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TRADE BITS

DEFICIT SOARS: Government statistics released last week show the U.S. trade deficit "broke the $600 billion barrier in 2004, soaring to $617.7 billion," the New York Times says (2/11). The deficit now accounts for more than 5% of the American economy, up 25% from the previous record deficit of $496 billion in 2003. The U.S. lost ground last year not just in manufacturing, "but also in advanced technology products and services, two of the county's strongest sectors," the Times reports. The trade deficit in technology products grew to $37 billion last year, while the surplus for services dropped to $48.5 billion, the lowest since 1991. The trade deficit with China alone was a record $162 billion last year, the largest trade imbalance ever recorded by the U.S. with a single country. "I'm tired of watching ships arrive at the Port of Baltimore filled with cargo for U.S. consumers and then leave empty," Rep. Ben Cardin (D-MD) told the Times. Peter Morici, professor of business at the University of Maryland, says that the deficit is the "single most important tax on U.S. growth and burden on American working families."

BYE AMERICAN: The Government Accountability Office (GAO) reports that trade agreements like NAFTA and GATT and defense procurement agreements with other nations are undercutting federal laws aimed at supporting American manufacturing, says a release (2/14) from the office of Sen. Russ Feingold (D-WI). The report found that a number of trade and defense procurement agreements include provisions that require the government to waive domestic preference laws, taking business away from American manufacturers. "This GAO report shows what I have believed for years - that Congress' record of approving bad trade agreements has undermined the very laws that Congress enacted to support American companies and American workers," Feingold said. "Congress rightly acted to support American companies when it established the Buy American Act and related laws. But Congress itself has allowed these laws to be gutted by agreeing to bad trade deals that trump our domestic preference laws." The report notes that the U.S. is a party to seven trade agreements including NAFTA and the WTO that prevent the U.S. from applying domestic preference laws fully.

JOBS?: The U.S. economy only added 146,000 new jobs in January, "barely on a par with the growth trend of the labor force caused by the expansion of the population," the New York Times says (2/5). Most economists were "stumped by January's weak job growth," but others argue that after years of lower-than-expected job creation, the U.S. "may have entered a new era, with weak employment growth . . actually the norm." Wachovia economist John Silvia says the nation is emerging from its first recession since NAFTA and the rise of China's economy. "Employers that would have hired workers to meet extra demand in previous recoveries, must now face cutthroat international competition," Silvia says. "We've been waiting for two years now for higher job growth. It's like waiting for Godot." Most new January jobs came in services, as hotels and restaurants added 20,000 jobs, the Times says. Manufacturing lost jobs for the fourth month in a row. The share of working-age people who are either working or looking for work continued on its slide of the last four years, reaching 65.8%, the lowest since 1988; the number of workers who stopped looking for work because they did not think they would find is it is up 20% over a year ago.

MISNOMER: "Maybe the American Jobs Creation Act is a bit of a misnomer," the Wall Street Journal says in an article (2/15) that explains how U.S. companies benefiting from a lower tax rate on repatriated profits approved by Congress last year will use the savings to buy down debt, acquiring other companies, or pay legal liabilities. With 20 companies a day now disclosing in securities filings how they will spend their tax breaks, "jobs are rarely mentioned in their plans," the Journal says. Government guidelines to implement the legislation are so flexible that "there's nothing to keep companies from shifting around their financing in a way as to effectively let them do whatever they want with the money," says Kimberly Clausings, an economics professor at

Reed College. "I see it as nothing more than a gift for these companies," says Rep. Pete Stark (D-CA).

CAFTA CHANCES?: The philosophy of "free trade" is becoming increasingly unpopular in Congress, MarketWatch reports (2/15). "CAFTA is in trouble," Rep. Sandra Levin (D-MI) told a conference on trade sponsored by the Institute for International Economics. Labor wants the pact to guarantee the rights of workers to organize and bargain, but CAFTA only calls on nations that signed the treaty to enforce their existing labor laws, Levin said. Rep. Phil English (R-PA) told the conference that CAFTA is "a particularly difficult sell to Congress" because it is tied to the NAFTA trade deal with Mexico and Canada which remains "fundamentally unpopular" with voters. However, Ian Desler, an international trade analyst with the IIE, says he thinks that CAFTA will be approved "by a narrow margin."

IOWA TROUBLE: The loss of good jobs and lack of opportunity for young people in Iowa was caused "by the state's wholehearted, uncritical embrace of industrial agriculture, which has depopulated the countryside, destroyed the economic and social texture of small towns, and made certain that ordinary Iowans are defenseless against the pollution of factory farming," Verlyn Klinkenborg writes in an editorial column in the New York Times (2/9). Klinkenborg, an Iowa native, says that economic development options for the state will either devour farmland through urban sprawl, or try to "reimagine the nature of farming" with no help from the federal government, "which has fostered industrial agriculture for decades."

LATINO VIEW: The League of United Latin American Citizens, the Central American Resource Center, the Labor Council for Latin American Advancement and the Salvadoran American National Network say they oppose CAFTA, calling it "exclusionary" and "racist" to Hispanics and Central American natives, the Hispanic Link News Service reports (2/15) The groups charged that the principal framers of the pact neglected the social and human needs of the countries involved in the pact, and that CAFTA shows no concern for the "for the negative effects the accord would have on farmers and workers." LULAC, the nation's largest Hispanic membership organization and former NAFTA supporter, now says that CAFTA will have a negative impact on those countries just as NAFTA has had on Mexico.

FINALLY, SOME GOOD NEWS: Gregory Mankiw, the chairman of the White House Council on Economic Advisors who "created a controversy with his comment that outsourcing American jobs might in fact benefit the economy," has resigned, the New York Times reports (2/17). The departure was anticipated, and Mankiw will return to his teaching position at Harvard. Ben S. Bernanke, a governor of the Federal Reserve, is a leading candidate to replace Mankiw, the Times says. One of Mankiw's final acts in office will be to release the annual economic report of the Council on Economic Advisors today.