

March 8, 2006

TRADE BITS

OUTSOURCED: George Bush ended his visit to India last week in Hyderabad where he "strongly defended the outsourcing of jobs to India as the reality of the global economy," the New York Times writes (3/4). "People do lose jobs as a result of globalization, and it's painful for those who lose jobs. . . [But] globalization provides great opportunities," Bush said. In a column in the Times (3/6), Paul Krugman says that Bush's "kind words for outsourcing" help explain his "dismal polling on economic issues." Even in an expanding economy, "it's impressive just how large a majority of Americans disapproves of Mr. Bush's economic management." Bush gets no "economic respect" because "most Americans sense, correctly, that he doesn't care about people like them," Krugman says. Bush identifies so completely with the "lucky, wealthy few" that "he can't manage even a few sentences of empathy with ordinary Americans." Bush's suggestion to the 50-year old worker whose job has been outsourced that "you should go get a 21st-century education" was particularly inappropriate in India, Krugman argues. "American workers whose jobs are threatened by Indian competition are, in many cases, people who thought they already had acquired the skills to 'fill the jobs of the 21st century' -- but just discovered that Indians, who are paid about a tenth as much, also have those skills." Krugman concludes that because most aren't sharing in current economic growth, "American workers deserve a better answer to their concerns than yet another assertion that a rising tide raises all boats, because that's manifestly untrue."

JOBS GONE: An analysis by Charles W. McMillion, Ph.D., president & chief economist of MBG Information Services, shows that "the worsening imbalance of net imports displaced 757,000 more jobs last year," as the U.S. deficit in traded goods worsened from \$665 billion in 2004 to \$782 billion in 2005. Since 1993, the accumulated U.S. deficit in traded goods now exceeds \$4.6 trillion, and the total displacement of U.S. goods production by net imports now totals roughly 6.4 million jobs, McMillion says. "My analyses of jobs data for recent years show that jobs displaced by net imports are replaced by less productive, and generally far lower paying jobs in industries that do not face significant outsourcing or import competition - such as health care, construction/tradesmen, bars and restaurants, education and credit services." McMillion says that "the rapidly worsening net import imbalance with China" accounts for more than one-third of trade-related job displacements in 2005 and for roughly one-quarter of total trade-displaced jobs. The U.S. deficit with China in traded goods worsened from \$162 billion in 2004 to \$202 billion in 2005 and now totals over \$1 trillion since 1995, McMillion notes. According to the IMF, 2005 was the sixth consecutive year in which U.S. GDP growth was slower than world growth, while China's GDP growth rate has been three times the U.S. rate for a decade.

OMAN FIGHT: The AFL-CIO plans to vigorously oppose a trade agreement with Oman, "setting up a potentially bruising battle in Congress over the latest piece of President Bush's coveted Middle East Free Trade Area," National Journal's CongressDaily says (3/2). The AFL-CIO "has determined that Omani law lacks sufficient protections for workers," and the union "is preparing to inform lawmakers that the problem cannot be fixed in time and they must oppose the FTA," CongressDaily says. "There's no pass on this one," said AFL-CIO Policy Director Thea Lee. "We will certainly do everything we can to make sure members of Congress understand our concerns." The AFL-CIO says Oman does not allow unions to operate in the country, but instead allows for the creation of committees to represent workers that do not meet International Labor Organization standards for unions. Both management and the government are allowed to "intrude on the operations of the committees, including the appointment of members and monitoring of meetings," Lee said. The character of Oman's labor laws is critical in determining whether U.S. labor leaders can support the agreement because U.S. trade deals generally require countries only to enforce their own labor laws, Congress Daily explains. "For a country like Oman, with no history or tradition of protecting labor rights, putting a few last-minute changes into their labor laws is not going to address the concerns that we have," Lee said.

