

THE KOREA HERALD

November 16, 2007 Friday

Nobel laureate criticizes FTA, U.S. unilateralism

Joseph Stiglitz must be one of the incumbent Korean government's favorite economists, as he supports the country's regulatory reforms for sustainable growth which are also aimed at benefiting a majority of its people.

The Nobel Laureate and Columbia University professor was in Seoul to discuss the city's potential as a financial center at a two-day conference.

"The Korean Fair Trade Commission has been doing a better job than American regulators," Stiglitz told reporters during the Seoul International Financial Conference on Wednesday.

"In its case against Microsoft's anticompetitive practices, for example, the FTC was consistent with the European regulators and the U.S. courts, while the Bush administration, captured with special corporate interests, has done nothing."

In 2005, the Korean watchdog fined Microsoft Corp. 32.4 billion won (\$34.6 million) for selling its Windows system bundled with its instant messenger and media player programs.

"The task of regulation is never over," he said. "It's a constant question of adapting to new innovations in the private sector, new realities that emerge."

The critic of free market fundamentalists and some international institutions like the International Monetary Fund is also against bilateral free trade agreements with the United States.

"Trade negotiators I met in other countries point out that you don't negotiate with the United States; it's 'take it or leave it,'" Stiglitz said.

"The USTR boasts on their website that they were able to get more from Korea than from other countries. There was no way Korea could win because the American negotiators would never give anything of substance."

The KORUS FTA will make access to generic medicine more difficult, impacting poor people who cannot afford brand-name medicines, the economist said. He believes Korea should have been able to tax high-emission American cars more heavily because they cause more pollution.

"A true FTA will be very short; it will only say that we'll eliminate tariffs, nontariff barriers and subsidies, and you do the same," he said.

"But the bilateral FTAs with America go on for hundreds of pages with special interest, pieces of legislation, treaties that go well beyond trade. They intervene in basic issues of sovereignty."

For example, the investment agreement provisions allowing private investors to sue the government in arbitration panels have had disastrous results in many developing countries such as Indonesia.

Indonesia followed an IMF recommendation to cancel an investment contract signed under former President Suharto during the 1997 financial crisis, and got sued in a kangaroo court. The country lost and didn't just have to pay the \$30 million the investors had put in, but a total of \$300 million because of claims on lost profits.

"These provisions provide standards of judicial proceedings that are below the level that would be accepted by any democracy," Stiglitz said.

"There are billions of dollars lost in suits like this, so any country that signs such an agreement, I think, is foolish."

The economist emphasized the importance of multilateralism in the process of globalization and forecast a future ruled by soft power, which comes from diplomacy, culture and history.

"I do agree the American leadership has a very important role but it has to be different from the past seven years," he said.

Mentioning how the United States failed to secure peace and stability in Iraq despite pouring 47 percent of its total expenditure into weapons and military activities, Stiglitz added, "The direction given by the Bush administration forced unilateralism and is counterproductive because it is not the way the world will be run in future."

Even the financial sector, which has largely been led by Anglo-Saxon institutions, is undergoing various changes in terms of industrial organization, sources of funds, technology, knowledge base and global security, according to Stiglitz.

"Growth in the next 20 years will be centered around Asia," he said. "The most important information for the investors and savers will still be local, and this is why there will be a multiplicity of financial centers."

Just as Switzerland and Luxembourg became financial centers with close access to local information across Europe, although they weren't major players, Korea, between China and Japan, has a geopolitical edge, he asserted.

Regarding Korea's often political debate on growth versus distribution, Stiglitz stressed that the focus of economic policies should be on achieving both growth and equity as

there is no theory or evidence in support of the notion that growth by itself would make everyone happy.

"The objective of any economic policy is improving the well-being of the citizens," he said.

"It would be a failed policy if the vast majority of people are worse off despite a growth in the gross domestic production, and this is what happened to America over the past six years."

By Kim So-hyun