

Nobel Laureate economist Joseph Stiglitz heaps scorn on TPP and TTIP

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Professor Stiglitz is contemptuous of the Trans-Pacific and Transatlantic Trade and Investment regional trade partnerships. According to the Nobel Laureate their faults are many; their benefits, well, he doesn’t mention any. He doesn’t like these regional deals, personally favoring worldwide agreements. Trade economists don’t like them, he says. The TPP is based on “trade diversion” – away from China — rather than “trade creation.” Regional partnerships increase rather than rectify global inequalities. As for TTIP, it isn’t even about trade. It and TPP are about increasing the power of US corporations by stripping away member nations’ regulations and privatizing their judicial systems.

Below is a repost of a 27-minute embedded video of an interview with Stiglitz, followed by my transcript of the final 13 minutes of the event, which focuses on the two trade agreements. Actually, the entire video is worth a look. Alternatively, to watch the video on the website of the German organization that hosted the interview, click on the following linked title. Regrettably, no transcript is available at this site.

[An Interview with Nobel Laureate Joseph Stiglitz: The loss of the American Dream, Trickle Down Economics and Free Trade](#), presented by General Economic Dynamics, October 6, 2015

PARTIAL TRANSCRIPT beginning at the 14:08-minute mark

Interviewer: Dr. Uli Schoof

Question – Let me switch now to a different topic, which is, what we call it is the emergence of a new world trade order based on mega-regional trade agreements like TTIP [Transatlantic Trade and Investment Partnership] and TPP [Trans-Pacific Partnership] or RCP or FTAAP [Free Trade Area of the Asia-Pacific]. We’re doing a lot of research on those. And I would like to get your opinion on this kind of

development. On the one hand, what does it mean in terms of the world trade order? Do we see some kind of block building here of these mega-regional trade agreements? And what does it mean also for the developing countries in terms of inequality between different countries? What is your opinion on that?

Every trade economist is critical of these regional trade agreements

As an economist I am very critical of these regional trade agreements. And I think every trade economist is on that side. The trade approach ought to be multilateral including the whole world. That was the reason for the WTO [World Trade Organization] being founded. And yes, there's some problems, but the reason there are problems is that the United States won't get rid of its cotton subsidies. You know, these are not inherent problems. These are the fact that some countries are not willing to create a free trade world. So, to say that there's a problem... that we have to go to these regional blocks is to say that we don't believe in free trade. And then to say what we want... that we're committed to it [free trade] is hypocrisy.

The success of TPP and TTIP is based on trade diversion rather than trade creation

So, why am I concerned with a global system, and this [regional trade deals] is breaking up the global system? There are several reasons. First, from a view of what is going on in each of them, to some extent there's... the success of each is based on trade diversion rather than trade creation. And it's very explicit in the case of TPP.

US is in a fantasy world if it thinks it can make trade rules for China – that won't prevail

That this is... China, the major country in Asia is left out. The United States has said very explicitly who's going to be making rules for Asia? We want to be making the rules, not China. Now that's obviously not going to prevail in the long run. The largest country in Asia is going to dominate in the rule-making for Asia. So I think we're in a fantasy world to think that we can dictate the rules for Asia. But the way it's structured is exclusionary.

TPP and TTIP could increase global inequalities, not rectify "Have" and "Have-Not" imbalances

In terms of inequality, there's also a concern. What is the big, the two big regions left out? The big region is Africa. The poorest region in the world. What was the basis of the 2001 agreement to go ahead and create a global trade agreement? It was the [Doha] [new development round](#). It was to bring in, rectify the imbalances of the past and bring in the developing countries. We've totally reneged on that. And so these agreements are not designed to rectify the imbalances, and they could increase inequality, global inequalities.

TTIP is a particularly bad agreement because it's not about trade

Let me come to TTIP. I think that's a particularly bad agreement. And let me say why. It's not about trade. Trade barriers between Europe and America, tariffs have already come down, basically, very, very well. Little changes in the exchange rate do more to change competitiveness than wiping out the tariffs. So, the fact is that the instability in exchange rates caused by lack of harmonization in monetary policy is a far bigger impediment to trade than any of the tariffs.

US corporations want to harmonize regulations to a standard that favors them

The question then is what other non-tariff barriers are there? Those are basically regulations. Regulations are important to our citizens. They're important for health, education, the environment, even the management of the economy. We realize that we didn't have the right financial sector regulations, and that's why we had the global financial crisis. These are very contentious and difficult issues. Within the United States we don't have harmonization of regulations. We have fifty different states that are writing all kinds of regulations. So before the United States says we ought to have international harmonization, why doesn't the United States have harmonization within the United States? Well part of the answer is you don't have to have harmonization in lots of different areas. The question is where do you have to have harmonization and when don't you? When is it important, when isn't it important? And how, when you need harmonization, is the best way to go about it?

