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PACIFIC ALLIANCE

STATUS, PERSPECTIVES AND
PROPOSALS FOR ITS CONSOLIDATION



Fabián Novak
Sandra Namihas

2016

The Pacific Alliance: situation, perspectives and consolidation proposals



PONTIFICIA **UNIVERSIDAD CATÓLICA** DEL PERÚ

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To my mother
FN

To my sister Jessica and
my brother José Antonio
SN

INDEX

Introduction to the Second Edition	11
1. Pacific Alliance background.....	15
1.1 The Latin American integration scenario before the Alliance.....	15
1.2 Inception of the Latin American Pacific Arch Forum.....	21
2. Pacific Alliance beginnings and composition.....	29
2.1 Genesis	29
2.2 Inception	35
2.3 The Alliance's nature	37
2.4 Participant States	39
2.4.1 Member States.....	39
2.4.2 Observer States.....	50
2.5 Block importance.....	53
2.6 Structure	58
2.7 Meetings and agreements towards block consolidation	67
2.8 Corporate sector participation	76
3. Progress on the Alliance's five pillars	81
3.1 Free circulation of goods.....	81
3.1.1 The trade of goods among Alliance members before the Additional Protocol to the Framework Agreement	81
3.1.2 Commercial projection after the Additional Protocol to the Framework Agreement	82
3.2 Free circulation of services and investment.....	98
3.3 Free circulation of capitals	102
3.4 Free circulation of people	105

3.5 Cooperation	108
3.5.1 Diplomatic and consular issues.....	110
3.5.2 Commercial and investment promotion	113
3.5.3 Micro, small and mid-sized enterprises.....	117
3.5.4 Tourism	120
3.5.5 Student and academic cooperation	128
3.5.6 Youth volunteering.....	132
3.5.7 Environment and climate change.....	134
3.5.8 Other areas.....	135
3.5.8.1 Sports diplomacy	135
3.5.8.2 Gastronomy.....	137
3.5.8.3 Sustainable production and consumption.....	137
4. The Alliance's foreign relations	139
4.1. Relations with Asia-Pacific	140
4.1.1 Association of South East Asian Nations (ASEAN).....	144
4.1.2 Asia-Pacific Economic Cooperation Forum (APEC)	145
4.1.3 Transpacific Partnership Agreement (TPP)	146
4.2. Relations with the European Union and the USA.....	147
4.3. Relations with other Latin American blocks.....	149
4.3.1 Andean Community (CAN)	149
4.3.2 South American Common Market (Mercosur)	150
5. Recommendations	157
Bibliography.....	167

Introduction to the Second Edition

Latin America has been the object of many attempts at integration. Many of them failed from the start, while others lasted in time, although with little effectiveness.

The Pacific Alliance is a new attempt at integration and has reached time a number of achievements and much progress in a very short time that have awakened the interest of the international community. Many would think that the initial enthusiasm for this process would end up by wreckage as it did in former occasions. However, the political will showed by the States that make up this new block, added to the endorsement of their business class, would seem to show the opposite.

In this regard, success of an integration process includes at least three factors:

One is the capacity to adapt the original integration project to frequent changes in political and economic conditions in the member countries, but also in the foreign -global and regional- context. Another is the density and quality of economic connectivity and, particularly, productive connectivity, to be developed as a result of the commitments assumed in the integration process. The third factor -very much linked to the former one- is the quality of the rules of the game, measured according to their effectiveness (capacity to penetrate reality), efficacy, (capacity to produce results aimed at) and social legitimacy (capacity to consider the social interest of all the member countries thanks to the process of producing rules, thus reflecting a dynamic tableau of perceived mutual games). Without adding these three factors, it is difficult for a voluntary integration process —as systematic joint work among sovereign nations— to last, at least without suffering deep alterations in (Peña, 2013: 2).

Since 2011, when the Alliance was inceptioned, it has been able to avoid some difficulties and achieve an important degree of effectiveness and

legitimacy thanks to its open and flexible character which, if continued, may lead an integration process to work out for the first time in the region.

This decided the International Studies Institute (IDEI) of Pontificia Universidad Católica del Perú, supported by the Konrad Adenauer Foundation (KAS), to perform a study of this process in five chapters. The first is aimed at analyzing the Latin American integration scenario before the Alliance, as well as the emergence of the so called Latin American Pacific Arch Forum, its immediate predecessor. The second chapter deals with the Alliance's inception, its juridical nature, its structure and importance, participant States, meetings and agreements towards block consolidation and business sector incorporation.

The next chapter, the largest, analyzes the progress made on the five Alliance pillars, mainly free circulation of goods, services and investments, capitals, people and cooperation. The fourth chapter focuses on external relations between these blocks and Asia-Pacific, the European Union and the United States, as well as with other Latin American blocks. The first and final chapter focuses on proposing a set of recommendations to strengthen the process.

The first edition of this book was published in Spanish in October 2015. However, due to the success of its publication and to the need to share its content internationally, both IDEI and KAS have deemed it convenient to prepare a second edition in English.

This second edition has led to updating the information in the first edition. This is why most statistic charts present information published in 2016 on trade, investment and tourism, as well as on economic indicators of countries that partake in the Alliance. The list of observer countries has also been updated, as well as meetings of different organizations that make up the Alliance, agreements reached and, generally progress in the five pillars along this last year: free circulation of goods, services, capitals, people, and cooperation.

Support to this research from the Konrad Adenauer Foundation is due to the fact that, among its lines of action, the Foundation seeks to

strengthen integration processes and initiatives, such as the Pacific Alliance, that pursue growth and economic and social development, contributing to building decent, free and fair societies.

Before concluding this brief presentation, we would like to thank the Ministry of Foreign Affairs of Peru, and particularly ambassador Ignacio Higuera, for their collaboration in providing us access to relevant information. Likewise, we thank the Konrad Adenauer Foundation for the support granted to this academic project, which contributes to strengthen integration in our region.

THE AUTHORS

Plaza Francia, November 30, 2016

1. Pacific Alliance background

Before starting the study on the progress made in this integration process, it is relevant to assess its background and, particularly the Latin American scenario when it was incepted. This will allow understanding why it was created and the design of its objectives and current characteristics.

1.1 The Latin American integration scenario before the Alliance

The integration processes which appear in Latin America in the sixties and seventies (Latin American and Caribbean Economic System — SELA—¹, Latin American Free Trade Association —ALALC (LAFTA)—² and the Andean Community —CAN—)³, were characterized as being “inwards” integration processes, that is, for implementing industrialization policies to substitute for imports, create scale economies by opening preferential markets, bureaucratic assignment of industrial sectors, and for having the State as a direct development promotor and actor (Castro Joo, 2013: 49).

In the nineties, a new integration modality appears. It is known as the “new regionalism”, also called “open regionalism” or “outwards integration” (Nolte and Wehner, 2013:1)⁴. In this modality the aim is to competitively integrate into the global economy fostering exports of

¹ The Latin American and Caribbean Economic System (SELA) was created through the Panama Constitution Convention dated October 17, 1975 and initially consisted of 25 countries in Latin America and the Caribbean (Argentina, Barbados, Bolivia, Brazil, Colombia, Costa Rica, Cuba, Chile, Ecuador, El Salvador, Granada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Trinidad and Tobago, Uruguay and Venezuela); later on, Bahamas, Belize and Surinam were added to total 28 members.

² The Latin American Free Trade Association (ALALC) was created in 1960 by Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela. In 1980, with the Montevideo Treaty, this organization would be replaced by the Latin American Integration Association (ALADI-LAIA), made up by the same members plus Cuba, aiming at creating an economic preference area to establish a common market in Latin America. Nevertheless, in practice, ALADI would only be used as an instrument to promote economic complementation agreements among its members.

³ The Andean Community (CAN) was organized in 1969 through the Cartagena Agreement and its current members are Bolivia, Colombia, Ecuador and Peru.

⁴ For more information about open regionalism in South America, see ADINS, 2013: 35-47.

goods and services, leaving the resource allocation to the market and process promotion to private agents. This is so notwithstanding the protagonism of States in political decision-making geared towards a deepening of integration (Garrido, 2008).

This new integration modality is fundamentally driven by bilateral commercial agreements negotiated in the region as from that decade. The first open regionalism model is connected to the Northamerican Free Trade Agreement —NAFTA—, dated January 1, 1994, which included Canada, the United States of America and Mexico⁵. Later on, the United States would try to extend this model to Central and South American countries -excluding Cuba- by organizing the Free Trade Area of the Americas (ALCA-FTAA).⁶ However, this attempt failed. Nevertheless, the expansion of this open regionalism model would come to succeed in the region through the subscription of numerous bilateral trade agreements (FTAs).

⁵ According to its own text, the objectives of the North American Free Trade Agreement (NAFTA), expressed under the principles of national treatment, most favored nation treatment and transparency, are the following:

- a) remove obstacles to trade and facilitate transborder circulation of goods and services between the Parties' territories;
- b) promote loyal competition conditions in the free trade zone;
- c) substantially increase investment opportunities in the Parties' territories;
- d) protect and, appropriately and effectively, value intellectual property rights in the territories of each one of the Parties;
- e) create effective procedures for applying and enforcing this Treatment, for its joint administration and for dispute settlement; and
- f) establish guidelines for further trilateral, regional and multilateral cooperation to expand and improve this Treaty's benefits.

⁶ The effort for organizing the Free Trade Area of the Americas (ALCA) started on the First Summit of the Americas in Miami, which took place between December 9 and 11 in 1994. Negotiations formally started in April 1998 during the Second Summit of the Americas, which took place in Santiago de Chile. Later on, some points were renegotiated in the Extraordinary Summit of January 12 and 13, 2004 in Monterrey, Mexico. This initiative —launched by president George W. Bush- which gathered the 34 countries of the American region, except for Cuba, got into a crisis at the Fourth Summit in Mar del Plata (November 4 and 5, 2005), so that negotiations were later suspended.

In view of this open integration scheme, two new models emerge: The South American Common Market (Mercosur)⁷ and, later on, the Bolivarian Alliance for the People of Our America (ALBA)⁸, critical of both the NAFTA and the ALCA — although to different degrees—, as well as bilateral free trade agreements in general.

In fact, while Mercosur is introduced as a “revisionist” model of the open regionalism, the ALBA is totally critical about it and is hence called “antisystem”. In spite of the fact that the NAFTA promoted trade and its deep integration model⁹ —besides seeking to expand to southern hemisphere countries, those who agreed with the models proposed by Mercosur and ALBA criticized the NAFTA and the ALCA because of they focus on the trade issue, allegedly leaving aside the social aspects of integration (Briceño, 2010: 44-45).

Therefore, although at the beginning Mercosur was created, as was the case of the NAFTA, as an open integration model, it progressively started with protectionist measures that did not adjust to the original scheme. Likewise, a number of agreements that consolidated the social aspects of its model started in 2000, “taking measures addressed at reducing poverty, redistributing wealth, promoting social justice and regulating market institutions” Briceño 2010: 48).

In turn, the ALBA was born not only to question the NAFTA, but was also introduced as an alternative to ALCA promoted by the USA. The ALBA aimed at being an “anticapitalist and antiimperialist” integration model from the start, based on solidarity, complementarity and cooperation

⁷ The South American Common Market (Mercosur) was created through the Asuncion Treaty dated March 26, 1991. It is made up by Argentina, Brazil, Paraguay, Uruguay and Venezuela. Its associate countries are: Chile, Colombia, Ecuador, Guyana, Peru and Surinam.

⁸ The Bolivarian Alliance for the People of Our America (ALBA) was created on December 14, 2004 and is promoted by Venezuela. Initially called *Bolivarian Alternative for the Americas*, its member countries are: Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Grenada, Nicaragua, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Surinam and Venezuela.

⁹ A *deep integration area* refers to the establishment of a common market, which implies harmonizing commercial, fiscal and labor policies, as well as coordination of monetary and exchange-rate policies, all of which implies giving up sovereign powers (Prieto and Betancourt, 2015: 99-100).

among Latin American and Caribbean Peoples, and in total rejection to the open integration model.

These different concepts of integration were simply the reflection of different development models in the region's countries. As Cardona pointed out:

We must mainly understand that there is no longer uniformity of criteria among all Latin American governments regarding some variants of politics or economics. Several trends can be detected:

Some give absolute priority to private investment and have opted to reduce the State and its goods and services to the least possible. Others prefer to go back to the old state interventionism, reducing private action scope and applying the dependence theory formulae, which was thought to have disappeared from the continent (Cardona, 2007: 13).

These opposing perspectives around integration would unfortunately be taken into the Andean integration process, seriously affecting its feasibility. Thus, although Colombia and Peru shared the same open integration vision, Bolivia, Ecuador and, mainly, Venezuela proposed instead an inwards integration alternative, which caused successive crises inside the CAN.¹⁰ In 2006, the subscription by Peru and Colombia of the Free Trade Agreement with the USA¹¹ caused not only frictions with Bolivia and Ecuador, but also Venezuela's exit from the CAN. Venezuela immediately entered Mercosur. A similar crisis occurred

¹⁰ Although the CAN was created as a space within which the goods and services of its members should freely circulate, also taking into account a common external tariff, following innumerable negotiation rounds, the participants of this process never agreed about this tariff, besides delays in establishing the free trade zone. This, and how foreign investment was treated, led to Chile's withdrawal in 1976. Only in 2005, the CAN was able to implement the free trade zone, but abandoning the customs union.

Consequently, the CAN project was born with great expectations that did not survive their members' real will, because the common market was never realized.

¹¹ In fact, CAN's Decision 598 dated July 11, 2004 established that: "Member Countries will be able to negotiate trade agreements with third parties, preferably in a community or in a joint way and exceptionally individually" (article 1). Although this possibility was initially thought as an exception it would soon become the rule.

when Peru and Colombia started negotiations with the European Union for the so called Free Trade Agreements¹².

The Peruvian Government started then a process around its participation in these treaties and the need to seek for new alternatives and markets, particularly Asia-Pacific. This was also due to this region's dynamism and stability, the increasing presence of China in Latin American trade and the start in 2006 of negotiations between Peru and China towards their free trade agreement.¹³ Regarding the possibilities that Asia-Pacific opened since then, ECLAC stated:

[...] The favorable economic conditions the region shows today offer a unique opportunity to lay the foundations of a continuous flow of commercial and investment relationships with Asia-Pacific through: i) creation of bioregional commercial alliances, ii) increase of cooperation on innovation and human capital to diversify trade and add more value and knowledge through experts, iii) collaboration in view of promoting more stable conditions for growth (ECLAC, 2008).

Similarly, the Peruvian Government took note of negotiations aimed at megaregional agreements to create a new platform for trade. We refer here to the Transpacific Partnership Agreement (TPP) and the

¹² The Trade Agreement between the European Union and Peru and Colombia was signed on June 26, 2012 in Brussels, Belgium. The Peru European Union Trade Agreement came to effect on March 1, 2013 and the Colombia-European Union Agreement did so on August 1 on that same year. The disciplines included in the negotiation were: access to markets; rules of origin; customs issues and trade facilitation; technical obstacles to trade; health and phytosanitary measures; trade defense; services, capital establishment and movement; public procurement; intellectual property; competition; dispute settlement; horizontal and institutional issues; trade and sustainable development; and, technical aid and capacity building. See: <http://www.acuerdoscomerciales.gob.pe/index.php?option=com_content&view=category&layout=blog&id=50&Itemid=73>, website checked on May 14, 2015.

¹³ The trade agreement between Peru and China was signed on April 28, 2009 in Beijing, China, and came into effect on March 01, 2010. The following chapters were negotiated in this agreement: National Treatment and Access to Markets, Rules of Origin, Customs Procedures, Trade Defense, Services and Phytosanitary Measures, Technical Obstacles to Trade, Service Trade, Temporary Entry of Business People, Investments, Intellectual Property Rights, Cooperation, Transparency, Treaty Administration, Dispute Settlement and Exceptions. See: http://www.acuerdoscomerciales.gob.pe/index.php?option=com_content&view=category&layout=blog&id=42&Itemid=59>, website checked on May 14, 2015.

