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## The Pacific Alliance in Latin American and Caribbean Integration

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# The Pacific Alliance in Latin American and Caribbean Integration

**Intra-Regional Relations**

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**F O R E W O R D**

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*This report on the Pacific Alliance was drafted in compliance with Activity 1.1.6 of the Work Programme of SELA for 2013, as approved by the Latin American Council, entitled "Follow-up and support to new forms of regional integration and cooperation within the framework of ALBA-TCP, UNASUR, PETROCARIBE and the Alliance of the Pacific, highlighting the possibilities for complementarity with existing integration schemes."*

*In this regard, the Latin American Council deems it advisable to make analytical efforts and disseminate relevant information, in order to keep track and analyze the evolution of these agreements in the various fields of integration and regional cooperation, from the perspective of their implications for the regional integration process. The Council also requests to include proposals with a regional scope in the reports so as to promote the progressive coordination and convergence of the integration processes in the region, based on the experiences gained with these new modalities of integration and cooperation.*

*This document was prepared at the Permanent Secretariat of SELA by Juan Acuña Bolívar, Coordinator of Relations with Member States.*



## I. INTRODUCTION

The Pacific Alliance is a mechanism for political and economic coordination as well as cooperation and integration, agreed to in the First Presidential Declaration of the Governments of Chile, Colombia, Mexico and Peru on 28 April 2011, in Lima (Peru). This Alliance was formally established through the subscription of the Framework Agreement of the Pacific Alliance in Antofagasta (Chile) on 6 June 2012. The goal of the alliance is to create an area of deep integration that promotes greater growth, development and competitiveness of the participating economies through the progressive search for free movement of goods, services, capital and persons (Art. 3 of the Framework Agreement).

According to Article 8 of the Framework Agreement, the decisions of the Council of Ministers and any other agreements adopted shall not modify or replace the bilateral, regional or multilateral economic, trade and integration agreements in force among the parties. Thus, the Pacific Alliance provides a new integration space aimed at shaping up a process of convergence of existing agreements among Member States and organizing a new institutional environment for the adoption of initiatives to deepen or complement such agreements, while promoting Latin American integration as well as the region's insertion into the international economy.

In addition, it is a scheme that is open to the participation of other countries that share the readiness to achieve the Alliance's objectives and comply with the essential requirements on democracy and rule of law referred to in Article 2 of the Framework Agreement. Out of the two countries authorized to move ahead with the admission process as new Member States – Costa Rica and Panama – the first one was accepted to complete such process, within the framework of the VII Presidential Summit on 23 May 2013. In turn, Panama is still pending an FTA negotiation with Mexico.

Other countries that have expressed their interest in becoming Member States are Canada and Guatemala, but they have not formalized such intention.

The Pacific Alliance favours integration as an instrument to improve economic and social development, promote entrepreneurship capabilities and create a competitive and expanded space which attracts investment and trade, especially with the Asia-Pacific region. The ultimate goal is to ensure that productive chains in Member States are attractive for the rest of the world and generate greater opportunities for linkages, investment and insertion into more intense global currents of trade in goods and services, so that they can offer new business and employment opportunities to their economies.

During the VII Presidential Summit held in Cali on 23 May 2013, Colombia, assumed the Pro Tempore Presidency of the Alliance. The Summit brought together the Presidents of the Member States: Sebastián Piñera, of Chile; Juan Manuel Santos, of Colombia; Enrique Peña Nieto, of Mexico; and Ollanta Humala, of Peru. Participants also included the Presidents of the two candidate States, Laura Chinchilla, of Costa Rica; and Ricardo Martinelli, of Panama. Representing Observer States were Presidents Mariano Rajoy, of Spain; and Otto Pérez, of Guatemala; as well as Stephen Harper, Prime Minister of Canada; Danilo Astori, Vice-President of Uruguay; Tim Groser, Minister of Trade of New Zealand; Kelvin Thomson, Parliamentary Secretary for Trade of Australia; and Kenta Wakabayashi, Parliamentary Vice-Minister for Foreign Affairs of Japan.

## II. BACKGROUND

In a note dated October 2010, Peruvian President Alan García launched an initiative for Panama, Colombia, Ecuador, Peru and Chile to create a “deep integration area” which ensures free movement of goods, services, capital and people. Later on, during the Ibero-American Summit of Mar del Plata, Argentina, on 3 and 4 December 2010, Chilean President Sebastián Piñera invited his counterparts of Peru, Colombia and Mexico to a meeting in order to discuss ways to strengthen their relations through deep integration. At that time, the four countries agreed to conduct a ministerial meeting to define a roadmap to achieve such goal.

## III. FRAMEWORK AGREEMENT

The Articles of the Framework Agreement of the Pacific Alliance are as follows:

1. Establishment
2. Democracy and Rule of Law
3. Objectives
4. Council of Ministers
5. Approval of decisions and other agreements of the Pacific Alliance
6. Nature of decisions and other agreements of the Pacific Alliance
7. Pro Tempore Presidency
8. Relation with other agreements
9. Relation with third parties
10. Observer States
11. Adhesion of new Member States
12. Dispute Settlement
13. Entry into force
14. Depositary
15. Amendments
16. Duration and termination
17. Final Article

Following are some highlights of the Framework Agreement:

- The Preamble includes: the recognition “that regional economic integration is one of the instruments for Latin American countries to make progress towards their sustainable economic and social development;” the decision to “strengthen the various integration mechanisms in Latin America, as spaces of integration and convergence aimed at strengthening open regionalism, so as to effectively insert the parties into the globalized world and link them to other regionalization initiatives;” the commitment to create “a predictable legal framework for trade in goods and services, and investment;” and the confirmation of “the Pacific Alliance as a space for consensus and convergence, as well as a mechanism for political dialogue and projection towards the region of Asia-Pacific.”
- The democratic clause included in Article 2 (Democracy and Rule of Law), i.e., the recognition of the validity of the Rule of Law, democracy, separation of State powers and protection and respect for human rights and fundamental freedoms.

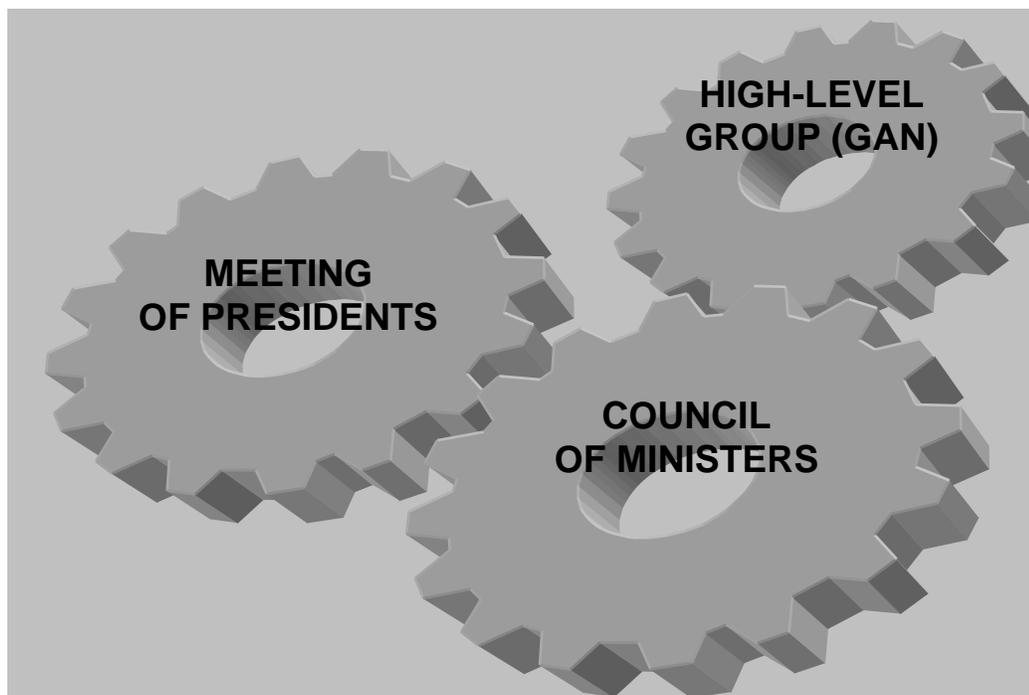
- The objectives (Article 3): Build a deep integration area; promote growth, development and competitiveness; and become a platform for joint political, economic and commercial integration, and projection to the world, with special emphasis on Asia-Pacific.
- Consensus as the mechanism for adopting decisions (Article 5).
- The promotion of initiatives and guidelines of action on issues of regional or international interest and the search for linkage mechanisms with States and international organizations (Article 9), which prompts the establishment of common external relations.

