

April 26, 2005

TRADE BITS

FADING HOPE?: Public health experts fear that "hope might fade" for thousands of chronically ill individuals in Central America who depend on low cost pharmaceuticals if the Central American Free Trade Agreement (CAFTA) is approved this year, the Los Angeles Times reports (4/22). Under the agreement, American drug companies would gain a five-year edge on the development of new drugs by low-cost competitors. Healthcare activists say those intellectual property protections would drive up the cost of treating chronic conditions, particularly HIV/AIDS, sufferers of which routinely develop resistance to old medications. "The prospect of less-affordable medicines has fueled opposition to CAFTA in Central America, particularly in Guatemala, where public opinion has turned overwhelmingly against the trade pact despite its passage by legislators here in March," the Times reports. "For many Guatemalans, this is far more than an arcane trade dispute." The article explains that competition from generics has helped drive down prices for some antiviral drugs by as much as 98% in Guatemala, where 78,000 people are infected with HIV, allowing relief agencies to stretch their budgets to treat more people.

WAGES TRAIL: "Wages for the typical worker aren't even keeping up with inflation" and are growing "unusually slowly for this point in the economic cycle," the Wall Street Journal reports (4/21). "The U.S. Labor Department says that hourly wages for private-sector workers rose 2.6% to near \$16 an hour between March 2004 and March 2005, which is short of the 3.1% increase in consumer prices over that period," the article says. The department's broader Employment Cost Index, which covers more workers, says wages and salaries rose just 2.4% last year, well shy of last year's 3.3% increase in prices. "Profits and productivity, up 4% last year, suggest employers have the money, but don't feel pressure to give raises," the article notes. Globalization and technology "seem to be eroding demand and wages for many workers in the middle," but the Journal believes that health care costs and business uncertainty may also be factors. The risk to workers now is that the Federal Reserve, anxious about indications that inflation is returning, "will raise interest rates to slow the economy before the labor market gets strong enough to push wages up to match rising productivity," the article concludes.

CAFTA HEARING: Issues around the labor and environmental provisions dominated a hearing by the House Ways and Means Committee on CAFTA last week, says National Journal's "CongressDaily" (4/21). Rep. Sander Levin, (D-MI) said he would file a privileged "resolution of inquiry" to try to force the Labor Department to release a study that "would show that Central American countries have not made as much progress on the labor front as Bush administration officials claim," CongressDaily says. The report was compiled by the International Labor Rights Fund under contract with the department, but has not been made public. The report "shows that there are major shortfalls in their laws that don't meet the basic five ILO core labor standards," Levin said. Rep. Benjamin Cardin (D-MD) attacked the administration for settling for an "enforce your own laws" standard, rather than seeking to pressure Central American countries to strengthen their labor laws.

BUSH URGES CAFTA: President George Bush is urging the Congress to approve CAFTA, Reuters reports (4/20). "We need to continue to knock down trade borders across the world so we can open up new markets for America's entrepreneurs," Bush told the U.S. Hispanic Chamber of Commerce last week. House Speaker Dennis Hastert refused to set any deadline for a CAFTA vote, but told the group that "it's my intention the House will act as quickly as possible" on the deal. But at a rally on Capitol Hill the same day, both Democrats and Republicans voiced opposition to the pact and predicted they would have the votes to block it. "If there were a vote today, we would have 195 Democrats voting no and probably 60-plus Republicans," said Rep. Sherrod Brown (D-OH). Sen. Larry Craig (R-ID) also said that CAFTA was vulnerable in the Senate. "I think we have the opportunity here to defeat a trade agreement," said Craig, who opposes CAFTA because of risks to the sugar industry.

OFF THE AGENDA: President Luiz Inácio Lula da Silva said last week that a Free Trade Area of the Americas (FTAA) is "off the agenda" for Brazil, the Miami Herald (4/21) reports. It was Lula's "most

pointed statement" since taking office 2 ½ years ago that the FTAA is a low priority for Brazil, the Herald says. Lula will be meeting with U.S. Secretary of State Condoleezza Rice this coming week, and it was expected the FTAA would be among the topics discussed, according to the article. The Brazilian president made the remarks the same day a Florida delegation was wrapping up a four-day trade mission to Brazil to press Miami's bid to be chosen as the site of the permanent headquarters for the proposed free trade zone. Lula said that Brazil has focused on strengthening trade ties among its Latin American neighbors and with the Mercosur trade bloc made up of Brazil, Argentina, Paraguay and Uruguay as an alternative to the FTAA.

CHINA FOCUS: Rep. Rob Portman, the nominee for U.S. Trade Representative, "answered mounting criticism of the administration's trade policies" by promising to "take a stricter approach to China if confirmed, the New York Times reports (4/22). However, Portman "resisted offering the Senators specifics on how he would alter policy" pledging only a review of policies regarding China "before devising a new approach," the Times says. Both GOP and Democratic Senators said that China was responsible "in large part" for the soaring U.S. trade deficit, "and for the destruction of jobs and livelihoods tied to industries decimated by that trade imbalance." Sen. Evan Bayh (D-IN) will place a "hold" on Portman's nomination unless the administration agrees to a vote on a bill that would make it easier to penalize China for subsidizing exports, the Times says.

READY?: Hong Kong police expect 20,000 anti-globalization activists at the World Trade Organization meeting to be held in Hong Kong in December, the AP reports (4/24). "WTO meetings are magnets for anti-globalization campaigners who claim the global economic system unfairly benefits rich countries at the expense of poor ones," the AP says. The article reports that Hong Kong police have "geared up their preparation for the meeting."

MORE ENERGY: President George Bush told CNBC that his prescription for addressing the nation's trade deficit included "alternative energy" and more nuclear power, USA TODAY reports (4/20). "The biggest part of our trade deficit is energy, as well as China," Bush said. "And obviously on the energy front we've got to become more diversified."

NOTE: Permission is granted to reprint or distribute this material.