Transatlantic Trade and Investment Partnership (TTIP). The latter aimed at grouping the two largest economic zones of the world: the United States of America and the European Union¹⁴ (Estevadeordal, 2014: 1).

This complex outlook initially took Peru to develop efforts and strengthen the CAN, weakened by Venezuela's exit and its internal division. To that effect, it would encourage Chile's reentry —Peru shares its membership in APEC with Chile. However, it did not come true because the southern country decided only to become a partner State of this organization.

In view of this, the Peruvian Government, led by president Alan Garcia and chancellor José Antonio García Belaunde, started to propose the creation of a new integration block based upon the open regionalism scheme which should include Pacific coastal countries (Kahhat, 2011; Briceño, 2010: 50-51; Bueno, 2011: 43-44). The Peruvian chancellor narrates the inception of this block:

Due to the fact that Alan García sought an effective and not rhetorical integration and thanks to the valuable contributions of Peru's economist Roberto Abusada and Colombia's Rodrigo Botero, a project was coordinated which originally aimed at involving all of the American countries which had a coast on the Pacific basin (García Belaunde, 2014).

He continues by saying that this process aims at promoting:

[...] a set of commercial, cooperation and political links that would cross all of the Latin American Pacific coast, from Mexico to Chile we should aspire to that, because that would be part of our great projection towards Asia Pacific.¹⁵

¹⁴ These agreements "might contribute to disentangle the *spaghetti bowl* of existing bilateral agreements and create a new updated platform for trade that would benefit countries all over the world. The IDB has coined the metaphor of transforming the spaghetti bowls into lasagna plates" (Estevadeordal, 2014: 4).

¹⁵ Quotes from Ambassador José Antonio García Belaunde, Minister of Foreign Affairs of Peru, during the Welcome and Induction Ceremony of the new Viceminister Secretary General, Lima July 31, 2006. Quoted by: Briceño, 2010: 51.

As García Belaunde acknowledges, the original proposal of the Arch was already found in a journalistic article by Abusada written in 2006, where he proposed the following:

From the CAN, Peru should promote a broad free trade zone that would include all the countries in the American Pacific basin, from Mexico to Chile, even more so if almost all the countries in this geographic area have free trade agreements with the United States. (Rooney, 2015: 167)¹⁶

This proposal was taken by Abusada to chancellor García Belaunde “who valued the idea and presented it to president García, who in turn, saw the opportunity for deepening the commercial integration with Colombia and Chile and for creating a block in the Asia-Pacific zone” (Abusada, 2013). Thus, with the purpose of realizing this project, the Peruvian president started a number of trips to present his proposal and get the endorsement of the involved countries.

When the Peruvian Government saw that its initiatives were welcomed, it fostered signing the inception agreement for this new integration scheme, as we will see in the following section.

1.2 Inception of the Latin American Pacific Arch Forum

A meeting of Trade Ministers took place in Santiago de Cali (Colombia) on January 29 and 30, 2007 with representatives from Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and Peru¹⁷.

At the end of this meeting the *Santiago de Cali Declaration* was signed. It agreed on the creation of the *Forum on the Latin American Pacific Basin Initiative* —it was later to be called Latin American Pacific Arch Forum— (García, 2013: 44). The forum aims at “facilitating and promoting trade, promoting investment, taking advantage of markets and

¹⁶ The article referred to “For a new CAN,” was published in *El Comercio* on July 7, 2006.

¹⁷ For more information, see: Centro de Estudios Internacionales Gilberto Bosques, 2013: 5.

competitiveness improvement, seeking to improve the quality of life of their populations.”¹⁸

This forum, as stated in its institutional website, was to become:

[...] an informal high level coordination and consensus-building space to identify and implement joint actions aimed at generating synergies among participant countries on economic and commercial matters, taking into account their common interests of strengthening their rapports with the Asia-Pacific economies (Bueno, 2011: 42).

Likewise, the Declaration created the High Level Technical Work Group which was in charge of presenting recommendations to promote convergence of existing trade agreements and integration schemes among the forum’s member countries. It would also suggest initiatives to increase commercial flows and investment among forum members and other countries in the Pacific basin, identify economic and technical cooperation mechanisms with Asian countries, and involve the academia in the debates, among others.¹⁹

Similarly, the Cali Declaration would point at two large objectives for this forum: on the one hand, become an informal and consensus-building dialogue space to identify and implement joint economic and commercial integration with a projection to Asia-Pacific and, on the other hand, become a political dialogue and projection platform coordinated between the Latin American Pacific Basin and the Asia-Pacific region (García, 2011: 44).

The Cali meeting was followed by six other ministry meetings. The second forum took place in Lima on August 20 and 21, 2007 participants there agreed -through the establishment of an informal consensus-building and political dialogue instance- to increase dialogue levels with

¹⁸ Item 1 of the Santiago de Cali Declaration at the First Forum of the Latin American Pacific Basin Initiative, dated January 30, 2007.

¹⁹ Item 5 of the Santiago de Cali Declaration at the First Forum of the Latin American Pacific Basin Initiative, dated January 30 2007.

Asia-Pacific Governments, emphasizing economic, social, cultural and environmental policies.²⁰ Additionally, they agreed to create four task forces on: commercial convergence and integration; trade facilitation, infrastructure and logistics; investment promotion and protection, and; economic and technical cooperation for improving competitiveness. These task forces will be coordinated by Chile, Panama, Colombia and Peru, respectively. Another highlight at this forum was Brazil's participation as a special guest, identification of a work program with a number of actions to be tackled with by the task forces and an entrepreneur workshop developed at the same time at the forum.²¹

The third forum —now called Latin American Pacific Arch Forum— took place in Cancun, Mexico on April 13 and 14, 2008. A number of study initiatives were agreed to be developed by the task forces created in Lima. The Interamerican Development Bank (IDB) and the Andean Financial Corporation (CAF) would cooperate with these groups in developing their studies and diagnoses from the start. Besides, a study group was created at this meeting. Coordinated by Mexico, it would be in charge of evaluating the forum's institutionalization, including a possible structure, meeting frequency, meeting level and eventual generation of follow up mechanisms. The reflection group would also be in charge of exchanging experiences on institutional strengthening for development, particularly transparency and governance.²²

Following the Cancun Declaration, a social dimension was introduced to the forum, however always connected to the commercial aspect by reaffirming its commitment with social cohesion and citizen well-being strengthening.²³ After this forum we also saw the emergence of member

²⁰ Item 3 of the Santiago de Cali Declaration at the First Forum of the Latin American Pacific Basin Initiative, dated January 21 2007.

²¹ Items 4 and 9 of the Lima Declaration at the Second Forum of the Latin American Pacific Basin Initiative, dated August 21 2007.

²² Items 14 and 16 of the Cancun Declaration at the Third Forum on the Latin American Pacific Basin Initiative, dated April 14 2008.

²³ Item 1 of the Cancun Declaration at the Third Forum on the Latin American Pacific Basin Initiative, dated April 14 2008

country commitment with democracy and rule of law, as both make up the foundation on which this political dialogue has been built.²⁴

The fourth forum took place in Santiago de Chile from October 1 to October 3, 2008. Progress made was recorded and new tasks were assigned to task forces. Nevertheless, the main achievement at this meeting was the adoption of general guidelines for the Latin American Pacific Arch Forum, including its structure. In that regard, they established that the meeting of Foreign Affairs and Trade Ministers would be the highest political instance for forum leadership and decision making. Then, the High-Officer Meeting would be the executive instance in charge of preparing ministerial meetings, drafting declaration projects and following up decisions adopted by the ministers. Task forces would rather be technical instances to prepare studies and analyses commissioned by the ministers. Finally, the forum would have a Temporary Secretariat to be shared in annual turns by member States that would organize ministerial meetings and high-officer meetings before them.²⁵

At this meeting, Canada requested to participate as an Observer Country, while the United States expressed its interest in finding some kind of link with this forum.²⁶

Before the following ministerial meeting took place, there was a head of state meeting in which they issued the *San Salvador Declaration by the Heads of State of the Latin American Pacific Arch Forum Countries* dated October 30, 2008. This regional block was defined at this meeting as:

A political and economic coordination instance and a convergence, cooperation and integration space in Latin America; and [...] the only contact instance with Asia-Pacific to which all the Latin American states on the Pacific Basin belong.

²⁴ *Idem*.

²⁵ Item 17 of the Santiago de Chile Declaration at the Fourth Latin American Pacific Arch Forum dated October 3, 2008.

²⁶ See: <<http://www10.iadb.org/intal/cartamensual/cartas/Articulo.aspx?Id=e08c2a76-1c3a-4dd3-97ce-d0d107005f34>>, website checked on February 11 2015.

The fifth forum meeting was initially scheduled to take place in Panama, but the venue was changed to Puerto Vallarta, Mexico on November 23 and 24, 2009. This meeting devoted to follow up of work produced by the task forces and so that ministers could commission new studies and projects.²⁷

Finally, the sixth and last meeting of this forum took place in Urubamba, Peru on October 15, 2010 and it was similar to the former meeting. This year Arch member countries accounted for 45% of the Latin America and the Caribbean population and GDP (CEPAL and IDB, 2010: 9).

No contact had been established with the Asia-Pacific instances until this Sixth Arch meeting²⁸ and the forum member states had the purpose of continuing with this integration process, which is evident in the agreement adopted at this meeting about having the following meetings in Guatemala and Colombia successively.²⁹ Nevertheless, the ministers did not meet again, and such was the end of this new attempt at integration.

This is explained by several factors that played against this block's consolidation. Firstly, there was an origin problem, which was the inclusion of countries that did not agree with the open integration scheme. In fact, while countries such as Chile, Colombia, Mexico and Peru proposed free market, economic opening and sought to become inserted in international markets together with the fact that they had higher economic growth than the Latin American average, other countries in the forum such as Ecuador or Nicaragua did not share the same principles (García, 2013: 44). For 2009 the differences between these development models and the Arch's countries and their results were evident, as shown in the following economic indicators:

²⁷ For more information see the Puerto Vallarta Declaration at the Fifth Latin American Pacific Arch Forum dated November 24 2009.

²⁸ Item 26 of the Urubamba Declaration at the Sixth Latin American Pacific Arch Forum dated October 15 2010.

²⁹ Item 28 of the Urubamba Declaration at the Sixth Latin American Pacific Arch Forum dated October 15 2010.

Chart 1
Latin American Pacific Arch Economic Indicators for
2009

	Population	Gross domestic product (GDP)	Per capita GDP	Total exports	Total imports	Trade balance with the world	Exports share
	(millions of inhabitants)	(millions of current dollars)	(millions of current dollars)	(millions of current dollars)	(millions of current dollars)	(millions of current dollars)	(percentage)
Chile	17,0	161,781	9,5	53,732	42,427	11,304	0,4
Colombia	45,0	228,836	5,1	32,853	32,898	-45	0,3
Costa Rica	4,6	29,318	6,3	8,711	11,458	-2,747	0,1
Ecuador	14,1	57,303	4,1	13,724	15,093	-1,369	0,1
El Salvador	5,8	21,100	3,6	3,737	7,255	-3,457	0,0
Guatemala	14,0	37,302	2,7	7,209	11,521	-4,313	0,1
Honduras	7,8	14,268	1,8	2,628	5,954	-3,325	0,1
Mexico	107,6	874,903	8,1	229,637	234,385	-4,748	1,8
Nicaragua	6,3	6,151	1,0	1,393	3,479	-2,086	0,0
Panama	3,5	24,711	7,1	610	7,790	-7,180	0,0
Peru	29,1	126,766	4,4	26,738	21,870	4,869	0,2
Pacific Arch	254,8	1,582,439	6,2	381,032	394,129	-13,097	3,1

Source: ECLAC and IDB, 2010: 9.

Secondly, concerning politics, while some forum members sought to consolidate democracy, the rule of law and human rights in their respective countries, other forum members bet on cooperation and integration processes such as ALBA, with a strong ideological component influenced by the Venezuelan president Hugo Chavez. This was again the case of Ecuador and Nicaragua, which presidents Rafael Correa and Daniel Ortega respectively decided to integrate to this block, “producing a break in the coincidences that had taken these countries to become integrated to the Pacific Arch. Therefore, they announced their withdrawal from negotiations current at that time.” (Bueno, 2011: 46) Thirdly, there was a security issue, since the countries of the so called

Central America North Triangle (formed by El Salvador, Guatemala and Honduras) started to show a remarkable increase of drug trafficking cartels, which affected their commercial relationships with the United States. This had a negative repercussion on the Pacific Arch continuity (Bueno, 2011: 45-46). Fourthly, these three Central American countries with the addition of Nicaragua did not show interest in making approaches to the Asian region. Also they acknowledge Taiwan and not continental China and have very little economic complementarity with China, because the Chinese textile manufacture competes with the Central American maquila (Rooney, 2015: 171).

Finally, the Asia-Pacific countries showed no interest in the forum, which was seen as a process that was not able to consolidate (García, 2013: 44-45). Besides, some also add that there was a low level commercial interdependence among the countries that participated in this process (Briceño, 2010: 59).

In a nutshell, the Pacific Arch member countries became aware of the unfeasibility of this process due to the marked differences among members and they let it die by not calling to new meetings.

2. Pacific Alliance beginnings and composition

2.1 Genesis

In view of the little progress made in implementing the Pacific Arch agreements and due to the differences produced as a consequence of different visions among member countries regarding this block's objectives, the then president of Peru, Alan García Pérez, led a new open integration process.³⁰ Thus, he sent a letter to the Chile, Colombia, Ecuador³¹ and Panama presidents on October 14, 2010. He proposed a deep integration area to advance in freeing the trade of goods, services, capitals and people among member countries, thus making up a common economic platform to become projected to Asia-Pacific and the world (Castro Joo, 2013: 38). The letter addressed to the Colombian president stated:

Mr. President,

Along the last years our countries have become an example of a modern, realistic and democratic development model that has produced healthy economic growth, productive employment and objective poverty reduction. We have prioritized public investment on education, health, sanitation, electrification, transportation and communication infrastructure; that is, in essential services to provide the population with a better quality of life.

We also share a pragmatic vision of the current world scene, which is multipolar, interdependent, dominated by the generation and flow of knowledge, and scientific and technological development. We also know that in this twenty-first century competitiveness and development are challenges that can only be faced on a joint basis. International long-term competition no longer occurs among countries, but among regions. For us the challenge is to create a

³⁰ See Rooney, 2015: 158-163 on endogenous and exogenous factors that might have taken President Alan García to propose the Arch creation and then the Pacific Alliance.

³¹ Ecuador's participation was originally considered. It was somewhat strange, since said country did not agree with open integration at CAN and the Latin American Pacific Arch Forum. We think its inclusion was more due to good bilateral relationships between Peru and Ecuador and to the purpose of not affecting them, then considering it as a State that would economically open to the world.

broadened space that becomes more attractive for investment, trade and tourism. Concerted action is the only way towards sustainability of the achievements we have reached with so much effort.

The aforementioned leads me to ratify to you my firm belief in a much deeper integration between our countries, based upon our close relationship, our coincidences, our bet on the future, and on the speed with which we want to take prosperity to our people. The initiatives and agreements our region has undertaken along the last two decades are not a few. However, progress made on liberalizing trade has been insufficient to strengthen our economies even more and achieve sustainable comprehensive development. Therefore, I deem it necessary to accelerate implementation of the different integration agreements in which we participate.

Consequently, I address you to propose to work so that we frame a deep integration in the Pacific area, Colombia, Ecuador, Chile, Panama and Peru, in which full freedom is ensured for the circulation of goods, services, capital and people. I am convinced that we will thus be able to become an effective integration model in the region, also consolidating a common platform to project to the world.

[...]

Aiming at delving in depth on these subjects that will undoubtedly have a positive impact on the economic and social development of our nations, I propose to Your Excellency to hold a meeting as soon as possible to devise a realistic road map together to speedily progress towards the achievement of these objectives. (García Pérez, 2014: 14-16)

President García Pérez himself has later on explained in more detail some of the reasons that took him to make the proposal contained in these letters. In this regard, he has stated that the fundamental reason was that the different attempts of integration to that point in the region had not reached expected results.

