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AMERICAN EMBASSY RESOURCE CENTER
June 2006

IN DEPTH…

THE PROPOSED SOUTH KOREA-U.S. FREE TRADE AGREEMENT (KORUSFTA)

William H. Cooper and Mark E. Manyin
Library of Congress - Congressional Research Service
May 24, 2006 – 32 pages

On February 2, 2006, former United States Trade Representative (USTR) Robert Portman and South Korean Trade Minister Kim Hyun-chong, announced their two countries' intention to negotiate a Korea-U.S. free trade agreement (KORUSFTA). The announcement came after many years of official and unofficial discussions about the feasibility of concluding an FTA. The reaction to the announcement of the launching of the KORUSFTA negotiations has ranged from bipartisan support to some skepticism and opposition.

The Congress would have to approve an FTA before it could enter into force.
The KORUSFTA negotiations will be conducted under the trade promotion authority (TPA) that the Congress granted to the President under the Bipartisan Trade Promotion Act of 2002 (P.L.107-210). The authority allows the President to negotiate trade agreements that would receive expedited congressional consideration (no amendments and limited debate). However, the TPA is due to expire July 1, 2007, placing tight time restrictions on the negotiations.

The outcome of the negotiations could have broad implications for the U.S.-South Korean bilateral relationship. If the two sides successfully resolve certain fundamental issues that have caused friction, the bilateral relationship could be stronger in the long term. If they fail, the relationship could be damaged for some time. Also, the KORUSFTA would be the second largest FTA in which the United States is a participant and the largest in which South Korea is a participant, representing a major step for both countries in their pursuit of their respective trade strategies.

2006 COMPREHENSIVE REPORT ON U.S. TRADE AND INVESTMENT POLICY TOWARD SUB-SAHARAN AFRICA AND IMPLEMENTATION OF THE AFRICAN GROWTH AND OPPORTUNITY ACT

Executive Office of the President, Office of the United States Trade Representative (USTR)
May 16, 2006 – 151 pages

This report from the USTR describes the increase in the two-way trade between the United States and sub-Saharan African since the launch of the African Growth and Opportunity Act (AGOA) in 2000. It also describes the wide range of U.S. programs that are assisting African countries to bolster economic growth and development through trade.

Included in the report are the following highlights:
* Since its inception in 2000, AGOA has helped increase U.S. two-way trade with sub-Saharan Africa by 115 percent.
* In 2005, U.S. total exports to sub-Saharan Africa rose 22 percent from 2004, to $10.3 billion.
* U.S. total imports from sub-Saharan Africa increased by 40 percent to
$50.3 billion.

* In 2005, over 98 percent of U.S. imports from AGOA-eligible countries entered the United States duty-free.

CHINA: THE BALANCE SHEET
WHAT THE WORLD NEEDS TO KNOW NOW ABOUT THE EMERGING SUPERPOWER

C. Fred Bergsten, Bates Gill, Nicholas R. Lardy and Derek Mitchell
Center for Strategic and International Studies (CSIS); Institute for International Economics (IIE)
April 26, 2006 – 57 pages

The Center for Strategic and International Studies (CSIS) and the Institute for International Economics (IIE) have launched a joint multi-year project that brings together leading specialists to examine the key questions, uncover the pertinent facts, and analyze the dynamics underpinning China's domestic transformation and emergence as an international power -- as well as its implications for the United States and the world. This report is the first publication from that project. The report highlights several specific factors: China's domestic economy; China's domestic transformation; the world economy; and China's foreign and security policies.

The authors present four main conclusions:
1) China clearly represents both an opportunity and a threat to the U.S. in economic and security terms.
2) The extent to which China becomes either a challenge or an opportunity is not predetermined and will depend greatly on the policy choices and internal dynamics of China and the U.S. in coming years.
3) While U.S. influence over China should not be overstated, U.S. policy can play a role, for good or ill, in shaping the decisions China makes about its future.
4) While a responsible strategic approach toward China must include preparation in U.S. domestic, foreign, and defense policies to deter and deflect Chinese actions that are contrary to U.S. interests, the United States has an overriding stake in effectively integrating China into the global economic and security systems in a way that reinforces the American people's long-term security, prosperity, and peace.

[Note: Contains copyrighted material.]

WORLD TRADE ORGANIZATION: LIMITED PROGRESS AT HONG KONG MINISTERIAL CLOUDS PROSPECTS FOR DOHA AGREEMENT (GAO-06-535)

United States General Accounting Office (GAO)
April 26, 2006 – 47 pages

Given the importance of the World Trade Organization (WTO) Doha Round to the United States, GAO was asked to provide an update on the status of the negotiations. In this report, the latest in a series on the negotiations, GAO (1) provides the status of the Doha negotiations on the eve of the Hong Kong ministerial, (2) reviews the outcome of the Hong Kong ministerial, and (3) discusses the prospects for concluding the Doha Round before TPA expires in July 2007.

GAO found that WTO members made little progress in 2005 toward their goal of completing the steps needed to set the stage for finalizing the Doha Round of global trade talks. The key milestones for progress through July were missed. Despite new proposals on agricultural subsidy and tariff cuts submitted in October 2005, it was clear by November that key players were too far apart to achieve the major decisions planned for the December ministerial. To avoid a failure, members agreed to lower expectations for the meeting.

WTO: ANTIDUMPING ISSUES IN THE DOHA DEVELOPMENT AGENDA

Vivian C. Jones
Library of Congress, Congressional Research Service
Updated April 20, 2006 – 24 pages

This three-part report analyzes the issue of antidumping (AD) in the context of negotiations in the Doha Development Agenda (DDA). The first section provides background information and contextual analysis for understanding why the issue is regarded as controversial. It briefly discusses the Antidumping Agreement, U.S. antidumping laws and how they have worked in practice. Some U.S. stakeholders, including many U.S. industries and workers, believe that U.S. laws are effective and should not be changed or weakened. Others, including many foreign exporters to the U.S. market, U.S. exporters to international markets, U.S. manufacturers dependent on lower-cost inputs for their products, and other domestic importers of goods subject to AD actions, want to change the ways in which they are implemented.

The second section focuses on how antidumping issues fit into the DDA. The author explains the mandate to negotiate and negotiating activity to date. She also describes in general terms the nature of the reforms being considered.

Section three provides a more specific overview of major reform proposals. Many proposals attempt to regulate the manner by which countries assess dumping margins. Other submissions call for tightening rules or providing more specific definitions for terminology used in the WTO Antidumping Agreement. These proposals, if implemented, could significantly reduce the number of permissible AD investigations and/or the amount of duty margins assessed, thus reducing significantly the protective impact of the remedies.

