

**August 19, 2005**

**TRADE BITS**

**PROTESTS:** Union delegates to the Virginia AFL-CIO convention walked out during a speech by Rep. James Moran (D-VA) "in protest of Moran's support of CAFTA," National Journal's CongressDaily reports (8/19). A labor source told CongressDaily that about one-third of those attending the convention joined the walkout, including representatives of the United Steelworkers, Communications Workers, and United Autoworkers unions. The article notes that Moran "led the pro-CAFTA charge among Democrats and was one of only 15 House Democrats to vote for the pact." The walkout "was just one of a number of protests targeting those 15 and a number of industrial-district Republicans to register unions' displeasure over CAFTA." In a related article, the Arkansas News Bureau (8/19) reports that union Steelworkers gathered at the federal building in Little Rock earlier this week to protest the recent passage of CAFTA, promising "retribution on Democrats who supported the free trade agreement." Don Davies, president of United Steelworkers Local 9448, called the decision by three Arkansas Democrats in Congress to support CAFTA "a betrayal of working families" in his state. "We are doing nothing but hurting ourselves with CAFTA," Davies said as steelworkers carried signs and placards lambasting Rep. Vic Snyder and Sens. Blanche Lincoln and Mark Pryor. "CAFTA is nothing but an extension of NAFTA."

**WTO MOVEMENT?:** Developing countries have downplayed the importance of concessions made by other nations in current WTO negotiations, but that "is largely a negotiating ploy," says Waldon Bello of Focus on the Global South (8/16). "What is more likely is that some of the developing countries making offers are saying they want to deal, but they won't really show their cards until the developed countries make serious gestures, such as on the so-called Mode 4 of the General Agreement on Trade in Services (GATS) to create sort-term worker visa programs, says Bello. "India, a significant exporter of labor to northern countries, apparently sees Mode 4 as the centerpiece of its overall negotiating strategy, and Mode 4 concessions by the EU and the US in the form of more liberal entry and stay of skilled labor are likely to make [India] more pliable in the negotiations in agriculture and industrial tariffs." Bello notes that the "US official line" is against new visa programs, but Tony Clarke of the Polaris Institute points out that "there's no question that the US and EU want to operationalize Mode 4 because of the interest of their client corporations to maximize cheap labor opportunities." The US Coalition of Service Industries "is lobbying Washington hard to liberalize the entry of skilled labor." Clarke warns that "Mode 4 could turn out to be either the 'dealmaker' or the 'dealbreaker'" at the WTO.

**TROUBLE:** "Discontentment is brewing over the administration's handling of agricultural and trade issues" in solidly GOP Wyoming, the Casper Star-Tribune says. "White House support for [CAFTA] and the U.S. Department of Agriculture's effort to overturn a ban on Canadian cattle imports have irked many ranchers and farmers who were among the 69% of Wyomingites casting their votes for Bush-Cheney in 2004," the article says. "When George Bush ran for president the first time . . . he said we would look out for America's interests first, which is a very good thing. But when it came to trade, I don't think that's the way it's being played out," says Terry Stevenson, a Wyoming feedlot worker. Stevenson and other Wyoming Republicans "believe their national leaders are treading down the wrong path, sacrificing some commodities for the sake of broad trade agreements," the Star-Tribune reports. "I would certainly say there is a significant portion of [our] membership that has philosophical differences on trade issues from where the Bush administration appears to be headed," said Jim Magagna of the Wyoming Stock Growers Association. The Star-Tribune says that the "flash point" of the debate for many in Wyoming, including the state's congressional delegation, is CAFTA's potential impact on the state's sugar beet industry.

**MORE TRADE DEALS?:** Sen. Larry Craig (R-ID) and Rep. Butch Otter (R-ID) predict that the Bush Administration is "unlikely to seek congressional approval for any controversial free trade agreement in the near future after the bruising fight" over CAFTA, Inside US Trade reports (8/12). Craig says he does not think the Bush Administration will present any new trade deals to Congress before the end of current WTO "Doha round" negotiations, targeted for completion by year-end 2006 in order to be

submitted to Congress under fast-track procedures which expire in mid-2007. In comments to the American Sugar Alliance, "both highlighted the growing unease of Congress with the way FTAs are pushed through Congress." Craig charged that the administration has been consulting far less with Congress than on previous FTAs and has been presenting them with a much more take it or leave it approach. Tim Mahr, legislative director for Sen. Kent Conrad (D-ND), said that although the Senate has always supported fast-track by a wide margin, the fight over CAFTA will change that dynamic. "There's no question in my mind that many of the members of the Senate who in the past have taken it for granted that they are pro-free trade and so pro-fast-track will be taking a much different, much more careful look at the details of the fast-track proposal and whether or not they can support it at all going forward."

