U.S. goods and services, which are now at a competitive disadvantage in the Colombian market. It has also meant reduced profits for U.S. companies and lost jobs at home. What is especially galling is that Congress has already given Colombia duty-free access to the U.S. market through the Andean Trade Preference Act, so its failure to approve the Colombia FTA hurts only U.S. workers.

On the surface, at least, the opponents' main argument against the FTA is that a history of violence against leaders of Colombian trade unions—and allegations that the Colombian government has tolerated or even sanctioned that violence—should disqualify Colombia from further consideration for a FTA with the U.S. However, these opponents conspicuously ignore the historical context of the violence (both within Colombia as well as in the region) as well as the considerable progress the Colombian government has made in reducing it.

Along with the U.S.–Panama FTA (see below), the Colombia FTA would help the U.S. complete a contiguous free trade zone along the Pacific Rim from Canada to Chile (that would *de facto* include dollarized Ecuador). It would further stabilize many Latin nations in their struggles against both extreme poverty and narco-terrorism.

Importantly, the FTA would also seal a deeper partnership between the two nations, which are longtime friends and great defenders of market-based democracy. The FTA would fortify a bulwark against the threat posed by Hugo Chavez and the *Chávismo* that has flourished in Colombia's neighborhood and is aimed at undermining U.S. hemispheric interests. The FTA would help stem narco-trafficking and other illicit activity by the urban and rural poor, who would have new job opportunities as a result of the FTA.

While the Administration has been dithering, Colombia has pressed ahead with trade agreements with Canada and Mexico as well as with the European Union, the European Free Trade Association (EFTA), and MERCOSUR. Delay on the U.S.–Colombia FTA has isolated the U.S. and hurt the competitiveness of U.S. industries.

Panama's 21st-Century Alliance with the U.S. The U.S.–Panama FTA was signed on June 28, 2007, more than 15 years after Panama successfully assumed responsibility for operating one of the greatest facilitators of globalized free trade in world history—the Panama Canal.

The FTA negotiations focused on the two nations' longstanding strategic and commercial relationship, accommodating the concerns of both U.S. and Panamanian sensitive sectors and industries. The FTA with Panama complements the FTA with the five Central American countries (Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica) and the Dominican Republic that the U.S. completed in 2004.

While the U.S.–Panama FTA has languished, unapproved by Congress, U.S. companies have lost out on the opportunities that would have been generated through preferential treatment to bid on the $5 billion construction of a third set of locks for the Panama Canal—the largest public works project currently underway in Latin America.

Meanwhile, like Colombia, Panama has forged trade agreements with the European Union and the other five Central American countries through an Association Agreement as well as FTAs with Canada, Singapore, Taiwan, and Chile. Panama is also talking with South Korea and EFTA about negotiating agreements.

Intrinsic Value. The pending FTAs would spur economic development in all participating countries, strengthening them economically and politically. More importantly, lowering U.S. trade barriers is in America's best interest. As data in The Heritage Foundation's *Index of Economic Freedom* show,[3] peo-

1. U.S. International Trade Commission, "U.S.–Korea Free Trade Agreement: Potential Economy-Wide and Selected Sectoral Effects," September 2007, at *http://www.usitc.gov/publications/332/pub3949.pdf* (May 13, 2011).
2. Latin America Trade Coalition, "Colombia Tariff Tracker," at *http://www.latradecoalition.org/portal/latc/default* (May 9, 2011).
3. Kim R. Holmes and Terry Miller, *2011 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones Company, Inc., 2011), at *http://www.heritage.org/index/*.

ple in countries with low trade barriers are much more prosperous than those in countries with high trade barriers. However, in addition to slightly lowering harmful U.S. trade barriers, the proposed agreements with Colombia, Panama, and South Korea have the added benefit of lowering barriers to U.S. exports.

The best approach to ensuring that America continues to reap the benefits of international commerce is one that is based on a solid commitment to advancing trade liberalization—a goal that would be advanced with the passing and implementation of pending trade agreements with Colombia, Panama, and South Korea. Congress should do so quickly.

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