In fact, it was evident that the CAN has been weakened with Venezuela's exit and following the confrontation between Colombia's and Peru's commercial positions on the one hand and Bolivia's and Ecuador's on the other. Similarly, the lack of capacity to attain a customs union after several decades of existence, added to the little weight of the political

agreements, evidenced the limited future of this process. This is why an institutional reengineering of this organization would be further agreed in order to transfer a number of issues and institutions (Andean Parliament) to the South American Union of Nations. President García pointed out about this block:

[...] it was created with the concepts of that time that we used to call “cepalinos” to create an industry in each country that, by substituting imports, could supply all it would need industrially and also integrate the countries by distributing their markets and specialties according to State planning and will. However, in 2009, 40 years after, Venezuela and Chile have already left the Andean Pact and the agreement was simply a cartoon with little incidence in the development and exports of the surviving countries. Besides, out of the four countries that kept inside the pact, two of them —Peru and Colombia— bet on opening to the world, while the other two —Ecuador and Bolivia— were averse to free trade (García Pérez, 2013).

As for Mercosur, it was a block that had had no trade agreements with important partners, such as the European Union —with whom it has been unsuccessfully negotiating since 2000, or the United States, with whom such possibility had not even been proposed. Besides, the largest power in the block, Brazil, showed that the forces and interests inside the country did not permit it to lead a regional integration process and this is so still today. Alan García is also quite critical vis-à-vis this organization:

The second integration attempt was Mercosur, basic alliance between Brazil and Argentina to share their internal markets. However, its administrative and well-intentioned features have reached their limit. The engine country, Brazil, is growing at 1% and 2% as compared to China, its true competitor, which economy grows at 7% and 8% per year. This shows that the protectionist policy of growing inwards adopted by Brazil and its integration with Argentina has not been a good idea in the long run and has disabled it, for the moment being, to lead the South American integration (García Pérez, 2013).

Concerning the Latin American and Caribbean States Community (CELAC)³², it is a political consensus-building process that has not gotten significant results to date. In turn, even if UNASUR quickly became an effective political discussion forum to solve some bilateral crises produced inside the group, the Venezuelan hegemony led it to identify this organization with its political interests. García Pérez also shared this perception:

[...] the third integration project is not economic or even really social, because the South American Nations Union (Unasur) is a political and rhetorical forum for lecturers who blame the global system for the situation in their countries but which States are the ones that have made the least economic and social progress in the last decade. Because people do not progress with words or claims but with correct policies and concrete facts: with trade, employment, investment and education, taking the most advantage of the huge global growth (García Pérez, 2013).

Finally, regarding the Latin American Pacific Arch forum we should simply remember that the first factor in its failure and extinction was the inclusion of countries that were not committed with an open integration scheme.

Despite the hardness of the analysis concerning these political consensus-building and integration processes before the Pacific Alliance, Alan García said that its creation did not have and does not have the purpose of generating a block to counter UNASUR or ALBA and, even less so, the CAN or Mercosur. It was simply an attempt to seek an effective integration “with objectives and measureable criteria,” among “countries that show sounder sustainability and economic and social development vocation” (García Pérez, 2014: 19-20). In the specific cases of UNASUR and CELAC we cannot talk about a confrontation, because the Pacific Alliance does not contain political consensus-building or crisis

³² The Latin American and Caribbean States Community (CELAC), inception on February 23, 2010 aims at promoting integration and development of Latin American and Caribbean countries.

management objectives, structure or mechanisms as the two former organizations (Castro, 2015: 298-299).

This leads us to analyze the reasons that took to the selection of the countries that currently make up the Pacific Alliance. According to García Pérez, it was important to coordinate countries and regions that were successfully advancing and projecting upwards. These States had a number of converging criteria that made of them the best candidates for this integration block. These criteria were: be respectful of democracy and citizen liberties; be stable and predictable; be open to the world and foreign investment; their vocation towards the Asian market; be committed with the education and development of their people; and have complementary economies in many areas (García Pérez, 2014: 21-29).³³

Aware of the situation depicted by president García, Juan Manuel Santos, Colombia's president and Sebastián Piñera, Chile's president immediately and positively responded to García's letters. Panama decided to participate in the block, but not as a member, while Ecuador was not very enthused with the proposal (García Pérez, 2014: 16)³⁴. Additionally, as preliminary negotiations took place, President Felipe Calderón from Mexico showed interest in becoming included in the group. In this regard we have to mention the following:

Some diplomats expressed some reserves regarding Mexico's participation. They feared that Mexico could put a break to the envisaged deep integration. In fact, Mexico and Peru have already had a long negotiation for a free trade agreement. However, the heads of State considered that Mexico's economic weight and its large market were crucial for the alliance to have a critical mass from the start.

³³ "When Peru produces avocado, it harvests from April to September, but Mexico comes in afterwards and even up to March. We do not compete. Grapes, which are of such concern for our wine producing neighbours are modestly produced by Peru from September to January. Chileans offer their large harvest as from January. The same thing happens with asparagus, Peru produces from September to December and Mexico between January and February" (García Pérez, 2014: 28-29).

³⁴ Nevertheless, Ecuador was included as an observer State in the Alliance on March 23, 2013.

In turn, Mexico saw its integration to the alliance as a way to improve its economic and political rapport with Latin America, while counteracting the prominence of Brazil, a country that was becoming stronger in the region (Abusada et al, 2015: 11 y 12).

This led president García to go beyond South America in his initiative and consider the integration of Mexico, immediately receiving president Calderón's positive response (García Pérez, 2014: 16).

This decision of including Mexico in the Alliance was not exempt from controversy, particularly regarding Brazil. The subregional power had sought in the former years to organize a South American space around its hegemony, leaving aside Mexico and Central America and hence the concept of Latin America³⁵ and any US influence. The Peruvian proposal was then understood as a questioning to the Brazilian project by many sectors in that country. In this regard Castro points out:

Firstly, because it challenges the geopolitical (South American) redesign sought by the Itamaraty diplomats and implemented by the Brazilian government by inserting Mexico in the region again, while at the same time it is in the process of accepting Central America members such as Costa Rica and Panama.

Secondly, [...] it promotes an open regionalism model that counteracts Brazil's post-hegemonic regionalism on several points [...].

Thirdly, the Pacific Alliance emphasizes the possibility of strengthening economic links among the countries that partake in the Pacific region [...] while Brazil, as the other Mercosur countries, does not have a way to the Pacific, but concentrates its maritime trade through the Atlantic (Castro, 2015: 296-297).

However, as it has been pointed out, the Pacific Alliance project does not seem to have been conceived with such purpose, but simply as the attempt of countries with common characteristics and objectives for

³⁵ Pastrana et al point out in this regard: far from seeking to have a Latin American or South American identity that generates a regional environment that tells apart an inside and an outside, the Pacific Alliance seeks to open to the world and develop a more cosmopolitan identity (Pastrana et al, 2015: 181).

seeking a modern and economically open integration with the purpose to integrate to the global market and, particularly, that of Asia-Pacific. A proof that the Alliance was not conceived with the purpose of questioning Brazilian hegemony is that Mexico was not initially invited to participate in this process. On the contrary, Mexico —interested in the possibility of the new block- requested its inclusion.

2.2 Inception

In view of how Peruvian initiative was welcomed, the presidents of Chile, Colombia, Mexico and Peru agreed to hold a meeting in Mar del Plata on December 4, 2010 within the framework of the XX Iberoamerican Summit. Ecuador decided not to participate, evidencing its lack of interest in being part of the process. The presidents decided at this meeting to hold preparatory meetings at technical level to implement the presidential Summit that would be the formal birth of the Pacific Alliance.

On April 28, 2011 the so called First Presidential Summit took place in Lima and gave birth to the Pacific Alliance. The presidents of Chile, Sebastián Piñera, Colombia, Juan Manuel Santos, Mexico, Felipe Calderón and Peru, Alan García participated at this meeting. Panama participated as observer through Rómulo Roux, special envoy of President Ricardo Martinelli. It was stated that Panama would become included to the Alliance “once its trade agreements with member countries had been concluded.”

These four countries agreed to “establish the Pacific Alliance to make up a deep integration area within the framework of the Latin American Pacific Arch [...] through the presidential declaration on the Pacific Alliance [...] with the objective of attaining free circulation of goods, services, capitals and people.”³⁶

³⁶ Lima Declaration, April 28, 2011, signed during the first Pacific Alliance Summit. In this first instrument, the Alliance countries acknowledge it as part of the Arch, something that would not be repeated in the following declarations.

To that effect, the presidents instructed their ministers of Foreign Affairs and Foreign Trade to prepare a framework agreement draft based upon the harmonization of existing free trade agreements, which had to be put to the presidents' consideration in December 2011. This is particularly important, since terms were being set for fulfillment of the tasks assigned by the Heads of States. This would become a constant practice inside the Alliance, since this led to control and monitoring work, a key factor in the important progress to be reached at this integration process.

Similarly, the presidents agreed to devise a High Level Group (GAN) that included the viceministers of Foreign Affairs and Foreign Trade and that would be in charge of supervising progress made by the technical groups, evaluate new areas to continue progressing and prepare a proposal for projecting the countries and relating them to regional organizations or groups, particularly those of Asia-Pacific.

The preference of the Alliance countries for the Asia-Pacific region (even if not excluding other regions) is explained by the dynamism and stability of the Asian region in comparison with other blocks, which have consolidated it as an attractive region for the block's countries. Additionally, three of the four countries that made up this block -Peru, Chile and Mexico- have signed treaties with some Asian countries and are also part of the Asia-Pacific Economic Cooperation Forum (APEC). Even Colombia, which is not a member of this forum yet, is in the process of becoming incorporated. Additionally some Asian countries, such as China, have remarkably increased their trade with Alliance countries, oftentimes becoming the first or second commercial partner of these countries.

An important final aspect is the Statement in the Presidential Declaration that this process is open to the participation of those countries in the region that share the intention of attaining the alliance's goals.

As for compliance with the Lima Presidential Declaration and to execute the works commissioned by the presidents, four Technical Groups were initially formed to carry out the negotiation process on the following topics:

- a) Business people movement and facilitation of migratory transit, that would be coordinated by Mexico.
- b) Trade and integration, under the charge of Chile.
- c) Services and capital, coordinated by Colombia.
- d) Cooperation and dispute settlement mechanisms in charge of the Ministry of Foreign Affairs of Peru.

This is how in just a few months, that is between October 2010 and April 2011 the Alliance was created, its objectives were defined, and its structure was determined, as well as the initial negotiation agenda.

Finally, the Lima Presidential Declaration established an *ad hoc* Group to prepare the framework agreement that would be coordinated by Peru's Foreign Trade and Tourism Ministry. The Pacific Alliance Framework Agreement would be finally signed in Antofagasta (Chile) on June 6, 2012 and come into effect on July 20, 2015.

2.3 The Alliance's nature

The Pacific Alliance inception and its further development have given way to a debate at specialist level concerning its juridical nature, and there are several positions in this regard.

Thus, the first group said that to the extent that this block pursues to configure a deep integration area in its founding treaty, this tacitly implies the framing of a common market as its final goal.³⁷ However, the analysis of the group agreements shows that the Alliance actually seeks to establish only a *broadened free trade area* in connection to the already established freedoms through the free trade agreements entered into bilaterally. This is why no economic policies implying sovereignty

³⁷ We must remember the five integrations stages pointed out by Bela Balassa: free trade area, customs union, common market, economic union and total integration (Balassa, 1964: 2).

concessions, typical of a common market and an integration process are being harmonized. In any case, the specialists acknowledge that integration of all national securities markets have been integrated through the MILA (Pastrana y otros, 2015:181; Prieto y Betancourt, 2015: 99-100).

A second group of scholars -we coincide with- state that the Alliance is rather a broadened free trade treaty. In fact, this block cannot be assimilated to a simple FTA, because an FTA has starting and ending dates for negotiations and also it contains topics that pertain to every commercial agreement. On the contrary, the Alliance is a process without an ending date. It is dynamic, flexible and open since it adapts to the needs and circumstances of every moment and hence it has unexplored aspects. Likewise, the Alliance contains a number of matters that go beyond free trade agreements, such as for example cooperation and education, physical integration, air connectivity, diplomatic and consular cooperation, visa elimination, joint commercial promotion, environmental cooperation, direct participation of the private sector in the process, creation of a cooperation fund, etc, all of which largely exceed the characteristics of a simple free trade zone (Posada, 2014a: 75,77 y 81; Echebarría y Estevadeordal, 2014: 28 y 34; Francke, 2014: 116-117). As Furche states:

The Pacific Alliance is integrating components that, we might say, are the hardware of an integration process, including physical connectivity and air and maritime transportation plus energy connectivity and people circulation (2014: 123).

Additionally, the Pacific Alliance, according to Aranda and Riquelme (2015: 164):

[...] implies the endorsement of the open regionalism strategy as the fundamental development element. It also takes into account changes in global production and trade. Therefore, it does not leave aside economic regulations at domestic level. This is why Baldwin refers to this kind of block and others, as is the case of the Transpacific Partnership Agreement (TPP), as “Twenty-first Century Regionalism.”

Consequently, we can conclude that the Pacific Alliance is an open regionalism model of the XXI century that aspires to *deep integration* among its members. This concept has not been defined intentionally in any of its instruments so that its content and dimensions are built along time and so that reality and the parties' will determine its scope.

2.4 Participant States

Article 2 of the Pacific Alliance Framework Agreement signed in Antofagasta (Chile) on June 6, 2012 establishes the essential requirements to participate in this agreement. In that regard, it requires:

- a. Effectiveness of the Rule of Law, Democracy and Constitutional Order;
- b. Separation among Government Branches; and
- c. Protection, promotion, respect and guarantee of human rights and fundamental freedoms.

This article merits a special comment, because it implies not only an evolution in the thought of the original Alliance members, but also a change in the priority order. In fact, although in principle all the member countries in their declarations emphasized economic and commercial requirements to participate in this block, later that was complemented with political order requirements connected to democracy and human rights. Of course, this does not mean that the agreement's signatories do not continue considering a bet on free market as a requirement, including keeping free trade agreements with signatory countries, an obligation established for member States in article 11). However, it shows their priorities by considering that an integration process among countries that do not share the same democratic values and principles is not viable.

Taking these requirements into account, participation in the Pacific Alliance can have two modalities: as a Member State or as an Observer State.

2.4.1 Member States

The Pacific Alliance has four original Member States: Chile, Colombia, Mexico and Peru. However, according to article 11 in the Framework

Agreement, the possibility for other States to become included as Member States in this process is open, provided that they so request and that they have an effective free trade agreement with each one of the Parties. Third States adhesion is also subjected to unanimous approval by the Council of Ministers.

This is the procedure followed by Costa Rica for its incorporation as a new Member State in the Alliance. This country has an effective democratic system and complies with the requirement of having effective commercial agreements with Chile, Mexico and Peru, as well as a free trade agreement with Colombia dated May 22, 2013, which coming into effect is pending. Therefore, on February 10 2014, Costa Rica issued a declaration where it stated its commitment with the principles and values of this integration block. It also points out its intention of adhering to the *Additional Protocol to the Pacific Alliance Framework Agreement*, which came into effect on the same date through the then president Laura Chinchilla. Currently, Costa Rica is following an internal procedure for the approval of this treaty, which has seen some internal debate³⁸ and evaluations that are being attentively followed by Alliance countries.³⁹

At an early stage, Panama expressed its wish to become incorporated as an Alliance member. However, it has not formally started the procedure. Meanwhile Honduras has recently submitted the same request (October 2016) during the visit of the Honduran Foreign Affairs Secretary to Chile (Temporary Chair).