**WORKERS SQUEEZED:** Rising energy prices have the greatest impact on "average American workers," those in nonsupervisory occupations who make up 80% of American's private work force, says the New York Times (8/17). The Times reports that for this group, real average weekly wages fell 0.2% in July when taking inflation into account, according to a Labor Department report released this week. The article says that economists expect home sales and construction activity "to stay at current high levels until mortgage rates, which remain at historically low rates, rise by 0.5% or more." An editorial in the Times (8/16), however, notes that interest rates could rise significantly if necessary to attract increased foreign capital. "The U.S. will always manage to finance its deficits," the Times writes. "The question is how high interest rates will have to go." The same Times editorial notes that the nation's trade deficit for June was \$58.8 billion, "the third biggest deficit on record." The Times says that the trade gap is "likely to grow substantially and require ever greater foreign financing." Even before recent increases in energy costs, the U.S. "was on track for a trade deficit this year of more than \$700 billion, easily twice the size that economists consider sustainable."

**DEALS UNRAVEL?:** "A House-passed package of measures to step up enforcement of trade rules with China appears all but certain to grind to a halt in the Senate, as the bill has become embroiled in disputes over its effect," National Journal's CongressDaily reports (8/18). The potential for "unwanted amendments" to the measure is also a factor: "for the Senate, it's risky because you're talking about taking up a bill dealing with trade laws that is amendable," a Senate GOP aide told CongressDaily. The China bill was taken up by the House to secure the support of Rep. Phil English (R-PA) for CAFTA, but "last minute" changes made by English to the bill created controversy, the article says. In a related article, Inside US Trade (8/12) says that Central American countries "are unlikely to accept demands for changing the sock provisions" of CAFTA that the administration has promised to seek in a letter to Rep. Robert Aderholt (R-AL) to garner his vote for DR-CAFTA. "So far, the administration has not raised the issue with Central American governments," industry sources said. The administration told Aderholt it would seek a change that would have tariffs on socks phased-out over 10 years instead of being eliminated immediately.

**CAFTA FACTOR:** Democrat Tim Dunn, a colonel in the Marine Corps Reserve, has cited the pro-CAFTA vote of Rep. Robin Hayes (R-NC) as a likely reason that he will run for the seat Hayes now occupies in the Congress, the Charlotte Observer (8/15) reports. The Observer says that national Democrats, "eager to knock off Hayes after his vote switch helped save CAFTA, are excited about the prospect of a Dunn candidacy in a district home to more registered Democrats than registered Republicans." In the interview with the Observer, Dunn "took a political poke at Hayes" for saying he would vote against CAFTA, then voting for it after a last-minute meeting with House Speaker Dennis Hastert. "I have a concern when our incumbent congressman told us how he was going to vote and then -- seemingly under political pressure -- changed his mind," Dunn said. "With the number of jobs lost in the 8<sup>th</sup> district -- especially in the textile industry -- I certainly think that will be an issue." Hayes has said he changed his vote after receiving a pledge from Hastert and the Bush administration to do more for the textile industry.

**GROWING GAP:** China's trade surplus with the rest of the world increased to \$10.4 billion in July, a development "likely to increase pressures from the U.S. and European Union for China to let its currency appreciate faster," the New York Times reports (8/12). The July trade surplus was the second

largest monthly surplus ever for China, the article says. An article in the Times the next day (8/13) noted that "no country played a bigger role than China in swelling the [U.S.] trade deficit in June," with exports from China to the U.S. jumping by \$1.9 billion to create a deficit with China alone of \$17.6 billion. The Times says that some economists are concerned that even with more favorable currency rates, "some of the products once exported from the U.S. are no longer made here" or are made in small numbers, such as television sets and VCRs. "There is a question now whether we can go back to making the stuff in the U.S. that Americans want," said Catherine Mann of the Institute for International Economics. "I don't know."

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