#### **IV. INSTITUTIONAL ORGANIZATION**

- The highest-level political body is the Meeting of Presidents, coordinated by the Pro Tempore Presidency, which shall be held successively by each one of the Parties, in alphabetical order, for annual periods (Article 7). The Presidency organizes the agenda and the schedule of activities of the various bodies of the Alliance.

The executive body of the Alliance is the Council of Ministers of Foreign Affairs and Officials in charge of Foreign Trade. By virtue of its faculties, this Council may adopt decisions, which together with the other agreements stemming from the Alliance will shape up the legal system of the Alliance. The Council of Ministers will be supported by the High-Level Group (GAN), made up by the Vice-Ministers of Foreign Affairs and Trade and the Working Groups, as deemed necessary.

The High-Level Group is the technical body of the Alliance, which is responsible for the supervision and the timely follow-up to the agreements reached.



According to the Web site of the Alliance ([www.alianzapacifico.net](http://www.alianzapacifico.net)), the Working Groups cover the following major areas:

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**Trade and Integration:** This group is responsible for the negotiation on the elimination of tariffs, rules of origin, technical barriers to trade (TBT), sanitary and phytosanitary measures (SPM), trade facilitation and customs cooperation.

**Services and Capital:** this group is responsible for e-commerce, investment negotiations, cross-border trade in services, financial services, telecommunications, air and maritime transport and professional engineering services. This group also seeks an integration of stock exchanges.

**Cooperation:** The main issues addressed are the platform for student and academic mobility, the network for scientific research on climatic change, MSMEs, physical interconnection and the Mutual Cooperation Fund.

**Movement of Business People and Facilitation of Migration:** The main topics include the facilitation of migratory movement and the free flow of business people, consular cooperation and work-study programme for students, as well as cooperation and information exchange on migration flows.

**Institutional Matters:** the main objective is to agree on all the instruments relating to the institutional issues of the Pacific Alliance.

**TABLE 1**  
**Institutional organization of FTAs between the countries of the Pacific Alliance**

INSTANCE	CH/CO	CH/MX	CH/PE	CO/MX	MX/PE
FREE TRADE COMMISSION (ADMINISTRATIVE COMMISSION)	X	X	X	X	X
Committee on Trade in Goods (merchandise) or Market Access	X	X			X
- Sub-Committee on Rules of Origin		X			
- Sub-Committee on Customs		X			
Committee on Tariff Classification			X		
Committee on Trade Facilitation (Customs Procedures Working Group)	X			X	
Committee on Scarce Supply					X
Committee on Rules of Origin					X
Committee on Regional integration of Inputs (CIRI)				X	
Committee on the Automotive Sector				X	
Committee on Agricultural and Livestock Trade				X	
Committee on Sanitary and Phytosanitary Measures	X	X	X	X	X
Committee on Standards-related Measures (technical barriers to trade)	X	X	X	X	X
Working Group on Unfair Practices in International Trade					X
Committee on Investment and cross-border Trade in Services		X			
Committee on Temporary Entry of Business People	X	X	X		X
Committee on Mutual Recognition					X
Committee on Financial Services				X	X
Committee on Air Transport		X			
Committee on Trade and Competition		X			

In addition to these Working Groups, due account should be taken of the institutional frameworks of the free trade agreements in force among the Member States of the Pacific Alliance, which implies the existence of a rather complex institutional system for trade flows. Therefore, it should be noted that the formation of the Pacific Alliance and the convergence that it will bring about will contribute to simplify the current institutional system consisting of five administering commissions, 31 committees, two subcommittees, and one Working Group, not to mention the commission existing within the framework of the agreements with the new Member States.

Similarly, the system for certification of origin will be simplified from five types of certificates at present (one for each agreement) to one single community certification, largely benefiting the business sector. This also allows for materializing a regional cluster of origin, which would be a very important incentive for attracting investments, with a view to creating value chains so as to take advantage of mutual trade and expand export opportunities to partners such as the United States, the European Union and the countries of Asia-Pacific.

The arrangements as regards the recognition, equivalence and harmonization of sanitary and technical requirements and their certification will also facilitate access to trade flows for many sectors, because such aspects represent the bulk of the non-tariff barriers affecting world markets.

Moreover, the sectoral regulations and the joint elimination of barriers to services will allow for taking advantage of experiences previously gained within the framework of the various FTA negotiations among the countries of the Alliance and with other extra-regional countries and blocs.

Thus, more working groups, specialized in topics or subsectors of services, can be expected to be organized within the Pacific Alliance with the purpose of promoting mechanisms and commitments for developing competitiveness and taking advantage of the trade and investment opportunities that this process will generate in areas such as: Maritime and Air Transport (cargo and passengers), Port and Airport Services, Telecommunications, Information and Communication Technologies (including Electronic Commerce), Financial Services (Securities, Insurance and Banking), Professional and Technical Services, Tourism, Creative Industries, Health Services, Technical and Professional Teaching, Commercial Intermediation, Packet Mail (Express Mail) and Logistics, among others.

## **V. PARTICIPANTS**

### **1. Member States**

As mentioned before, an essential requisite to become a full member of the Pacific Alliance is that the new party States have "a free trade agreement in force with each one of the founding Member States." Initially, Member States include Colombia, Chile, Mexico and Peru.

From the very beginning, Panama expressed its interest in becoming a Member State, later on Costa Rica, and most recently Canada and Guatemala, also did so.

In the case of Canada, being a developed country and non-Latin American or Caribbean, it could imply, first and foremost, for that country to loosen its immigration policy in view of the Alliance's objectives as regards the movement of persons, just as Mexico did in 2012. Canada, of course, already has free trade agreements in force with

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the current Member States and, even, with those countries that are completing the accession process.

Consequently, any new Member State could face the challenge of catching up with the more advanced commitments that the Alliance is continuously assuming while seeking to complement or deepen existing FTAS.

### 2. Observer States

In addition to the Candidate Observer States<sup>1</sup> – Costa Rica and Panama – the list of Observer States has expanded in each Presidential Summit. Current Observer States include: Australia, Canada, Ecuador, El Salvador, Spain, France, Guatemala, Honduras, Japan, New Zealand, Paraguay, Portugal, Dominican Republic and Uruguay. MERCOSUR and the United States have also expressed interest and are waiting to be accepted.

In this connection, it could be pointed out that, while Bolivia and Ecuador continue with their processes to adhere to MERCOSUR, other Central American countries could have access to the Pacific Alliance, particularly the members of the Northern Triangle (El Salvador, Honduras and Guatemala), which are also interested in improving their relations with Asian countries, because their trade policy is very similar to that of the members of the Alliance and they have trade agreements with the countries of the Alliance and even with the United States, Canada, the European Union and several Asian nations. Out of the three Northern Triangle countries, only Guatemala has expressed interest in a future participation as a Member State.

On the other hand, Dominican Republic is in the process of formalizing its adhesion to the Central American Integration System (SICA), which would bring it closer to the agreements of that subregion with the countries of the Pacific Alliance.