FREE TRADE AGREEMENTS: IMPACT ON U.S. TRADE AND IMPLICATIONS FOR U.S. TRADE POLICY
William H. Cooper
Library of Congress, Congressional Research Service
April 19, 2006 – 19 pages

In the last few years, the United States has engaged or has proposed to engage in negotiations to establish bilateral and regional free trade arrangements (FTAs) with a number of trading partners. Such arrangements are not new in U.S. trade policy. The United States has had a free trade arrangement with Israel since 1985 and with Canada since1989, which was expanded to include Mexico and became the North American Free Trade Agreement (NAFTA) effective in January 1994.

U. S. participation in free trade agreements can occur only with the concurrence of the Congress. FTAs are now a significant U.S. trade policy tool. The rapid emergence of FTAs raises some important policy issues for the second session of 109th Congress as it considers implementing legislation and monitors negotiations as part of its oversight responsibilities: Do FTAs serve or impede U.S. long-term national interests and trade policy objectives? Which type of an FTA arrangement meets U.S. national interests? What should U.S. criteria be in choosing FTA partners?

Are FTAs a substitute for, or a complement to, U.S. commitments and interests in promoting a multilateral trading system via the World Trade Organization (WTO)? Experts differ sharply over these questions.

WORLD ECONOMIC OUTLOOK: GLOBALIZATION AND INFLATION
International Monetary Fund (IMF)
April 2006 – 283 pages

This World Economic Outlook (WEO) report paints an overall rosy picture of the world economy, with what looks like a third year of significantly above-trend growth. Growth is also becoming more balanced, with Japan picking up strongly, and the Euro area showing advance signs of steadier growth. Perhaps the best reflection of the world economic growth is that sub-Saharan Africa is headed for its best growth performance in over 30 years. In the Middle East and many Central Asian countries, a key challenge will be to channel the high oil export receipts into productive investment. High commodity prices also support many economies in Latin America, permitting very welcome reductions in external debt levels and accumulation of foreign currency reserves.

The WEO notes that an important reason for this good performance has been greater flows of goods, services, and capital across the world, otherwise known as, globalization. There is, however, concern that policy reform may be slipping in some countries.

[Note: Contains copyrighted material.]

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CREDIT MARKETS, CREDITORS RIGHTS AND ECONOMIC DEVELOPMENT

Kenneth W. Dam
The Brookings Institution
February 2006 – 36 pages

According to the author, a law professor and Brookings Institution fellow, credit markets are just as important as equity markets to financial development. In most countries, far more finance is generated in credit markets than in public equity markets. He notes that even in the United States, which is usually thought of as the country with the most pronounced equity culture, far more money is raised in credit markets than in equity markets.

Because banks play such a central role in the developing-world economies, the author says it is important to look at the special role of banks in those countries. The focus of his working paper is banks and the special problems that creditors -- not just banks but all creditors -- face when the borrower cannot pay or fails to pay. He examines the legal issues germane to creditors' rights and bankruptcy law.

[Note: Contains copyrighted material.]

BACK TO THE FUTURE FOR AFRICAN INFRASTRUCTURE? Why State-Ownership Is No More Promising The Second Time Around

John Nellis
The Center For Global Development
February 2006 – 36 pages

African state-owned enterprises (SOEs), particularly those in infrastructure, have a long history of poor performance. But moves in the 1990s to rely instead on private-sector participation and ownership have yet to deliver the hoped-for improvements. Is a return to SOEs the solution?
This paper's author says no.

He argues that the prospects for success of Africa's SOEs are no greater now than before, and that private firms still have not been given a real chance.
He shows that private participation in infrastructure initiatives has been comparatively small-scale and weak. A number of initiatives that have been launched have run into problems, to the point where both investor and African government interest in the approach has waned in the last few years.
Moreover, such reforms are not popular - public opinion surveys in 15 African countries reveal that only one-third of respondents prefer private to state-owned firms.

Nonetheless, the author recommends that African states (and their supporters) not jettison private participation in infrastructure. Rather, they should acknowledge the limitations of such an approach, and recognize the large scope and moderate pace of the preparatory measures required both to improve the investment climate, and to make private participation in infrastructure work effectively.

2006 INDEX OF ECONOMIC FREEDOM

Marc A. Miles, Kim R. Holmes, and Mary Anastasia O'Grady, editors
Heritage Foundation; Wall Street Journal
January 2006 - 440 pages

This 12th edition of the Index documents the correlation between freedom and prosperity. Countries that improve their scores in 10 categories of economic freedom -- trade policy, fiscal burden of government, government intervention in the economy, monetary policy, capital flows and foreign investment, banking and finance, wages and prices, property rights, regulation and informal (or black) market activity -- tend to see their standards of living and per capita incomes rise.

Data gathered for the 2006 Index show a net increase in global economic freedom. Of the 157 countries analyzed, 99 scored better this year than last year, and five had unchanged scores. The scores of 51 countries were worse than last year. Overall, 20 countries are classified as having "free" economies, 52 as "mostly free," 73 as "mostly unfree," and 12 as "repressed."

Countries ranked as the most free are: Hong Kong (1st); Singapore (2nd); Ireland (3rd); Luxembourg (4th); Iceland (5th); United Kingdom (5th); Estonia (7th); Denmark (8th); Australia (9th); New Zealand (9th); United States (9th); Canada (12th); Finland (12th); and Chile (14th). (Note: Countries with identical total scores receive the same numerical ranking.)

Those countries ranked as the least free are: Nigeria (146th); Haiti (147th); Turkmenistan (148th); Laos (149th); Cuba (150th); Belarus (151st); Venezuela (152nd); Libya (152nd); Zimbabwe (154th); Burma (155th); Iran (156th); and North Korea (157th). (Note: Countries with identical total scores receive the same numerical ranking.)

In addition, the report highlights notable efforts of people around the world to overcome the barriers they face. These anecdotes describe:
* The entrepreneurial talents of people in Africa and Asia who have created non-government-sanctioned private schools that deliver a superior level of education.
* Entrepreneurs in India who have managed to circumvent pervasive restrictions and create markets where there might have been none.
* Informal banking institutions in Chinese provinces that provide accessible funding to individuals that the state-run banks cannot serve.

ECONOMIC AMNESIA: THE CASE AGAINST OIL PRICE CONTROLS AND WINDFALL PROFIT TAXES

Jerry Taylor and Peter Van Doren
Cato Institute
January 12, 2006 – 20 pages

The authors, CATO Institute senior fellows, discuss the economic impact of oil price controls and windfall profit taxes, and dispute their effectiveness. The recent rise in U.S. gasoline prices, they write, has led many observers to call for government price controls and special taxes on oil companies. Yet policies that restrain prices result in less supply and conservation. Additional taxes reduce the incentive to invest in new supply. Moreover, because price controls and profit taxes can be levied only by the U.S. government on U.S.-based companies, such policies also increase the economic attractiveness of foreign, relative to domestic, oil. The U.S. experience with price controls from 1971 to 1980, and the Crude Oil Windfall Profit Tax from 1980 to 1988 demonstrates the problems.