The following is a brief summary of the current Member States:

a) Chile

Chile has a population of 18.006.407 inhabitants and a territory extension of 756.096km². It is a democratic republic organized around three Government branches (Executive Branch, headed by the President

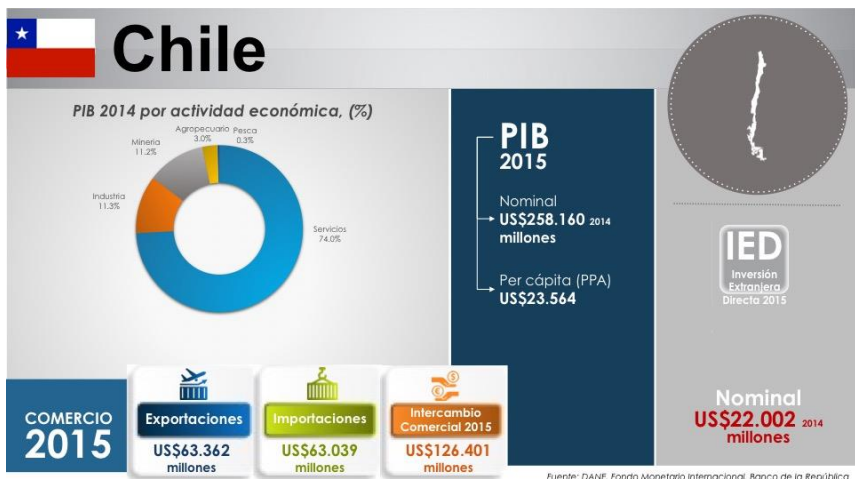
³⁸ See: <http://www.elfinancierocr.com/economia-y-politica/Alianza_del_Pacifico-LauraChinchilla-Luis_Guillermo_SolisAlexander_Mora_0_704929506.html>, website checked on May 19, 2015.

³⁹ See item 10 in the Puerto Varas (Chile) Declaration, dated July 1, 2016.

of the Republic, Legislative Branch, with a senate and a house of representatives; and a Judiciary), and ruled by the 1980 Constitution.⁴⁰

Chile has an open economy that promotes trade and private investment, with a free exchange rate and a 4.3% inflation level in 2015.⁴¹ Since May 7, 2010, it became the first South American country —and the second Latin American country— included as a member of the Organization for Economic Cooperation and Development (OECD). Its GDP has grown in average 5.11% between 2010 and 2013 and 2.1% in 2015, due to its important trade and to how it attracts foreign investment.⁴² According to the last records, its nominal GDP has reached 258.16 billion dollars and a per capita GDP of 23.564 dollars.

Graph 1
Chile: Economic data



Source: Pacific Alliance official website, checked on November 2, 2016.

⁴⁰ See: <<http://alianzapacifico.net/paises/chile/>>, website checked on September 14, 2016.

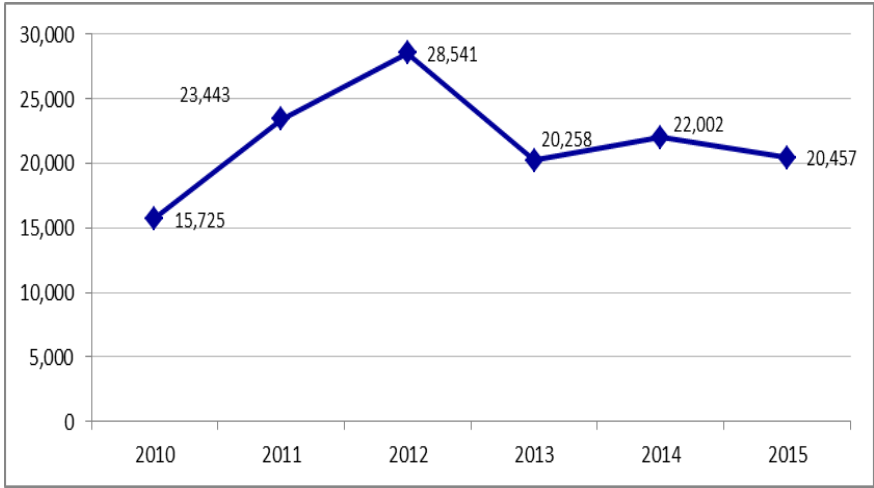
⁴¹ See: <<http://datos.bancomundial.org/indicador/FP.CPI.TOTL.ZG>>, website checked on November 23, 2016.

⁴² See: <<http://datos.bancomundial.org/indicador/BX.KLT.DINV.CD.WD>>, website checked on May 15 2015 and <<http://datos.bancomundial.org/indicador/NY.GDP.MKTP.KD.ZG>>, website checked on November 17 2016.

As for Chile’s foreign trade exports, they reached 63.76 billion in 2015, while imports were 63.03 billion dollars, that is, this country attained a positive balance of payment and a commercial exchange of 126.40 billion dollars. The following graphs show that its imports were mainly addressed to China (23.63%), the European Union (15.96%), United States of America (12.41%) and Mercosur (8.15%). Besides, there is another important export heading addressed at different countries (26.93%). Regarding imports the order was almost the same, but the USA (17.58%) surpasses Europe (16.38%).

Finally, concerning attracting foreign direct investment between 2010 and 2015, it grew until 2013 when there was an important decrease (29%), and it fluctuated in the last years, as it can be seen in the following graph:

Graph 2
Chile: 2010-2015 Foreign Direct Investment



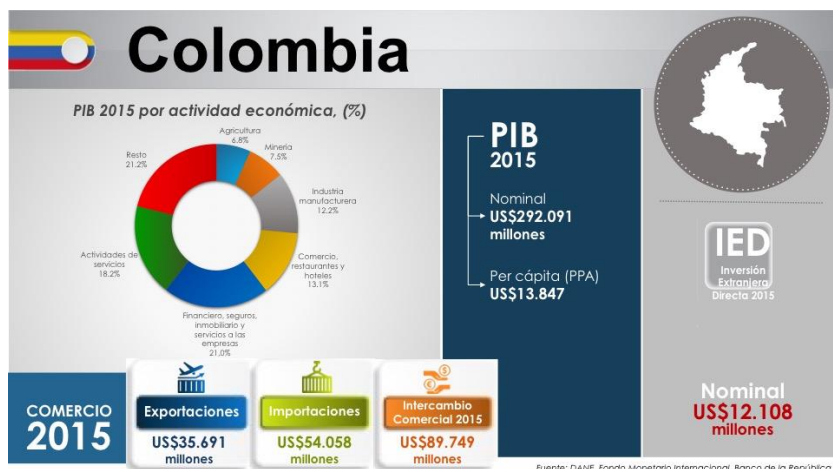
Source: World Bank, 2016.
Prepared by the authors

b) Colombia

Colombia has a population of 48.740.672 inhabitants and a territory extension of 2.070.408km². It is a unitary democratic republic with administrative decentralization, organized around three Government branches (the Executive Branch, headed by the President of the Republic; the Legislative Branch with a senate and a house of representatives, and the Judiciary, which includes the Constitutional Court, the Supreme Court of Justice, the State Council and the Higher Judiciary Council) and ruled by the 1991 Constitution.⁴³

As for its economy, it is an open economy that promotes trade and private investment with a free exchange rate and 5% inflation level in 2015⁴⁴. Its GDP has grown 4.66% in average between 2010 and 2013 and by 3.1% in 2015.⁴⁵ According to the last records, the nominal GDP has reached 292.09 billion dollars and the per capita GDP is 13.847 dollars.

Graph 3
Colombia: Economic data



Source: Pacific Alliance official website, checked on November 2, 2016

⁴³ See: <<http://alianzapacifico.net/paises/colombia/>>, website checked on October 5 2016.

⁴⁴ *Idem*. Also see: <<http://datos.bancomundial.org/indicador/FP.CPI.TOTL.ZG>>, website checked on November 17 2016.

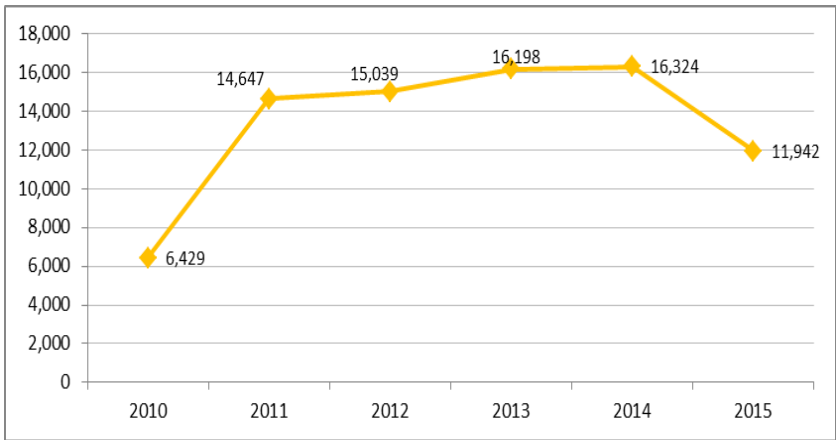
⁴⁵ See: <<http://datos.bancomundial.org/indicador/NY.GDP.MKTP.KD.ZG>>, website checked on November 17 2016.

As for the Colombian foreign trade, in 2015 exports reached 35.69 billion dollars, while imports reached 54.05 billion dollars. This means the country had a negative balance of payment and a total commercial exchange value of 89.74 billion dollars. The following graphs show that its exports were mainly geared towards the USA (36.18%), the European Union (18.94%) and Latin American and the Caribbean (12.41%). As for imports, the order was the following: USA (21.42%), China (16.51%), European Union (15.49%) and the Pacific Alliance countries (13.52%).

As for sector break down of Colombian exports, the first is the mining industry with 36.60 billion dollars, followed by farming and food with 6.75 billion dollars, metals and metal products with 5.45 billion dollars, chemical products 3.91 billion dollars, machinery 1.69 billion dollars, nco manufacturing 1.50 billion dollars, textiles and leathers 1.22 billion dollars and paper and wood 662.5 billion dollars (Abusada et al, 2015:22).

Finally, regarding attracting foreign direct investment between 2010 and 2015, it increased steadily until last year in which it fell by 27%.

Graph 4
Colombia: Foreign Direct Investment
2010-2015



Source: World Bank, 2016.
Prepared by the authors

c) Mexico

The Mexican United States has a population of 119.530.753 inhabitants and a territory extension of 1.964.375km². It is a democratic republic organized around three Government branches (Executive Branch, headed by the President of the Republic; Legislative Branch, with a senator chamber and a house of representatives; and the Judiciary made up by the Supreme Court of Justice, Electoral Tribunal, Collegiate and Unitary Circuit Tribunal and District Courts), and ruled by the Constitution enacted in 1917⁴⁶.

As for its economy, Mexico is the fourteenth economy in the world with a GDP that accounts for 1.7% of the total global GDP and which has grown 3.51% in average between 2010 and 2013 and by 2.5% in 2015.⁴⁷ This was the lowest percentage of the four member countries in the Pacific Alliance. Its inflation in 2015 was 2.7%,⁴⁸ while its foreign trade accounted for 60% of its GDP, with products such as oil, manufactured products, mining and metallurgy, appliances, automobiles, farming products and photo cameras.⁴⁹ According to the last records its nominal GDP has reached 1'144 billion dollars and its per capita GDP is 9.009 dollars, as shown in the following graph. Similarly, on May 18, 1994 Mexico became the 25 member of the OECD. It was the first Latin American country to be accepted by that organization.

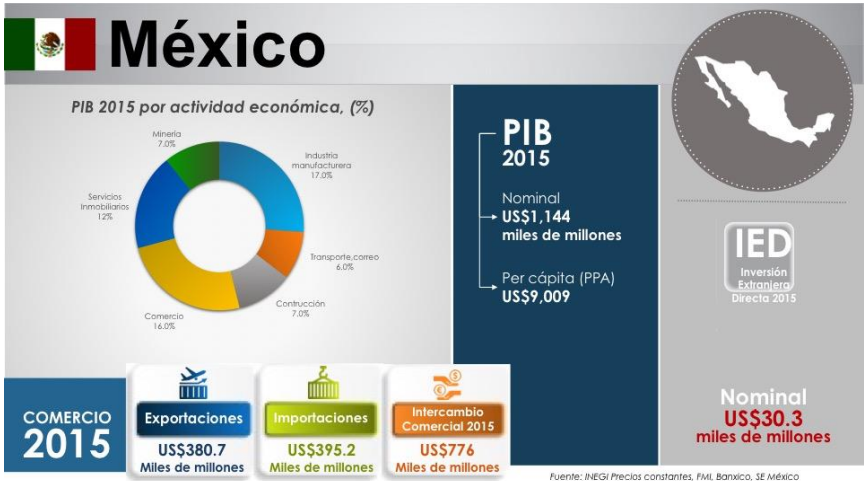
⁴⁶ See: <<http://alianzapacifico.net/paises/mexico/>>, website checked on November 24, 2016.

⁴⁷ See: <<http://datos.bancomundial.org/indicador/NY.GDP.MKTP.KD.ZG>>, website checked on November 23, 2016.

⁴⁸ See: <<http://datos.bancomundial.org/indicador/FP.CPI.TOTL.ZG>>, website checked on November 23, 2016.

⁴⁹ See: <<http://alianzapacifico.net/paises/mexico/>>, website checked on November 12, 2016.

Graph 5
Mexico: Economic Data



Source: Pacific Alliance website, checked on November 2, 2016

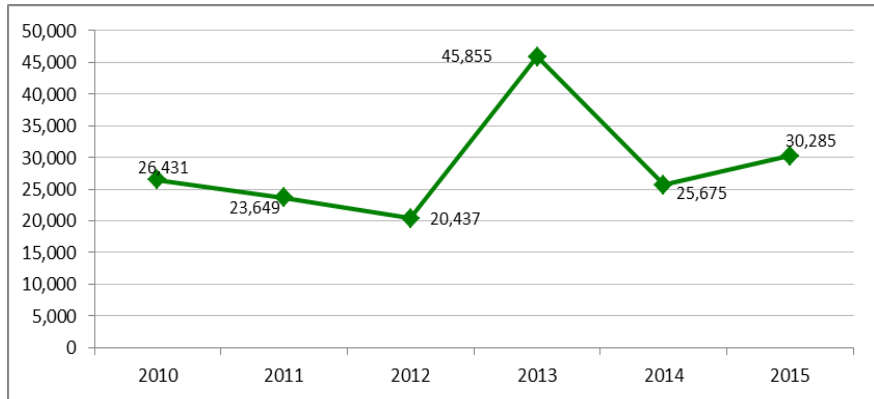
As for the Mexican foreign trade, exports reached 63.36 billion dollars in 2015, while imports reached 63.03 billion dollars. This means that the country had a positive balance of payments and a total commercial exchange value of 126.40 billion dollars. The following graphs show that its exports were mainly geared towards the USA (70.98%). As for imports, the USA is also an important country of origin (51.61%), followed by China (15.24%) and the European Union (11.66%).

As for sector break down of Mexican exports, the first is the machinery sector with 175.38 billion dollars, mining with 51.20 billion dollars, followed by metals and metal products with 26.26 billion dollars, farming and food with 22.75 billion dollars, chemical products 20.83 billion dollars, nco manufacturing 12.23 billion dollars, textiles and leather 7.52 billion dollars and paper and wood 3.25 billion dollars (Abusada et al, 2015:23).

Finally, on attracting foreign direct investment, between 2010 and 2015, it fluctuated, because there was a steady fall in the first year to then have a positive peak in 2013 (124%) to then fall again in 2014. However,

there was a new increase (18%) last year, as shown in the following graph:

Graph 6
Mexico: Foreign Direct Investment
2010-2015



Source: World Bank, 2016.
Prepared by the authors

d) Peru

Peru has 31.151.643 inhabitants and a territory of 1.285.216km². It is a democratic republic organized around three Government branches (Executive Branch, headed by the President of the Republic; Legislative Branch with a single chamber of 130 congress members and Judiciary headed by the Supreme Court) and ruled by the Constitution enacted on December 19, 1993⁵⁰.

