

## Trade and trust

By Paul Krugman

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One of the Obama administration's underrated virtues is its intellectual honesty. Yes, Republicans see deception and sinister ulterior motives everywhere, but they're just projecting. The truth is that, in the policy areas I follow, this White House has been remarkably clear and straightforward about what it's doing and why.

Every area, that is, except one: international trade and investment.

I don't know why the president has chosen to make the proposed Trans-Pacific Partnership such a policy priority. Still, there is an argument to be made for such a deal, and some reasonable, well-intentioned people are supporting the initiative.

But other reasonable, well-intentioned people have serious questions about what's going on. And I would have expected a good-faith effort to answer those questions. Unfortunately, that's not at all what has been happening. Instead, the selling of the 12-nation Pacific Rim pact has the feel of a snow job. Officials have evaded the main concerns about the content of a potential deal; they've belittled and dismissed the critics; and they've made blithe assurances that turn out not to be true.

The administration's main analytical defense of the trade deal came earlier this month, in a report from the Council of Economic Advisers. Strangely, however, the report didn't actually analyze the Pacific trade pact. Instead, it was a paean to the virtues of free trade, which was irrelevant to the question at hand.

First of all, whatever you may say about the benefits of free trade, most of those benefits have already been realized. A series of past trade agreements, going back almost 70 years, has brought tariffs and other barriers to trade very low to the point where any effect they may

have on U.S. trade is swamped by other factors, like changes in currency values.

In any case, the Pacific trade deal isn't really about trade. Some already low tariffs would come down, but the main thrust of the proposed deal involves strengthening intellectual property rights — things like drug patents and movie copyrights — and changing the way companies and countries settle disputes. And it's by no means clear that either of those changes is good for America.

On intellectual property: patents and copyrights are how we reward innovation. But do we need to increase those rewards at consumers' expense? Big Pharma and Hollywood think so, but you can also see why, for example, Doctors Without Borders is worried that the deal would make medicines unaffordable in developing countries. That's a serious concern, and it's one that the pact's supporters haven't addressed in any satisfying way.

On dispute settlement: a leaked draft chapter shows that the deal would create a system under which multinational corporations could sue governments over alleged violations of the agreement, and have the cases judged by partially privatized tribunals. Critics like Senator Elizabeth Warren warn that this could compromise the independence of U.S. domestic policy — that these tribunals could, for example, be used to attack and undermine financial reform.

Not so, says the Obama administration, with the president declaring that Senator Warren is "absolutely wrong." But she isn't. The Pacific trade pact could force the United States to change policies or face big fines, and financial regulation is one policy that might be in the line of fire. As if to illustrate the point, Canada's finance minister recently declared that the

Volcker Rule, a key provision of the 2010 U.S. financial reform, violates the existing North American Free Trade Agreement. Even if he can't make that claim stick, his remarks demonstrate that there's nothing foolish about worrying that trade and investment pacts can threaten bank regulation.

As I see it, the big problem here is one of trust.

International economic agreements are, inevitably, complex, and you don't want to find out at the last minute — just before an up-or-down, all-or-nothing vote — that a lot of bad stuff has been incorporated into the text. So you want reassurance that the people negotiating the deal are listening to valid concerns, that they are serving the national interest rather than the interests of well-connected corporations.

Instead of addressing real concerns, however, the Obama administration has been dismissive, trying to portray skeptics as uninformed hacks who don't understand the virtues of trade. But they're not: the skeptics have on balance been more right than wrong about issues like dispute settlement, and the only really hackish economics I've seen in this debate is coming from supporters of the trade pact.

It's really disappointing and disheartening to see this kind of thing from a White House that has, as I said, been quite forthright on other issues. And the fact that the administration evidently doesn't feel that it can make an honest case for the Trans-Pacific Partnership suggests that this isn't a deal we should support.