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Bad Bilateral Trade Deals Are No Better Than Bad Multilateral Deals

By John Audley

Following its embarrassing performance last month in Cancun, Mexico, the Bush Administration is ramping up efforts to negotiate bilateral and regional free trade agreements (FTAs). U.S. Trade Representative (USTR) Ambassador Robert Zoellick believes that he can increase U.S. leverage at the WTO by negotiating U.S. trade positions into smaller, less economically significant, trade agreements. Already USTR deputies are laying the groundwork for this new emphasis on FTAs, arguing everything from promoting national security by securing deals with friendly Muslim countries (Morocco and Bahrain), to strengthening fledgling democracies (Central America) and creating jobs for Americans (all of them). Unfortunately, the facts don't support these claims.

First, trade deals with small economies do not create U.S. jobs. The International Trade Commission—the United States government's own independent, nonpartisan, group of trade experts—recently reported that multi-lateral

trade deals have a much larger impact on the U.S. economy than do regional or bilateral deals, which have virtually no impact. Changes in consumer demand, technological innovation, exchange rates, and improvements in national policies both here and abroad explain a much larger portion of changes in U.S. exports.

Second, while bilateral and regional FTAs may attract new U.S. trading partners like bees to honey, their impact on big trade deals remains a fantasy. Nowhere is this fact more evident than in Cancun, when governments involved in the Central American Free Trade Agreement (Costa Rica, El Salvador, Guatemala), the Free Trade Area of the Americas (the Central Americans plus seven more countries) and potential Middle East trading partners (Egypt, Pakistan), effectively told the United States that its agriculture policies are not welcome at the WTO—and they are equally unwelcome in regional deals. By joining together to take a stand against U.S. agriculture policy, these countries hope to insulate themselves against U.S. retaliation in

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trade and other foreign policy areas, a threat already made by Senator Charles Grassley and Deputy U.S. Trade Representative Josette Shiner. Whether or not these developing countries face a rough road ahead in negotiations with the United States, their behavior in Cancun argues against Ambassador Zoellick's FTA strategy.

Finally, the United States muscling smaller economy countries into accepting trade agreements may actually be more destructive to development goals than multilateral trade deals. A case in point involves the Central America trade talks. While Central Americans hope that negotiations will make them more attractive to U.S. investors, the United States is pressuring them to accept a deal that opens their markets to U.S. products while doing nothing to ensure that their agriculture and apparel products find markets in the United States. Central America countries are among the poorest in the world, and most are likely to collapse under this kind of "beggar-thy-neighbor" deal.

Good national policies, not new trade disciplines, are the key to opening doors for U.S. products in small economies. For development-oriented trade advocates, that means exchanging greater access to U.S. markets for meaningful reform of developing country labor policies, enhanced protection of the environment and public health, and greater transparency in government proceedings. While U.S. negotiators embrace labor and environment goals on paper, in practice any meaningful attempts to address these development challenges as part of U.S. trade policy are lost in the rough and tumble of trade negotiations.

On this point, Congress must share much of the blame for U.S. failure. Republican leaders in Congress steadfastly resist development-oriented trade policy, mistakenly convinced that promoting real reforms among our developing country trading partners will cost U.S. business community support. On the other hand,

pro-trade Democrats' efforts to find solutions are opposed by the party's leadership. In fact, opposition to trade agreements has become a litmus test for political correctness among Democrats. This is a foolish position to hold, not only because it is bad policy, but also because it strengthens the ability of Republicans to keep development out of U.S. trade policy.

Attempting to bully small countries in meaningless FTAs squanders the real opportunity to use smaller trade deals to put trade liberalization on a path towards realizing the development goals agreed to by President Bush as part of the United Nations Millennium Challenge goals. It is time that we adopt sensible trade policies at home, and stop blaming other countries for failed trade talks. ■

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