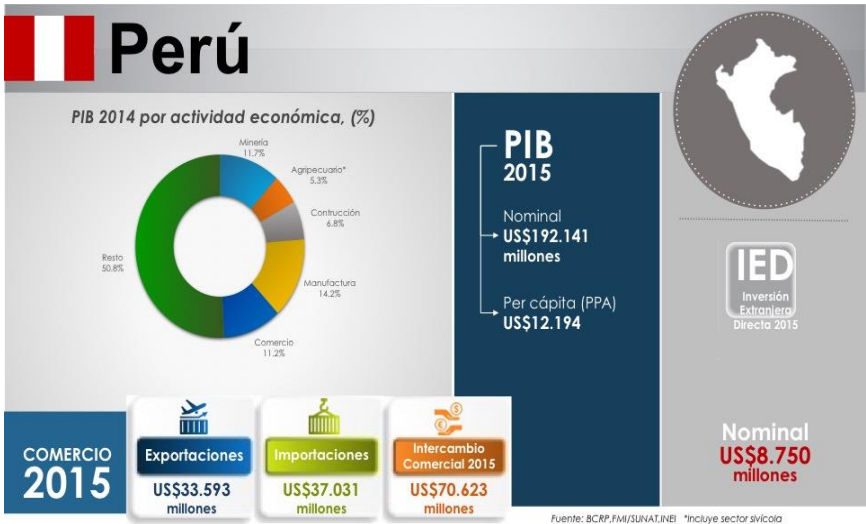
As in the other three member States, the Peruvian economy is also open and promotes trade and private investment -particularly in the mining sector, which represents more than 60% of Peru's total exports- with a free exchange rate and a low inflation level (3.6% in 2015)⁵¹. Its GDP has grown 6.4% in average between 2010 and 2015 and it grew by 3.3% in

⁵⁰ See: <<http://alianzapacifico.net/paises/peru/>>, website checked on November 22, 2016.

⁵¹ See: <<http://datos.bancomundial.org/indicador/NY.GDP.MKTP.KD.ZG>>, website checked on November 22, 2016.

2015.⁵² This is the highest percentage of the four members in the Pacific Alliance. According to last records, its nominal GDP has reached 192.14 billion dollars and its GDP per capita is 12.194 dollars as seen in the following graph. All this has allowed reducing the national poverty rate by 33 percentage points between 2005 and 2015⁵³.

Graph 7
Peru: Economic Data



Source: Pacific Alliance official website, checked on November, 2016

As for the Peruvian foreign trade, according to 2015 data, exports reached 33.59 billion dollars, while imports reached 37.03 billion dollars. This means the country had a negative balance of payments of 3.43 billion dollars and a total commercial exchange value of 70.62 billion dollars. Similarly, the following graphs show the Peruvian exports were mainly geared towards the European Union (18.53%), China (18.02%) and the United States (11.59%). However, there is another important export heading that goes to various countries (32.38%). As

⁵² See: <<http://datos.bancomundial.org/indicador/NY.GDP.MKTP.KD.ZG>>, website checked on May 15, 2015 and November 21, 2016.

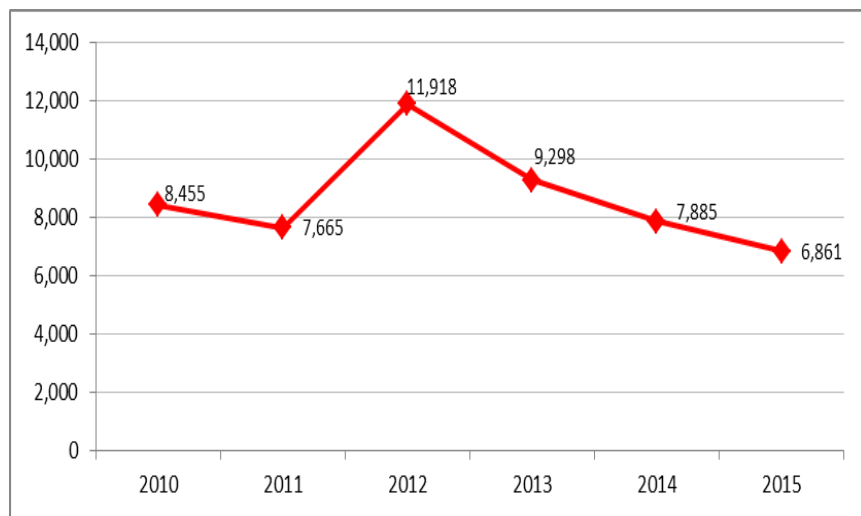
⁵³ See: <<http://alianzapacifico.net/paises/peru/>>, website checked on November 22, 2016.

for imports, countries of origin were mainly China (17.53%), USA (14.82%), European Union (13.01%) and Mercosur (12.74%). However, there is an important import heading coming from various countries (17.96%).

As for sector break down of Peruvian exports, the mining sector comes first with 16.02 billion dollars, followed by metals and metal products with 14.41 billion dollars, farming and food with 8.15 billion dollars, textiles and leather with 2.06 billion dollars, chemical products 1.60 billion dollars, machinery 522.7 billion dollars, nco manufacturing with 519.4 billion dollars and paper and wood with 372.3 million dollars (Abusada et al, 2015:24).

Finally, regarding attracting foreign direct investment between 2010 and 2015 it has steadily decreased since 2012.

Graph 8
Peru: Foreign Direct Investment
2010-2015



Source: World Bank, 2016.
Prepared by the authors

In a nutshell, beyond the differences caused by different economy sizes, the four members of the Pacific Alliance keep similar profiles in maintaining their democratic systems and the rule of law, as well as in their macroeconomic figures and the incentives towards free market, foreign trade and attracting foreign investments.

2.4.2 Observer States

According to article 10 in the Pacific Alliance Framework Agreement, any State can request its participation as an Observer State in this process, which should be unanimously approved by the Council of Ministers. Likewise, this organ defines the conditions for the participation of the Observer State when approving its inclusion.

These provisions are complemented with the *Guidelines on the Participation of Observers States in the Pacific Alliance*, a text adopted in 2012 that specifies the procedure to follow so that States become candidates to observers. Besides, observers can participate at presidential and ministerial meetings and instances to which they have been invited, following consensus among member States and in which they would have the right only to voice.⁵⁴

To July 2016, the Alliance had 49 observers as follows: Germany, Argentina, Austria, Australia, Belgium, Canada, Costa Rica, Denmark, El Salvador, Ecuador, Egypt, Slovakia, Spain, United States of America, Georgia, Greece, Finland, France, Guatemala, Haiti, Honduras, Hungary, India, Indonesia, Israel, Italy, Japan, Morocco, Norway, New Zealand, the Netherlands, Panama, Poland, Portugal, United Kingdom, Czech Republic, South Korea, Dominican Republic, Popular Republic of China, Rumania, Sweden, Singapore, Switzerland, Thailand, Trinidad and Tobago, Turkey, Ukraine and Uruguay.

⁵⁴ See items 3, 4 and 5 of the Guidelines on the Participation of Observer States in the Pacific Alliance.

Graph 9
Alliance Observer Countries



Source: Pacific Alliance official website

Eight of the largest economies in the world (United States, China, Japan, Germany, France, United Kingdom, Italy and India) are among observer countries. There are also seven countries from the Asia-Pacific block (Australia, China, India, Japan, New Zealand, South Korea and Singapore).

We should also highlight that the Alliance member countries keep different free trade agreements with Observer States that can facilitate future cooperation among them. In this regard let us see the following chart:

Chart 2

Free trade agreements among Alliance members and Observers States

Pacific Alliance Observer States	CHILE	COLOMBIA	MEXICO	PERU
	Effectiveness year			
European Union	2003	2013	2000	2013
Australia	2009			
Canada	1996	2008	1994	2008
China	2006			2010
Costa Rica	1999		2011	2011
El Salvador	1999	2007	2011	
Ecuador	2008	1997	1983	1997
USA	2004	2012	1994	2009
Guatemala	1999	2007	2011	
Honduras	1999	2007	2011	
India	2007			
Israel		(2013*)	2000	
Japan	2007		2005	2012
Morocco				
New Zealand	2006			
Panama	2006	(2013*)	(2014*)	2011
Paraguay	1996	2005	2002	2005
South Korea	2004	(2013*)		2011
Dominican Republic				
Singapore	2006			2009
Switzerland	2004	2011	2001	2011
Trinidad and Tobago		1998		
Turkey	2011			
Uruguay	1996	2005	2002	2005

* Signature year, because these agreements have not come into effect yet.

On June 8, 2016, a Joint Declaration on the Partnership between Pacific Alliance members and Canada was signed in Mexico City, by which Canada became a privileged partner. This agreement will provide a collaboration framework on a wide gamut of issues —trade facilitation and promotion; education and training; science, technology and innovation; environment, ocean conservation and responsible development of natural resources; and corporate social responsibility—that will allow for developing concrete initiatives, particularly for small and medium size companies.

Additionally, during the Ninth Presidential Summit that took place in Puerto Varas (Chile) in July 2016 participants agreed to develop a work scheme with all observer States in four prioritized topical areas: education; science, technology and innovation; internationalization of small and medium enterprises; and trade facilitation.⁵⁵

2.5 Block importance

The following graph is pertinent to analyze the block importance:

Chart 3
Alliance Countries
2015 main economic indicators

	Population (millions of inhabitants)	Nominal GDP (millions of dollars)	Per capita GDP (thousand of dollars)	Exports (millions of dollars)	Imports (millions of dollars)
Chile	18.0	258.1	23,546	63.4	63.0
Colombia	48.7	292.1	13,847	35.7	54.1
Mexico	119.5	1,144.0	9,009	380.7	395.2
Peru	31.2	192.1	12,194	33.6	37.0
Pacific Alliance	217.4	1,886.3	14,649	513.4	549.3

Source: Pacific Alliance official website,
Checked on November 22, 2016.
Prepared by the authors

We have seen that total Pacific Alliance exports added up to 513.4 billion dollars in 2015, while imports reached 549.3 billion dollars. This means that the group's trade was 1.06 trillion dollars. Therefore, the Alliance accounted for 50% of all trade in Latin America in 2015.

On the other hand, taking into account the GDP of each one of the Alliance members, we can see that this block accounted for 39% of the Latin American economy in 2015, becoming —as a unit— the eighth

⁵⁵ Puerto Varas Declaration, July 2016, signed during the Ninth Pacific Alliance Presidential Summit.

world economy and the fourth economy that will most contribute to global growth in the following years⁵⁶ with an average inflation of 4.4%.⁵⁷

As for investments, the Alliance has attracted around 63 million dollars, which means 45% of all foreign investment received in Latin America.⁵⁸

Concerning the number of inhabitants and hence potential consumers, the Alliance has a population of 217 million inhabitants. They are mostly young and there is an increasing middle class, in Chile 53% in Colombia 49% in Mexico 34% and in Peru 29% of their total population in 2013.

According to the Human Development Index published in 2015 out of the 188 countries included in the study, Chile has the 41 position, Mexico 74, Peru 84 and Colombia 97. As for the global competitiveness index for 2016-2017, Chile has position 33, Mexico 51, Colombia 61 and Peru 67 among 168 countries. The case of the Mercosur countries was very different. Brazil is the best position and has position 83 followed by Uruguay with 73, Argentina with 104, Paraguay with 117 and Venezuela with 130.⁵⁹ Finally, in the Social Progress Index,⁶⁰ the Alliance countries are in the following positions Chile (25), Colombia (48), Peru (49) and Mexico (51).⁶¹

⁵⁶ See: <<https://alianzapacifico.net/que-es-la-alianza/#valor-estrategico>>, website checked on November 16, 2016.

⁵⁷ See: <<https://alianzapacifico.net/?wpdmdl=4441>>, website checked on November 9, 2016.

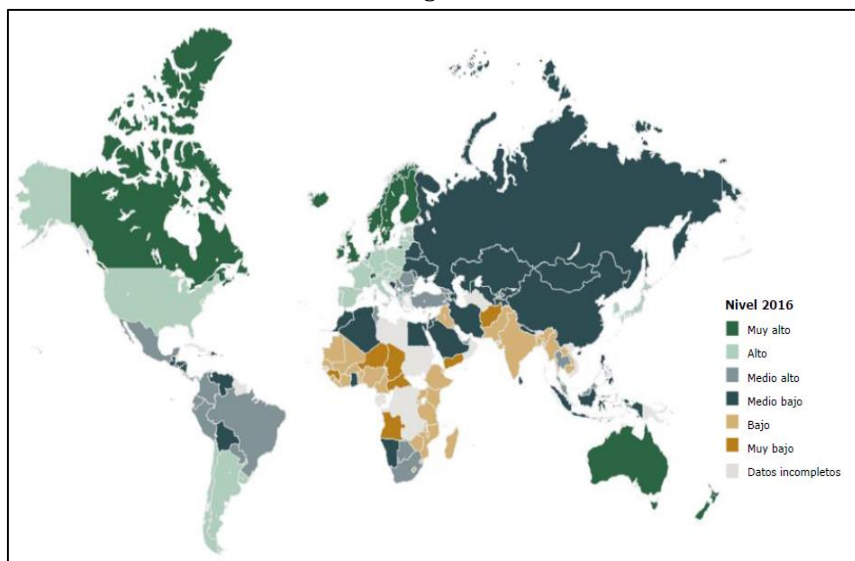
⁵⁸ See: <<https://alianzapacifico.net/que-es-la-alianza/#valor-estrategico>>, website checked on November 16, 2016.

⁵⁹ See the 2016-2017 global competitiveness index at: <http://www3.weforum.org/docs/GCR20162017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf>, website checked on October 26, 2016.

⁶⁰ This index basically analyzes data from 133 countries (94% of the world's population) with the purpose of answering the following questions: 1) does the country supply its people with their basic needs? 2) Are the foundations laid in the country so that people improve their life? 3) Are there opportunities for the people to change their position in society?

⁶¹ With the following scores: Chile: 82.12, Colombia 70.84, Peru: 70.09; and Mexico: 70.02. For more information see: <<https://www2.deloitte.com/content/dam/Deloitte/mx/Documents/about-deloitte/Indice-Prgreso-Social-2016.pdf>>, website checked on October 26, 2016.

Graph 10
Social Progress Index

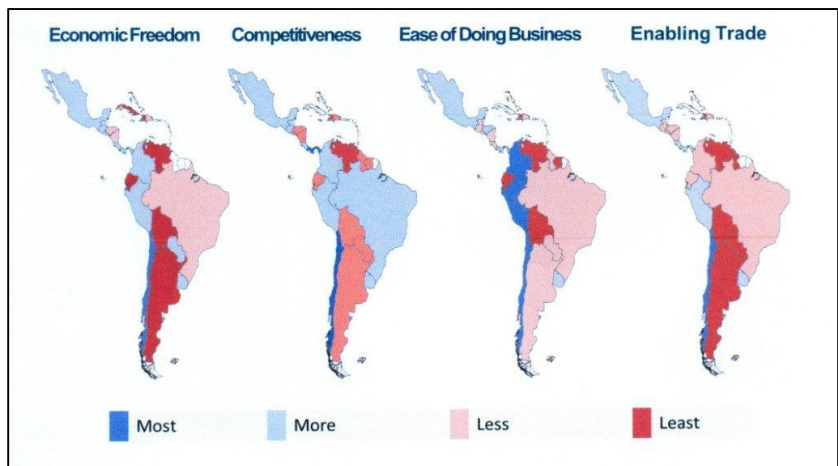


Source: DeloitteToucheTohmatsuLimited, 2016.

At: <<https://www2.deloitte.com/content/dam/Deloitte/mx/Documents/about-deloitte/Indice-Progreso-Social-2016.pdf>>, page checked on November 28, 2016.

On the other hand, we can see the preferent position of Alliance member countries as compared to South American countries vis-à-vis economic liberties, competitiveness, facilities for doing business and for trade.

Graph 11
Economic liberty levels in Latin America



Source: Dade and Meacham, 2013: 6.

As for facility for doing business in the world, this refers to *Doing Business 2017* by the World Bank. In this score, Mexico is in position 47, Chile 57, Colombia 53 and Peru 54 in contrast with Mercosur countries which are in the following positions Uruguay 90, Paraguay 106, Brazil 123, Argentina 121 and Venezuela 186 out of 189 countries.⁶²



Similarly, while the Alliance has in average trade agreements with countries that account for almost 75% of global economy, Mercosur has preferential commercial access with less than 7% of global markets (Tuck, 2014: 4).

