

## » Chile and the TPP: Global Trade Liberalization?

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The Trans-Pacific Economic Partnership Agreement (TPP) adopted on 5 October 2015 arose as an ambitious project which aims at strengthening the trade integration in the Asia-Pacific region, involving hitherto twelve countries with the purpose of developing a strategic association that goes beyond the commercial aspect, including also economic, financial, scientific, technological and cooperation aspects. This agreement, signed in Atlanta, United States, seeks to open up new opportunities for Chilean products, mainly in the food and industry sectors, promoting the exportable supply.

Initially known as Pacific Three Closer Economic Partnership (P3-CEP), the first negotiations were conducted in the Asia-Pacific Economic Cooperation Forum (APEC) Summit, held in Los Cabos (Mexico) in 2002 by the ex President, Ricardo Lagos, and the Prime Ministers of New Zealand and Singapore, Helen Clark and Goh Chok Tong, respectively.

The formal negotiations started in 2010, from the application of the evolutionary clause of the Trans-Pacific Strategic Economic Partnership Agreement, also known as P4, which the United States

were already joining and supporting. Although the agreement was signed in 2005 between Chile, Brunei Darussalam, New Zealand and Singapore, in 2010 Australia, United States, Malaysia, Peru and Vietnam were also included. Canada, Mexico and Japan are the latest additions.

This economic bloc aims at being the largest free trade area in the world, with 800 million people and expects to increase its economic activity by USD 200 billion yearly. In addition to reducing tax barriers on trade between countries and addressing a broad range of public policies matters, the TPP promotes a harmonization of different legislations concerning certain issues such as intellectual property in digital production and drugs, the protection of investors, Internet access and rules aligned with the protection of the environment.

In line with this, it establishes certain trading rules for products and services from different productive sectors and it also includes a protocol to resolve the conflicts that might arise between blocs in relation to monopoly aspects that still exist or concerning cases of a clear majority ownership of markets.

The objective of the agreement, made up by 30 chapters, is to establish uniform rules concerning intellectual property, remove import barriers and other international trade barriers. Despite the limited progress made on this matter, voices have been raised concerning the eventual benefits and losses that this international agreement could entail.

### CONCERNS

Several economists from the Latin American countries involved in this bloc have expressed their concern about the impact of the TPP on Mexico, Chile and Peru with respect to the clauses on intellectual property and patents, since they might have repercussions on the increase in the price of technological products. This adds to the potential threat to their sovereignty resulting from the clause that provides that private investors will be able to initiate legal procedures against a TPP signatory State in the event that legislative amendments were made to the agreement. Although the government and the private sector are optimistic about their capacity to broaden and diversify the exports and markets for the forest, fruit-growing, livestock and agro-industrial sectors, there are widely conflicting views in other sectors.

After several years of discussions and roundtable debates, many groups have tried to sabotage this agreement. The current concerns are much greater: its detractors question, on the one hand, the relative "obscurantism" of the U.S. and highlight the restricted access to the negotiation documents that characterized the first part and, on the other, they state that this partnership implies a drastic change in the regulations of the labor standards and patents



in favor of multinational companies. As regards investment, supporters claim that the agreement has helped countless small and medium enterprises, whereas detractors stress the danger of a labor transfer.

### CHILE AND THE TPP

Chile's involvement in the negotiation is due to the growing importance of the Asia-Pacific region in our market. Given its economic dynamism and its wide trade openness, Chile, during the last years, has managed to become a strategic ally in terms of generation of opportunities and formalization of free trade agreements with that region.

Even though Michelle Bachelet's government is currently analyzing and discussing with the society the eventual specific scope of the agreement in the different fields and productive sectors, Chancellor Heraldo Muñoz claimed that the government is "satisfied" with the result obtained and he highlighted that "all the sensitivities of our country were protected". For Chile, the TPP "will be the standard of the trade agreements at a global level", since the Doha Round, promoted by the World Trade Organization (WTO), "has been below expectations". In this sense, the agreement is part of the commitment of the current government's program-based platform.

Some of the most controversial aspects are the patents of the creation of medicines as well as the waiting time before the liberalization of the information to create generics. The fact that the drug regulation has reduced from 12 to 5 years the maintenance of the security of biological medicinal products represents a great achievement and involvement in terms of the formulation of Public Policies aligned with the industry.

This measure implies that, during that time, the medicinal products can only be manufactured by the entity that registered the patent. According the representatives of our country, this agreement will not entail any changes in the price of drugs.

When it comes to services trade, the profits that might be obtained are linked with the measures that are finally agreed. This was outlined by Peter Hill, President of the Santiago Chamber of Commerce (CCS), who states that "a free service trade area is a source of interest by itself, since it encourages the creation of regional clusters and intensifies their desire

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for exchange". Likewise, Alberto Salas, President of the Confederation of Industry and Trade (CPC), underlines the opportunity that participating in a latest-generation economic bloc that ensures a link with the 40 % of the world GDP offers in terms of economic development.

Regarding the impacts it may have in the food sector, the President of the Association of Fruit Exporters, Ronald Bown, emphasizes that "Chile has a market opening plan for many fruit species in different countries, especially in some TPP members. We hope that the agreement enables us to accelerate these processes and continue progressing in the diversification of markets for our fruit".

Chile's Manufacturers' Association (SOFOPA), which is an entity of great relevance in the country that encompasses the main enterprises and unions linked with the industry sector of the country, has also participated in the debate. According to the International and Foreign Trade Manager of the Chilean Federation of Unions, María José Prieto, one of the characteristics of the agreement is its cumulation of origin. That is to say, this implies that a Chilean company can take the supplies of a country and include them to its export products, complying with the initial rules that enable it, on one hand, to take advantage of the low tariff rates and, on the other, promoting a free trade area.

The supporters of the Trans-Pacific Agreement believe that this is currently the best way of progressing in the liberalization of the global trade. However, the big question is now whether it will be possible to establish the rules for the international trade without the support of certain cities that are an important attraction to encourage the international trade, such as Beijing. The Chilean government, for its part, has stated that the TPP is not exclusive and that it will continue to collaborate with multilateral partners, such as the WTO. Some critical countries are afraid that it has a negative impact on the most vulnerable sectors of their economy. In the case of Chile, the main concerns are found in the health industry and in the drug manufacture.

It may also be considered that this great regional agreement must be subject to a legal review before it is signed by the members. In the case of Chile and the U.S., it shall be ratified by the Congress before entering into force.



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