



TPP Revisited



[Updated January 27 per a note from [Scott Lincicome](#). Apparently Mr. McCarthy was wrong about the TPP Commission. Scott pointed me to [this article by Simon Lester for Cato](#). Mr. Lester points out that nearly every action or decision by the TPP Commission must be made by consensus, i.e. unanimous consent by all member countries. That means the U.S. and every other member country has a de facto veto power over Commission actions. Which is good enough for me. I have removed the sections discussing the TPP Commission.]

Over at the [National Review](#), [Andrew C. McCarthy](#) has published an excellent (and lengthy) article detailing his reasons for not being sorry the Trans-Pacific Partnership (TPP) has been withdrawn by the Trump administration. [I have, in the past, supported TPP](#). But **Mr. McCarthy has gone a long way to changing my mind**. I urge everyone to read this important piece in its entirety. Here are the arguments that I found most

persuasive:

1. Sheer size. At 5,554 pages, this document cannot truly promote free trade.
2. Labor agreements far in excess of prior trade agreements and very intrusive into national government policies.
3. Environmental restrictions range from nonsensical to overly intrusive.

It's Too Long

The treaty is 5,554 pages. As Mr. McCarthy notes, free trade does not require eleven reams of paper.

I do not dispute that trade agreements are complicated, but free trade – which simply involves removing impediments to the cross-border movement of goods – is not the reason they are complicated; protectionism is. True, TPP has many solid free-trade provisions, and potentially opens trade in markets that were not hospitable in the past. These benefits have to be balanced, though, with TPP's considerable downsides, including its protectionist provisions.

Labor Market Restrictions

The TPP imposes many restrictions on labor markets including a minimum wage. Mr. McCarthy points to the [Cato Institute's helpful summary.\[1\]](#) The Cato analysis scores each chapter of the TPP on a scale of 0 (complete protection) to 10 (free trade). Chapters scoring above 5 are counted as trade-improving; those that score below 5 are trade-reducing. The labor chapter (p. 60) is scored at 3.

Here's what the Cato team has to say about labor provisions:

TPP's Labor chapter provisions go further than all previous free trade agreements have gone to regulate domestic labor

laws in a manner ostensibly intended to protect workers' rights. As in previous agreements, parties are required to adopt and maintain laws and regulations that abide the fundamental labor rights articulated by the International Labor Organization (ILO), including freedom of association and the right to collective bargaining; elimination of forced labor; abolition of child labor; and the elimination of employment discrimination. But for the first time in a trade agreement, the TPP parties are required to have laws governing minimum wages, hours of work, and occupational safety and health. All of these obligations are enforceable and subject to dispute settlement, which can result in the imposition of trade sanctions.

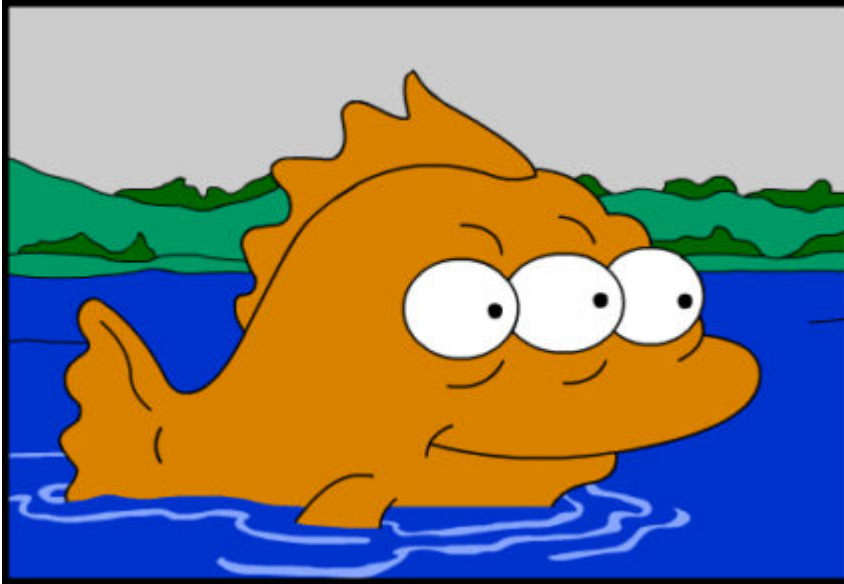
The chapter requires that TPP parties not fail to effectively enforce their labor laws in a manner that would affect trade or investment between the parties and not to weaken labor protections in export processing zones to attract investment. Moreover, the United States took the unusual step of negotiating bilateral implementation plans with Vietnam, Malaysia, and Brunei to expedite compliance and ensure that the laws, regulations, and practices in those countries are up to international standards.