So, to me, this is at the heart of democracy. I don't want my trade representative to be doing harmonizing. Because I know whose interest he represents. He represents producer interests. So what they want is not...

we're not really interested in harmonization, let me make it clear. If it were harmonizing the top, they would be yelling. **What they want is stripping away regulations. Harmonizing down. They're not saying, okay let's harmonize standards on intellectual property to make access to generic medicines more accessible for everybody, that will lower the price, and that will improve health care. That's not what they're talking about. They're talking about... say this idea of exclusive data, which is a way of making drug prices high, or reducing access to generic medicine, extending for biologics to 12 years. Even President Obama opposes that. But his trade minister, the USTR [US Trade Representative] is taking a position that is extreme even for the United States, and insisting on that for TPP and TTIP. So that's harmonizing to a standard that is in the advantage of big pharma against American people, European people, generics, access to health. So we wouldn't have that if we had an open debate in Congress and in the European Parliament. They would not accept this. It's being done this way because the big pharma knows it can't get it through our parliament, through our Congress. And it's using an end run, in secret, to get around democratic processes.**

The Investor-State Dispute Settlement provision amounts to privatizing countries' justice systems

Now the most invidious aspect of it is the investment agreement, the ISDS [Investor-State Dispute Settlement]. Germany played a very important role in opposing this. Let me explain why that really a very dangerous provision. And that alone is reason to reject it. The USTR said it's important to protect property rights. You might say there might be some grain of truth that this was a trade agreement between Zaire and United States. It's not. It's a trade agreement between the United States and Germany and the United States and the EU. You have better property rights protections than the United States. You're not worried about the United States and we shouldn't be worried about you. You even have a higher court; if your courts abuse property rights we can appeal to a higher court, European court. **So, it's not about property rights. Let me make it clear, it's not about property rights.**

ISDS is about stopping legislative bodies from passing regulations that would protect the public good

What is it about? It's about stopping parliament – the European parliament, the US Congress – from passing regulations that would protect our economy, our people, our health. So, under this provision Phillip Morris is suing Uruguay for the laws of expected profits because Uruguay passed a regulation saying that cigarettes have to be labeled “Dangerous for Your Health”, which they are. And the result of that regulation, people reduced smoking. A result of that Phillip Morris did not prosper. And now the taxpayers in Uruguay are being asked to give money, the money that Phillip Morris would have made from killing the Uruguayan people. And the judicial process – I couldn't call it a judicial process – this private court that they've established is so expensive that Uruguay can't afford it. It can't afford to defend itself against Phillip Morris.

TTIP is not a trade agreement – It's an attempt to increase the power of corporations to control economies and societies

Fortunately, Mayor Bloomberg is coming to the rescue. He says it's unacceptable that America would have passed a law that is exposing Uruguay to death. And so he's coming to help Uruguay. **This should not be the kind of legal framework. So this is an attempt to increase the power of corporations to run our economies and our societies. It's not a trade agreement.**

Question – Isn't this to some extent dangerous for developing countries because if they, for example, if they are trade agreements between developed and developing countries that say they will not invest in that country if there is no trade agreement?

“The judicial system is one of the most important of the public good. And you don't privatize the judicial system”

We have evidence in that – It's absolutely not true. Take Brazil. Brazil, which happens to have a very informed civil society, interactive — this is a country that understands what is going on – they have said hey will never sign an agreement with an ISDS provision. And they have said they've looked at the data, no effect on their foreign investment. People come in, if it's attractive... South Africa said exactly the same, and they're cancelling their

agreements. They say, we're open for foreign investment, we want foreign investment.

It's not being attractive for foreign investment, what we want is to persuade citizens in our country that we treat them the same respect that we treat citizens of foreign countries because in the end you want an environment that treats property rights right. And when they're saying you have to be a foreigner to get good property protection you're saying it's bad for domestic investors. So, let's create an environment that is the right environment for investment, foreign or domestic.

The judicial system is one of the most important of the public good. And you don't privatize the judicial system. I mean that should be fundamental. Now, the question is okay, if we have a public judicial system – that to me is necessary but it's not sufficient – because then the question is what is the law, what is the law that the judicial system has to interpret. A law that says you have to compensate for the loss of expected profits from the passage of a regulation for protection of public interests is a bad law.

Think about this. Go back 40 years. Assume you had that law in place and you discover that asbestos is dangerous. We didn't know asbestos was dangerous. We discovered asbestos is dangerous and what happened? The asbestos manufacturers had to compensate for the damage that it did. We had to redo our buildings. What would have happened now under the new law? The government of Germany would have to pay the asbestos manufacturers for their lost profits from the regulation that says you cannot kill people. That's not the right legal framework. So yes there is some legal framework but already we have a legal framework against expropriation.