

‘FTA offers more risks than gains’

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The United States has used free-trade agreement (FTA) negotiations to flex its military and economic muscle but developing countries stand to gain little from such deals, a leading Malaysian economist said yesterday.

An FTA with the US is essentially not a trade agreement as it has little to do with reducing tariffs, argued Prof Jomo K Sundaram at a seminar on liberalisation, macro-economic policies and development options in Asia held at Chulalongkorn University.

The issue of market access could be decided multilaterally within the framework of the World Trade Organisation (WTO), he said, adding that signing an FTA would be “the stupidest thing to do” for developing countries in Asia.

The US had used bilateral negotiations as a pretext for so-called “trade-related” issues such as intellectual property rights which had generated vast amounts of foreign capital for the US, said Jomo, who lectures at the University of Malaya’s Faculty of Economics and Administration.

Intellectual property rights have only been protected for 20 years. Prior to that, pirated goods facilitated much of the world’s technological development, said Jomo.

He argued that students in Third World countries could also be penalised by penning an FTA with the US, as the cost of imported textbooks would spiral beyond their means.

Developing countries were most likely to encounter problems due to a lack of skilled negotiators, he warned.

China had more than 300 lawyers to prepare for its accession into the WTO, but Jomo questioned how many negotiators Thailand had tackling the issue.

The US used its FTA negotiations with Chile and Singapore – both of which are now complete – to push for greater capital liberalisation.

However, Chile was disgruntled to learn that Singapore had managed to maintain more control over capital inflow, he said.

The US and Thailand entered into talks in the middle of this year based on the US-Singapore model. Both parties expect to sign a deal within two years.

The prospective FTA would have little positive impact on the grass-roots economy, the professor said.

“Don’t deceive yourself that an FTA would mean lower-priced goods in the supermarket,” he said, adding that the major exports from the US included aircraft, heavy equipment as well as

financial services.

Aids activists have raised concerns that including intellectual property rights in the Thai-US FTA negotiations could allow US drug-manufacturers to further insulate patents and deprive patients of access to affordable anti-retroviral drugs.

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