Finally, the following graph shows the differences in GDP growth and inflation between the Alliance and Mercosur.

⁶² See: <http://espanol.doingbusiness.org/reports/global-reports/doing-business-2017> and <http://espanol.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Full-Report.pdf>, pages checked on November 9, 2016.

Chart 4

Pacific Alliance and Mercosur member countries economies

	2015 GDP growth	Inflation	Facility for doing business ranking	
			Region	Global
Chile	2,1%	4,3%	4	57
Colombia	5,3%	5,0%	2	53
Mexico	2,5%	2,7%	1	47
Peru	3,3%	3,6%	3	54
	2015 GDP growth	Inflation	Facility for doing business ranking	
			Region	Global
Argentina	2,4%	n/r	8	116
BraZIL	-3,8%	9,0%	9	123
Paraguay	3,0%	3,1%	6	106
Uruguay	1,0%	8,7%	5	90
Venezuela	-5,7%	121,7%	11	187

Source: 2016 World Bank Data and 2017 Doing Business Data. At:
 <<http://datos.bancomundial.org/indicador/NY.GDP.MKTP.KD.ZG>>,
 <<http://datos.bancomundial.org/indicador/FP.CPI.TOTL.ZG>> and
 <<http://espanol.doingbusiness.org/reports/global-reports/doing-business-2017>>.

All this explains the strength of this block's members, which are to be multiplied as a consequence of the Alliance's good operation. In this

regard, several studies have analyzed the positive effects that can be derived from a deep integration among block members.⁶³

2.6 Structure

The Alliance's structure has undoubtedly taken as reference that built by the Latin American Pacific Arch Forum. In this regard, it is a light structure.

The Lima Presidential Declaration, issued around the First Pacific Alliance Presidential Summit in 2011, established that the maximum instance in this block's political decision are the member countries presidents who meet in the so called *Presidential Summits*. The following has taken place to date:

- First, Lima, April 28, 011
- Second, Mexico D.F., December 4, 2011
- Third Virtual, March 5, 2012
- Fourth, Paranal, June 6, 2012
- Fifth, Cadiz, November 17, 2012
- Sixth, Santiago, January 27, 2013
- Seventh, Cali, May 23, 2013
- Eighth, Cartagena, February 10, 2014
- Ninth, Punta Mita, June 20, 2014
- Tenth, Paracas, July 2 and 3, 2015
- Eleventh, Puerto Varas, July 1, 2016

Then followed the *Council of Ministers* created by article 4 in the Pacific Alliance Framework Agreement. It is an organ made up by the Foreign Affairs and Foreign Trade Ministers that should meet at least once a year. The following are among its attributions:

⁶³ An example is the study promoted by KAS in 2015: *Dimensions and economic effects of the Pacific Alliance*. Santiago de Chile: Konrad Adenauer Foundation (KAS). However, there is a critical vision in: González Vigil, 2013.

- a. Adopt decisions that develop the specific objectives and actions foreseen in the Framework Agreement and the presidential declarations;
- b. Look after compliance with and correct application of its decisions;
- c. Regularly assess the results from its decisions;
- d. Approve the Alliance's activities program;
- e. Define this integration process political guidelines in their connection with third States and others;
- f. Call the High Level Group (GAN); and,
- g. Establish the Task Forces if deemed appropriate.

On the other hand, the Council of Ministers and decisions and other agreements in the Alliance are adopted by consensus (article 5 in the Framework Agreement) and are considered as part of the Alliance's juridical order (article 6 of the Framework Agreement).

The following ministry meetings have taken place to date:

- First, Lima, November 7, 2011
- Second, Mexico D.F., July 27, 2012
- Third, Mexico D.F., August 29, 2012
- Fourth, Cartagena de Indias, November 9, 2012
- Fifth, Cartagena de Indias, March 14, 2013
- Sixth, Lima, April 23, 2013
- Seventh, Cali, May 22, 2013
- Eighth, Villa de Leyva, June 29 and 30, 2013
- Ninth, Cancun, August 25 and 26, 2013
- Tenth, Cartagena de Indias, February 9, 2014
- Eleventh, Mexico D.F., May 30, 2014
- Twelfth, Punta Mita, June 19 and 20, 2014
- New York, September 25, 2014 (not accounted formally)
- Thirteenth, Mexico D.F., April 30, 2015
- Fourteenth, Paracas, June 2, 2015
- Fifteenth, Mexico City, June 8, 2016
- Sixteenth, Frutillar, June 30, 2016

In turn, the *High Level Group (GAN)* is made up —according to the 2011 Lima Presidential Declaration— by the Foreign Affairs and Foreign Trade viceministers from member countries, and is in charge of supervising the technical group work, assessing new areas to continue making progress and preparing proposals for the projection and external relationships with other regional organizations or groups, particularly Asia-Pacific. There have been numerous GAN meetings, as follows:

- First, Bogota, June 21, 2011
- Second, Lima, September 12, 2011
- Third, Santiago, November 4, 2011
- Fourth, Mexico D.F., December 2, 2011
- Fifth, Virtual, February 28, 2012
- Sixth, Bogota, May 4, 2012
- Seventh, Santiago, August 23 and 24, 2012
- Eighth, Mexico D.F., August 28, 2012
- Ninth, Lima, October 15 to 17, 2012
- Tenth, Cartagena, November 8, 2012
- Eleventh, Cali, November 19 and 20, 2012
- Twelfth, Lima, February 1, 2013
- Thirteenth, Cartagena, March 13, 2013
- Fourteenth, Mexico D.F., April 11 and 12, 2013
- Fifteenth, Santiago, May 8 to 10, 2013
- Sixteenth, Cali, May 21, 2013
- Seventeenth, Lima, June 17 to 21, 2013
- Eighteenth, Cartagena, July 30 to August 2, 2013
- Nineteenth, Mexico D.F., October 23 to 25, 2013
- Twentieth, Santiago, November 25 to 27, 2013
- Twetny-first, Mexico D.F., January 30 and 31, 2014
- Twenty-second, Cartagena, February 8, 2014
- Twenty-third, Lima, April 9, 2014
- Twenty-fourth, Mexico D.F., May 29, 2014
- Twenty-fifth, Punta Mita, June 18, 2014
- Twenty-sixth, Viña del Mar, October 10, 2014
- Twenty-seventh, Videoconferencia February 19, 2015

- Twenty-eighth, Bogota, March 26, 2015
- Twenty-ninth, Mexico D.F., April 29, 2015
- Thirtieth, Virtual, June 24, 2015
- Thirty-first, Paracas, July 1, 2015
- Thirty-second, Punta Arenas, October 22, 2015
- Thirty-third, Bogota, March 3, 2016
- Thirty-fourth, Lima, April 25 and 26, 2016
- Thirty-fifth, Mexico City, June 7, 2016
- Thirty-sixth, Puerto Varas, June 28, 2016
- Thirty-seventh, Santiago de Chile, October 14, 2016

As for the *Technical Groups and Subgroups*, they are made up by civil servants from member countries and their function is to negotiate disciplines related with the Pacific Alliance issues. There are currently 19⁶⁴ technical groups and 7 subgroups. The technical groups are:

- a) *Institutional affairs*: This group is in charge of working on institutional and cross-cutting disciplines, as well as on the dispute settlement mechanism to permit to rapidly and efficiently resolve difficulties that can come up regarding application or interpretation of the regulations established in the block. It is also in charge of preparing operation regulations of Alliance bodies and providing the GAN with juridical assistance.
- b) *Committee of Experts for the Pacific Alliance Corporate Council (CEAP)*: It aims at analyzing the proposals prepared by CEAP, give a response to them, and eventually channel them to the Alliance authorities for their study and implementation. Besides, it is the coordination and liaison instance between the Alliance and the CEAP.

⁶⁴ The *International fiscal transparency* group has been recently eliminated to be included in the Finance Ministers' agenda. This group aimed at exchanging information among Alliance member countries to reach fiscal transparency and to fight tax evasion. The current status of international standards on this matter was taken into account towards achieving these goals. It also aimed at harmonizing internal legislations in this regard.

- c) *Public procurements:* The Alliance seeks to establish commitments at every government level for access to government procurement markets, allowing block countries to get more benefits in terms of quality and price in their goods and services contracts.
- d) *Services and capitals:* This group was in charge of negotiating agreements for the free circulation of services and capitals. It achieved important consensus that was finally included in the additional protocol to the framework agreements. It has also given way to forming the *consumer Protection* subgroup. In this regard, a Chart for Promoting Consumer Rights and a Memorandum of Understanding among Consumer Protection Agencies has been prepared. All this aims at strengthening the rights of consumers in Alliance member countries.⁶⁵
- e) *Intellectual property:* This group explores cooperation areas to strengthen intellectual property systems in the region and to facilitate users access to information and services by competent entities. To that effect, they group the cooperation activities in three areas: copyright, industrial property and cross-cutting issues. In this regard, it is important to highlight the subscription on June 30, 2016 of the Memorandum of Understanding on the Accelerated Patents Procedure by the heads of Industrial Property Offices in the four countries that aims at speeding up obtention procedures.⁶⁶
- f) *Movement of people and facilitation of migratory transit:* This group's general purpose is to propose possibilities for facilitating migratory transit and free circulation of people from a comprehensive perspective. The *Security* subgroup is included in the group.

⁶⁵ See item 4 of the Puerto Varas Presidential Declaration, July 1, 2016.

⁶⁶ *Idem*

- g) *Communicational strategy*: This subgroup aims at designing and implementing communication strategies so that the block is recognized in the world as a regional integration model that fosters economic and commercial development, competitiveness and effective cooperation among its members. It has developed a number of actions aimed at positioning the Pacific Alliance in the international scene.
- h) *Cooperation*: This group aims at promoting cooperation among member countries and with third countries on environment and climate change; innovation, science and technology; social development; and others the parties may jointly agree upon.
- i) *Small and mid-sized companies*: This technical group seeks to establish support mechanisms to make sure the small and mid-sized companies share the benefits generated by the integration among Pacific Alliance members.
- j) *Innovation*: Its tasks are designing, proposing and coordinating programs and activities to achieve improvement in block productivity and competitiveness, using innovation as its main tool.
- k) *Foreign relation*: This aims at designing a strategy for linking the Alliance with Observer States and third parties, as well as at generating a permanent and fruitful exchange to promote the Pacific Alliance objectives.
- l) *Tourism*: It aims at strengthening cooperation to increase tourist flow to Alliance member countries.
- m) *Education*: It seeks to strengthen educational integration links through cooperation actions addressed at improving population competencies and capacities in the member countries and their access to quality education as an essential tool for competitiveness of the countries that make up the block.

- n) *Mining Development, Social Responsibility and Sustainability:* This aims at contributing to public policies design in connection to mining in the member countries, at incentivating experience exchange in the social responsibility and sustainability areas, and at identifying concrete actions around strengthening mineral resources governance.
- o) *Promotion agencies:*
Made up by the national promotion entities of the Alliance members, in charge of promoting and expanding exports, attracting foreign direct investment, internationalizing national companies and promoting the arrival of tourists to member countries
- p) *Culture:* It aims at fostering development of cultural and creative industries' undertakings in the member countries, profiting from their high productivity and dynamizing potential, internationally projecting the Pacific Alliance identity and diversity.
- q) *Gender:* In charge of preparing a strategy that includes the gender perspective as a cross-cutting element in the Alliance's programs and works.
- r) *Environment and green growth:* It aims at generating a dialogue space between governments and private sector in the member countries to implement an agenda that guides their actions towards green growth and foster Pacific Alliance sustainability.
- s) *Labor:* Its mission is to prepare a work plan that includes specific cooperation actions towards youth employment, eradication of child work, migration and social security in Alliance countries. Likewise, this group has to prepare a comparative study on labor mobility and another one on the regional cooperation scheme for Public Employment Services (SPE) in the four member countries.

The technical subgroups are the following: a) regulatory cooperation; b) trade and customs cooperation facilitation; c) Authorized Economic Operator (OEA); d) Foreign Trade One-Stop Shops (VUCEs); e) consumer protection; f) security and g) digital agenda.

The coordination of each one of these groups varies every year since countries rotate by alphabetic order, thus keeping a balance in the number of coordinators per country.

Meetings held by these work groups and subgroups have been continuous, confirming the block's dynamism:

- First, Bogota, October 3 and 4, 2011
 - Second, Santiago, November 13 and 14, 2011
 - Third, Mexico D.F., December 1 and 2, 2011
 - Fourth, Lima, February 23 and 24, 2012
 - Fifth, Bogotá, May 3 and 5, 2012
 - Sixth, Puerto Varas, August 23 and 24, 2012
 - Seventh, Lima, October 15 to 17, 2012
 - Eighth, Cali, December 18 to 20, 2012
 - Ninth, Mexico D.F., April 8 to 12, 2013
 - Tenth, Santiago, May 6 to 10, 2013
 - Eleventh, Lima, June 17 to 21, 2013
 - Twelfth, Cartagena, July 31 to August 2, 2013
 - Thirteenth, Mexico D.F., October 23 to 25, 2013
 - Fourteenth, Santiago, December 25 to 27, 2013
- (There is a mistake in the number of these meetings, because they leap from XIV to XVI.)
- Sixteenth, Lima, April 7 to 9, 2014
 - Seventeenth, Mexico D.F., May 27 and 28, 2014
 - Eighteenth, Viña del Mar, October 7, 2014
 - Nineteenth, Bogota, January 21 and 22, 2015
 - Twentieth, Lima, March 24 to 26, 2015
 - Twenty-first, Mexico D.F., April 27 and 28, 2015
 - Twenty-second, Punta Arenas, October 20 to 22, 2015
 - Twenty-third, Bogota, March 1 and 2, 2016

- Twenty-fourth, Lima, April 21 and 22, 2016
- Twenty-fifth, Santiago de Chile, October 11 to 12, 2016

As a coordinating and representative entity, the *Temporary Chair* created by article 7 in the Framework Agreement is exercised by each one of the member countries, according to alphabetical order in annual periods. Among its attributions, the temporary chair has the following: organize and be the venue of presidential summits; coordinate the Council of Ministers and GAN meetings; keep the record of the meetings' minutes; represent the Pacific Alliance on common interest issues; among others.

Finally, the X Presidential Summit in Paracas (Peru) that took place on July 2015 sought the agreement of Alliance head states who instructed the formal creation of the Finance Council of Ministers in the Pacific Alliance.

[...] which will be a coordination instance that will directly report to the presidents regarding proposals and advances on [...] economic and financial integration, and will work in coordination with the Alliance Council of Ministers and other working instances.⁶⁷

Nevertheless, in this agreement it is not clear how this Council will become incorporated within the current Alliance structure or how it will relate with its other bodies.

To conclude this issue, we must point out that to date the structure established for the Alliance has worked positively. This is evidenced in the frequency of meetings of all the bodies that make up the Alliance, as well as in the number of commitments and degree of compliance with them.

However, there is progressive growth of areas and matters that compose this integration process and the original work agenda has remarkably

⁶⁷ See Annex 2 of the Paracas Declaration (Peru) dated July 3, 2015, signed during the Tenth Presidential Summit of the Pacific Alliance.

broadened. Therefore, it is fundamental to evaluate if this structure should be broadened and/or reinforced in the short term.

Besides the Alliance structure, and by initiative of the presidents of the national congresses of all four member countries, the Pacific Alliance Agreement Follow-up Parliamentary Commission was created in May 6, 2013. It was inaugurated in Santiago de Chile in June of that same year. This commission is made up by eight members of each one of the national congresses and aims at meeting at least twice a year to formulate recommendations to the Council of Ministers and the Alliance High Level Group.⁶⁸

2.7 Meetings and agreements towards block consolidation

After the First Presidential Summit, where the Pacific Alliance was inceptioned, new meetings were held by the different bodies pertaining to this block aimed at following up and strengthening this process. The following is a brief summary of the most important ones.

