



Regional Integration and its Impact on Global Economy: The Case of Chile

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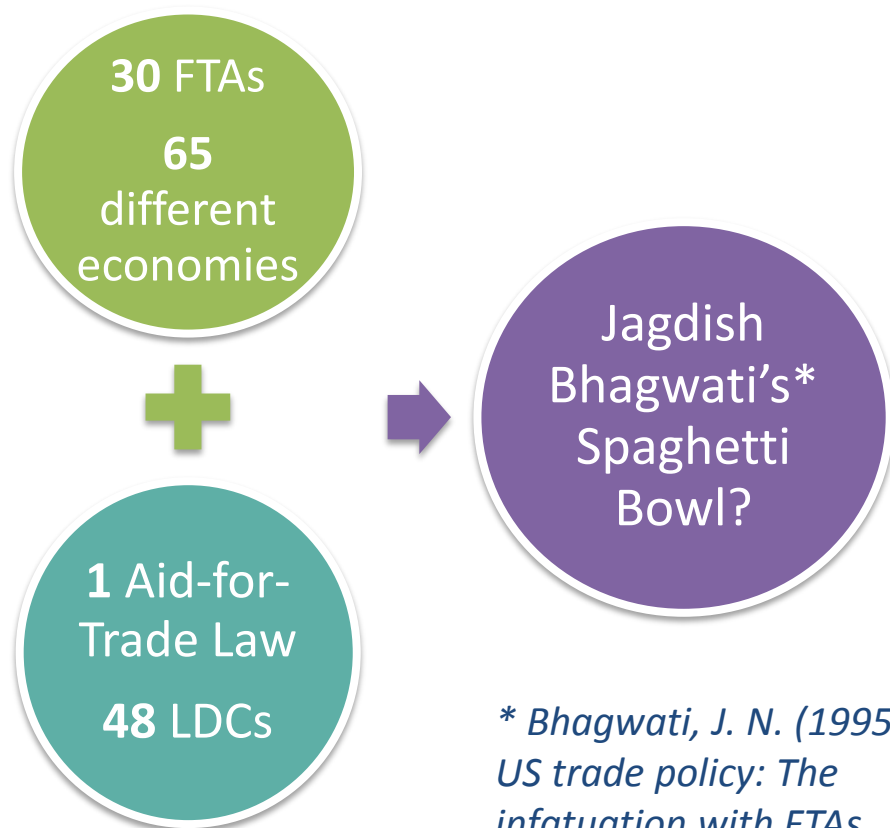
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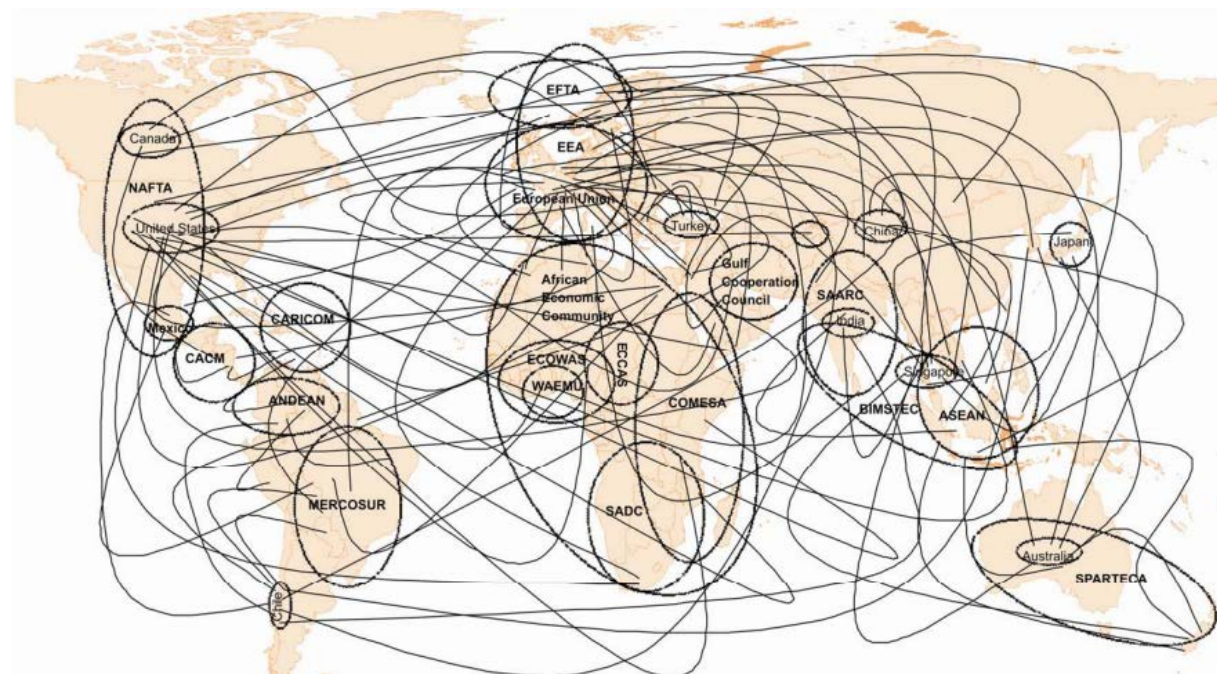


