Andres Velasco writes: With the International Monetary Fund having just cut its forecasts for economic growth in Latin America for the fifth year in a row, the region's countries are casting about for ways to reignite investment and boost productivity. They should look to fast-growing Asia, argue advocates of the Transpacific Trade Partnership (TPP), the proposed mega-regional trade accord that would bind together 12 Pacific Rim countries. But should they?

If done right, the TPP could help Mexico, Peru, and Chile – the accord's Latin American members – make the leap to high-productivity exports based on innovation. But that would require the TPP to foster, not impede, the flow of knowledge around the Pacific Rim. Regrettably, the United States is insisting on a series of intellectual-property provisions that serve the interests of US-based firms, but do little to create a sound environment for innovation elsewhere.

In the last two decades, Mexico has managed to diversify its export base and is now a major supplier of industrial goods to the US and Canada. The bad news is that Mexico's growth prospects have become inextricably tied to those of its huge neighbor to the north. The good news is that the US is growing faster than any other major industrialized economy, so Mexico can look forward to a couple of years of accelerating economic expansion.

Peru and Chile, by contrast, are natural-resource exporters that derived huge benefits from the China-driven commodity boom of the last decade. Today commodity prices are down, and so is growth.

That is where Pacific Rim trade and the TPP come in. A firm in Thailand, the Philippines, or Vietnam can develop a new product line by plugging into the huge East Asian value chain and producing, for example, a tiny component which, along with myriad other components, will be assembled into a smartphone at a factory in China.

South America is outside the world's main value chains. Innovative firms face the uphill challenge of developing entire new products and selling them in geographically and economically distant markets.

The TPP could help change this by easing trade in intermediate inputs and helping build Pacific-wide value chains. Particularly valuable would be straightening out the spaghetti bowl of "rules of origin" – the regulations dictating when inputs produced in other countries can be used in products that will qualify for free-trade benefits.

So far so good. Optimists can envision a new generation of trans-Pacific flows of trade, investment, and knowledge, with benefits for all. But then the TPP's boosters have to contend with the obstinacy of Japanese rice farmers (Prime Minister Shinzo Abe is vowing to address that) and of US patent and copyright holders.

Intellectual property has become one of the most contentious issues in the TPP negotiations, and it is not hard to see why. The US is pushing for longer copyright protection for published works, music, and films. It also wants technical changes that would effectively mean much longer patent terms for pharmaceuticals, make the approval process lengthier for generic drug makers, and extend protections for biologic medicines.

The list of controversial US demands is long. One that has particularly enraged online activists would classify cache copies of websites resulting from Internet searches as temporary copies, so that users would potentially be subject to fines for copyright infringement. There are also concerns about limits to freedom of expression if materials are taken down for alleged copyright violations.

Many of these provisions are absent from international agreements currently in force – such as the World Trade Organization's TRIPS accord – and from the bilateral free-trade agreements that the US itself has negotiated with a host of countries. In other cases, protection periods would rise considerably. For copyrights, the US is demanding 95 years of protection after publication, or 120 years after creation, whereas TRIPS provides for 50 years and US agreements with Australia, Chile, Korea and Peru specify 70 years.

No one disagrees with the need for strong intellectual-property protection. If inventors cannot expect to be rewarded for their achievements, they will stop inventing or investors will stop funding their ventures. But most economists agree that such incentives must be balanced against the need to accelerate knowledge dissemination and absorption, and that the optimum is somewhere in the middle. In this sense, the US demand for longer terms of patent and copyright protection is arbitrary, because they are not founded on a clear-cut case for enhanced economic efficiency.

The politics of the issue is tricky for the TPP's Latin American members. All three have negotiated intellectual-property agreements with the US, achieving what seemed like mutually agreeable levels of protection. Why should that change now?

The conundrum is especially vexing for Chile, a country that already has bilateral trade agreements with every potential member of the TPP. If Chile is unlikely to gain substantial new market access, ask critics, why should Chile make trade concessions at all?

That is going too far. Precisely because of the urgent need to diversify their exports, Chile, Peru, and other middle-income countries could benefit tremendously from agreements like the TPP. But that potential will be realized only if more knowledge, not less, flows across member countries' borders. The US itself would benefit from having trade partners that can innovate, instead of serving only as passive buyers for American movies and songs. The sooner US trade negotiators understand that, the better for everyone.