In this regard, on December 4, 2011 the Second Pacific Alliance Summit took place in Merida, Yucatan (Mexico). There the common principles shared by the member countries in this block were endorsed, adding political characters to the ones that had already been established in the Lima Declaration, such as democracy and human rights; specifically “the effectiveness of the rule of law and the respective constitutional orders, the separation of the Government branches and the protection and respect for human rights and fundamental freedoms” were reaffirmed “as essential requirements for participation in the Pacific Alliance.”⁶⁹

On this second summit, the participant countries confirmed the progress made by the technical groups. They also highlighted the cooperation efforts by PROEXPORT Colombia, PROCHILE, PROMPERU and PROMEXICO, as well as the collaboration among corporate associations.

⁶⁸ See: <http://www.rpp.com.pe/2013-05-06-paises-de-la-alianza-del-pacifico-ponen-en-marcha-su-propio-parlamento-noticia_592184.html>, website checked on June 3, 2015.

⁶⁹ Merida Declaration of December 4, 2011, signed during the Second Summit of the Pacific Alliance.

On the other hand, the summit also saw the subscription of important instruments for achieving Alliance objectives, such as the Memorandum of Understanding on the Pacific Cooperation Platform, the Memorandum of Understanding that creates the Joint Committee and the Statement of Intent among the Alliance's Stock Markets, as well as the preparation of the Requirements Guideline for People Mobility.

Similarly, at the Merida meeting, the four countries instructed the Technical Groups to start negotiations on: e-commerce, technical obstacles to trade, tariff treatment for the entire universe of goods, cumulation of origin mechanisms, establishing an electronic origin certification system, among other commercial issues. Likewise, regarding transit of people they decided to work on the possibility for creating a Pacific Alliance visa to facilitate said transit, progress towards reducing service and migratory fee costs, and also starting negotiations for establishing an academic and student mobility platform.⁷⁰

Finally, this meeting acknowledged the support given by the Inter-American Development Bank (IDB) to the Technical Groups. This would become a constant in the following meetings. Other international financial organizations were also added to this support, as is the case of the Economic Commission for Latin America and the Caribbean –ECLAC-, the Andean Financial Corporation -CAF-, the Organization for Economic Cooperation and Development -OECD-, among others, which evidences the credibility of this integration scheme.

Only three months after this presidential meeting took place, the Third Summit dated Marh 5, 2012 was organized, but this time it was a teleconference. Then, the four presidents accepted Costa Rica's request to become included as an Observer Country and they also approved the Framework Agreement text and this was derived to a new legal revision stage by the *Ad hoc* Group. The latter would meet on May 3 and 4 in Bogota, leaving the subscription agreement ready (Castro Joo, 2013: 40-41).

⁷⁰ See points 1 to 9 of the Merida Declaration dated December 4, 2011, signed during the Second Pacific Alliance Summit.

The Fourth Pacific Alliance Summit took place at the Paranal Observatory – Antofagasta (Chile) on June 6, 2012 and it was very transcendent, because the Pacific Alliance Framework Agreement was signed then.

In article 1 of the agreement, the Parties frame the Pacific Alliance as a regional integration area. Its objectives were set in article 3:

- a. Build, in a participatory way and through consensus, a deep integration area to progressively go towards the free circulation of goods, services, capitals and people;
- b. Promote more growth, development and competitiveness of the Parties' economies towards greater well-being, overcoming socioeconomic inequality and achieving social inclusion; and,
- c. Become a political organization platform for economic and commercial integration and projection to the world with special emphasis to the Asia-Pacific region.

On the other hand, this same article points out the actions to be developed to attain the aforementioned objectives. These are:

- a. Freeing the commercial exchange of goods and services to consolidate a free trade zone among the Parties;
- b. Progressing towards the free circulation of capitals and promotion of investments among the Parties;
- c. Developing trade and customs issues facilitation actions;
- d. Promoting cooperation among migratory and consular authorities and facilitating the movement of people and the migration transit in the Parties' territory;
- e. Coordinating prevention and contention of transnational organized crime to strengthen the public security and justice instances of the Parties; and,
- f. Contributing to integrate the Parties through the development of cooperation mechanisms and fostering the Pacific Cooperation Platform signed on December 2012 in the areas that were defined there.

To that effect the Framework Agreement also has a structure in charge of carrying out these actions as described in item 2.6 of this text. Finally, this agreement states in its article 9 that the Alliance will promote initiatives and action guidelines on regional interest matters, as well as a relationship with other States and international organizations.

Together with the Framework Agreement the Paranal Presidential Declaration was adopted at this Summit in which the main progress made to this date is highlighted such as: the establishment of a Scientific Network for Climate Change in April 2012; the creation of the Academic and Student Mobility Platform and its implementation as from 2013; the completion of negotiations on e-commerce; Mexico's intention of suppressing the visas for citizens from Alliance member countries, and; the decision of creating the Technical Group on Institutional Affairs.⁷¹

Finally, in the Paranal Presidential Declaration different activities and targets were established for the work groups that have already been made up. Besides, a joint activity program was established in the cultural area so as to strengthen the Alliance's presence in the Asia-Pacific region. To do so competent authorities were instructed to start any necessary coordination to organize an itinerant exhibit with collections from the four countries that reflect the common cultural heritage.

The Sixth Meeting of Technical Groups and the Seventh GAN Meeting took place in Puerto Varas (Chile) on August 23 and 24, 2012. These meetings saw the progress made on observers' participation; definition of an agenda for the Technical Group on Institutional Affairs which coordination was commissioned to Peru; and a subgroup was created for developing a communication strategy, including a website (Castro Joo 2013: 42).

A few days later, that is, on August 28, the Eighth GAN Meeting took place in Mexico D.F. and the next day was the First Council of Ministers Meeting. The results of these meetings are the following: IDB

⁷¹ Paranal Declaration dated June 6, 2012, signed during the Fourth Summit of the Pacific Alliance.

participation in the process; acceptance of Canada and Uruguay as observer States; communication to ASEAN expressing the Alliance's interest in a closer approach; subscription of the Tourism Cooperation Agreement, and; subscription of the Pacific Alliance Corporative Council Agreement (Castro Joo 2013: 42-43).

As for commercial issues, the Principles for Negotiation were adopted both at the Technical Group on Trade and Integration and at the Technical Group on Services and Capitals. Regarding cooperation, the project *Synergy among Pacific Alliance countries for improving competitiveness of micro, small and mid-sized companies* was adopted. This project was submitted by Peru. The initial package of 20 annual scholarships per country was increased to 100 within the framework of the Academic Student Mobility Platform. Finally, the Guidelines on the Participation of Observer States in the Pacific Alliance were completed (Castro Joo 2013: 43).

The Second Council of Ministers Meeting took place in Cartagena de Indias on November 9, 2012. There Mexico announced its decision of eliminating the visa for Peruvians and Colombians so they could enter the country as visitors with no permission to carry out remunerated activities for up to 180 days. Australia, New Zeland and Spain were granted observer status at this meeting (Castro Joo 2013: 44).

The Fifth Pacific Alliance Presidential Summit took place later, on occassion of the Ibero-American Summit in Cadiz (Spain) on November 17, 2012. At this meeting the members agreed to free at least 90% of their goods trade, extending the term to complete the agreement on access to markets until the first quarter of 2013. The presidents also pointed out the need to work towards the creation of a cooperation fund, and highlighted the start of negotiations for an investment agreement and an agreement on cross-border service trade. Finally, the dignitaries saluted the scheduling of the First Pacific Alliance Macro Business Round for June 2013 in Cali, Colombia.⁷²

⁷² Joint Declaration of the Pacific Alliance Presidents, subscribed at the Fifth Summit in Cadiz on November 17, 2012

The Sixth Presidential Summit took place in Santiago de Chile on January 26, 2013 on occasion of the First CELAC-UE Summit. There, the presidents ratified the importance of implementing the Pacific Alliance Common Cooperation Fund and accepted Guatemala and Japan applications to become Observer States.⁷³

The First Meeting of Pacific Alliance countries' Ministers of Economy and Finance took place before the following summit in Lima on April 25, 2013 during the Latin American Global Economic Forum. The ministers expressed their shared views towards reaching a greater integration of the economies and capital markets, as well as a greater mobility of companies among member countries.

The Seventh Presidential Meeting took place in Cali, Colombia on May 23, 2013, in which Ecuador, El Salvador, France, Honduras, Paraguay, Portugal and Dominican Republic were welcome as new Observer States in this integration process. Likewise, the Alliance was pleased to accept Costa Rica's application to start its adhesion process.⁷⁴

During this summit, the presidents highlighted the transcendence of opening an embassy with a shared venue among the four member countries in Ghana, as well as the subscription of similar agreements among these countries to share diplomatic, consular and commercial promotion venues. They also highlighted the agreement between Chile and Colombia to share embassies in Algeria and Morocco, as well as that reached between Colombia and Peru to share the embassy venue in Vietnam.⁷⁵

On the other hand, the presidents closed the negotiation of the chapter on trade and custom cooperation facilitation; the definition of interinstitutional cooperation agreement guidelines among health authorities of country members regarding medicines; the Agreement for

⁷³ Santiago de Chile Declaration dated January 26, 2013 signed during the Sixth Pacific Alliance Presidential Summit.

⁷⁴ Cali Declaration dated May 23, 2013 signed during the Pacific Alliance Presidential Summit.

⁷⁵ *Idem*

establishing the Pacific Alliance Cooperation Fund; the results of the first call for Scholarships at the Academic and Student Mobility Platform and the launching of a second call; the decision by the Peruvian Government about eliminating business visas for nationals of the other three Pacific Alliance countries; the launching of the Alliance portal in the Internet and the operation of an official twitter account.⁷⁶

Lastly, this summit agreed the exchange of tax information to prevent evasion; the creation of an expert committee to analyze issues suggested by the Alliance's Corporate Council; the implementation of investment promotion seminars, the participation in trade fairs and agrobusiness fairs and the promotion of multi-destination tourist packages, among others.⁷⁷

The Eighth Pacific Alliance Summit took place in Cartagena de Indias (Colombia) on February 10, 2014. The most relevant fact at this summit was the subscription of the *Additional Protocol to the Pacific Alliance Framework Agreement* (known as *Additional Protocol*)⁷⁸, which became the core instrument for liberalizing goods, services and investments. The Free Trade Commission —made up by officials of each country and chaired by that which exercises the temporary chair— manages this instrument. This chair looks after compliance with and correct application of the protocol; evaluates its application's results; issues interpretation on its provisions; contributes to solving the differences that emerge around it; recommends the parties any convenient amendments, and; supervises the work of committees created by this instrument,⁷⁹ as well as of those that will be further created (chapter 16).

⁷⁶ *Idem*

⁷⁷ *Idem*

⁷⁸ The treaty came into effect on May 1, 2016.

⁷⁹ Annex 16.2 of the Additional Protocol: Access to Markets Committee; Rules of Origin and Procedures related with Origin, Trade Facilitation and Customs Cooperation Committee; Scarce Supply Committee; Sanitary and Phytosanitary Measures Committee, Technical Obstacles to Trade Committee, Public Contracting Committee, Investment and Service Joint Committee, Finance Service Committee; Service Subcommittee, Investment Subcommittee; Technical Work Group of Authorized Economic Operators, and Work Group on Annex 5.9 (Foreign Trade One-Stop Shop).

Another relevant aspect at this summit was welcoming new Observer States such as Germany, China, South Korea, United States of America, Italy, the Netherlands, the United Kingdom, Switzerland and Turkey. Finland, India, Israel, Morocco and Singapore were also accepted during this Summit.⁸⁰

The five pillars that underpin the Pacific Alliance were also affirmed at this meeting. They are free circulation of goods, services, capitals and people, and cooperation. The last pillar was not included in the first summits or in the instruments that created the Alliance. A new element, it will undoubtedly be relevant to enrich the integration process.

In an annex attached to the presidential declaration, the presidents established a number of tasks for the work groups corresponding to each of the Alliance's pillars, among which: the need to work on acknowledging and harmonizing professional degrees, the end of the negotiation on air transportation, the completion of an instrument to facilitate youth work during their vacations and the creation of the Innovation Technical Group.

Finally, the *Interinstitutional agreement between the ministers of Foreign Affairs of the Pacific Alliance member countries for establishing cooperation measures on consular assistance* was subscribed at this summit.

The Ninth Presidential Summit took place in Punta Mita – Nayarit (Mexico) on June 20, 2014. There Belgium and Trinidad and Tobago became Observer States; the Alliance started cooperating with the Organization for Economic Cooperation and Development (OECD) which would facilitate adoption by the Alliance members of policies that foster competitiveness to globalize SMEs and promote their exports and their incorporation in the global value chain; acceptance by the MILA Executive Committee regarding incorporation of the Mexican Stock Exchange; subscription of the *Pacific Alliance Interinstitutional*

⁸⁰ Cartagena de Indias Declaration dated February 10, 2014, signed at the Eighth Pacific Alliance Presidential Summit.

Agreement towards a Vacation and Work Program; identification of farming products in which the Alliance has exporting potential; launching of the fifth call for the Scholarship Program; implementation of sports and cultural activities; agreement to organize an informative meeting with MERCOSUR countries.⁸¹

Later, the four presidents met on December 10, 2014, on occasion of the Twentieth Conference of the Parties of the United Nations Framework Convention on Climate Change and the Tenth Conference of the Parties of the Kyoto Protocol in Lima. There, they issued the so-called *Declaration of the Pacific Alliance Presidents on Climate Change at the COP 20/CMP 10*.

The Tenth Presidential Summit took place in Paracas (Ica, Peru) on July 2 and 3, 2015. There 10 new observer States were welcomed (Austria, Denmark, Georgia, Greece, Haiti, Hungary, Indonesia, Poland, Sweden and Thailand) and the First Amending Protocol of the Additional Protocol to the Framework Agreement was signed. It includes a chapter on regulatory improvement, an annex to the chapter of technical obstacles to trade regarding cosmetics, as well as its amendments and new provisions in the telecommunications and e-commerce chapters. Additionally, the Framework Agreement on Cooperation for Financial Support to Companies of Countries Belonging to the Alliance was signed and a decision was made to continue with structuring the Entrepreneurial Capital Fund on behalf of SMEs so as to start operations in 2017. Similarly, at this meeting the OECD submitted a study to promote internationalization and insertion of SMEs in the global value chains. Additionally, four technical groups were created: Mining Development, Social Responsibility and Sustainability, Education, Culture and Gender. The First Meeting of Health Viceministers also took place, which adopted the work agendas on timely and equitable access to medicine, and on humanizing and improving the quality of health care services. Finally, at the same time as the presidential summit took place, there was a meeting of Finance Ministers from the Pacific Alliance. At the

⁸¹ Punta Mita - Nayarit (Mexico) Declaration dated June 20, 2014, signed during the Ninth Presidential Summit of the Pacific Alliance.