## VI. PRESIDENTIAL SUMMITS

One way of viewing the works carried out for constructing the Pacific Alliance is through a review of the Declarations stemming from the Presidential Summits. In this connection, it should be noted that for the first time in the history of Latin America and the Caribbean, the Presidents of the countries met seven times in just two years and it was themselves who led the process of creation of the Alliance, and even worked in its technical details, following a truly ambitious agenda which shows their level of commitment to the Pacific Alliance.

In the **First Summit** held in Lima **on 28 April 2011**, the Presidents of Peru, Colombia, Chile and Mexico instructed their Ministers of Trade and Foreign Affairs to develop a Draft Framework Agreement to promote regional integration as a space of consensus and convergence, political dialogue and projection towards the Asia-Pacific region. With these objectives in mind, they pledged to progressively advance to achieve free movement of goods, services, capital and people. Additionally, on that occasion, it was announced, on the one hand, that Panama would join the bloc and, on the other hand, that the stock exchanges of the countries would be integrated, starting with those of Bogota, Lima and Santiago.

The **II Summit** was held in Merida, Yucatan, Mexico, **on 4 December 2011**. In addition to the four Presidents of the Alliance, the President of Panama participated as an Observer. The Declaration from this summit reaffirmed the interest in encouraging regional integration and recognized the progress of the works in relation to: 1. The signing of a

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<sup>1</sup> The term "Candidate Observer State" first appeared in the Presidential Declaration of Cali, dated 23 May 2013.

Memorandum of Understanding on the Pacific Cooperation Platform on the issues of environment and climate change; innovation, science and technology; SMEs and social development; 2. The signing of a Memorandum of Understanding that created the Mixed Joint Committee for the promotion of trade in services and investment; 3. The adoption of a guideline of requirements for the mobility of business people and the facilitation of the mobility of people among Member countries; 4. The work of the Technical Groups; and 5. The negotiation of a Draft Framework Agreement.

The Declaration also recognized the efforts of the private sector to strengthen business, with the support of export promotion agencies, the collaboration of business associations and the Agreement of Intent for the Integration of Stock Exchanges (MILA).

The following instructions were given: 1. Conclude the negotiations on the Framework Agreement; 2. Start the negotiations on e-commerce; evaluate the feasibility of negotiating additional clauses in investment agreements, particularly on sustainable investment and investment promotion; begin work on technical barriers to trade; establish an electronic system of certification of origin; start the work to implement the authorized economic operator; implement the Foreign Trade Single Windows (VUCE) and their interoperability; start the negotiations on tariffs and rules of origin, including accumulation of origin mechanism; implement mechanisms on sanitary and phytosanitary measures; establish a visa to facilitate the movement of business people and develop consular cooperation programmes; and engage in negotiations to establish a platform of academic and student mobility. The Presidents also endorsed initiatives about electric interconnection, road and port infrastructure and facilitation of land and maritime transport.

The **III Summit** was held via teleconference **on 5 March 2012**. Australia and Japan participated as Observers, as well as Costa Rica and Panama, and Canada (as a special guest). The Heads of State approved the text of the Framework Agreement of the Pacific Alliance, with a view to signing it. The objectives of this new international forum were established as follows: Progressive development of the Member countries through social inclusion and the construction of an integration area which allows for the free movement of goods, services, capital and people. They also recognized the progress of the Working Agenda agreed to in Cancun and made emphasis on the creation of the Cooperation Platform. Furthermore, the Presidents agreed to foster e-commerce and establish common commercial representations in Asia.

The Framework Agreement of the Pacific Alliance was signed at the **IV Summit** in Antofagasta, Chile, **on 6 June 2012**, and legislative ratification is pending in national congresses. According to Article 13, sixty days after the date of deposit of the last ratification instrument, the Framework Agreement shall enter into force.

The **V Summit** was held in Cádiz (Spain) **on 17 November 2012** within the framework of the XXII Ibero-American Summit. In addition to Costa Rica and Panama, the following countries were included in the list of Observers: Australia, Canada, Spain, New Zealand and Uruguay. The Heads of State highlighted the progress made in the working groups, as follows:

- **Trade and integration:** In this area, the countries expressed their readiness to eliminate tariffs for at least 90% of goods upon entry into force of the agreement. The negotiations on market access will be completed in 2013, including a regime of origin along with a procedure on regional accumulation of origin.

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- **Trade facilitation:** The Presidents ratified the agenda on electronic certification of origin, interoperability of Single Windows, agreements for recognition of Authorized Economic Operator and customs cooperation.
- **Services and capital:** They welcomed the establishment of the public-private Committee for utilization of the chapters on investment and services of the FTAs and bilateral agreements on investment signed by the countries of the Alliance. They also recommended incorporating the Alliance into the Agreement on Electronic Commerce. Emphasis was made on the following actions:
  - o Start negotiating new agreements on investments and trade in services, so as to add value to existing ones.
  - o Discuss air transport. In this regard, they instructed to add new routes, improve services and liberalize the sector, so that airlines can operate freely across the territories of these countries.
  - o Create committees of experts on intellectual property, who will determine the approach to reach new commitments in this area.
  - o Negotiate a chapter on government procurement.
- **Movement of people:** They welcomed Mexico's decision to grant visa exemption for 180 days to tourists from Colombia and Peru. They also acknowledged the progress made towards the adoption of a mechanism for exchanging information on migration alerts for security reasons.
- **Cooperation:** Highlights in this area include: the scholarship programme of the Platform for Student Academic Mobility, the programme to improve competitiveness of SMEs, and the Cooperation Agreement on Tourism.
- **Institutional matters:** The Presidents welcomed the passing of the Framework Agreement by the Mexican Congress and reiterated the importance for the other Member States to complete such process.
- **Promotion agencies:** They took note of the opening of shared offices, the development of joint activities to promote investment and the First Macro Business Round in 2013, in Cali, Colombia.
- Finally, they welcomed the establishment of the **Business Council** of the Pacific Alliance.

The **VI Summit** was held on **27 January 2013**, in Santiago, Chile, within the framework of the First CELAC-EU Summit. The Presidents highlighted the significant progress made by the technical and working groups with the activities planned for 2013. Thus, they instructed to conclude by the first half of 2013 the negotiations on the following topics: Market Access for Trade in Goods, Regime of Origin, Sanitary and Phytosanitary Measures, Technical Barriers to Trade, Trade Facilitation and Customs Cooperation, Services (including Financial Services, Maritime Transport, Telecommunications, Air Services and Professional Services), Public Procurement and Investment. They also underscored the preliminary works in the areas of Intellectual Property and Regulatory Improvement.

In addition, the Presidents drew attention on the need for the Framework Agreement to enter into force and highlighted the importance of the Common Cooperation Fund, as well as the joint activities of Export Promotion Agencies. They instructed member countries to outline a common annual agenda for these agencies, which includes forums, events

and business rounds in order to boost trade exchanges. Finally, they accepted Japan and Guatemala as Observers.

The **VII Summit** was held in Cali (Colombia) **on 23 May 2013**. On that occasion, Colombia took over the Pro Tempore Presidency from Chile. The Presidents highlighted the following achievements:

- Ecuador, El Salvador, France, Honduras, Paraguay, Portugal and Dominican Republic were accepted as Observer States.
- The guidelines for Costa Rica to become an Observer State were approved. A working group would be established for this purpose at the next meeting of the High-Level Group (GAN).
- The countries underscored the importance of intensifying trade and investment flows as well as cooperation between the Pacific Alliance and third countries.
- The countries established the Business Council of the Pacific Alliance and conducted the First Business Meeting, which gathered more than 500 entrepreneurs from various sectors and countries.
- The First Meeting of the Ministers Economy and Finance of the countries of the Pacific Alliance was held in Lima on 25 April 2013, within the framework of the World Economic Forum for Latin America.
- The Presidents also underscored the importance of sharing diplomatic, consular and trade promotion offices. They agreed to open a joint Embassy in Ghana for the four countries, and an agreement was reached between Chile and Colombia to share embassies in Algeria and Morocco. In turn, Peru and Colombia decided to share the headquarters of the Embassy in Viet Nam.