The authors contend that there is no evidence to suggest that recently reported oil company profits are particularly large when contrasted with the profit margins of all public companies. Profits in the oil sector have historically been lower than profits in the rest of the U.S. economy, so profits would have to be quite large for some time before they equaled returns in other sectors of the economy. Restricting profit opportunities now would amount to a form of one-way capitalism in which meager profits are allowed but more robust profits are punished. Intervention under those conditions, they conclude, would certainly reduce the incentive to invest in the oil business.

A NEW ERA AT THE INTER-AMERICAN DEVELOPMENT BANK: Six Recommendations For The New President
The Latin American Shadow Financial Regulatory Committee and The Center For Global Development
January 2006 – 23 pages

In the authors' view, the selection of a new president, Luis Alberto Moreno, to lead the Inter-American Development Bank (IDB) presents an opportunity for this institution to reassess its role and reshape its products and services to better address current challenges. They contend that the market for the IDB's services has changed dramatically as rapid growth in private capital flows has made IDB's financial resources less important. In addition, political leaders are increasingly articulating their own vision on how to bring about inclusive growth in Latin America and the Caribbean, thereby reducing their need for advice from Washington.

By the same token, the authors note that this region is struggling with some complex economic problems that cannot adequately be addressed by individual nations or regional groupings, such as the Organization of American States.
Thus, they regard IDB's mission of promoting inclusive growth as an asset for the region.

The report lays out key challenges facing the IDB, explains how the institution is uniquely poised to address them, and offers six recommendations for the new president to consider as he launches what can, and should, be a new era at the IDB.

[Note: Contains copyrighted material.]

ENERGY PRICES AND THE ECONOMY
Joint Economic Committee
United States Congress
January 2006 – 20 pages

This paper explores why today's U.S. economy is less vulnerable to energy price increases, compared to its performance during previous "oil shock"
episodes in the 1970s and 1980s. The following factors are considered:
* The U.S. economy is now more energy efficient.
* The U.S. economy is now less energy intensive as the service sector has grown.
* The share of the household budget devoted to energy expenditures has fallen.
* Oil and gas prices after adjustment for inflation remain below historical highs.

The paper's first section focuses on how higher energy prices might affect production - or the supply side of the economy. The second section looks at the expected effects of higher petroleum and natural gas prices on consumer spending - including consumers' automobile purchases. The third section reviews how economic models forecast the effect of high oil prices on economic growth, and why those attempting to make use of the forecasts need to be wary. The fourth section discusses the effect of the 2005 hurricanes on energy prices. The underlying causes of the high oil prices are analyzed in the final section.

IS THE U.S. CURRENT ACCOUNT DEFICIT SUSTAINABLE?
Marc Labonte
Library of Congress, Congressional Research Service
December 13, 2005 – 12 pages

This report examines the past and present U.S. current account (CA) deficit, and possible future trends. The author writes that the (CA) deficit (the trade deficit plus net income payments and net unilateral transfers) has been rising as a share of gross domestic product (GDP) since 1991. In the first half of 2005, the CA deficit reached a record high of 5.7% of GDP.

The CA deficit is financed by foreign capital inflows. Many observers have questioned whether such inflows are sustainable and have expressed concern about the economic impact should foreign capital inflows decline rapidly.
Some fear that a resulting rapid decline in the CA deficit could cause a recession. Thus, the author says,

the main issue of interest to policymakers may be whether a decline in the deficit would be gradual or sudden.

The author explains that a large CA deficit is not sustainable in the long run because it increases U.S. net debt to foreigners, which cannot rise without limit. A larger debt can be serviced only through higher borrowing or higher net exports. For net exports to rise, all else equal, the value of the dollar must fall. This explains why many economists believe that both the dollar and the CA deficit will fall at some point in the future.

The author notes that most episodes of a declining CA deficit in industrialized countries since 1980 were associated with slow economic growth. Only two episodes were associated with a severe disruption in economic activity. Because most of the episodes involved small countries, these cases may differ fundamentally from similar episodes in the United States. Historically, a few other countries have had a higher net foreign debt-to-GDP ratio than the United States has at present. However, if CA deficits continue at current levels, the U.S. net foreign debt could be the highest ever recorded within a few decades.

The author also reviews studies on the CA deficit's sustainability. They suggest that a dollar depreciation of 10% to 56% could eventually be required to restore sustainability. This report will be updated as events warrant.

THE POLITICS AND ECONOMICS OF OFFSHORE OUTSOURCING

N. Gregory Mankiw and Phillip Swagel
American Enterprise Institute for Public Policy Research
December 7, 2005 – 49 pages

Mankiw and Swagel, the former Council of Economic Advisors chairman and chief of staff, respectively, analyze the contentious issue of offshore outsourcing. The first part of their working paper documents how popular concern about outsourcing increased during 2003 and accelerated as the U.S. 2004 presidential election approached. The second part surveys the empirical literature on offshore outsourcing, with an emphasis on outsourcing of business services.

They note that work to quantify the impact of increased trade in services on domestic labor markets has lagged behind popular interest -- in no small part because existing data sources make it difficult to identify job changes related to trade in business services. Specifically, gaps in the available data make it difficult to say how many jobs are being outsourced and why.
The empirical literature is able, however, to conclude that offshore outsourcing is unlikely to have accounted for a meaningful part of the job losses in the recent downturn, or contributed much to the slow labor market rebound.

The authors observe that "the message from economists that international trade in services is nothing new and likely to be beneficial is enormously frustrating to non-economists, especially politicians." To help bridge this communications gap, they examine the differing ways in which economists and non-economists talk about offshoring, focusing on ways in which economists can communicate more effectively to policymakers and the broader public.

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TRADE INTEGRATION IN THE AMERICAS

M. Angeles Villarreal
Library of Congress. Congressional Research Service
November 22, 2005 – 32 pages

Since the 1990s, the countries of Latin America and the Caribbean have been a focus of United States trade policy, as demonstrated by the passage of the North American Free Trade Agreement, the U.S.-Chile Free Trade Agreement (FTA), and the Central America-Dominican Republic Free Trade Agreement. Currently, the United States is in the process of completing FTA negotiations with Andean countries, and of reactivating talks for a U.S.-Panama FTA and a Free Trade Area of the Americas.

The U.S. efforts in regional trade integration in the Americas are significant for Congress because U.S. entry into any FTA may only be done with the legislative approval of the Congress. U.S. supporters of trade integration in the Americas believe it benefits U.S. prosperity, strengthens democratic regimes, and supports U.S. values and security. Forming closer economic relations with countries in the region is seen by some as a means to improve cooperation on such issues as the environment and anti-drug efforts. U.S. opponents of trade integration are concerned that hemispheric free trade would lead to a loss of jobs in the United States through increased import competition, or to U.S. companies shifting production to lower-wage countries with weak labor standards.

