

**May 3, 2005**

**TRADE BITS**

**CAFTA BUMP:** Costa Rica is balking at ratifying the proposed Central America Free Trade Agreement (CAFTA), and the Costa Rican parliament may not even vote on the pact until after the nation's presidential election next February, the Wall Street Journal reports (5/3). "The reluctance of Central America's oldest democracy has surprised the White House and undermines one of its chief arguments for the pact: that CAFTA represents an urgently sought benefit for the impoverished region," says the Journal. Costa Rica's ambivalence may influence undecided votes in the U.S. Congress, and has allowed the opposition to the trade pact in Costa Rica "to gain momentum." Opponents have recently focused on CAFTA's provisions requiring the government to allow foreign investment in Costa Rica's state-owned telephone and insurance industries, and potentially privatize the country's free universal health-care system, the Journal says. Costa Rica's president, Abel Pacheco, "is widely seen as trying to avoid ending his four-year presidency amid the strikes and protests that debating the accord might provoke." Although his government signed the pact last year, Pacheco now says he won't submit CAFTA to Costa Rica's Congress until he is convinced that it doesn't threaten the poor.

**LABOR REPORT:** After "stonewalling for a year," the Department of Labor has provided Rep. Sander Levin (D-MI) with reports detailing poor working conditions and "major deficiencies in the labor laws and practices" of the Central American nations in CAFTA, a statement from Rep. Levin says (5/3). "These reports underscore that these countries do not have the basic legal framework in place to protect the basic rights of working people," said Rep. Levin. "CAFTA says to these countries with woefully inadequate laws and practices - just 'enforce your own laws.' This is a double standard not accepted in any other area of international trade, including CAFTA itself." Levin said that a CAFTA that "sanctions the status quo in these countries is bad for individual workers, wrong for Central American nations desperately in need of a growing middle class, and unfair to U.S. workers and businesses. The goal of globalization must be to expand markets and raise living standards, not promote a race to the bottom." Levin had filed a Freedom of Information Act request last year to obtain the taxpayer funded reports. "The fact that the Administration insisted on keeping these reports from public view for so long signals a further acknowledgment that labor standards do matter in trade agreements," Levin said.

**WAL-MART SHOPS AT THE WTO:** The National Retail Federation of the U.S. and EuroCommerce, a European business alliance, "led a unique joint delegation of American and European retail companies" to the WTO this past week seeking trade benefits including protections against government regulatory requirements, a statement from the group (4/28) says. The delegation included executives from Wal-Mart, Gap Inc., and the Footwear Distributors and Retailers of America. Prominent on the list of "trade liberalization" provisions sought by the retailers are inclusion of "market access for retail and other distribution services" in the WTO's General Agreement on Trade in Services (GATS). Specifically, they asked that the new GATS services agreements being negotiated require nations to "open their distribution services sector" and expand market access "by dismantling barriers to trade in distribution services" including licensing and store size requirements that currently protect communities from environmental and economic injury. During the two day event, the group met with senior officials from the WTO and key member country delegations to the WTO, including the United States and the EU, their statement said.

**PRESIDENTS GATHER:** "Facing congressional opposition to his Central American Free Trade Agreement, President Bush will meet next week with leaders from the six Latin American countries that would be included," the AP reports (5/2). The White House said Monday the president would meet on May 12 with President Abel Pacheco of Costa Rica, President Leonel Fernandez of the Dominican Republic, President Tony Saca of El Salvador, President Oscar Berger of Guatemala, President Ricardo Maduro of Honduras and President Enrique Balanos of Nicaragua. AP reports that "various tallies" show that CAFTA "is in trouble in Congress," but Commerce Secretary Carlos Gutierrez says he thinks the administration "will be able to win the CAFTA vote." In a separate dispatch, Dow Jones newswires reported (5/1) that May Day marches in Guatemala, Honduras, and El Salvador "were

marked by slogans, banners and chants" protesting CAFTA. "The free trade agreement . . . will only bring more unemployment, crime and poverty," said Jose Pinzon, secretary general of the Guatemalan General Workers Federation. About 20 Guatemalan union, farm and Indian groups plan to start lobbying U.S. legislators this week oppose the trade pact.

**WATCH LIST?:** The Bush Administration released a report "detailing what it said was China's continuing violation of intellectual property rights," but the office of the U.S. Trade Representative said that the only consequence would be to put China on a "special watch list," the New York Times reports (4/30). "In a rare sign of political agreement, Democrats and labor unions, some Republicans and many business organizations have demanded that the administration file suit before the [WTO] as the only way to demonstrate to China that the U.S. is serious about these issues," the Times says. "Putting China on a watch list means nothing," Rep. Ben Cardin (D-MD) told the Times. "The administration has to understand that Congress is serious and wants action on China." Sen. Evan Bayh (D-IN) had temporarily blocked the nomination of Rep. Rob Portman as new U.S. Trade Representative because of "the administration's ineffective trade relations with China," but Portman was confirmed by a vote of the Senate last Friday.

**DEFICIT HURTS:** Government reports released last week show that "the economy braked sharply" in the first three months of 2005, the New York Times reports. The Times cited the role of growing trade deficits in slowing down the economy, as well as higher energy prices and reduced business investment as factors. "In the first quarter, the trade deficit subtracted 1.49 percentage points from domestic economic output, the biggest drag since the fourth quarter of 2002," the article says, and "mushrooming imports" are expected to curtail growth later in 2005. The Commerce Department estimated that the nation's gross domestic product grew at a 3.1% annual rate in the first quarter of 2005, "substantially lower than the 3.8% growth" of the last quarter of 2004. "I wouldn't panic at this point, but I think we do have to get used to the idea that growth is going to remain substantially slower" than it has been since 2002, economist Nigel Gault told the Times.

**CHINA REPORTS:** China's trade surplus with the U.S. in the first quarter of 2005 shows a 73% increase from a year ago, according to trade data released last week by Chinese custom officials, the New York Times reports (5/2). "China's biggest exports continue to be computers, electronics and other machinery," the article says. "But its exports of textiles and apparel have flooded the world markets since global quotas were lifted on Jan. 1," with Chinese of textiles and apparel to the U.S. up by 78%. Government officials in the U.S. and Europe are considering tariffs or quotas to restrain Chinese textile and apparel imports, the Times says, "but late last week, Chinese government officials warned that such moves might violate trade agreements."

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