

Newsweek

Weighing The Pacific Trade Deal's Green Demands

K. William Watson

January 4, 2016

When the Trans-Pacific Partnership (TPP) was still under negotiation, the Obama administration said it would be the “most progressive” trade agreement in history. An important part of that agenda was to break ground on new environmental issues and include strong and enforceable environmental protection rules.

But with the final text now released, environmentalists and anti-globalization activists are unimpressed and have criticized the TPP for, among many other things, having inadequate environmental protections.

Those critics are correct: The TPP's environment chapter is weaker than past trade agreements in almost every way. As far as environmental regulation is concerned, the TPP is clearly not the “most progressive” trade agreement in history. For those of us who support free trade and economic growth, this is very good news.

Including environmental provisions in trade agreements is supposed to appease trade skeptics on the left who think such agreements encourage pollution by shifting investment to foreign countries with lax environmental laws. But while this sort of thinking appeals to protectionists who want an excuse to keep out foreign competition, it just doesn't match up with reality.

The evidence shows that a country's environmental quality increases with economic growth as property rights develop and industries become less wasteful. Imposing strong environmental regulation through trade agreements does more to protect rent-seeking domestic industries than to protect the environment, especially in developing countries with high levels of corruption and weak checks on political power.

Nevertheless, environmentalists have consistently tightened their stranglehold on the U.S. trade agenda over the past 20 years, constantly demanding more environmental protection as a condition for opening up markets.

The current demands of Congressional Democrats are embodied in a document known as the May 10 Agreement that provided a blueprint for the last four U.S. trade agreements. One of those demands was that trade agreements incorporate the obligations of seven specific

environmental treaties. Another was that all environmental obligations in trade agreements had to be fully enforceable through trade sanctions.

The TPP's environment chapter significantly scales back this agenda in a few important ways. While the environment provisions are indeed fully enforceable, the TPP only incorporates one of the seven environmental treaties included in other agreements.

The Obama administration has tried to gloss over this fact by touting the TPP's inclusion of new rules on ocean conservation. It's true that the TPP's text mentions particular issues like shark-finning and marine mammal bycatch, but it doesn't impose any actual obligations on TPP countries to regulate those activities.

The only genuinely new and enforceable environmental obligation in the TPP is a provision requiring countries to "take measures" to prevent trade in illegally captured or harvested wildlife. This is indeed a troubling development considering how such laws have been abused in the United States to protect the domestic lumber industry from honest foreign competition.

These sorts of issues simply don't belong in trade agreements, which are supposed to facilitate trade by reducing protectionist barriers rather than engage in global governance. Even though its environment provisions aren't as restrictive as the administration wants critics to believe, the TPP would certainly be a better agreement without them.

But one surprising thing that separates the TPP's environment chapter from previous trade agreements is that it includes some real free trade. The TPP prohibits countries from providing subsidies that contribute to overfishing.

Not only is this anti-subsidy provision a genuinely positive contribution to the TPP's laudable goal of eliminating economic distortions, it also represents a potential paradigm shift in how we link trade and the environment. Free-trade agreements are supposed to reduce protectionism, and some protectionism—like fishing subsidies or tariffs on solar panels—is harming the environment.

We'd all be better off if the TPP didn't have an environment chapter, but this one isn't so bad. Free market advocates should see the relative weakness of the TPP's environment rules as progress in a battle we've steadily been losing for decades. And everyone should welcome efforts to link environmental causes to more free trade instead of more protectionism.

K. William Watson is trade policy analyst at the Cato Institute.