Similarly, U.S. policymakers, concerned with trade integration's implications for the United States, debate the pros and cons of deepened trade relations with Latin America and the Caribbean, and whether the current focus on bilateral and regional FTAs is the most appropriate trade policy. Some analysts believe that such a policy is creating a complicated network of trade agreements throughout the region that could slow down the FTAA process. Others believe that regional trade agreements lead to the consolidation of regional trade areas into larger free trade areas, and may eventually lead to a hemispheric free trade area.

PROSPECTS FOR REGIONAL FREE TRADE IN ASIA

Gary Clyde Hufbauer and Yee Wong
Institute for International Economics
October 2005 – 24 pages

This paper, written for and presented at the June 2005 RAND-China Reform Forum conference, surveys the prevalence of free trade agreements (FTAs) in Asian countries. The authors report that, Asian countries, frustrated with lackluster momentum in the WTO Doha Round and the APEC forum, have pursued numerous FTAs at the bilateral and regional levels. By 2005, Asian countries (excluding China) had ratified 14 FTAs, had negotiated (but not yet implemented) seven, and are actively negotiating 23. China has completed three FTAs and is initiating 17 others.

The authors conclude that a regional Asian economic bloc led by China seems distant, as many Asian countries are pursuing FTAs with countries outside the region. They write: "On present evidence, the FTA process embraced with some enthusiasm in Asia, Europe, and the Western Hemisphere more closely resembles fingers reaching idiosyncratically around the globe rather than politico-economic blocs centered respectively on Beijing, Brussels, and Washington.

POLICIES THAT DISTORT WORLD AGRICULTURAL TRADE: PREVALENCE AND MAGNITUDE

Congressional Budget Office
August 2005 – 76 pages

This Congressional Budget Office (CBO) paper, which responds to part of a request by the Chairman of the House Ways and Means Committee, presents statistics on policies around the world that distort agricultural trade. Such policies and the talks to liberalize them fall into three major categories: (1) market access -- policies that restrict or regulate imports; (2) domestic support -- domestic subsidies and other forms of support to domestic producers; and (3) export subsidies.

In broad terms, the statistics indicate that:

* Policies that distort agricultural trade remain much more pervasive and substantial around the world than policies that distort trade in other goods.
* High agricultural tariffs are most prevalent in East Asian countries. The United States has a low average agricultural tariff, and the European Union's average is in the middle.
* The European Union provides the largest amount of the most trade-distorting category of domestic support as measured by dollar value, with the United States a distant second and Japan a distant third.
* The European Union is by far the dominant provider of export subsidies, providing 85 percent to 90 percent of the world's total.

In keeping with CBO's mandate to provide objective, nonpartisan analysis, this paper makes no recommendations.

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THE BAYH-DOLE ACT: SELECTED ISSUES IN PATENT POLICY AND THE COMMERCIALIZATION OF TECHNOLOGY

Wendy H. Schacht
Congressional Research Service / Library of Congress
Updated September 12, 2005 – 27 pages

Congressional interest in facilitating U.S. technological innovation led to the passage of P.L. 96-517, Amendments to the Patent and Trademark Act (commonly referred to as the Bayh-Dole Act after its two main sponsors). The act grants patent rights to inventions arising out of government- sponsored research and development (R&D) to certain types of entities with the expressed purpose of encouraging the commercialization of new technologies through cooperative ventures between and among the research community, small business, and industry.

Patents provide an economic incentive for companies to pursue further development and commercialization. Studies have shown that research funding accounts for approximately one-quarter of the costs associated with bringing a new product to market. Patent ownership is seen as a way to encourage the additional, and often substantial investment necessary for generating new goods and services. In an academic setting, the possession of title to inventions is expected to provide motivation for the university to license the technology to the private sector for commercialization in expectation of royalty payments.

The Bayh-Dole Act has been seen as particularly successful in meeting its objectives. However, while the legislation provides a general framework to promote expanded utilization of the results of federally funded research and development, questions are being raised as to the adequacy of current arrangements. Most agree that closer cooperation among industry, government, and academia can augment funding sources (both in the private and public sectors), increase technology transfer, stimulate more innovation (beyond invention), lead to new products and processes, and expand markets. However, others point out that collaboration may provide an increased opportunity for conflict of interest, redirection of research, less openness in sharing of scientific discovery, and a greater emphasis on applied rather than basic research.Additional concerns have been expressed, particularly in relation to the pharmaceutical and biotechnology industries, that the government and the public are not receiving benefits commensurate with the federal contribution to the initial research and development.

Actual experience and cited studies point to the conclusion that companies which do not control the results of their investments – either through ownership of patent title, exclusive license, or pricing decisions – tend to be less likely to engage in related R&D. The importance of control over intellectual property is reinforced by the positive effect P.L. 96-517 has had on the emergence of new technologies and techniques generated by U.S. companies.

This report will be updated as events warrant.

U. S. INTERNATIONAL TRADE: DATA AND FORECASTS

Dick K. Nanto and Thomas Lum
Congressional Research Service / Library of Congress
August 16, 2005 – 19 pages

In 2004 the United States incurred a record merchandise trade deficit of $651 billion on a Census basis and $665 billion on a balance-of-payments basis (BoP). A surplus in service trade of $48 billion gave a deficit of $617 billion on goods and services (BoP) for the year – up $121 billion or 24.3% fron the $496.5 billion deficit in 2003…
Trade deficits are a concern for Congress because they may generate trade friction and pressures for the government to do more to open foreign markets, to shield U.S. producers from foreign competition, or to assist U.S. industries to become more competitive…

TRADE NEGOTIATIONS DURING THE 109TH CONGRESS

Ian F. Fergusson and Lenore M. Sek
Congressional Research Service / Library of Congress
August 3, 2005 – 19 pages

The Bush Administration has made bilateral and regional free-trade agreements (FTAs) more important elements of the U.S. Trade policy, a strategy known as "competitive liberalization". This strategy, it argues, will push forward trade liberalization simultaneously on bilateral , regional and multilateral fronts. It is meant to spur trade negotiations by liberalizing trade with countries willing to join FTAs, and to pressure other countries to negotiate multilaterally. Critics contend, however, that the accent on regional and bilateral negotiations undermines the multilateral forum and increases the risk of trade diversion away from competitive countries not in the trade bloc…

WORLD RESOURCES 2005 -- THE WEALTH OF THE POOR: MANAGING ECOSYSTEMS TO FIGHT POVERTY

World Resources Institute
August 2005 - 228 pages

Published by the World Resources Institute in collaboration with the United Nations Development Program, United Nations Environment Program, and World Bank, World Resources 2005 is the 11th in a series of biennial reports on global environment and governance issues published since 1984. The report explores the following propositions:

* Economic growth is the only realistic means to lift the poor out of extreme poverty in the developing world; but the capacity of the poor to participate in economic growth must be enhanced if they are to share in its benefits

* The building blocks of a pro-poor growth strategy begin with natural resources. These provide the base upon which the vast majority of the poor now depend for their fragile existence, but over which they exercise little control, and therefore can't exercise full stewardship

* The role of governance -transparent and accountable governance- is critical to fostering pro-poor growth and essential to ensuring that the engine of that growth, natural resource wealth, is managed wisely.

