

## **The largest trade agreement in the world**

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The Trans-Pacific Partnership (TPP) is an agreement that was established in the early days of October, after eight years of negotiations, which the United States, Canada, Japan, Australia, Mexico, Chile, Peru, Malaysia, New Zealand, Singapore, Vietnam and Brunei are a part of. The economies that have signed the agreement show unequal levels of development and have different production sectors and interests, and, yet despite this, over the last few years, they have sought the broadest consensus possible in order to create a business alliance that will allow them to trade with low tariffs.

The population of the twelve countries is approximately 800 million people, representing, as a whole, 33% of world trade and 40% of global production, thus becoming the world's largest trade zone.

The controversy generated by the above agreement is considerable, as it not only includes the trade of goods but also of intellectual property, investments, services, public procurement and state enterprises, labor and environmental policies, the settlement of trade disputes, among other things. Therefore, for some analysts, the TPP represents free trade in international commerce, in which all member countries will benefit, while for others, it favors monopolies, becoming a driver of inequality.

TPP supporters argue that free trade and the specialization in products that have comparative advantages, benefit all the countries involved in the trade. In turn, they argue that what each country wants to produce, and what it decides to buy abroad, can be determined by comparing the relative domestic costs of both the goods that will be produced as well as those to be procured abroad, thereby helping to create a more efficient allocation of resources, positively impacting the production structure and foreign trade. This is achieved only if we are dealing with a free market, in which there are no barriers or obstacles, and where prices define what to import and export.

Supporters of free trade (Milton Friedman, Harri Johnson, among others) also question protectionist policies and, in general, initiatives that lead to obstructing foreign competition, as they impede the free flow of trade and worsen income distribution, as industrialists would benefit at the expense of other producers. In addition, these policies would negatively affect the balance of payments, because on the short term, protection would lead to an increase in wages and domestic prices as a result of the lack of foreign competition, which would negatively impact productivity and therefore competitiveness and economic growth.

On the other hand, opponents of the TPP believe that the agreement contributes to the deepening of economic openness, and thus it will increase poverty and inequality, especially in the emerging countries that are part of it. For Stiglitz, the TPP will not contribute to generating necessary trade reforms but will rather increase inequality.

Krugman argues that the TPP will increase the ability of certain corporations to control intellectual property; in other words, that the TPP will give legal free rein to monopolies.

In short, for the critics of this agreement there are many controversial aspects, but those that have received the most attention are related to the resolution of possible trade disputes and biologic drugs submitted as intellectual property.

Regarding conflict resolution of commercial disputes, the TPP states that the lawsuits against nations are to be resolved in arbitration courts outside the judicial authorities of the countries, which will allow investors to avoid the institutions of the country in which they are acting.

According to Stiglitz, the TPP gives special treatment to pharmaceuticals through a series of changes to existing rules on issues such as "patent linkage", "data exclusivity" and "biopharmaceuticals" that would allow pharmaceutical companies to extend -in some cases almost indefinitely- their control over patented drugs, as well as leaving cheaper, generic medicines out of the market, and preventing, for a long time, the entry of new, biosimilar drugs by competitors.

According to the Minister for Foreign Trade of Colombia, the country should join the TPP, which will, in the future, require making the necessary adjustments to the different variables and sectors. However, we must ask ourselves, if in the event that Colombia joins the TPP -like the other countries that make up the Pacific Alliance (Mexico, Chile and Peru) - will this decision change its production structure, in the sense that it is a primary-exporting country, or will it continue producing the same. From this, it would be concluded that the only way to participate in world trade is by liberalizing the economy through deregulation and trade liberalization.

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