

# TPP -11 – Another step towards a more diversified trade platform

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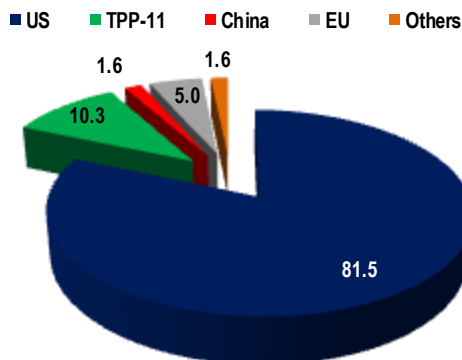
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- On Tuesday night, the Mexican Senate ratified the Comprehensive and Progressive Trans-Pacific Partnership (TPP-11)
- It is worth noting that Mexico was the first country to ratify the treaty
- This treaty does not only cover trade in goods and services, it also regulates the relationship between member countries regarding intellectual property, investment, financial services, telecommunications and electronic commerce, among others
- The approval of the TPP shielded the implementation of the structural reforms, given that it integrates them in several of the chapters of the treaty
- TPP-11 will become official 60 days after it is ratified by 6 of the 11-member countries

**The Senate ratified TPP-11.** On Tuesday night, the Mexican Senate approved with 73 votes in favor, 24 against and four abstentions the Comprehensive and Progressive Trans-Pacific Partnership (TPP-11). With this, Mexico became the first country out of the 11-member countries to approve it. Said treaty is integrated by: Australia, Brunei, Canada, Chile, Malaysia, Mexico, Japan, New Zealand, Peru, Singapore and Vietnam. It is worth remembering that our country already has FTAs with Canada, Chile, Peru and Japan. Similarly, it should be noted that the GDP of the 11 countries is equivalent to 14% of the world's GDP, and trade generated by member countries represents around 15% of all global transactions. For Mexico, currently trade with member countries represents less than 10.3% of exports and 11.4% of imports. TPP-11 will enter into force 60 days after it is ratified by 6 of the 11-member countries.

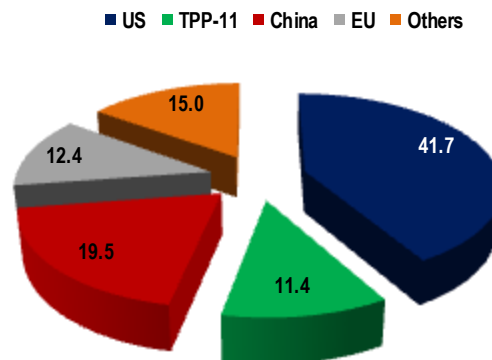
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Trade balance: Exports  
% of total



Source: Banxico with data from 2017

Trade Balance: Imports  
% of total



Source: Banxico with data from 2017

### Summary of the most relevant chapters in TPP-11

Chapter	Summary
Tradeable goods	Eliminate and/or reduce tariffs and non-tariff barriers on industrial and agricultural products
Textiles and clothing	Eliminate and/or reduce tariffs and non-tariff barriers on textiles and clothing's
Investment	Non-discriminatory protections and policies for investment
Financial Services	Cross-border opportunities for market access and investment
Telecommunications	Provide interconnection, private leased circuit services
E-trade	Free flow of global information and data guaranteeing the protection of personal information
Intellectual property	Observance of intellectual property rights
SME's	Promoting the participation of small and medium-sized enterprises (SMEs)
Dispute Settlement	Resolution through impartial panels, which will be integrated by three experts in international trade

Source: TPP

**Anatomy of the treaty.** The TPP is made up by 30 chapters, which not only aim to increase trade in goods, but also regulates the relationship between member countries regarding intellectual property, investment, financial services, telecommunications and electronic commerce, among others:

- *Tradable goods.* The member countries committed to eliminate and/or reduce tariff and non-tariff barriers on industrial products and agricultural products. Most of the tariff elimination for industrial goods will be implemented immediately. However, tariffs on some industrial products will be eliminated over longer terms, as agreed by the member countries.

In addition, they agreed not to impose restrictions and taxes on imports and exports that are incompatible with the WTO, including those imposed on re-manufactured products, which will promote the recycling of parts into new products.

With respect to agricultural products, member countries committed to eliminate or reduce tariffs and other restrictive policies, which will increase agricultural trade in the region. Similarly, on the elimination or reduction of tariffs, the different countries agree to promote reforms to public policies, including the elimination of subsidies for agricultural exports.

- *Textiles and clothing.* Member countries agree to eliminate tariffs on textiles and clothing, given that these industries contribute significantly to the economic growth of several of the countries of the TPP members. Most tariffs will be eliminated immediately, although tariffs on sensitive products will be eliminated over longer terms, as agreed by the different countries. The chapter also includes specific rules of origin that require the use of yarns and fabrics from the TPP region, which will promote regional supply chains.

- *Investments.* The member countries agreed on rules that require non-discriminatory protections and policies for investment that ensure the protection of the rule of law, and at the same time protect the ability of governments to achieve legitimate public policy objectives. The TPP provides basic investment protections, including national treatment; most favored nation treatment; among others. The chapter also includes a neutral and transparent international arbitration mechanism for investment disputes. In this regard, it should be noted that this chapter protects foreign investments of member countries within the energy sector, so the TPP would shield the implementation of the energy reform.
- *Financial services.* This chapter provides important cross-border opportunities for market access and investment. Likewise, it allows member countries to maintain the capacity to regulate markets and financial institutions and to adopt emergency measures if a crisis occurs.
- *Telecommunications.* The member countries agreed to ensure that the largest telecommunication service providers in their territories provide interconnection and lease private circuit services. Transparency was also ensured in the regulatory processes and the principle of non-discrimination for the implementation of specific technologies.
- *E-commerce.* The free flow of global information and data was guaranteed, ensuring the protection of personal information. Cooperation on policies related to the protection of personal information, online consumer protection, threats to cybersecurity and cybersecurity capabilities was also guaranteed.
- *Intellectual property.* This chapter covers patents, trademarks, copyrights, industrial designs, geographical indications, and trade secrets, other forms of intellectual property and enforcement of intellectual property rights.
- *Small and medium enterprises.* The member countries approved a chapter to promote the participation of small and medium enterprises (SMEs) in trade and to ensure that they obtain the benefits of the TPP.
- *Dispute resolutions.* This chapter is intended to allow members to deal with disputes that arise between them on the application of the TPP, which will be resolved through impartial panels, integrated by three experts in international trade and subject matters and independent of the disputing parties. They will submit an initial report to the disputing parties within 150 days following the appointment of the last panelist or 120 days in cases of urgency, such as cases related to perishable goods. The final report must be submitted no later than 30 days after the submission of the initial report and must be made public within 15 days, subject to the protection of any confidential information in the report.

**The government reaffirms its commitment to the commercial opening of Mexico.** We believe that both the negotiation and the ratification of the TPP reflect the commitment of the Mexican government to keep markets open and work multilaterally to face global challenges at a time when some countries are opting for protectionist measures. In this context, we consider that the agreement will help to foster trade diversification of our country within the framework of the renegotiation of NAFTA, with whom we still maintain 65.4% of our trade, as well as the renegotiation of the Free Trade Agreement with the European Union.

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