Achievements within the framework of the negotiations of the Pacific Alliance included the following:

- The definition of total tariff relief as follows: 90% of goods will have zero tariffs by the entry into force of the Agreement and the remaining 10% will be gradually dismantled as agreed to between the parties.
- The chapter on Trade Facilitation and Customs Cooperation.
- The guidelines for an "Inter-Institutional Cooperation Agreement among Health Authorities of the countries of the Pacific Alliance" on medicines and the establishment of Working Groups for simplifying processes and facilitating trade in the cosmetics sector.
- The negotiations on Investment, Cross-Border Trade in Services, Professional Services, Telecommunications Services, Financial Services, Maritime and Air Transport Services.
- The signing of the Agreement for the Establishment of the Cooperation Fund of the Pacific Alliance. In this regard, the Presidents highlighted the results of the first call for scholarships in the framework of the Platform for Academic and Student Mobility, and the launch of a second call.
- The implementation of the project "Synergy among the countries of the Pacific Alliance for improving competitiveness of micro, small and medium-sized enterprises."
- The consolidation of the Network of Scientific Research on Climate Change.
- The elimination of visas for their citizens. In addition, the Presidents welcomed the decision of the Government of Peru to exempt business visas for the other three countries of the Pacific Alliance.
- The approval of the Guidelines for Adhesion to the Pacific Alliance, which will govern the entry of new countries. The launch of the Web site [www.alianzapacifico.net](http://www.alianzapacifico.net), which is also available in English: [www.thepacificalliance.com](http://www.thepacificalliance.com).
- Joint activities for promotion of trade and investment, particularly the First Macro Business Round of the Pacific Alliance, to be held in Cali, Colombia, in June 2013.

The Presidents also gave the following instructions:

- Conclude, by no later than 30 June 2013, the negotiations on tariff elimination and the chapters on Market Access, Regime of Origin, Sanitary and Phytosanitary Measures, Technical Barriers to Trade, Investment, Financial Services, Telecommunications, Maritime Services, Air Transport, Public Procurement, Institutional Matters and Dispute Settlement.
- Sign and implement the "Inter-Institutional Cooperation Agreement of Health Authorities of the countries of the Pacific Alliance" to expedite the granting of health records of medications.
- Continue with the relevant regulatory reforms to establish a regulation in the area of cosmetics, in line with best practices and international standards.
- Prepare and implement a work plan with specific joint actions for cooperation among intellectual property agencies.
- Start negotiations on a Chapter or Agreement on Regulatory Improvement.
- Make progress in the implementation of additional measures for facilitation of transit of persons at migration control points; strengthen the information sharing mechanism currently in use to provide warranty and security in the movement of people; design a youth mobility programme; study mechanisms for consular cooperation and develop an orientation guide for national travellers of member countries.
- Exchange information on tax matters, in accordance with the highest international standards on the subject.
- Create a Committee of Experts to analyze the topics suggested by the Business Council of the Alliance.
- Define support mechanisms for small and medium-sized enterprises.
- Outline projects and joint activities in accordance with the cooperation agreement in the field of Tourism and the Specific Cooperation Program on tourism of the Pacific Alliance.
- Assess the conditions for the establishment of the "Pacific Alliance Visa" for visitors from third countries.
- Continue with joint activities for promoting investments, participation in agro-industrial trade fairs and multi-destination tourist packages.

## VII. FREE TRADE AGREEMENTS AS BACKGROUND FOR THE PACIFIC ALLIANCE

A comparative review of the thematic contents and the specific commitments of the FTAs in force among the members of the Pacific Alliance shows, as expected, quite a few common elements, especially as regards trade in goods and in general frameworks on disciplines as regards services and investments. However, there are also significant differences resulting from bilateral sensitivities and priorities in trade policies at the time when they were negotiated. Some of those sensitive issues can be seen, for instance, in the agricultural sector and the rules of origin.

In previous negotiations it could be noted that the Agricultural and Livestock Sector was granted a special chapter and a timetable for tariff reduction in the FTA between Colombia and Mexico, while it enjoys a particular treatment within the Andean Community (CAN). Similarly, for the FTAs between Mexico and Chile, and with Colombia, it was necessary to agree on a special chapter for the Automobile Sector, which includes special provisions on market access.

**TABLE 2**  
**Pacific Alliance – Thematic contents of trade agreements in force**

TOPIC	CH/CO	CH/MX	CH/PE	CO/MX	MX/PE	CO/PE
<b>1. TRADE IN GOODS (MERCHANDISE)</b>	X	X	X	X	X	X
- National Treatment		X	X	X	X	X
- Tariffs		X	X	X	X	X
- Non-Tariff Measures		X			X	X
- Automobile Sector		X		X		
- Agricultural and Livestock Sector				X		X
- Rules of Origin (Regime)	X	X	X	X	X	X
- Customs Procedures		X	X	X	X	X
- Trade Facilitation	X		X			X
- Safeguard Measures	X	X	X	X	X	X
- Antidumping and Countervailing Rights	X		X	X	X	X
- Standards-related Measures (Norms or Technical Barriers)	X	X	X	X	X	X
- Sanitary and Phytosanitary Measures	X	X	X	X		X
<b>2. INVESTMENT, SERVICES AND RELATED ISSUES</b>	X	X	X	X	X	X
- Investment	X	X	X	X	X	X
- Cross-Border Trade in Services	X	X	X	X	X	X
- Air Transport Services		X				X
- Telecommunications		X		X		X
- Financial Services				X	X	
- Temporary Entry of Business People	X	X	X	X	X	X
- Mutual Recognition of Certificates, Degrees and Academic Titles					X	
- Electronic Commerce	X					
<b>3. POLICY IN THE AREA OF COMPETITION, MONOPOLIES AND STATE ENTERPRISES</b>		X	X			X
<b>4. INTELLECTUAL PROPERTY</b>		X	X	X		X
- Copyright and Related Rights		X		X		X
- Trademarks and Service Marks		X		X		X
- Origin Denominations		X		X		X
- Industrial Secrets				X		X
- Technology Transfers				X		X
- Enforcement of Intellectual Property Rights		X		X		X
- Special Requirements related to Border Measures		X				X
<b>5. PUBLIC SECTOR PROCUREMENT (PUBLIC CONTRACTING) AND STATE ENTERPRISES</b>	X	X		X		X
<b>6. ADMINISTRATIVE AND INSTITUTIONAL PROVISIONS</b>	X	X	X	X	X	X
- Transparency	X	X	X	X	X	X
- Administration of the Treaty (Agreement)	X	X	X	X	X	X
- Dispute Settlement	X	X	X	X	X	
- Exceptions	X	X	X	X	X	X
- Final Provisions	X	X	X	X	X	
<b>7. LABOUR PROVISIONS</b>	X					X
<b>8. ENVIRONMENT</b>	X					X
<b>9. COOPERATION</b>	X		X			X
<b>10. PROMOTION OF TRADE</b>			X			

In the area of services, in addition to the general chapter on cross-border trade, a separate chapter deals with the following sub-sectors: Air Transport (Chile-Mexico), Telecommunications (Chile-Mexico and Colombia-Mexico), Financial Services (Colombia-Mexico and Mexico-Peru) and Mutual Recognition of Diplomas and Studies (Mexico-Peru). The Andean Community has a broad agreement on liberalization of services, which

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includes public procurement in this sector, as well as provisions on regulatory and institutional mechanisms for telecommunications, transport (air, sea and land), tourism, movement of workers and investments.