The authors then go on to offer up this opinion:

The TPP Labor chapter includes the most rigorous, enforceable protections of labor rights and, by extension, the widest berth for protectionist mischief masquerading as labor concerns ever to be included in a trade agreement. While much of the TPP labor chapter borrows language from earlier agreements, with commitments to follow certain rights set out in the ILO Declaration and an obligation to “effectively enforce” domestic labor laws, the TPP goes beyond traditional labor chapters in a number of substantive ways, including by requiring that parties “adopt and maintain statutes and regulations” with respect to minimum wages.

That's pretty damning.

Environmental Concerns



EPA created this!

Cato scores the chapter on the environment (chapter 20, page 61) at 4. Mr. McCarthy notes that TPP

... requires countries (among other things) to control substances that are said to deplete the ozone layer, promote corporate social responsibility, and continue “transitioning to a low-emissions economy.” (As the transies put it in Article 20.15: “The Parties acknowledge that transition to a low emissions economy requires collective action.”) As observed by Cato, ... the environmental provisions “also reinforce the myth that trade harms the environment and that no cost is too high – even for developing countries – to mitigate threats and potential threats to environmental quality, even if the measure would provide only a marginal benefit.”

The Cato researchers add this:

The TPP continues a decades-long trend of conflating

obligations that belong in trade agreements and those that belong in environmental treaties. Free traders should be opposed to including enforceable environmental provisions in trade agreements. Such rules have nothing to do with liberalizing trade, and only provide leverage (the use or threat of sanctions) to environmental crusaders to impose costly mandates on poor countries.

Conclusion

I supported the TPP on general free trade grounds. I must now admit I was wrong. I should have been suspicious when the Obama administration lined up to push this deal. In fact, many TPP provisions support the former president's collectivist agenda. Good riddance. And next time let's get some actual economists and accountants into these negotiations. As [Walter Olson would say, these conversations are Overlawyered\, too many lawyers, not enough economists.](#)

[1] Daniel J. Ikenson, Simon Lester, Scott Lincicome, Daniel R. Pearson, K. William Watson (September, 2016). "Should Free Traders Support the Trans-Pacific Partnership? An Assessment of America's Largest Preferential Trade Agreement." Cato Institute Working Paper 39. Available at https://object.cato.org/sites/cato.org/files/pubs/pdf/working-paper-39_3.pdf accessed January 25, 2017.

David Ricardo and Comparative Advantage



Portrait of David Ricardo by Thomas Phillips, circa 1821. This painting shows Ricardo, aged 49, just two years before his death.

[Update Nov. 23. Several folks pointed out that $2017-1817=200$ not 300. Corrected below. Old age is not for sissies.]

Ricardo's seminal work was his theory of comparative advantage. His paper "On the Principles of Political Economy and Taxation" was published in 1817. That means next year will be the 200th anniversary of this historic piece.

I will not discuss the theory here. Instead, my purpose is to urge my fellow economists to engage in two activities. First, **celebrate this important anniversary.** Second, **redouble your efforts to educate the public on the merits of free trade.** Current public opinion and political winds seem to indicate a serious lack of information on this subject.

Happy to be Wrong About TPA



U.S. President Barack Obama signed into law on Monday legislation to speed trade bills through Congress. JONATHAN ERNST/REUTERS

As of today TPA and TAA are law. [President Obama signed the two bills this morning](#). I have mixed feelings about this. Like every economist worthy of the name I favor free trade. But I also [predicted that TPA would never make it to the Oval Office](#). I was wrong, but in this case I'm happy to be wrong about TPA. *Mea culpa*.

Quote of the Day Krugman Edition

[Bret Stephens in the June 16, 2015 Wall Street Journal gets credit for our quote of the day Krugman edition:](#)

What an extraordinary comeback for such a parochial political impulse. "Why do policy wonks who will happily watch hundreds of hours of talking heads droning on about the global economy refuse to sit still for the ten minutes or so it takes to explain [David] Ricardo?" So asked one famous economist in the mid-1990s, making fun of intellectuals who couldn't grasp the great English economist's concept of comparative advantage "with its implication that trade between two nations normally raises the real incomes of both."

To this economist, Ricardo's ideas were as self-evident as Darwin's—beyond dispute except to quacks or creationists. The economist was Paul Krugman.