The Spaghetti Bowl

- As a small economy, over the past decades Chile's development model has relied to a large extent in its vast network of trade agreements, harnessing the economic advantages of embracing openness.



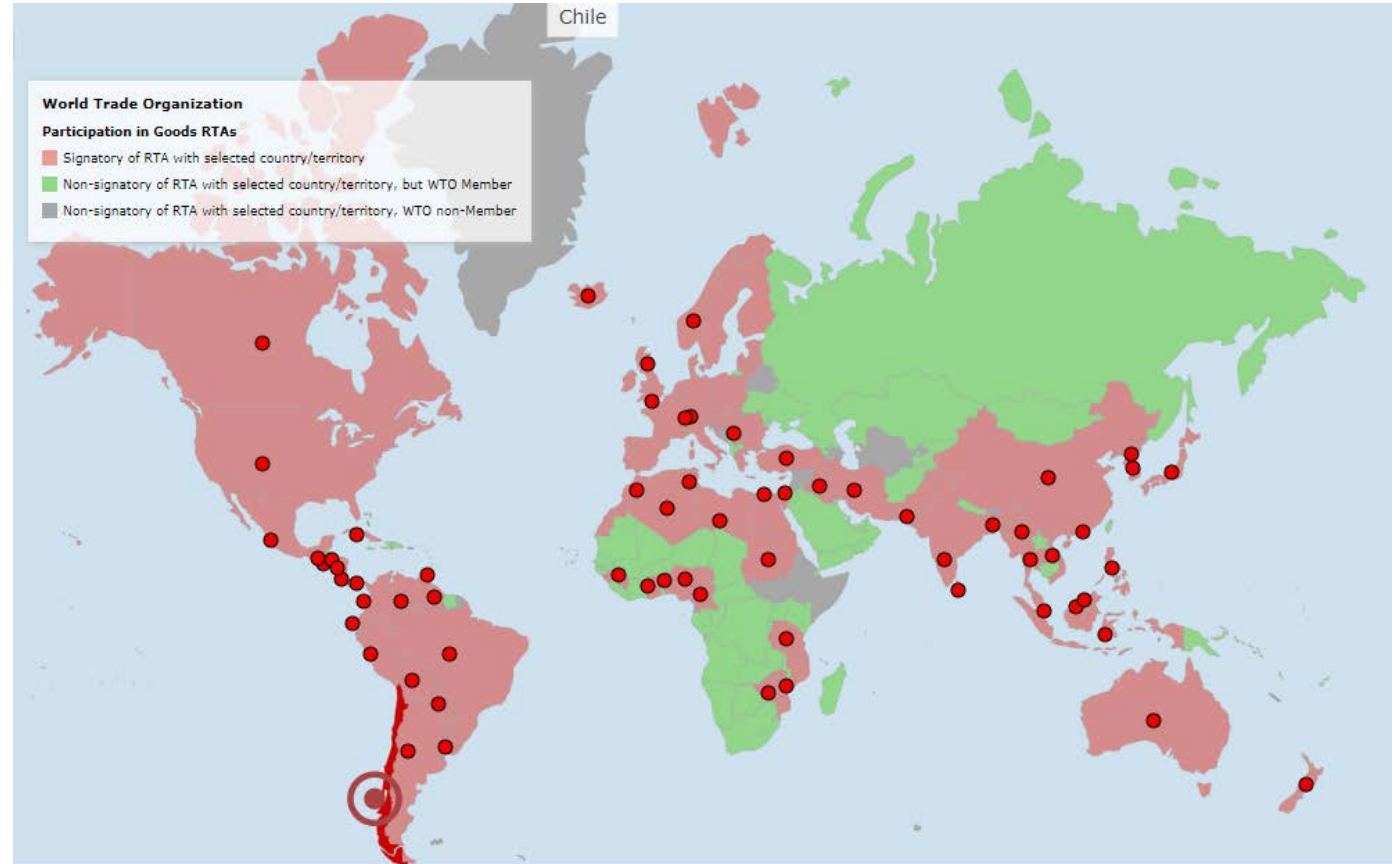
* Bhagwati, J. N. (1995). *US trade policy: The infatuation with FTAs.*



