

REGIONAL INTEGRATION IN LATIN AMERICA

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REGIONAL INTEGRATION IN LATIN AMERICA: DYNAMICS OF THE PACIFIC ALLIANCE

EDITED BY

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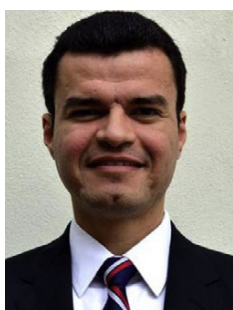
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Chapter 1

Pacific Alliance: Political, Economic, and Commercial Implications

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Nayra González-González and Arturo Tavizon-Salazar*

Abstract

This chapter discusses the creation of the Pacific Alliance comprising four countries: Mexico, Chile, Peru, and Colombia. It shows that is not only a free trade agreement between these countries but also a multidimensional regional integration with political, economic, and cultural perspectives. Programs and actions have been structured in a way that allows and promotes integral growth of Latin American citizens. For this reason, it is important to analyze in this chapter the opportunities that Alliance Pacific generates with respect to each of these three aspects. (1) Political and diplomatic implications like eliminating visa requirements for the members, sharing some embassies, facilitating labor mobility between these countries, and proposing the creation of a joint parliament. (2) Economic and trade implications with a gradual elimination of tariffs that will allow companies to be more competitive, creation of different government agencies in each country to support business and promote intra-regional trade of goods and services, and create a joint platform to promote innovation, entrepreneurship and gender equity. Finally, (3) Cultural and educational implications, as the creation of “Student and Academic Mobility Platform” of the Pacific Alliance with scholarships for students and researchers, the integration of a “Technical Education Group” to foster integration and social inclusion of children and adolescents, and the creation of “Sports Diplomacy Program” and a “Scientific Research Network on Climate Change.” Although there are still several challenges for improvement in the Pacific Alliance, it is an agreement that will bring stability, welfare, and development effects for the members of these countries.

Keywords: Pacific Alliance; regional integration; Mexico; Peru; Chile; Colombia; Latin America; economy; trade and culture

Introduction

The emergence of the Pacific Alliance, comprising Mexico, Chile, Colombia, and Peru, with Costa Rica and Panama as aspirants, has a strong impact on the regional integration process in Latin America as it moves toward consolidation. The Alliance favors trade and the economy of the member countries. However, unlike many other free trade agreements, this treaty is aimed at multidimensional regional integration — not only economic but also social, political, cultural, educational, and sports cooperation — that allows integral growth of Latin American citizens.

For this reason, the Pacific Alliance follows a model of openness with a vision of “open regionalism,” in which the majority of the four member countries have important trade agreements with other countries of the world. This allows, on the one hand, for the members to openly tackle globalization and, at the same time, to foster a profound internal regional integration where all productive factors, goods and services, labor, and capital can circulate without boundaries. This strength will enable the member countries of the Alliance to be more competitive in the face of the new global challenges and dynamics of the economy and international trade (Briceño Ruiz, 2013).

Another strength is that Chile, Colombia, Mexico, and Peru not only have a great common history and cultural brotherhood because of their colonization by Spain but also have a front view of the Pacific Ocean. This provides them to have a giant road of opportunities between them and other continents, especially with Asian countries.

Finally, collectively, they are the ninth-largest economy in terms of gross domestic product (GDP). They have a market of about 222 million people, representing the fifth-largest population worldwide (Table 1.1). With an average GDP per capita of US\$ 9,000, they keep their economies growing and, collectively, represent 55% of Latin American exports. Therefore, this integration in the Pacific Alliance allows the economy of these countries to be promoted, encouraged by fostering joint transactions, thereby providing opportunities for foreign investment and, above all, improving their economic indicators.

This economic growth promoted within the Pacific Alliance will produce effects of stability, well-being, and development for the members of these countries. Considering the above, the purpose of this chapter is to show the extensive list of actions and programs generated, with their political–diplomatic as well as economic–commercial and cultural–educational implications for the four member countries of the Alliance.

