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OP-ED CONTRIBUTOR

New Trade Pacts Betray the Poorest Partners

By JOSEPH E. STIGLITZ

The United States and Morocco last month signed a new bilateral trade treaty. The Bush administration has been bragging that it exemplifies the way its economic policies can build new ties and new friendships around the world. This is especially important in the Middle East, where, in other respects, America's foreign policy seems to have left something to be desired. The cooperation with moderate Arab governments is meant to demonstrate our broadmindedness, our willingness to offer a carrot (rather than the proverbial stick) to those who behave reasonably.

But regrettably, in negotiating the trade agreements with Morocco, Chile and other countries, the Bush administration has used the same approach that earned us the enmity of so much of the rest of the world. The bilateral agreements reveal an economic policy dictated more by special interests than by a concern for the well-being of our poorer trading partners. In Morocco, prospects of the trade agreement were greeted by protests — an unusual occurrence in a country that is only slowly moving to democracy. The new agreement, many Moroccans fear, will make generic drugs needed in the fight against AIDS even less accessible in their country than they are in the United States. According to Morocco's Association de Lutte contre le SIDA, an AIDS agency, the agreement could increase the effective duration of patent protection from the normal length of 20 years to 30 years.

Morocco is not the only country that is worrying about access to life-saving drugs. In all its bilateral agreements, the United States is using its economic muscle to help big drug companies protect their products from generic competitors. For a country like Thailand, which is facing a real AIDS threat, these are issues of more than academic concern.

President Bush's policy in this area seems puzzling and hypocritical. While he talks about a global campaign against AIDS, and has offered substantial sums to back it up, what he is giving with one hand is being taken away with the other. Most Americans, I believe, would support greater access to life-saving generic drugs. The loss to the drug companies would be small, and must surely be dwarfed by the huge tax breaks they get.

Nor are drugs the only arena in which the United States has used its economic power to advance some special American interest. The agreement with Chile limited its ability to restrict the inflow of speculative, hot money — money that can come in and out of a country on a moment's notice. Chile had recognized the potential destabilizing effects of these capital movements, and had imposed moderate taxes on these flows. Such restrictions had helped Chile grow a remarkable 7 percent a year in the early 1990's. That is because, unlike many of its neighbors in Latin America, Chile did not have to face the economic havoc caused by capital suddenly flowing in and then just as quickly flowing out. Today, even the International Monetary Fund recognizes that capital-market liberalization often leads to more instability instead of faster growth.

In telecommunications, too, in Morocco and elsewhere, we have put forward demands (for example, concerning the use of transmitting facilities and the wholesaling of transmission capacities) that we would oppose strenuously if someone were to impose them on us. In the view of the developing world, the bargaining has been extraordinarily one-sided — with all the power on America's side.

The United States and its trade representative, Robert Zoellick, are right that trade policy can be an

important instrument for building good will. But when conducted as it has been by the Bush administration, it can be, and is, a way to build ill will, especially among the young, who worry that their elders are selling them short.

If the trade agreements bring the economic benefits promised, if the lack of access to affordable drugs (including generic drugs) proves less troublesome than the naysayers worry, then all may be forgiven. But there is a good chance that this will not be the case: in Mexico, for example, real wages actually declined in the decade after the North American Free Trade Agreement. And looking ahead, the demands for capital-market liberalization have a good chance of exposing Chile's economy to disruption, while the AIDS epidemic and the need for cheap drugs to fight it are not about to go away.

The good news is that the damage has been limited so far because we have been able to pressure only a few small countries to sign bilateral trade agreements. The bad news is that the enmity that we are earning through these pacts will only grow.

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