The author's note that much of what the report calls for is captured in the Millennium Development Goals, adopted by the United Nations in 2000. Building on this, the World Resources 2005 report shows how important pro-poor management of ecosystems is to attaining these goals. It presents a wealth of examples that demonstrate how nations can support a bottom-up approach to rural growth that begins naturally with the assets the poor already possess.

IN DEPTH...

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WORLD TRADE ORGANIZATION: GLOBAL TRADE TALKS BACK ON TRACK, BUT CONSIDERABLE WORK NEEDED TO FULFILL AMBITIOUS OBJECTIVES [GAO-05-538]

United States Government Accountability Office (GAO)
June 1, 2005

The Committee on Ways and Means of the U.S. House of Representatives asked GAO to provide a status report on the World Trade Organization (WTO negotiations). In this report, the latest in a series, GAO assesses (1) the overall status of the WTO Doha Round negotiations; (2) developments on key negotiating issues since the previous (January 2004) GAO report; and (3) factors affecting progress in the negotiations. To address those objectives, GAO met with and obtained documents from a wide variety of WTO, U.S. and foreign government officials, as well as academic experts and private sector groups (including business associations, law firms, and civil society groups), both in Washington, D.C. and Geneva, Switzerland. GAO also reviewed international tariff and trade data from the WTO and the United Nations.

In this report GAO finds that overall, the Doha Round is behind schedule, but that the global trade talks have regained their footing and achieved some forward momentum since the failed Cancun ministerial. Leadership by both developed and developing nations, an improved process, hard work, and a willingness to compromise resulted in a July 2004 framework agreement widely credited with putting the Doha Round back on track. The negotiating participants with whom GAO spoke are generally pleased that a July 2004 framework agreement and its breakthrough in agriculture reform has succeeded in demonstrating broader commitment to success and effectively breaking the deadlock in the negotiations. Agriculture remains the top issue for many participants, and dissatisfaction with progress on agriculture has held up movement on the other 18 issues on the negotiating agenda. Negotiators report that the July framework has enabled technical negotiations to proceed in a much improved atmosphere, despite political transitions in some countries during the fall of 2004. Nevertheless, those with whom GAO spoke universally stressed that considerable work remains to be done if the Doha Round's promise is to be realized -- particularly because simultaneous agreement on all issues is required for agreement. Moreover, progress thus far in 2005 has proved slower than hoped, causing WTO Director-General Supachai Panitchpadki to sound a warning over prospects for success in Hong Kong.

INTERNATIONAL TRADE: TREASURY ASSESSMENTS HAVE NOT FOUND CURRENCY MANIPULATION, BUT CONCERNS ABOUT EXCHANGE RATES CONTINUE [GAO-05-351]

United States Government Accountability Office (GAO)
May 19, 2005

The 1988 Trade Act requires the Department of the Treasury to annually assess whether countries manipulate their currencies for trade advantage and to report semiannually on specific aspects of exchange rate policy. Some observers have been concerned that China and Japan may have maintained undervalued currencies, with adverse U.S. impacts, which has brought increased attention to Treasury's assessments. For this report GAO examined (1) Treasury's process for conducting its assessments and recent results, particularly for China and Japan; (2) the extent to which Treasury has met legislative reporting requirements; (3) experts' views on whether or by how much China's currency is undervalued; and (4) the implications of a revaluation of China's currency for the United States.

GAO notes that Treasury has not found currency manipulation under the terms of the 1988 Trade Act since it last cited China in 1994. Treasury officials make a positive finding of currency manipulation only when all the conditions in the Trade Act are satisfied -- when an economy has a material global current account surplus and a significant bilateral trade surplus with the United States, and is manipulating its currency with the intent to gain an unfair trade advantage. Treasury said that in its 2003 and 2004 assessments, China did not meet the criteria for manipulation, in part because it did not have a material global current account surplus and had maintained a fixed exchange rate regime through different economic conditions. Japan did not meet the criteria in 2003 and 2004 in part because its exchange rate interventions were considered to be part of a macroeconomic policy to combat deflation.

Among experts, says GAO, views differ on policy steps to correct a valuation imbalance in Chinese currency. A revaluation of China's currency could have implications for various aspects of the U.S. economy, although the impacts are hard to predict. They depend on multiple factors, including how much appreciation is passed through to higher prices for U.S. purchasers and the extent to which reduced imports from China are replaced with imports from other countries. In addition to affecting trade-related sectors, a revaluation could have implications for U.S. capital flows.

AFRICAN ECONOMIC OUTLOOK 2004/2005 [OVERVIEW AND COUNTRY STUDIES]
Organization for Economic Co-operation and Development (OECD)
May 17, 2005

This fourth edition of the African Economic Outlook reviews the recent economic situation and the short-term evolutions of African countries. It includes an overview of the continent, 29 country notes, a statistical annex and a focus on small and medium enterprises issues in Africa. The bulk of the report contains for each of each country a 20-page study presented according to a common analytical framework that includes a forecasting exercise for the next two years, based on a simple macroeconomic model, together with an analysis of the social and political context.

Country coverage comprises:

* North Africa: Algeria, Egypt, Morocco and Tunisia.
* West Africa: Benin, Burkina Faso, Côte d'Ivoire, Ghana, Mali, Niger, Nigeria and Senegal.
* Central Africa: Cameroon, Chad, the Republic of Congo, the Democratic Republic of Congo, Gabon and Rwanda.
* East Africa: Ethiopia, Kenya, Madagascar, Mauritius, Tanzania and Uganda.
* Southern Africa: Angola, Botswana, Mozambique, South Africa and Zambia.

INTERNATIONAL TRADE: U.S. AGENCIES NEED GREATER FOCUS TO SUPPORT MEXICO'S SUCCESSFUL TRANSITION TO LIBERALIZED AGRICULTURAL TRADE UNDER NAFTA
[GAO-05-272]
United States Government Accountability Office (GAO)
April 25, 2005

In 1994, the North American Free Trade Agreement (NAFTA) created the world's largest free trade area and, among other things, reduced or eliminated barriers for U.S. agricultural exports to Mexico's vast and growing markets. As part of a body of GAO work on NAFTA issues, this report (1) identifies progress made and difficulties encountered in gaining market access for U.S. agricultural exports to Mexico; (2) describes Mexico's response to changes brought by agricultural trade liberalization and challenges to the successful implementation of NAFTA; and (3) examines collaborative activities and assesses strategies to support Mexico's transition to liberalized agricultural trade under NAFTA.

To aid the successful implementation of NAFTA, GAO recommends that the U.S. Department of State, in cooperation with the U.S. Department of Agriculture (USDA) and other relevant agencies, develop an action plan under the Partnership for Prosperity Initiative laying out specific collaborative efforts on rural development that would support Mexico's transition to liberalized trade under NAFTA. GAO also recommends that the Department of State and other relevant agencies use the Initiative to expand collaboration with Mexico to facilitate credit availability in rural Mexico.