Political–diplomatic Implications

Mexican foreign policy has had a change in its trade regime when it opened its borders in the 1980s, going from trade protectionism to an open system in order to enter the General Agreement on Tariffs and Trade (GATT) in 1986, especially with the signing of the North American Free Trade Agreement. As is known, foreign policy is the capacity of states to respond to the external

Table 1.1. Pacific Alliance: Economic Indicators.

	MEXICO	CHILE	COLOMBIA	PERU
Official name	United Mexican States	Republic of Chile	Republic of Colombia	Republic of Peru
Capital City	Mexico City	Santiago	Bogotá	Lima
Land area	1,972,550 km ²	756,096 km ²	1,141,749 km ²	1,285,216 km ²
Population 2017 estimate	123,675,325	17,574,003	49,587,941	32,553,697
Official language	Spanish	Spanish	Spanish	Spanish
Nominal GDP 2017 estimate	US\$ 1,047 trillion	US\$ 265,224 billion	US\$ 322,489 billion	US\$ 221,710
GDP Per Capita	US\$ 8,562	US\$ 14,274	US\$ 6,472	US\$ 6,892
Political system	Democratic Republic	Democratic Republic	Unitary Republic	Democratic Republic
(1) Services	41%	74%	65%	18%
(2) Industry	17%	11%	12.2%	14%
(3) Crop/livestock	N/A	3%	7%	5%
(4) Mining	7%	11%	8%	12%
(5) Other activities	35%	N/A	21%	51%

Source: Elaboration by the authors based on data from [IndexMundi \(2017\)](#) and [Alianza del Pacifico \(2016a\)](#).

situations in the international system; this is the reason why countries open a dialogue looking for cooperation and understanding, which allows them to defend their interests internationally (Marcsak & George, 2016a, 2016b).

It should be noted that this approach by the Mexican government with its northern neighbors brought a loss of leadership in the Latin American countries. Therefore, in early 2000, Mexico attempted to revert this situation and has sought to make use of horizontal multilateralism, where regional integration is no longer limited to cooperation and openness but it also ventures into an interaction of the economic and political aspects. This in turn has softened the dividing line between the above aspects, and thus, political integration is a consequence thereof (Ardila & Krzywicka, 2015, p. 38; Velázquez Flores et González Cruz, 2016).

This policy of rapprochement with the Latin American and Caribbean countries continues to be promoted by the current president of the United Mexican States, Enrique Peña Nieto, who points out that the main objective is “to strengthen the presence of Mexico in the world, so as to diversify political, trade, investment, tourism and cooperation ties” (Peña Nieto, 2017). Therefore, the Pacific Alliance is an excellent means to achieve this goal; it will allow better liaison among Chile, Colombia, Mexico, and Peru and improve its position in the international arena, so it is natural that Mexico has been seen as a driver of these objectives.

As noted, the foreign policy of the Pacific Alliance countries has promoted the use of diplomacy as a negotiating mechanism that has successfully achieved consensus and very important agreements, all of which have permeated the internal policies in the four countries. This allows the main objectives of the Pacific Alliance to be fulfilled, with concrete and effective actions and programs that provide short-, medium-, and long-term benefits for all citizens of these countries. It also has several political implications for the Pacific Alliance’s diplomatic agenda: the policies of mobility among the member countries, migration, and the improvement of the quality of life of individuals. These implications are as follows:

- An outstanding achievement for the foreign policy of these countries was the elimination of visas among these four countries as of November 1, 2012. This will facilitate mobility of people, which in turn will strengthen tourism and the free flow of people among the member countries (Alianza del Pacífico, 2015). This elimination is particularly intended to encourage the exchange of students, professors, and researchers to increase academic links.
- To reinforce a joint diplomacy that strengthens the union and integration between these countries, some embassies and common consulates were established in 2013 to provide the Alliance’s citizens with the necessary diplomatic services. Hence, now several of these countries share six diplomatic locations: Ghana, Vietnam, Morocco, Algeria, Azerbaijan, and the OECD’s Diplomatic Mission (Flores Liera, 2016).
- In 2012, a parliament of the Pacific Alliance was also proposed, which was initiated with the commencement of a plenary session of parliament, comprising 10 representatives from each of the four congresses to determine the future

functions of parliament. On July 11, 2013, the Inter-parliamentary Commission was created with representatives of the four congresses of the member countries. Its main function is to promote the formulation of laws from agreements reached by the governments of the Alliance. Therefore, this integration in Latin America is not only of a commercial nature but it also seeks political and legal integration ([Informador, 2013](#)).

