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**TRADE BITS**

**OUTSOURCING:** "Many Americans are preoccupied with the practice of using less expensive laborers in foreign countries to do work previously done at a higher cost in the United States," according to a poll by Greenberg Quinlan Rosner Research and Public Opinion Strategies for National Public Radio. The poll results were released by Angus Reid Global Scan (2/22), <http://www.angus-reid.com/polls/index.cfm/fuseaction/viewItem/itemID/11302>. The poll showed that 26% of respondents are most worried about global economic competition and the outsourcing of American jobs, compared to 23% who are most concerned about the Iraq war and continuing violence between religious groups in the country, and 21% who cited Iran's resistance to international pressure and work to develop nuclear weapons. Concern about illegal immigration was the greatest concern of 14%, and the foreign ownership of U.S. port operations and lack of attention to homeland security was most worrisome to 11%. The poll respondents were asked, "to think about some things that happening in the world that could impact things here in America" and "tell me which concerns you the most."

**DEJA VU**: "Capitol Hill is starting to feel the pangs of trade déjà vu as two pending Latin American free-trade agreements prompt Democrats to demand stronger labor standards and business lobbyists push back," The Hill reports (3/15). The paper says that presidents of both Peru and Columbia "recently have made high-profile Washington visits, with Peruvian leader Alejandro Toledo making a strong impression on House Ways and Means Committee Democrats by voicing support for including International Labor Organization (ILO) standards in the U.S.-Peru agreement." However, Frank Vargo of the National Association of Manufacturers "asserted the prevailing K Street view" that stronger labor standards are not needed. Rep. Sander Levin (D-MI) told officials that he could not support the Peru deal without significantly strengthened labor standards. "Levin rapped White House negotiators for relying, as during last summer's brutal debate over the Central America Free Trade Agreement (CAFTA), on a mandate for foreign countries to enforce their existing labor laws," The Hill reports. "'Enforce your own laws' doesn't fit the realities within Peru," Levin told The Hill. The Peru agreement could be ready for congressional consideration as soon as June, "setting the stage for a second straight summer of trade deal-making by GOP leadership," although it's not clear whether the Administration wants the Peru and Columbia agreements considered together, The Hill say.

**SWEAT FREE:** Maine Governor John E. Baldacci has announced "a path-breaking initiative to end sweatshop exploitation in apparel and other industries around the world and in the U.S.," says a media release from the group Sweat Free Communities. In a letter sent to all governors, Baldacci proposes a "new collaborative effort to use state government procurement as a tool to level the playing field for ethical businesses and advance justice for sweatshop workers." Maine adopted the nation’s first sweatfree procurement law in 2001, and has since been joined by California, Illinois, New Jersey, Pennsylvania, and 60 local governments, the release says. The centerpiece of Maine's law is a code of conduct requiring state contractors and subcontractors of apparel, textiles, and footwear to adhere to basic international fair labor standards. "We've been doing great work on sweatfree procurement in Maine, but if we team up with other states we'll have even more influence in the global marketplace," said the letter from Baldacci. Workers around the world deserve any influence or leverage we can bring to the table." The Governor’s Coalition for Sweatfree Procurement and Workers’ Rights will consider establishing cost-effective and reliable independent monitoring mechanisms of contractor and subcontractor manufacturing facilities, and forming a purchasing consortium to allow states to leverage purchasing power in support of sweatfree supplier factories, the release says.

**RECORD DEFICIT:** The U.S. trade and investment deficit "ballooned to $805 billion last year," the Washington Times reports (3/15), "larger than any nation's at 6.4% of national economic output." The article says the deficit "consists primarily of a $782 billion imbalance of trade in goods such as cars, televisions and oil" and more than doubled from $390 billion in 2001. "The deficit amounts to about $2.2 billion a day in funds from abroad -- about the equivalent of one DP World ports deal every three days," the Times says. The article cites a study released by the National Bureau of Economic Research concluding that the U.S. faces "a day of reckoning" soon from the pileup of debt, "which will be marked by a drop in both economic growth and the value of the dollar and financial markets." Sebastian Edwards, author of the study, says that "a sharp economic decline is the most likely scenario, with gross domestic product falling by as much as 5 percent" in what would be a deep recession. "The U.S. is moving into uncharted waters," Edwards said. "Never in the history of modern economics has a large industrial country run persistent current-account deficits of the magnitude posted by the U.S. since 2000." The sustainability of the deficits "depends on whether foreign investors will continue to add U.S. assets to their investment portfolio," Edwards told the Times. "Any widespread move by Asian, Arab or oil-producing countries to divest themselves of dollars could trigger a run on U.S. markets and precipitate a current-account crisis," analysts say.