Source: UNCTAD (2006). *Investment Provisions in Economic Integration Agreements.*
(http://unctad.org/en/docs/iteiit200510_en.pdf)

The Spaghetti Bowl

- In some cases, we have more than one agreement with each of these countries.
- These agreements have a wide range of integration levels, which means sometimes they become difficult to apply, both by public officials and trade operators.
- Even though efforts are being made to standardize provisions across different agreements, this takes time and a one-size-fits-all approach is not always feasible.



Source: WTO

(https://www.wto.org/english/tratop_e/region_e/rta_participation_map_e.htm)

Some examples: CPTPP, Pacific Alliance and Mercosur

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP):

- While approval by Congress is still pending in Chile, its implementation will pose at the same time one of the biggest challenges and opportunities in regional integration in recent times.
- Even though Chile already has bi/plurilateral agreements with each CPTPP economy, there are significant incremental benefits, as a single large Free Trade Area is created.
- The application of origin accumulation and other provisions becomes easier, facilitating the creation of integrated global value chains which are not always possible or efficient under each of the bi/plurilateral agreements currently in force.



Some examples: CPTPP, Pacific Alliance and Mercosur

Pacific Alliance (PA):

- PA provisions are very similar to those of CPTPP, enhancing the potential integration between the agreements in the long run.
- It encompasses efforts to introduce interoperability in the exchange of certificates (including digital certificates of origin) and even of customs declarations. This has created positive spillover effects in other agreements, for example with digital certificates of origin in the bilateral agreement with Colombia, as the economies of scope led to the ongoing assessment of its inclusion in the interoperability framework.
- It is open to include new associate states and many economies have already expressed interest in joining, serving as a stepping stone towards further integration.



Some examples: CPTPP, Pacific Alliance and Mercosur

Mercosur:

- Even though Chile is only an associated member (it is not part of the customs union), it does have a longstanding agreement with the trading bloc.
- As in the case with PA, we have been working in integrating the digital certification of origin system and it is already in place with Argentina, while work is underway with Uruguay and Brazil.
- An interesting development was the Action Plan subscribed in 2018 between Mercosur and the PA countries. Only time will tell if it will lead to some sort of convergence between both blocs, but it could be an important opportunity to further integrate value chains in the region.



Some final thoughts

- While in an ideal world we would have a unique set of origin (and more generally trade) standards, this does not account for the fact that different economies have different approaches to trade liberalisation, which is precisely why the multilateral path is so difficult.
- However there are steps we can take to begin to streamline provisions at the bilateral and plurilateral level:
 - From the perspective of origin we can begin thinking of **RoO as building blocks** that can be assembled together from one bi/plurilateral setting to another. This is particularly important in the realm of PSRs when thinking about expanding the use of extended accumulation.
 - In origin procedures, striving to **harmonise requirements** as far as possible in bilateral and regional trade agreements could help facilitate integration between different Free Trade Areas, fostering positive economic spillovers.
 - Negotiating customs cooperation provisions that account for the need of **assistance in origin verifications with non-Parties** to an agreement could be necessary to expand the application of extended accumulation provisions.





Thank you!

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