TEMPORARY WORKERS: U.S. Trade Representative Rob Portman says the Bush administration is working with lawmakers to find a way of meeting India's "politically difficult demand in world trade talks"

that the U.S. open its market to more temporary workers, Reuters reports (3/3). India is pushing both the U.S. and the European Union in WTO talks to agree "to open their borders to more foreign computer programmers and other professionals working on short-term contracts," Reuters notes. But House Judiciary Committee Chairman James Sensenbrenner (R-WI) and other lawmakers have objected to including temporary worker commitments in U.S. trade agreements, arguing the provisions are a form of immigration that should be left to Congress. Reuters says that the lawmakers' position "has complicated U.S. efforts to push for an agreement that tears down barriers to services trade" that U.S. companies seek in financial services, energy-related services, telecommunications, computer-related services and insurance. It might be possible to meet India's demand without changing U.S. laws or by coming up with a new approach providing for "some regulated and congressionally approved short-term movement," Portman said.

KOREAN TALKS: The U.S. and South Korea agreed this week to start a formal round of free trade talks in June, "dealing a blow to farmers and unionists demonstrating against the plans," Reuters reports (3/6). Korean opponents, "fearing free trade will spark a flood of cheap imports from the U.S. that could ruin their livelihoods, promised fierce demonstrations against the government of President Roh Moo-hyun to try to prevent a deal going ahead," the article notes. "The Roh Moo-hyun government will never be excused," said Moon Kyung-sik, the head of the Korea Peasants' League. "We will be fighting stronger battles than we did last year." Reuters notes that rice will be one contentious area in the talks, as "South Korea insists rice will not be part of a free trade deal, while the U.S. says it must be included in the talks." Another difficult area is likely to be exports of South Korean autos to the U.S. The U.S. ran a trade deficit with South Korea, which has the world's 11th biggest economy, of \$19.8 billion in 2004, Reuters notes.

AFL-CIO: Members of the AFL-CIO executive council "adopted a tougher stance on trade" at their annual mid-winter meeting last week, the New York Times reports (2/28). The new position calls for an "across-the-board surcharge on imports, a move they said would reduce the record [U.S.] trade deficit," the Times says. The article reports that labor leaders asserted that "Democrats would be more effective if they did more to emphasize pocketbook issues, like soaring health costs and threats to pensions" as well as trade and jobs. "The Democrats have been working on this," AFL-CIO president John Sweeney told the Times. "I don't think they're there yet." An executive council resolution says that in the 2006 elections, "the opportunity exists to wrest control from the radically anti-worker majorities" that control both the U.S. House and Senate. Union leaders said they would concentrate their efforts on 15 Senate races, 40 House races, and Governors in California, Florida, Iowa, Michigan, Minnesota, New York, Ohio, and Pennsylvania.

CALL CENTERS: Central America is "gaining ground as a hub for call centers and offices that handle data entry and other routine business functions for corporations," the South Florida Sun-Sentinel says (3/6). A new report from Zagada Markets in Miami finds nearly 21,000 people employed in call centers in Central America, plus 17,000 working more in back-office and information-technology processing, the article notes. The trend comes as corporations "increasingly delegate their calls and more routine parts of their office work to specialized centers to cut costs." Many call center and IT processing firms are setting up "near-shore" in the Caribbean and Latin America "for easier monitoring from the Americas, compared to centers in such distant locales as India or the Philippines," the report says. "Helping spur the growth: the newly signed U.S.-Dominican Republic-Central America Free Trade Agreement known as DR-CAFTA slated to take effect this year," researchers told the Sun-Sentinel. For more information on the report, see www.Zagada.com.

PUBLIC OPINION: Washington Trade Daily (3/1) reports that "a majority of Americans agree that foreign trade is good for the U.S. economy, but they do not believe free trade should come at the expense of domestic industries," according to a CBS News poll. The poll found that 67% of Americans think the effect of international trade is positive, "but almost as many believe trade restrictions are necessary to protect American industries." Americans polled were progressively less enthusiastic about foreign trade the lower their income, education level and opinions of the current economic condition of the country was.