**TENSIONS GROW:** With recent government reports of "yet another surge in its trade deficits with China and the rest of the world, economic tensions are rising again in Washington," the New York Times reports (3/10). The Times notes that the U.S. trade gap with China rose by 10% in January to $17.9 billion, while the total U.S. trade deficit for the month was $68.5 billion. The approach of mid-term Congressional elections "has further focused attention on trade with China, especially in states like Ohio and North Carolina" with large manufacturing sectors. "Members of Congress, on a bipartisan basis, are expressing serious concerns that China's national currency is undervalued and causing harm to the U.S. economy and sending job overseas," the article quotes Nancy Pelosi, House Democratic Leader. But in spite of a "growing number of lawmakers who are lining up to retaliate against China's trade and currency practices," international trade rules and a tight Congressional calendar "are limiting the options of American politicians and trade negotiators." The Times explains that the creation of the WTO in 1994 "has restricted Western options in dealing with China" and that "voluntary" export restrictions like Japan once implemented under pressure from Europe and the U.S. to limit its export of cars and machine tools "are now banned by the WTO."

**FAST TRACK RENEWAL?:** U.S. Trade Representative Rob Portman says he will "push for quick renewal of trade promotion authority," which allows the White House to negotiate agreements that Congress must approve or reject but cannot change, Reuters reports (3/22). "Our trade promotion authority expires in July 2007," Portman said at an agricultural industry lunch. "That means we really need to complete the WTO process this year to have the legislation go forth to Congress in time to reach that deadline." Reuters says that expiration of trade promotion authority "could not only bring [WTO] talks to a halt but [also] the U.S. plan to negotiate bilateral free trade agreements, like ones that are soon to be started with South Korea and Malaysia. "The last time the negotiating authority lapsed in 1994, it took the White House eight years to win it back," Reuters says. "With Democrats poised to make gains in this year's congressional elections and U.S. President George W. Bush's popularity at a low ebb, the White House is expected to again face a tough battle to win [fast track] renewal." Reuters says that trade promotion authority "is viewed as vital for trade talks because without it Congress could change any deal the White House negotiates, potentially unraveling it."

**PUBLIC WATER:** At the fourth World Water Forum in Mexico City, "there is little talk of privatization" and instead "many here want to return to relying on local public utilities" to provide water supplies, the New York Times reports (3/20). There is a "big time shift" in the discussion of how to bring water to the world's poor, says David Boys of Public Services International, a federation of public employee unions. "The companies have lost tons of dough and tons of respect," Boys said. "They are pulling out." Even officials of the World Water Council that is "heavily weighted toward multinational water companies, appear to be giving up on wholesale privatization," the Times reports. International and local groups held an alternative forum in Mexico City "for activists opposed to privatization, who are unconvinced that governments and organizations like the World Bank have given up on the idea." Bolivian officials at the Water forum "admitted that the old public municipal water systems were mired in corruption, bureaucracy, and nepotism," but defended their efforts to persuade the French water company Suez to leave. "The solution is for the community to get involved in water management," said Pablo Solon, an economic advisor to the Bolivian government.

**DEBT AND DENIAL:** The U.S. is "as addicted to imported money as we are to imported oil," economist Paul Krugman writes in the New York Times (3/13). Borrowing from abroad in the 19th century built railroads and industry, but today the U.S. is borrowing money "to build houses, buy consumer goods and, of course, finance the federal budget deficit." Krugman says that "serious analysts know that American's borrowing binge is unsustainable" and that "sooner or later the trade deficit will have to come down, the housing boom will have to end, and both American consumers and the U.S. government will have to start living within their means." Krugman says the U.S. economy could "shift workers out of sectors that have benefited from the housing boom and the consumption spree into sectors that produce exports or replace exports," but he doubts that a "soft landing" is likely because "too many economic players have unrealistic expectations." Krugman predicts that "America's borrowing binge will end with a bang, not a whimper, that spending will suddenly drop off as both the bond market and the housing market experience rude awakenings," and that the economic consequences will be "ugly."



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