FREE TRADE AREA OF THE AMERICAS: MISSED DEADLINE PROMPTS EFFORTS TO RESTART STALLED HEMISPHERIC TRADE NEGOTIATIONS [GAO-05-166]
United States Government Accountability Office (GAO)
April 18, 2005

If completed, the Free Trade Area of the Americas (FTAA) agreement would encompass an area of 800 million people and about $13 trillion in production of goods and services, making it the most significant regional trade initiative presently being pursued by the United States. The 34 democratic nations of the Western Hemisphere formally launched negotiations towards a FTAA in 1998, and set a January 2005 deadline for concluding a FTAA agreement. GAO was asked to analyze (1) progress made in FTAA negotiations since GAO's last (April 2003) report (2) factors that have been influencing the FTAA's progress; and (3) future prospects for the FTAA.

GAO's analysis suggests that three main factors have inhibited progress on the FTAA:

* First and foremost, underlying differences between the United States and Brazil and their respective allies on the depth of rights and obligations on key issues continue.
* Second, negotiations in other forums were given priority over the FTAA, in part because the United States and Brazil deemed that progress there was more possible and could eventually enhance prospects for a mutually advantageous FTAA.
* Third, two mechanisms intended to facilitate compromise, the U.S.-Brazil co- chairmanship and the two-tier structure, have thus far failed to do so.

In a four-page response, the Office of the United States Trade Representative (USTR) disagrees with the GAO's findings. The USTR response, attached as Appendix II to this report, says that the GAO report is a "poorly framed portrayal of progress and problems in the negotiations", that it overemphasizes the role of the United States and Brazil in the current impasse, and that it does not give sufficient weight to U.S. efforts to make progress.

WORLD ECONOMIC OUTLOOK: GLOBALIZATION AND EXTERNAL IMBALANCES
International Monetary Fund (IMF)
April 13, 2005

According to this latest Economic Outlook, global growth for 2004, at 5.1 percent, was the highest in decades. But the IMF warns that growth rates are divergent across regions. The expansion continues to be overly dependent on growth in the United States and emerging Asia, while growth in the euro area and Japan is much less robust. China has experienced considerable growth in investment, but the IMF cautions that the quality of the investments are often not very high; they also urge China to increase exchange rate flexibility. India, according to the report, need greater investment in infrastructure and expanded sources of revenues. One of the brightest spots in the current global recovery has been the acceleration of growth in Sub-Saharan Africa to over 5 percent in 2004, which is the highest in almost a decade. The IMF foresees continued growth in 2005 and 2006 for Africa.

The report discusses risks to continued economic growth -- primarily higher interest rates, high and volatile oil prices, and increasing current account imbalances. The report also goes into detail over imbalances, specifically pointing to the problem that the current direction of capital flows does not match what is needed given demographic trends. The developing world is becoming increasingly important in terms of global production and the populations of industrialized countries are aging relatively quickly. According to the IMF, in general "rich countries should be saving more and running larger current account surpluses. Poor countries should be investing more, and running larger current account deficits."

U.S.-CHINA TRADE: TEXTILE SAFEGUARD PROCEDURES SHOULD BE IMPROVED [GAO-05-296]
United States Government Accountability Office (GAO)
April 4, 2005

U.S. textile and apparel imports from China have more than doubled in value since China became a World Trade Organization (WTO) member in December 2001. When joining the WTO, China agreed to a special textile safeguard mechanism applicable only to that country. The China textile safeguard allows WTO members to place defined limits on particular textile and apparel imports from China through the end of 2008, despite the general elimination of most textile quotas on January 1, 2005. In this report, GAO (1) describes the mechanism, (2) describes requests for safeguard action filed by U.S. producers and the results of these requests, and (3) evaluates U.S. agency procedures for transparency and accessibility.

The purpose of the China textile safeguard is to limit surging imports and foster the orderly development of trade in textiles and apparel from China. Safeguards are import restrictions, normally of limited duration and extent, which provide an opportunity for domestic industries to adjust to increasing imports. The China textile safeguard permits WTO members, including the United States, to temporarily restrict growth in specific imports from China even though textile and apparel quotas in general have been eliminated.

GAO concludes that in the U.S., procedural shortcomings have impaired effective application of the China safeguard. These shortcomings have lead to, among other things, uncertainty and delay that may weaken safeguard actions on some products that were recently released from quota restrictions. Similarly, lack of production data impaired access to safeguard measures for U.S. sock producers, and may pose similar problems should other producers in similar circumstances seek application of this mechanism.

2005 NATIONAL TRADE ESTIMATE REPORT ON FOREIGN TRADE BARRIERS [NTE]
Executive Office of the President
Office of the United States Trade Representative (USTR)
March 30, 2005

The 2005 National Trade Estimate Report on Foreign Trade Barriers (NTE) is the twentieth in an annual series that surveys significant foreign barriers to U.S. exports. The report provides, where feasible, quantitative estimates of the impact of these foreign practices on the value of U.S. exports. Information is also included on actions taken to eliminate barriers. The NTE covers 61 major trading partners in each region of the world and profiles policies restricting market access.

The NTE includes successes, as well as some major ongoing problems, including the following:

* The "epidemic levels" of counterfeiting and piracy in China, which cause serious economic harm to U.S. businesses in virtually every sector of the economy.
* The reopening of Japan's market to U.S. beef and beef products after Japan banned imports when one imported cow infected with bovine spongiform encephalopathy (BSE, or "mad cow disease) was found in the United States in late 2003.
* The imposition of a 20 percent tax by Mexico on beverages and syrups made with sweeteners other than cane sugar.

U.S.-AFRICAN TRADE PROFILE [2005]
United States Department of Commerce
International Trade Administration (ITA)
March 2005

Two-way trade between the United States and Sub-Saharan Africa rose in 2004, as both exports and imports increased. Two-way trade increased 37 percent from a year earlier to $44.4 billion. U.S. exports to Sub-Saharan Africa rose 25 percent to $8.6 billion, due to increased sales of oil field equipment and parts, aircraft, wheat, vehicles, and electrical machinery (including telecommunications equipment). U.S. imports rose 40 percent from 2003 to $35.9 billion, due to increased imports of crude oil (mainly driven by an increase in oil prices) as well as increased imports of platinum, diamonds, woven and knit apparel, and iron (ferro) alloys. Trade between the United States and Sub-Saharan Africa is highly concentrated, with a small number of African countries accounting for an overwhelming share of the total for both imports and exports.