- It is important to point out that in 2013, to promote concrete actions with the aim of improving some migration problems that exist among the member states, the program “Labor Mobility in the Pacific Alliance” was created. For this aspect, governments have had meetings with businessmen and national and international experts from the member countries of the Pacific Alliance to analyze the implementation of labor mobility in an orderly manner, particularly as a development tool that can benefit both the workers and their families in the countries of origin and destination; this is known as “the triple victory” ([Insa & Espinola, 2015](#)). Therefore, in July 2015, the Inter-Institutional Agreement on the Implementation of an Information Consultation Mechanism with Migration Purposes to Facilitate Mobility of Persons was created ([Alianza del Pacífico, 2016b](#)).
- Finally, improving roads and port infrastructure for greater physical interconnection among the countries and supporting initiatives in terms of electrical and energy interconnection is also expected.

Economic and Trade Implications

As discussed earlier, the Pacific Alliance agreement has political–diplomatic implications that have enabled the creation of one of the largest economic and financial blocs in Latin America. As regards the commercial aspect, several actions have been developed to foster a much deeper economic union, with the following implications:

- Intensive negotiations were conducted so that the trade agreement facilitates trade with a tariff reduction on most products, along with the reduction of trade barriers, speeding up of dispute settlement, and facilitation of trade in services. This in turn will accelerate import and export operations among the member countries. Therefore, an Additional Protocol to the Framework Agreement of the treaty (PAAM) was signed in February 2014, which entered into force in 2016, laying out the necessary guidelines for the proper conduct of free trade, thus benefitting all parties ([Alianza del Pacífico, 2016c](#)). This protocol of tariff reduction allows for a gradual elimination of tariffs within the next three–seven years in more than 92% of the products, with the exception of the agro industry, where taxes will be relieved in a term of 17 years.

It should be noted that this treaty does not require a common external tariff like most treaties, since the PA countries continue to maintain the tariffs they signed with other countries in each of their previous treaties. To date, they have signed approximately 76 trade agreements with other countries.

- Another important point is the support provided to importing and exporting businessmen to facilitate business among the member countries and thus promote intra-regional trade with goods and services through different government agencies of each of the four countries: Chile, Colombia, Peru, and Mexico, as shown in [Table 1.2](#).
- In addition to the support of these organizations, a cooperation fund of US\$ 1 million between the four countries was created in 2013, during the seventh summit of the Pacific Alliance; this fund will boost the incursion into new markets and, above all, it will strengthen the alliance as an economic bloc, which will allow its optimal functioning.
- In 2012, the Business Council of the Pacific Alliance (CEAP) was created; it comprises businessmen and representative associations of the four countries, with its main objective being the promotion of cooperation among entrepreneurs of the Pacific Alliance and the global entrepreneurial community. A further purpose of it is proposing actions aimed at third-world markets, particularly in the Asia Pacific region, but especially giving recommendations to governments to improve the integration process (<http://www.consejoempre-sarialap.org/>) (Tremolada Álvarez, 2014).
- Similarly, another important program was created in 2014 to promote entrepreneurship in the field of small and medium enterprises of the Alliance so that they can take part in an expanded market. With these programs, the Alliance seeks to generate greater opportunities for all economic operators, promote regional value chains, and, above all, improve the competitiveness of the four countries toward other international markets (Rodríguez Minor, 2016).
- It should be noted that all these programs are being promoted with cross-cutting and interdisciplinary topics that allow for the strengthening of innovation, inclusion with gender equity, intellectual property, communication, and cooperation among all citizens of the member countries of the Pacific Alliance (Prado Lallande & Velázquez Flores, 2016).
- Finally, a very important aspect from the financial viewpoint has been the creation of the Latin American Integrated Stock Market (MILA) in 2011, which integrates the stock exchanges of Chile, Colombia, and Peru, and the entry of the Mexican Stock Exchange in 2014. This created the largest stock market in Latin America in terms of the number of issuers and the second in terms of capitalization, amounting to US\$ 748,196.93 as a whole in 2015 ([Table 1.3](#)). This has allowed the shares of the four stock exchanges to be bought and sold simply through a local intermediary. With this, the four countries have quickly and effectively positioned them in global trade, attracting new markets, specifically Asia (Zepeda, 2015).