On electronic commerce – an issue of special importance for the Pacific Alliance and the world of business today – the only background within the Alliance is a chapter in the FTA between Chile and Colombia. However, in accordance with international practice, the countries of the Pacific Alliance have also developed normative instruments, internal policies and multilateral and bilateral international agreements on this subject in several FTAs.

The issue of Competition Policy is dealt with in Chile's FTAs with Colombia and Peru and in the Andean Community, which also provides for mechanisms for Consumer Defence.

Intellectual property is included in the FTAs of Mexico with Chile and Colombia. There is a general commitment in the Chile-Peru FTA and the Andean Community counts on fairly detailed rules. The area of Public Sector Procurement is included in the FTAs between Colombia and Chile and in the FTAs of these two countries with Mexico, whereas the Andean Community, as mentioned before, public procurement is liberalized for the services sector. Labour and environmental issues – especially the latter, which is part of the cooperation programme of the Pacific Alliance – are included only in the Chile-Colombia FTA. Commercial promotion is included only in the Peru-Chile FTA. A chapter on Cooperation – which is often included in the FTAs signed with developed countries – is included in the FTAs of Chile with Colombia and Peru; however, cooperation in many of its facets is an activity that forms part of the agenda of the Andean Community.

In general, the contents of FTAs cover the major issues discussed thus far for the formation of the Pacific Alliance, and they are aimed at setting the rules of the game applicable to investments and businesses with a long-term vision, namely: Trade in Goods, Investment, Public Procurement, Intellectual Property, Movement of people, Air Transport, E-Commerce, Trade Promotion, Cooperation and Dispute Settlement.

It should be noted, however, that so far the agenda of the Pacific Alliance does not include a subject which is crucial for this type of agreements, particularly taking into account the creation of productive linkages, the importance of promoting SMEs, consumer protection, the need to ensure transparency of markets and the open access to public procurement. Such issue is Competition Policy, which is often accompanied by disciplines for Consumer Defence.

### **VIII. EARLY HARVEST**

The major agreements and understandings reached prior to its entry into force really evidence the strong political will regarding the Pacific Alliance. Among those achievements it is worth mentioning the elimination of 90% of tariffs, largely facilitated by the compliance with the schedules of FTAs in force, the unification of origin criteria, its electronic certification and the negotiation of the regional cluster, which is special importance for the formation of value chains for the development of the regional productive structure.

In this connection, and also as a means to promote trade not only within the markets of this region but with the world market, emphasis should be made on the negotiations on sanitary and phytosanitary measures and technical standards. It is widely known that a very large number of non-tariff barriers consist of this kind of requirements, often due to a lack of technical capacity in the governments, the industry and business.

Numerous reports and recommendations stemming from international forums indicate that a way to expand intra-regional trade in Latin America and the Caribbean and with the rest of the world is by overcoming limitations in infrastructure, logistics processes and trade facilitation procedures. In this regard, it should be noted that, geographically, the countries of the Pacific Alliance are far away from each other, so transportation costs are a determining variable affecting their chances to increase competence and specialization. Therefore, it will be crucially important to make progress in developing the physical infrastructure of transportation, ports and communications, developing and achieving interoperability of Foreign Trade Single Windows, simplifying and automating customs and port procedures, including duty-free zones, recognizing Authorized Economic Operator, and trying to reduce costs of maritime and air transport of cargo, mail and people.

Of course, reducing costs of transport of people is linked to the objectives of increasing tourism and promoting business meetings and activities as well as investment. In this regard, it is worth highlighting the actions for promotion of tourism, the opening to circular migration (temporary entry of business persons), the holding of business meetings and the coordination of national export and investment promotion agencies. As a matter of fact, in terms of positioning, the market that should be attached priority is that of the geographical area of the Pacific Alliance; the second target is the Latin American and Caribbean region as a whole, as it remains a major potential market in itself because the largest demands within the region are for manufactured goods and services. Based on the experiences of Asia, Oceania, Europe and North America, regional trade could be expected to eventually account for more than 50% of total trade, up from slightly over 20% at present.

Obviously, regional competitiveness and productive chains will be the crucial basis to meet the key objectives of the Alliance and to achieve a competitive, large-scale insertion into global markets, particularly in Asia-Pacific.

The Pacific Alliance is aimed at improving conditions and guarantees for investors by facilitating access to its market – which could become the largest one in Latin America – through a strategy encompassing State policies in the political, economic, business, commercial, tourist and legislative areas. Of course, job generation – the social policy par excellence – will find important incentives in the Pacific Alliance because its activities are intended to create a large and strong productive sector which encourages productive chains and technological development, in order to develop competitive advantages in the global market.

Prior to the entry into force of the Pacific Alliance much progress was made in the following areas:

- **Market access**

By the time when the Agreement of the Pacific Alliance enters into force, the member States will immediately liberalize tariffs on 90% of the goods traded within the Alliance. The remaining percentage corresponds to sensitive products for each country, including dairy products, sugar, coffee and oil. In the next 10 years, such opening could reach nearly 100%, except for some special products provided for within the framework of the bilateral commitments.

The approval of common technical and sanitary rules has been foreseen initially for the sectors of drugs and cosmetics, but the sector of foods is likely to come next pretty soon.

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The progress towards the homogenization of the origin criteria, the mechanisms for regional accumulation of origin and the electronic certification of origin, is a great leap forward in the process of regional convergence, and will be even more so with the forthcoming accession of other countries.

### ▪ **Export promotion**

The Presidents have instructed export promotion agencies to annually adopt common work agendas, which include the conduction of forums, events and business rounds. The first business macro-round will be held on 19 and 20 June 2013 in Cali, Colombia.

Also, a decision was made to open a joint Office for Promotion of Investments in Turkey and to create joint export promotion offices in other countries, particularly in Asia. This will reduce costs, expand destinations and will generate an identity as a trade and economic bloc in the world, which could lead to build a regional brand. Combining their operations, the countries will be able to take part in more trade fairs and offer joint export packages, especially in the largest markets such as China, Japan, Korea and India.

### ▪ **Movement of people**

The elimination of visas among Mexico, Colombia, Peru and Chile – the four countries of the Pacific Alliance – became effective on 01 November 2012. This commitment will be enhanced with an exchange of real-time information on the movements of criminals. In the field of business, visas for businessmen were also eliminated. Tourist flows are expected to become increasingly stronger both within the region and from the rest of the world.

### ▪ **Capital markets**

A milestone was set in Latin America and the Caribbean, with the creation of a joint stock exchange among Chile, Peru and Colombia, known as the integrated Latin American Market (MILA). Mexico signed a letter of intent to join the MILA.

### ▪ **Business alliances**

Business alliances will be fostered through participation in export promotion events, the creation of value chains for the use of regional clusters and the activities of the Business Council of the Pacific Alliance. In the end, all negotiations have one purpose: increasing business and investments for productive transformation, competitiveness and the generation of better job opportunities.

### ▪ **Cooperation**

Progress has been made in cooperation programmes in the areas of education, financial institutions, infrastructure, capital markets, business and academic sectors, as well as climate change.

### ▪ **Business opportunities for international investors**

The business opportunities for the bloc in areas such as chemicals, mining, metallurgy, agribusiness, information technologies, tourism, transport and logistics, communications and financial services, among others, could position the Pacific Alliance at the forefront in promoting the development of Latin America, turning it into another important economic and commercial Latin American partner vis-à-vis the rest of the world, in addition to Brazil.

### ▪ **SMEs**

During a workshop held in Cali on 4 and 5 April 2013, a proposal was made to create a Multinational Venture Capital Fund, as well as a regional guarantee mechanism, to improve competitiveness of MSMEs in the countries comprising the Pacific Alliance.

With respect to the Multinational Venture Capital Fund, its purpose would be to include entrepreneurs from the countries of the Alliance, taking advantage of existing networks, thereby seeking to promote high-impact entrepreneurship. Thus, a recommendation was made to implement the supervision and regulation of guarantee instruments, because such a move would allow risk-taking by banks to have an impact on the reduction of accidents.