Among the report's highlights are the following:

* U.S. exports to South Africa grew by 13 percent, to Nigeria by 53 percent, to Angola by 21 percent, to Ethiopia by 12 percent, and Kenya by 100 percent. Aircraft sales to Kenya caused the large increase.
* U.S. imports increased from all of the oil producing countries with imports from Nigeria growing by 56 percent, from Angola by six percent, from Gabon by 25 percent, from Equatorial Guinea by 30 percent, and from the Republic of Congo by 98 percent.
* Imports from Chad increased at a very high rate resulting from the start of oil shipments through the Chad-Cameroon pipeline late last year.
* Imports from South Africa increased by 29 percent, with continued growth in imports of platinum, diamonds, ferroalloys, and vehicles and parts.
* In 2004, African Growth and Opportunity Act (AGOA) imports increased 88 percent to $26.6 billion. The top five AGOA beneficiary countries included Nigeria, Angola, Gabon, South Africa, and Chad. While Lesotho was the fourth largest AGOA beneficiary in 2003, AGOA imports from Angola (a new AGOA beneficiary country) and Chad (a new oil producer) in 2004 surpassed those from Lesotho.

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IMMIGRATION ISSUES IN TRADE AGREEMENTS

Ruth Ellen Wasem
Congressional Research Service / Library of Congress
July 11, 2005 – 19 pages

The connections between trade and migration are as longstanding as the historic movements of goods and people. The desire for commerce may often be the principal motivation, but the need to send people to facilitate the transactions soon follows. Recognition of this phenomenon is incorporated into the Immigration and Nationality Act (INA), which includes provisions for aliens who are entering the United States solely as "treaty traders" and "treaty investors". Although the United States has not created a common market for the movement of labor with our trading partners, there are immigration provisions in existing free trade agreements (FTAs) that spell out reciprocal terms regulating the "temporary entry of business persons"…
(This report provides background and analysis on the complex nexus of immigration and trade. It does not track legislation and will not be updated.)

COOPERATIVE R & D: FEDERAL EFFORTS TO PROMOTE INDUSTRIAL COMPETITIVENESS

Wendy H. Schacht
Congressional Research Service / Library of Congress
July 5, 2005 - 18 pages

In response to the foreign challenge in the global marketplace, the United States Congress has explored ways to stimulate technological advancement in the private sector. The government has supported various efforts to promote cooperative research and development activities among industry, universities, and the federal R&D establishment designed to increase the competitiveness of American industry and to encourage the generation of new products, processes, and services.
Among the issues before Congress are whether joint ventures contribute to industrial competitiveness and what role, if any, the government has in facilitating such arrangements…

OVERVIEW OF THE CHINESE ECONOMY

Joint Economic Committee
United States Congress
July 2005 - 15 pages

The economy of the People's Republic of China (PRC) is strongly influenced by the Chinese government through its extensive ownership, control, and financing of major businesses, according to this Joint Economic Committee (JEC) study released by Chairman Jim Saxton. The study examines the evolution of Chinese economic policy in recent decades and its impact on the structure of the Chinese economy.

It finds that, on the one hand, the PRC has largely adhered to openness to international trade and investment -- one of the characteristics of successful market economies. Not surprisingly, the PRC's greatest strength is its integration with the global economy. On the other hand, the PRC retains many of the detrimental characteristics of command economies. Given the PRC's integration with the global economy, a significant slowdown or recession in the PRC could diminish the prospects for economic growth in the United States and other countries around the world.

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OUTREACH SERVICE

ECONOMICS & TRADE

AMERICAN EMBASSY RESOURCE CENTER

March 2005

IN DEPTH…

Views expressed in the reports are those of the authors and do not necessarily reflect U.S. government

MONETARY POLICY REPORT TO THE CONGRESS

Board of Governors of the Federal Reserve System
February 16, 2005

The Chairman of the Federal Reserve Board foresees a boost in demand for U.S. exports and economic growth in the U.S. that "will likely be sufficient to generate notable increases in employment." Furthermore, says Board Chairman Alan Greenspan, "The fundamental factors underlying the continued strength of the economy last year should carry forward into 2005 and 2006, promoting both healthy expansion of activity and low inflation."

FOREIGN ASSISTANCE: U.S. TRADE CAPACITY BUILDING EXTENSIVE, BUT ITS EFFECTIVENESS HAS YET TO BE EVALUATED

United States Government Accountability Office (GAO)
February 11, 2005

U.S. trade capacity building is primarily a collection of existing trade and development activities placed under the umbrella of trade capacity building. The U.S. government initiated an annual government-wide survey in 2001 to identify U.S. trade capacity building efforts, which it defined as "assistance meant to help countries become aware of and accede to the World Trade Organization (WTO); implement WTO agreements; and build the physical, human, and institutional capacity to benefit from trade." U.S. agencies self-reported that they had provided almost $2.9 billion in trade capacity building assistance to over 100 countries from fiscal years 2001 through 2004. The Agency for International Development (USAID) reported providing about 71 percent of the trade capacity building funding. Agencies are coordinating their assistance through the trade capacity building interagency group formed in 2002 to help countries negotiate and implement U.S. free trade agreements.

GAO found that most of the U.S. agencies we reviewed are not systematically measuring the results of their trade capacity building assistance or evaluating its effectiveness. Although some agencies have set program goals for building trade capacity, they have not generally developed performance indicators, compiled data, or analyzed the results in terms of building trade capacity. USAID's March 2003 strategy for building trade capacity includes a limited number of performance indicators. USAID officials have stated that developing such indicators is difficult but have begun work independently and with other international donors toward that end. Without a strategy for evaluating the effectiveness of its trade capacity building assistance, the United States cannot identify what works and what does not work to ensure the reasonable use of resources for these efforts.

CUSTOMS MODERNIZATION HANDBOOK

Luc De Wulf and José B. Sokol, editors
World Bank
February 3, 2005

The Trade Department of the World Bank prepared this Customs Modernization Handbook to provide guidance to the many organizations and individuals involved in the preparation and implementation of customs modernization projects. The Handbook draws on the lessons learned from past successes and failures, both by the Bank itself and a range of other organizations.

For many countries, achieving efficiency and transparency in customs operations remains a formidable challenge. In 2002, over US$6.3 trillion of goods crossed international borders. Each one of those shipments passed through customs controls at least twice—at entry and at exit. Customs services have often had to cope with these growing trade volumes without any commensurate increase in staff or resources. In addition, customs administrations continue to face changes to their operating environment, which emphasize the need to adjust and modernize their processes. The issues addressed in this document are those that affect customs operation and trade facilitation. These are customs valuation, rules of origin, duty relief and duty exemption regimes, transit, security, and the use of information and communications technology (ICT).

Each of the 13 chapters begins with a short background section that is intended as a reader's guide to the issues. This is followed by an analysis and discussion of the issues, then by the chapter's main operational conclusions and recommendations. Some chapters include an annex with a checklist of issues that need to be addressed in the areas covered. Case studies are used to illustrate points made in the chapters.

