

TPP is about many things, but free trade? Not so much

By Blayne Haggart

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Let's be clear about the just-released, negotiated-in-secret Trans-Pacific Partnership deal. Despite how it's being referred to by journalists, officials and academics, as Nobel prize-winning economist Joseph Stiglitz and economist Adam Hersh have noted, it is definitely not a "free-trade" agreement. It's much more than that.

What are Dr. Stiglitz and others arguing, and why does it matter? Simply put, calling the TPP a free-trade agreement overplays its benefits, plays down its problematic aspects and fundamentally misunderstands what the deal is actually about.

Labels matter. Ever since the 1988 "free-trade election," the virtue of free trade has been unquestioned in Canadian policy circles. Free trade's victory in the battle of ideas has been so overwhelming that if you can persuade someone that the TPP is a free-trade agreement, then you've already won half the battle.

Free trade has a specific meaning for economists. The notion that free trade is good is grounded in the theory of comparative advantage. First developed in 1817 by David Ricardo, it states (simplifying quite a bit) that if countries specialize in what they are best at, they can make themselves better off through trade. Costs are lowered, production is maximized and people can buy imports at prices lower than would have prevailed had they produced everything themselves.

Many conditions have to hold (and they often don't) for comparative advantage to work in the real world. Regardless, pro-free-trade arguments implicitly rely on the idea of comparative advantage.

The big problem is that TPP-like agreements are no longer exclusively or even primarily

about reducing traditional trade barriers. As Harvard economist Dani Rodrik notes in his 2011 book *The Globalization Paradox*, with some exceptions (such as Canada's dairy industry), tariffs have never been lower. Any gains from further reductions would be relatively modest.

Instead, agreements such as the TPP are about implementing policies that have nothing to do with comparative advantage, policies that are often designed to lead to higher consumer costs and concentrated corporate power. Treated as marginal issues, these policies are "free-trade free-riders," coasting along on an unearned legitimacy.

Today, the free-trade free-riders are central to agreements such as the TPP. Take intellectual property. As Dr. Stiglitz, Dr. Hersh and groups such as *Médecins sans frontières* (Doctors Without Borders) have noted, greater drug-patent protection would "limit competition from generic drug manufacturers that reduce drug prices and improve access to treatment, and would accelerate already soaring medicine and vaccine prices."

This isn't a bug; it's the point of the agreement.

The same goes for extended copyright terms. Longer terms are "a windfall for record companies, with little benefit to artists or the public," as Canadian copyright expert Michael Geist has noted. Economists, including the late Milton Friedman, tend to agree. Prof. Geist also notes that the TPP would increase Canada's copyright term from life of the author plus 50 years to life plus 70, potentially costing Canadians \$100-million a year. Yet the cost of stronger intellectual property protection are played down when analysts sing the praises of agreements such as the TPP, treated like secondary issues.

Investor-state dispute settlement is another free-trade free-rider justified by appeals to comparative advantage. ISDS puts corporations on the same level as states, allowing foreign firms to sue countries, not only for breach of contract or nationalization, but against public policies, such as access to drinking water and environmental protection, that might negatively affect their bottom line.

Famously, the ISDS regime used by Canada, Mexico and the United States in the North American free-trade agreement – Chapter 11 – has been accused of leading to “regulatory chill,” causing lawmakers to be overly cautious when designing public policy in areas such as the environment, lest they be sued.

And there’s more, including provisions preventing regulators from auditing source code of the type Volkswagen used to subvert emissions tests.

What, then, is the TPP? In short, it is a new global economic framework, driven primarily by U.S. interests and U.S. power. We should debate it as such. Is it a good deal for Canada? I don’t know – the 6,000-plus pages were dumped on us only late last week – but the secrecy surrounding the talks should tell us something.

Because we’re debating the future framework of the global economy, it would be nice if the debate over the TPP went beyond the old free-traders-versus-protectionists charade. At the very least, we should look under the hood and be suspicious of anyone trying to sell us the TPP as a “free-trade agreement.”

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