▪ **Meeting of Ministers of Economy and Finance**

The Ministers of Economy of the Pacific Alliance met at the World Economic Forum for Latin American 2013, which took place in Lima from 23 to 25 April, to address ways to strengthen financial integration, capital markets and capital flows. They also discussed how to deal with capital flows with sometimes unwanted effects such as exchange rate fluctuations in the countries of the Alliance. This meeting of the Ministers of Economy of the block of the Pacific Alliance was in "preparation" for a hemispheric Summit of Ministers of Finance scheduled to be in August in Colombia.

▪ **Parliament of the Pacific Alliance**

On 7 May 2013, the Congresses of Colombia, Chile, Mexico and Peru took the first steps to form the Parliament of the Pacific Alliance during a meeting held in the Colombian Senate, in Bogota. The Presidents of the Congresses signed an agreement to create the Parliament of the Pacific Alliance.

Thus, the Parliament will support the initiatives undertaken by governments to develop the treaties and agreements in order to achieve deeper integration, and it is expected to be joined by other Latin American countries.

## IX. INTRA- AND EXTRA-REGIONAL TRADE RELATIONS

The basis for the formation of the Pacific Alliance are the trade agreements previously signed by its member countries, in addition to the obligations taken on within the multilateral and regional forums of which they are part. The four founding countries are members of the World Trade Organization (WTO) and of the Latin American Integration Association (ALADI), and Colombia and Peru are part of the Andean Community (CAN). On the other hand, Panama is a member of ALADI and Costa Rica, Guatemala and Panama form part of the WTO and the Central American Integration System (SICA).

The four countries and the two candidate countries to become full members have signed or are negotiating the following free trade agreements:

**TABLE 3**  
**Pacific Alliance – FTAs in force between the member countries**

COUNTRY	COLOMBIA	CHILE	MEXICO	PERU	COSTA RICA	PANAMA
COLOMBIA		FTA 2009	FTA 1994	CAN	FTA 2013	Under negotiation
CHILE	FTA 2009		FTA 1999	FTA 2009	FTA 2002	FTA 2008
MEXICO	FTA 1994	FTA 1999		FTA 2012	FTA 1995	PSA 1986
PERU	CAN	FTA 2009	FTA 2012		FTA 2013	FTA 2012
COSTA RICA	FTA 2013	FTA 2002	FTA 1995	FTA 2013		SICA
PANAMA	Under negotiation	FTA 2008	PSA 1986	FTA 2012	SICA	

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With regard to bilateral trade relations with Costa Rica and Panama, in general, the corresponding FTAs have been completed, with the only exception of the agreement between Mexico and Panama, which consists of a Partial Scope Agreement (PSA) dating back to 1986.

Once Mexico concluded the negotiations on the NAFTA with the United States and Canada in mid-1990s, it undertook further negotiations to reach free trade agreements with Chile and Colombia.<sup>2</sup> In addition, in 1994, Colombia and Chile agreed to establish a free trade area, and in the late 1990s they completed the programme for tariff reduction. In 2006, Colombia and Chile added the remaining chapters to conclude their FTA. Peru's FTAs with Chile and Mexico are also recent; they were signed in 2009.

The four founding countries of the Pacific Alliance have maintained trade relations since 1960, within the framework of the Latin American Free Trade Association (LAFTA), which later on, in 1980, was re-launched as ALADI.<sup>3</sup> In this context, the ten South American countries and Mexico began to build an integration process, which has gradually changed in tandem with the evolution of the productive structure of their economies, their trade policies, the integration of the whole region, the multilateral disciplines and the business and investment trends in the global economy. In the framework of LAFTA, commitments were negotiated to cut some 11,000 tariff items, which are considered as historical landmarks and have served as the basis for the essentially bilateral negotiations that have characterized the commercial commitments within ALADI, named Partial Scope Economic Complementation Agreements (PSA). The four Member States of the Pacific Alliance have expanded their integration to the rest of Latin America and the Caribbean since the mid-1980s through bilateral agreements struck under the legal system of ALADI. This organization was enhanced in 1999 with the accession of Cuba and in 2012 with the entry of Panama. Nicaragua is currently negotiating its adhesion.

**TABLE 4**  
**Trade Agreements of the Member States of the Pacific Alliance**

COUNTRY / REGION	COLOMBIA	CHILE	MEXICO	PERU	COSTA RICA	PANAMA
EFTA	FTA 2011	FTA 2004	FTA 2001	FTA 2011		
EUROPEAN UNION	Negotiated	FTA 2003	FTA 2000	FTA 2013	Negotiated	Negotiated
NAFTA			FTA 1994			
CANADA	FTA 2011	FTA 1997		FTA 2009	FTA 2002	FTA 2013
UNITED STATES	FTA 2012	FTA 2006		FTA 2009	FTA 2009	FTA 2012
NORTHERN TRIANGLE (EL SALVADOR, GUATEMALA, HONDURAS)	FTA 2009/10	FTA 2002/08/10	FTA 2001		SICA	SICA
NICARAGUA	PSA 1984	FTA 2012	FTA 1998		SICA	SICA
MERCOSUR	PSA 2005	PSA 1996	PSA 2006	PSA 2005/6		

<sup>2</sup> Colombia and Mexico, along with Venezuela, initially made up the Group of 3, but the latter country denounced the agreement in 2006.

<sup>3</sup> The member countries of ALADI are: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela.

COUNTRY / REGION	COLOMBIA	CHILE	MEXICO	PERU	COSTA RICA	PANAMA
ECUADOR	CAN	PSA 1995	PSA	CAN		
BOLIVIA	CAN	PSA 1993	PSA 2010	CAN		
VENEZUELA	PSA 2012	PSA 1993	PSA	PSA	PSA 2006	
CUBA	PSA 2001	PSA 1999	PSA			
DOMINICAN REPUBLIC					FTA 2002	PSA 1987
CARICOM	PSA 1995				FTA 2006	
TURKEY		FTA 2011				
ISRAEL			PSA 2000			
MALAYSIA		FTA 2012				
JAPAN		FTA 2007	FTA 2005	FTA 2012		
PTN <sup>4</sup>		FTA 2006	PSA 1973	PSA 1973		
KOREA	FTA 2013	FTA 2004	Negotiated	FTA 2012		
CHINA		FTA 2006		FTA 2010	FTA 2011	
SINGAPORE				FTA 2009		FTA 2006
TAIWAN						FTA 2004
INDIA		PSA 2007				
AUSTRALIA		FTA 2009				
THAILAND				PSA 2011		

Since 1969, Colombia and Peru form part of the Andean Community (CAN), which is a deep customs union, as it has a very broad and well-developed policy and institutional framework that goes beyond merely commercial issues and encompasses, among other areas, social, cultural, environmental issues, infrastructure, environmental sustainability, physical integration and border integration, following the model of the European Union.<sup>5</sup>

Since the 1990s, Chile and Mexico, and in 2000 Colombia and Peru, have separately decided to definitely join the global flows of trade and investment, starting with the creation of free trade zones that would cover the whole tariff universe, which were subsequently expanded to free trade agreements and protection of investments and double taxation agreements, driven by the experience and commitments from the negotiations with the United States. In this way, multiple free trade agreements have been signed with countries in Latin America and the rest of the world, especially North America, Europe, Asia and Oceania, as shown in the following table.

In terms of trade relations with countries other than those of the Alliance – including the Observer Candidates – it should be mentioned that they all have free trade agreements with the United States, Canada and the European Union. In the case of the Northern Triangle, it would only be necessary for Peru to negotiate one FTA with those Central

<sup>4</sup> The countries participating in the Trans-Pacific Agreement are: Australia, Brunei Darussalam, Canada, Chile, United States, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

<sup>5</sup> The Member States of the Andean Community are: Bolivia, Colombia, Ecuador and Peru.