CAFTA-DR BRIEFING BOOK
Executive Office of the President
Office of the United States Trade Representative (USTR)
February 2005

This site is an excellent source for fact sheets and other materials concerning the Central America - Dominican Republic Free Trade Agreement (CAFTA-DR). Most of the Policy Briefs are from the Office of the United States Trade Representative (USTR), but there are links to materials produced by the International Trade Administration (ITA) and other organizations.

U.S.-CHINA TRADE: SUMMARY OF 2003 WORLD TRADE ORGANIZATION TRANSITIONAL REVIEW MECHANISM FOR CHINA
United States Government Accountability Office (GAO)
January 25, 2005

China's 2001 accession to the World Trade Organization (WTO) raised expectations with Congress and the private sector about the prospects for China to reform its markets and allow greater access to foreign goods and services. As part of its long-term body of work related to China's membership in the WTO, GAO reported in October 2004 on how the U.S. Trade Representative (USTR) and the Departments of Commerce, State, and Agriculture were positioned to monitor and enforce China's compliance with its WTO commitments in 2003. [See: http://www.gao.gov/new.items/d0553.pdf] In that report, GAO examined the ultilateral annual WTO review of China's progress, referred to as the Transitional Review Mechanism (TRM). GAO found that the TRM has ongoing limitations in its participation and its procedures, and made recommendations to improve related U.S. government activities.

For this report GAO compiled information about WTO members' participation and about the particular implementation issues raised by the United States and other WTO members' during the TRM, using WTO documents. This information is organized into separate tables for each of the 16 WTO subsidiary bodies with a role in reviewing China's WTO commitments. Specifically, seven WTO members both submitted written questions and discussed issues verbally in some TRM meetings: the United States, the European Communities, Japan, Chinese Taipei, Australia, Canada, and Mexico. Four other members--Brazil, Korea, Norway, and Pakistan--only participated verbally during some meetings. The United States was the most active member in the 2003 TRM, participating one or both ways in 14 of the 16 subsidiary bodies; the exceptions were the Committees on Balance-of-Payments Restrictions and Rules of Origin.

TRADE NEGOTIATIONS DURING THE 109TH CONGRESS
Ian F. Fergusson and Lenore M. Sek
Library of Congress, Congressional Research Service
Updated January 19, 2005

The United States is participating in several regional and bilateral trade negotiations. Agreements were concluded and became effective during the 108th Congress with Australia, Chile, Morocco, and Singapore. Agreements have been signed with the five countries of the Central American Common Market (CACM) and the Dominican Republic, and with Bahrain. Negotiations are underway with the Southern African Customs Union (SACU), Panama, and Thailand. Talks with the Andean nations of Colombia, Peru, and Ecuador began in May 2004. Negotiations are expected to begin with the United Arab Emirates and Oman early in 2005. Several other trade initiatives are under discussion, including a U.S.-Middle East FTA and an FTA with countries in Southeast Asia.

An ongoing regional initiative is the Free Trade Area of the Americas (FTAA). In April 1998, 34 Western Hemisphere nations formally initiated negotiations on tariffs and non-tariff trade barriers in the hemisphere. Negotiators have released drafts of an agreement-in-progress. Trade ministers met in Miami in November 2003 and announced a blueprint for negotiations, but the talks have now stalled. The broadest trade initiative now being negotiated is the multilateral trade negotiations in the World Trade Organization (WTO). In November 2001, trade ministers from 142 WTO member countries agreed to launch a new round of trade talks covering market access, WTO institutional rules, and developing-country issues. A framework agreement on future negotiations was concluded in Geneva on August 1, 2004, but a new deadline has not been set for the completion of the talks.

U.S.-China Trade, 1989-2003

Impact on Jobs and Industries, Nationally and State-By-State
Robert E. Scott
U.S.-China Economic and Security Review Commission
January 11, 2005

According to this study, the growing U.S. trade deficit with China has had an increasingly negative impact on the U.S. economy, causing job losses that affect every state and reach into the most technologically advanced industries in the manufacturing sector. The report, prepared by Robert Scott of the Economic Policy Institute (EPI), contends that the 1.5 million lost job opportunities over the course of 14 years were distributed throughout all 50 states and the District of Columbia, with employment losses of roughly 1.5% to 2.5% in the hardest-hit states. California experienced the greatest impact, losing 211,045 jobs - or some 1.46% of the state's total workforce - during the period covered by the report, followed by Texas (106,262); New York (87,037); Illinois (74,070); Pennsylvania (73,612); Florida (65,733); North Carolina (65,279); Ohio (61,914); Michigan (54,313); and Georgia (49,589).

Using a methodology that determines the number of jobs needed to produce exports and imports, the research for this study found that 1.5 million jobs were lost to lower-wage Chinese competition in the 14-year period between 1989 and 2003. During that time, the report states that the U.S. trade deficit with China rose twenty-fold, from $6.2 billion to $124 billion. The U.S. trade deficit in Advanced Technology Products (ATP) with China is now $32 billion, an amount equal to the total U.S. ATP deficit.

AFRICA: U.S. FOREIGN ASSISTANCE ISSUES

Raymond W. Copson
Library of Congress. Congressional Research Service
Updated January 4, 2005

U.S. assistance to sub-Saharan Africa in FY2005 through most programs will likely closely parallel amounts allocated in FY2004. However, 12 “focus countries” [Botswana, Cote d’Ivoire, Ethiopia, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, and Zambia] will benefit from a substantial increase under the Global AIDS Initiative, funded by the FY2005 Consolidated Appropriations (H.R. 4818). Assistance to Africa would total about $3.4 billion under the Administration’s FY2005 request, but will likely rise due to emergency food aid. Aid totaled an estimated $3.3 billion in FY2004.

2005 INDEX OF ECONOMIC FREEDOM

Marc A. Miles, Edwin Feulner and Mary Anastasia O’Grady, editors
Heritage Foundation; Wall Street Journal
January 2005

This 11th edition of the Index documents the correlation between freedom and prosperity. Countries that improve their scores in the 10 categories measured—trade policy, fiscal burden of government, government intervention in the economy, monetary policy, capital flows and foreign investment, banking and finance, wages and prices, property rights, regulation and informal (or black) market activity—tend to see their standards of living and per capita incomes rise. Data gathered for the 2005 Index show a net increase in global economic freedom. Of the 155 countries analyzed, 86 scored better this year than last year and 12 had unchanged scores. The scores of 57 countries were worse than last year. Overall, 17 countries are classified as having “free” economies, 56 as “mostly free,” 70 as “mostly unfree” and 12 as “repressed.”

Countries ranked as “the most free” are: Hong Kong (1st); Singapore (2nd); Luxembourg (3rd); Estonia (4th); Ireland (5th); New Zealand (5th); United Kingdom (7th); Denmark (8th); Iceland (8th); Australia (10th). Those countries that ranked as “the least free” are: Venezuela (146th); Uzbekistan (147th); Iran (148th); Cuba (149th); Laos (150th); Turkmenistan (151st); Zimbabwe (151st); Libya (153rd); Burma (154th); North Korea (155th).

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