Cultural—educational Implications

The objective of the Pacific Alliance seeks not only the integration of its participants in the commercial and financial field but also the creation of new agreements for the movement of people and the development of human resources in the educational and cultural field. This reaffirms one of the Alliance's greatest

Table 1.2. Government Organizations that Promote International Trade.

ProChile	Institution from the Ministry of Foreign Affairs of Chile	In charge of the promotion of exportable Chilean goods and services and contributes to the diffusion of foreign investment and promotion of tourism	http://www.prochile.gob.cl/
ProColombia	Ministry of Commerce, Industry, and Tourism	In charge of promoting tourism, foreign investment in Colombia, non-mining energy exports, and the country's image	http://www.procolombia.co/
PromPerú	Ministry of Foreign Trade and Tourism	In charge of formulating, approving, executing, and evaluating strategies to promote exportable goods and services, as well as domestic and receptive tourism in Peru	https://www.promperu.gob.pe/
ProMéxico	Federal Government Agency	In charge of coordinating strategies aimed at strengthening Mexico's participation in the international economy, supporting the export process of companies established in our country, and coordinating actions aimed at attracting foreign investment	https://www.gob.mx/promexico

Source: Elaboration by the authors.

Table 1.3. Capitalization of Stock Exchanges of the Pacific Alliance Countries 2016 (million dollars).

Country	Stock Exchange	Millions of dollars
Mexico	Mexican Stock Exchange	350,809.55
Chile	Santiago Stock Exchange	212,479.79
Colombia	Colombian Stock Exchange	103,818.62
Peru	Lima Stock Exchange	81,088.97
Pacific Alliance	MILA	

Source: Elaboration by the authors based on data from World Bank of the World Federation of Exchanges (2017).

commitments, which is collaboration in education, as education is a pillar of development and promotes the generation of resources in focal points for the growth of its members as well (Elena Romero & Aguilar Bacca, 2016). Hence, the countries of the Alliance have developed several strategies such as the following:

- The Student and Academic Mobility Platform of the Pacific Alliance was created in 2013; its purpose is to drive cooperation in education, which in turn will allow to have better prepared students and teachers to increase quality levels in certain productive sectors. Within this platform, a Student Scholarship Program has been created to promote academic and student mobility among the four member countries. It is intended that students, professors, and scholarship recipients can create a network of shared knowledge among the member countries by sharing experiences and knowledge during their exchange periods. But above all, they will help create new knowledge through articles, publications, books, etc.

Each country contributes a minimum amount of annual scholarships for the program, most of which are for undergraduate students and others for doctoral students. There is also a percentage of scholarships for teachers and researchers who have to submit their candidacy when invitations to this program are open. These scholarships last from 3 weeks to 12 months, which will be divided reciprocally and in terms of equality between the member countries (AMEXCID, 2017). The scholarships are given within the following areas of knowledge, regarded as strategic for the region: business, finance, international trade, public administration, political science, tourism, economics, international relations, environment and climate change, and engineering and sciences (Meade Kuribreña, 2014).

- To carry out these actions, the Pacific Alliance has a Technical Education Group comprising various representatives and officials from the Ministry of Public Education of Mexico and their counterparts from Chile, Colombia,