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American countries. Noteworthy are the multiple negotiations conducted by Chile, Mexico and Peru with Asian countries, particularly Japan, the Transpacific Agreement (Brunei, Chile, New Zealand and Singapore) and Korea. Thus far, Chile, Costa Rica and Peru have negotiated free trade agreements with China.

The objective of the Pacific Alliance is to export products and services to the most dynamic and competitive region in the world: Asia. It also seeks also to attract investment from that continent. This calls for joint negotiation agendas in view of the positive responses from countries such as Japan, Korea and China, which see this integration model with great interest. This is an additional gain of the Pacific Alliance: raising the interest of Asian countries, since the Pacific Alliance has been proposed as an area of deep and solid regional integration aimed at growth, economic development and job generation.

Therefore, rather than increase commercial exports in the South-South market, the importance of the Alliance for their Member States is strategic, because individually most of them would not have the same visibility or the same business capacity to get to Asia and compete there. For this reason, another benefit of forming part of the Pacific Alliance will facilitate the negotiation and management of agreements in bloc between this group and Asian countries.

In recent years Asia has become the most important trade partner of Latin American countries. It might be expected, then, that the countries of the Alliance would like to harmonize their trade policies, especially with Asian countries, and develop conditions to boost business. However, for more than two decades now, several Latin American countries have participated in governmental, business and cooperation forums in the Asia-Pacific region, and the countries of both regions are playing an increasingly influential role in major multilateral organizations, such as the Organization for Economic Cooperation and Development (OECD). The following table attempts to provide an overview of the participation of the Pacific Alliance countries in several of those forums.

**TABLE 5**  
**Countries of the Pacific Alliance**  
**Participation in forums of the Pacific and the OECD**

	APEC	PTN	PECC	PBEC	OECD
<b>1. PARTIES</b>					
CHILE	X	X	X	X	X
COLOMBIA			X	X	CANDIDATE
MEXICO	X	X	X	X	X
PERU	X	X	X	X	
<b>2. CANDIDATE OBSERVERS</b>					
Costa Rica					CANDIDATE
Panama					
<b>3. OBSERVERS</b>					
Australia	X	X	X	X	X
Canada	X	X	X	X	X

	APEC	PTN	PECC	PBEC	OECD
Ecuador			X	X	
El Salvador					
Spain					X
France					X
Guatemala					
Honduras					
Japan	X		X	X	X
New Zealand	X	X	X	X	X
Paraguay					
Portugal					X
Dominican Republic					
Uruguay					
United States	X	X	X	X	X

APEC: Asia-Pacific Economic Cooperation Forum

PTN: Trans-Pacific Agreement

PECC: Pacific Economic Cooperation Council

PBEC: Pacific Basin Economic Council

OECD: Organization for Economic Cooperation and Development

## X. ECONOMIC AND COMMERCIAL IMPORTANCE

Based on the economic indicators of Latin America, it could be noted that the Pacific Alliance is the largest trading group in the region, with slightly over one-third of the region's population.

By 2012, ECLAC estimated that the 33 countries of Latin America and the Caribbean had a total population of 597 million people, of which 210 million, equivalent to 35%, belonged to the Member States of the Pacific Alliance. That percentage would increase to 37% with the entry of the two new Member States (218 million people).

**TABLE 6**  
**Pacific Alliance**  
**Population by 2012 – Gross Domestic Product by 2011**

INDICATOR	CHILE	COLOMBIA	MEXICO	PERU	PACIFIC ALLIANCE	COSTA RICA	PANAMA	ENLARGED PACIFIC ALLIANCE
Population (millions)	17.5	47.7	114.8	29.9	209.9	4.8	3.6	218.3
GDP 2011	249	333	1.151	181	1.914	41	31	1.986

SOURCE: ECLAC. *Statistical Yearbook 2012*.

In terms of economic performance, in 2011, GDP for the whole Latin America and the Caribbean reached US\$ 5.689 billion, of which 34% corresponded to the four founding countries of the Pacific Alliance. The figure increases to 35% if Costa Rica and Panama are taken into account. In turn, MERCOSUR (including Venezuela) accounted for 48% of GDP, of which 75% corresponded to Brazil. Together, the two blocs would represent 83% of the GDP of Latin America and the Caribbean.

The ECLAC report "Economic Survey of Latin America and the Caribbean 2012", April 2013, estimated that Latin America and the Caribbean will grow 3.5% on average this year, a figure slightly lower than the initial estimate of 3.8% issued in December 2012, largely due to the uncertainty prevailing in the international economy, especially because of the European crisis, which has been offset by the continued demand for raw materials by Asian countries, the recovery in the United States and the increased demand in the Latin American and Caribbean region, led by Argentina and Brazil.

Vis-à-vis this scenario, the countries of the Pacific Alliance showed a trend to grow at above average rates: Peru 6%, Chile 5%, Colombia 4.5%, and Mexico 3.5%. For the new Member States of the Alliance such growth is expected to be 8% for Panama and 3.5% for Costa Rica.

**TABLE 7**  
**Pacific Alliance and Latin America and the Caribbean: Annual variation of the Gross Domestic Product**

*(Percentage)*

<b>COUNTRIES</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013*</b>
CHILE	6.1	6.0	5.6	5.0
COLOMBIA	4.0	5.9	4.0	4.5
MEXICO	5.6	3.9	3.9	3.5
PERU	8.8	6.9	6.2	6.0
COSTA RICA	4.7	4.2	5.1	3.5
PANAMA	7.6	10.6	10.7	8.0
LATIN AMERICA AND THE CARIBBEAN	5.9	4.3	3.0	3.5

\* Projection

**SOURCE:** ECLAC. Economic Survey of Latin America and the Caribbean 2012. Santiago, Chile, updated in April 2013.

Trade figures show that the Pacific Alliance countries, including those that are completing the accession process, participated with 52% of exports and 54% of imports of goods in 2012 out of the total for Latin America and the Caribbean. These figures can be compared with those of MERCOSUR: 39% and 35%, respectively. In other words, MERCOSUR outstrips the Pacific Alliance in terms of GDP and population, but the Alliance as an economic bloc is much more open to the world economy.

**TABLE 8**  
**Pacific Alliance – Share in trade in Latin America and the Caribbean (US\$ millions)**

	Exports			Imports		
	2010	2011	2012	2010	2011	2012
Latin America and the Caribbean	884	1.096	1.112	854	1.044	1.086
Pacific Alliance	445	534	555	426	513	545
Enlarged Pacific Alliance	465	559	582	457	552	587
MERCOSUR	281	353	338	257	322	314
Enhanced MERCOSUR	347	446	435	299	374	379
	<b>(Percentage)</b>					
PA/LAC	50	49	50	50	49	50
EPA/LAC	53	51	52	54	53	54
MERCOSUR/LAC	32	32	30	30	31	29
EMERCOSUR/LAC	39	41	39	35	36	35

**SOURCE:** ECLAC. Economic Survey of Latin America and the Caribbean 2012. Santiago, Chile, updated in April 2013

ECLAC estimates indicate that in 2012 Latin America rebounded again as a global destination of Foreign Direct Investment flows (FDI), with a total income of US\$ 173,361 million, with 48% going to MERCOSUR – mainly to Brazil (38%) and Argentina (7%) – and the expanded Pacific Alliance receiving 44%. It should be noted that the largest growth in absolute and relative figures was recorded in Argentina (27%), Chile (32%), Colombia (18%) and Peru (49%).

**TABLE 9**  
**Foreign Direct Investment Inflows in Latin America and the Caribbean**  
*(US\$ millions – Percentage)*

Region/Country	2000/2006 Average	2007	2008	2009	2010	2011	2012	Share 2012 (%)
<b>LAC</b>	<b>68,183</b>	<b>116,382</b>	<b>138,698</b>	<b>82,948</b>	<b>124,368</b>	<b>165,815</b>	<b>173,361</b>	<b>100</b>
<b>MERCOSUR</b>	<b>26,337</b>	<b>44,094</b>	<b>58,840</b>	<b>29,421</b>	<b>60,720</b>	<b>83,040</b>	<b>84,022</b>	<b>48</b>
Argentina	4,473	6,473	9,726	4,017	7,848	9,882	12,551	7
Brazil	19,144	34,585	45,058	25,949	48,506	66,660	65,272	38
Paraguay	59	202	209	95	228	215	273	0
Uruguay	551	1,329	2,106	1,529	2,289	2,505	2,710	2
Venezuela	2,110	1,505	1,741	-2,169	1,849	3,778	3,216	2
<b>PACIFIC ALLIANCE</b>	<b>35,963</b>	<b>62,165</b>	<b>65,371</b>	<b>45,622</b>	<b>55,787</b>	<b>71,018</b>	<b>76,330</b>	<b>44</b>
Chile	5,387	12,572	15,518	12,887	15,373	22,931	30,323	17
Colombia	4,108	9,049	10,596	7,137	6,758	13,438	15,823	9
Peru	1,870	5,491	6,924	6,431	8,455	8,233	12,240	7
Mexico	22,916	31,380	27,853	16,561	21,372	21,504	12,659	7
Costa Rica	747	1,896	2,078	1,347	1,466	2,157	2,265	1
Panama	935	1,777	2,402	1,259	2,363	2,755	3,020	2
<b>REST OF LAC</b>	<b>5,884</b>	<b>10,124</b>	<b>14,488</b>	<b>7,906</b>	<b>7,862</b>	<b>11,758</b>	<b>13,010</b>	<b>8</b>

*Source:* Economic Commission for Latin America and the Caribbean (ECLAC), 29 April 2013.

## XI. THE PACIFIC ALLIANCE AND LATIN AMERICAN AND CARIBBEAN INTEGRATION

According to ECLAC figures, out of the US\$ 1,037 billion worth in Latin American and Caribbean exports in 2011, US\$ 558 billion corresponded to the countries of the Pacific Alliance (expanded), i.e. 53%.<sup>6</sup> In turn, intra-Latin American exports totalled US\$ 190 billion, out of which US\$ 66 billion, 35% of the total, were from the countries of the Pacific Alliance. Exports among the members of the Alliance (expanded) amounted to US\$ 27 billion, equivalent to 41% of the exports from the Alliance to Latin America and the Caribbean, which shows the importance of the Alliance's own market, even when the agreement had not entered into force at the time.

As ECLAC suggests,<sup>7</sup> "the four current members of the Alliance are already linked by a network of bilateral free trade agreements, which in principle set them in a favourable position to move towards more ambitious integration goals." But they not only enjoy these commercial links, they also have the global market within their reach, in view of their open trade relations – or at least in opening process – with Latin America and the Caribbean,<sup>8</sup> Europe, North America and the largest countries in Asia. In general, trade barriers do not prevent countries from achieving greater inclusion in international trade, investment and technology flows, but they can affect their own supply capacity, their logistics and their technological development.

**TABLE 10**

### Enhanced Pacific Alliance – Intra-regional exports of goods, 2011

(FOB, US\$ millions)

Destination Origin	Chile	Colombia	Mexico	Peru	Costa Rica	Panama	Total Alliance	Total LAC	Total World
Chile		974	1950	1787	248	118	5076	13181	80766
Colombia	2190		702	1390	431	1948	6660	15658	56173
Mexico a/	2072	5633		1286	998	1024	11013	26216	349459
Peru	1963	1029	419		64	331	3807	7768	44686
Costa Rica	23	45	313	15		544	938	2971	10218
Panama	...	...	...	...	...	...	0	...	16929
<b>Total PA</b>	<b>6248</b>	<b>7680</b>	<b>3383</b>	<b>4477</b>	<b>1741</b>	<b>3964</b>	<b>27494</b>	<b>65794</b>	<b>558231</b>
<b>Total LAC</b>	<b>18594</b>	<b>13698</b>	<b>9273</b>	<b>11071</b>	<b>3161</b>	<b>6107</b>	<b>61904</b>	<b>189694</b>	<b>1053948</b>
<b>World</b>	<b>67151</b>	<b>48224</b>	<b>307686</b>	<b>34710</b>	<b>13822</b>	<b>62785</b>	<b>534377</b>	<b>1024806</b>	

SOURCE: ECLAC. Statistical Yearbook 2012.

a/ Includes maquila.

Faced with the reality that the largest economies of the world have not recovered from the great recession of 2008 yet, some regions are standing out in the international economy thanks to their potential as markets, destination of investments and sources of raw materials, manufacturing and services. Thus, over the last decade, Latin America and the Caribbean has posted notable rates of growth, enlargement of the middle class, macroeconomic stability and ability to offer natural resources, manufactured goods and services. Hence the growing investments and the interest of the major economies to strike trade agreements with these countries, especially large economic groupings, such as

<sup>6</sup> ECLAC does not provide separate figure for Panama, only the total figure.

<sup>7</sup> ECLAC, Latin America and the Caribbean in the World Economy 2011-2012.

<sup>8</sup> Particularly, the completion of the trade agreement between Brazil and Mexico and the Regional Tariff Preference for LAC, as proposed during the creation of CELAC, is expected to be of great importance for intra-Latin American and Caribbean trade.

SICA, MERCOSUR, CARICOM, Andean Community and now the Pacific Alliance. This can be noted in trade relations with China, Korea of the South Korea, Japan and India, among others.

Therefore, the Pacific Alliance reinforces the other integration processes and blocs in the region, and judging by the way in which it is shaping up the Alliance might become the deepest and most ambitious economic and trade bloc of Latin America and the Caribbean. The combined exports of the Pacific Alliance members are larger than those of the bloc of the South American countries of MERCOSUR, led by Brazil and Argentina. But, internationally, the Pacific Alliance also strengthening the negotiation capacity and leadership recognized in Brazil.

Except for Ecuador, the Latin American countries with coasts to the Pacific have free trade agreements with the United States, Canada, several Asian countries and Europe. For this reason, their common action as a productive and commercial bloc can serve as a platform for Asian enterprises to export products to the United States and Canada, and for these two countries to export to Asia, the Americas and Europe.

Essentially, the Pacific Alliance is a project for the expansion of Latin America and the Caribbean to Asia and the world, by way of the existing commercial opening and negotiation process. To achieve this goal, it is worthwhile taking into consideration some of events that are occurring on very diverse fronts in this region, such as increasing intra-regional investment, the growth and diversification of export processing zones, the development of infrastructure through national public investment programmes and projects, such as COSIPLAN (formerly IIRSA) and the Mesoamerica project, trade facilitation, especially through Foreign Trade Single Windows and other mechanisms, and the continued growth in the supply of maritime and air transport as well as the expansion of port and airport capacities.

The Pacific Alliance has been proposed as an area of open integration, so even before entering into force, two countries have been completing the requirement to become Member States (Costa Rica and Panama) and in the last few weeks a third extra-regional country, Canada, has expressed its interest in joining as a Member States. If this occurs, the economic and commercial weight of the bloc can be expected to become increasingly important, not only as the largest market of Latin America and the Caribbean, but as a referential bloc in the global economy. Thus, this integration group will initially benefit a market of some 210 million people, but its scope reaches the whole world by way of open markets, productive linkages, intensification of trade promotion and the dynamics of FDI.

Therefore, because of the way in which it is unfolding, the Pacific Alliance promises to be a new and profound political, productive, economic and commercial bloc that undoubtedly will boost the process of integration of Latin America and the Caribbean and will lead to greater inclusion of this region into the world.