Summit, the presidents gave a number of instructions for the creation of the Finance Ministers Council.⁸²

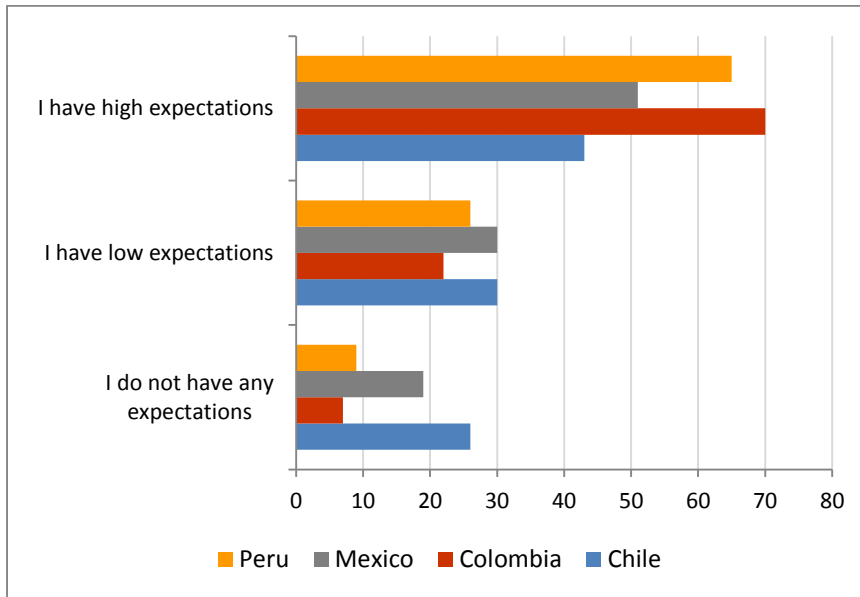
Finally, the XI Pacific Alliance Presidential Summit took place in Puerto Varas, Los Lagos region, Chile on July 1, 2016. There, the Protocol to the Framework Agreement came into effect, the number of Observer States increased from 42 to 49, a preliminary work framework was established with ASEAN, an informal meeting took place with APEC, and an association agreement with Canada was subscribed. Additionally, an Interinstitutional Agreement was signed on *Implementing an Information Consultation Mechanism with Migratory Aims to Facilitate the Transit of People* and its annex, the *Immediate Information Consultation Platform with Migratory Aims to Facilitate People Mobility*. On the other hand the member countries' trade ministers signed the Second Protocol Amending the Additional Protocol to the Framework Agreement, consisting only of two articles and aiming at expanding the functions of the Free Trade Commission, giving it the capacity to adopt implementation annexes referred to in article 7.11 of the Additional Protocol.

2.8 Corporate sector participation

Since the Alliance was created, the private sector expressed great interest in participating in the process, backing up the governments' initiatives and offering ideas and proposals for strengthening the block towards its success. This expectation is alive to date as evidenced in the results of the survey to this block's entrepreneurs, where 58% said they have very high expectations regarding this integration process. The Colombians were the most optimistic (70%), followed by Peruvian entrepreneurs (65%), as follows:

⁸² Paracas (Peru) Declaration dated July 3, 2015, signed at the X Pacific Alliance Presidential Meeting.

Graph 12
Corporate expectations on the Alliance



Source: PwC Mexico, 2014.

Therefore, it was necessary to channel these expectations through a mechanism that would allow for coordination among corporate sectors of the four member countries and at the same time would make it possible to send recommendations to the authorities that lead the block.

Thus, the Pacific Alliance Corporate Council Agreement was entered into (CEAP) in Mexico D.F. on August 29, 2012. The Council is made up by a group of entrepreneurs that aim at promoting the Alliance among the corporate community and make recommendations and suggestions to the respective governments for better integration and economic-commercial cooperation processes among the members. It also fosters and suggests joint visions and actions regarding third markets, particularly with the Asia-Pacific region (second clause). The CEAP is made up by four national chapters. Each one of them consists of four acknowledged entrepreneurs and representatives from each country (first clause). The CEAP meets regularly to do follow up to the studies

they do through their Expert Committee, which analyzes the CEAP's proposals and the CEAP takes them to decision-making instances. However, in practice, most proposals submitted by the CEAP are not a consensus among all members. Each national chapter prepares and submits a list to be corrected to facilitate implementation of corporate proposals by the political authorities that lead this integration process.

The CEAP met in Santiago de Chile on January 24, 2013 to agree upon a work agenda including the following issues: creating a work round table about taxation applicable to corporate reorganization processes, so as to facilitate corporate reorganization mergers; harmonizing public offer instruments among the four countries in the Alliance to achieve full financial integration; carrying out studies on tax treatment to debt and capital in each country so as to prevent tax advantages from causing a run of resources from one country to the other within the Alliance; harmonizing technical standards, and sanitary and phytosanitary measures, particularly in the cosmetics industry, so that they become an example of what can be done in other industries; facilitating trade and making one-stop shops inter-operable to speed up foreign trade procedures, and; deepening cooperation in education. The different national chapters collaborated in all these areas to prepare reports to be submitted to the Alliance authorities for their evaluation and eventual implementation.

Then, the CEAP members met in Cali on May 22 of that same year with the objective of learning about progress made in the preceding work agenda. In that regard, they confirmed that progress had been made in each one of the matters proposed by the work plan. They also confirmed the effective support received from the IDB to these effects. Later on, the Corporate Council had a meeting in New York towards these same ends.

The Pacific Alliance Corporate Council Declaration was signed on February 10, 2014. It adopted agreements and approved different reports on each one of the joint work agenda items, which would be taken for government consideration to finally be incorporated in the Alliance agenda. Their proposals were, among others: preparation of a

fiscal and regulatory correlation agreement among the block countries to foster competitiveness; similar tax treatments for financial transactions; harmonization of requirements for registering public offer securities; taking advantage of the Alliance's public procurement agreement; improving primary education quality and identifying more demanded careers in the member country markets; harmonizing and making technical standards converge in the pharmaceutical, cosmetic and food industry; obtaining level fourth health certification before the Panamerican Health Organization in block countries⁸³; consolidating processes at the foreign trade one-stop shops in the four countries, and; promoting productive chains among Alliance companies, mainly micro, small and mid-sized companies, among others.

At the same time as the Paracas Presidential Summit took place in July 2015, the CEAP met with the participation of more than 450 entrepreneurs of member countries. The following year, the Puerto Varas Declaration was subscribed on June 29 2016 at the end of the Ninth CEAP Meeting in which the decision was made to carry out the following actions and proposals: establish a work group formal structure regarding financial integration; develop a diagnose on labor mobility in the Alliance countries; achieve harmonization of national rating frameworks in priority industries for member countries; create an international traineeship market taking into account corporate needs and acknowledgement and harmonization of technical and university degrees; commission a study on public procurement; implement the public-private innovation and entrepreneurship agenda prepared by the CEAP, among others.

Generally, the CEAP's contributions have been substantial to consolidate this integration block in what regards particularly economic and commercial pillars. Several other proposals have been adopted and implemented by member States, since they understand that the process will work well depending on private agents' good behavior.

⁸³ A level fourth certification of the Evaluation System of National Drug Regulatory Authorities certifies a National Regulatory Authority as competent and efficient in performing health regulation functions and is recommended by the PAHO and the WHO to guarantee effectiveness, security and quality of medicines (Del Valle, 2013: 60).

3. Progress on the Alliance's five pillars

Once the structure and composition of this integration process was established, it was now necessary to analyze each one of the pillars on which the Alliance is underpinned and the progress made in each case.

3.1 Free circulation of goods

3.1.1 The trade of goods among Alliance members before the Additional Protocol to the Framework Agreement

One of the main objectives in the Alliance is liberalizing the trade of goods among member States. To do so, the Alliance takes into account the existence of former commercial agreements subscribed among the members.

In fact, Chile and Colombia signed the Economic Complementation Agreement ACE24 in 1993 and then the Free Trade Agreement in 2006. With Mexico it entered into ACE17 in 1991 and the Free Trade Agreement in 1998. Finally, it signed the ACE38 with Peru in 1998 and the Free Trade Agreement in 2006.

In turn, Colombia entered into ACE33 with Mexico in 1994 and the Free Trade Agreement in 2009. Peru and Colombia are part of the CAN and hence they partake in their free trade zone.

As for Mexico, besides the mentioned agreements with Chile and Colombia, it entered into the ACE8 with Peru in 1987 and the Commercial Integration Agreement in 2011.

There were hence a number of commercial agreements among Alliance members before the Alliance was created. They aimed at facilitating free exchange of goods among these countries. As for free trade behavior among Alliance member countries until the Additional Protocol to the Framework Agreement was signed, Pérez y Roldán has pointed out in an excellent study that it has a very positive evolution and sustained growth.

Thus, between 2004 and 2013, exports among group members went from 6.3 billion dollars to 19.4 billion dollars. This means that exports among these countries had an average annual growth of 16% along those 10 years, which exceeded the trade increase among all Latin American economies, of around 16% per year in the same period. Besides, imports among these countries added up to 21.7 billion dollars in 2013 (Pérez y Roldán, 2015: 39 y 60).

Nevertheless, beyond these figures and the important increase of trade among Alliance members, it is also necessary to point out that in qualitative terms it still accounts for only 3.5% of their members' total exports. The possible reason of the little trade among the members in this block are pointed out by Rosales, Herreros and Durán who state that these are not natural trade partners, since Chile, Colombia and Peru fundamentally export raw materials. This limits their options to expand their trade. A second reason is that Mexico is geographically far from its South American partners and that its trade is substantially geared towards the United States of America. This is how Mexico only aims 2% of its exports to countries in the Alliance and less than 1% of its imports come from it (Rosales et al, 2015: 68 y 69). The Alliance countries adopted an instrument in 2014 to revert this commercial situation, as shown in the following point.

3.1.2 Commercial projection after the Additional Protocol to the Framework Agreement

Undoubtedly the existence of free trade agreements among Alliance member countries enormously facilitated negotiations to liberalize trading of goods inside the Alliance. Thus, the *Additional Protocol to the Pacific Alliance Framework Agreement* (Additional Protocol) was signed on February 10, 2014 at the Eighth Presidential Summit. It is the central instrument to free the trade of goods, services and investments inside the block.

In that regard, this instrument (chapter 3 and annex 3.4 of the Additional Protocol) immediately detaxes 92% of tariff headings of member countries and the country commits to detax the remaining 8% gradually

in terms of going from 2 to 17 years (as from 2014). Within this 8%, there is a small group of sensitive products that has been excluded. However, as Pérez and Roldán state, immediate liberalization of 92% of headings refers to the common tariff universe of six digits. If the estimation is made with a ten-digit tariff universe for each country, we can conclude that the average percentage of immediately liberalized tariff headings is actually 97.10% (Pérez and Roldán, 2015: 45). Likewise, the headings subjected to progressive liberalization would be 2.53%, while those excluded do not even reach 0.30% in average of the total tariff universe, as shown in the following chart:

Chart 5
Tariff liberalization levels (percentage)

	Chile	Colombia	Mexico	Peru	Average
Immediate liberalization	97.7%	96.4%	96.00%	98.30%	97.10%
Progressive liberalization	1.90%	3.20%	3.70%	1.30%	2.53%
Excluded headings	0.30%	0.40%	0.30%	0.50%	0.30%

Source: Asia-Pacific Study Center, EAFIT University (2014).
Pérez and Roldán, 2015: 46.

This means that the trade liberalization level that will be finally reached with the Additional Protocol will exceed the currently existing levels that result from free trade agreements in effect among Alliance member countries.

Besides, this protocol includes other important areas in comparison to current agreements which are fundamental for trade facilitation among block member countries. This is the case of the simplification of customs operations, elimination of unjustified technical obstacles, creation of the Committee on Technical Obstacles to Trade (chapter 7), creation of a Committee on Sanitary and Phytosanitary Measures to eliminate undue obstacles (chapter 6), cumulation of origin⁸⁴ —that will permit countries

⁸⁴ According to the WTO “the rules of origin are necessary criteria to determine the national provenance of a product. Its importance is explained because rights and restrictions applied to imports can vary depending on the origin of imported products. [...] The rules of origin are used in the following cases:

to incorporate —with no limitations— inputs originated in another block member to be exported to a third member, without having the product lose its quality as an origin product— this is not currently possible in current commercial agreements— (chapter 4), harmonization or mutual acknowledgement of technical regulations and access to public procurement markets in the four signatory countries. All this seeks to achieve a greater integration of regional value chains, which will definitely make the block more competitive.⁸⁵

In fact, the recent coming into effect of the Additional Protocol (May 1, 2016) is not only important because of what has already been stated (more liberalized tariff headings and incorporation of new issues), but also because it opens opportunities to create global value chains among Alliance members (productive integration), such as:

[...] foreign value added incorporated into the country's exports [...], plus domestic value added incorporated in exports of the countries [...] the first part of the participation in the chain, that is, *foreign value incorporated to exports of the country itself* [...] can be understood as an indicator of the country's degree of dependence on the foreign sector. Generally, the greater this part of the chain is, the greater the degree of dependence of the country on the foreign sector is, because it would need to incorporate more foreign value added per exported dollar. The second part of the participation in the chain, mainly *domestic value added incorporated in exports of other countries* [...] refers to the country's capacity for participating in international trade by incorporating domestic value added to exports of other countries. The greater this proportion, the greater the domestic value added per exported dollar and

-
- When applying commercial policy measures and instruments, such as antidumping rights and safeguard measures;
 - When determining if imported products will be exempted from the most favored nation treatment (MFN) or any preferential treatment;
 - To prepare statistics on trade;
 - When applying prescriptions on labelling and marking; and
 - In public contracts"

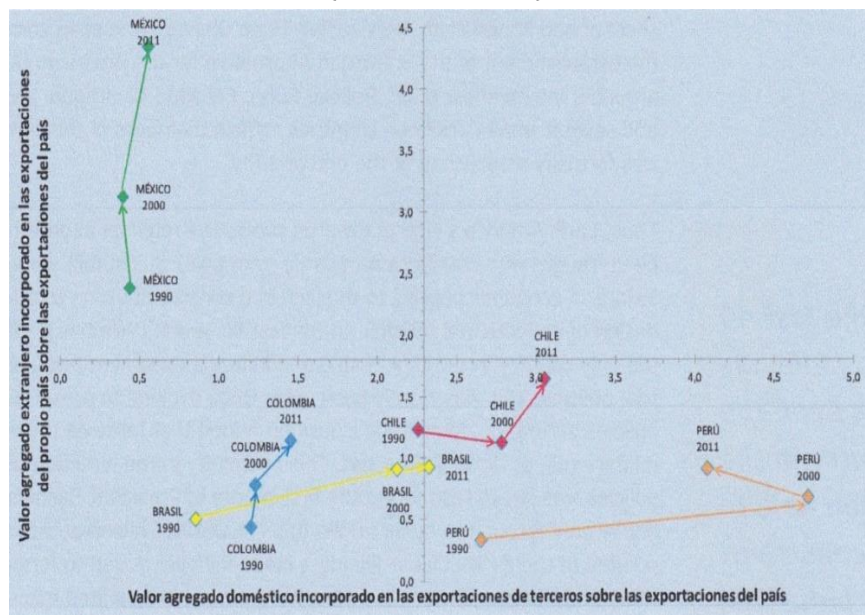
See: <https://www.wto.org/spanish/tratop_s/roi_s/roi_info_s.htm>, website checked on May 8, 2015.

⁸⁵ Cartagena de Indias Declaration dated February 10, 2014, signed at the Eighth Pacific Alliance Presidential Summit.

hence the greater the growth and employment generation in the country (Minzer and Solis, 2014: 13).

Regarding domestic value added and foreign value added incorporated to exports of the Alliance member countries before the 2014 Protocol, the following graph shows that the four countries recorded a low participation in the domestic value added above the total value added between 1990 and 2011. Mexico shows the greater reduction, that is, 72.1% to 60.2%, a figure remarkably under that recorded by Chile (77.2 to 72.5%), Colombia (92.8 to 85.2%) and Peru (94.5 to 87.8%) (Minzer and Solis, 2014: 22).

Graph 13
Pacific Alliance: domestic value added and foreign value added
incorporated to exports
(1990, 2000, 2011)



Source: UNCTAD-EORA
Prepare by ECLAC's Mexico subregional office

As for the foreign value added from Alliance countries and incorporated into these countries' exports between 1990 and 2011, in no case did they exceed one percentage point. In fact, as the following chart shows, the greater percentage was Colombia's in Peruvian exports with 0.8%. Finally, Mexican exports are those that received a greater value added coming from the other countries in the block.

Chart 6

Value added incorporated into Pacific Alliance member countries exports coming from these countries
(in exports percentages)

	Mexico			Chile			Colombia			Peru		
	1990	2000	2011	1990	2000	2011	1990	2000	2011	1990	2000	2011
Mexico				0.3	0.6	0.6	0.1	0.4	0.5	0.1	0.3	0.3
Chile	0.1	0.1	0.2				0.0	0.2	0.3	0.2	0.5	0.6
Colombia	0.0	0.1	0.1	0.1	0.2	0.4				0.2	0.4	0.8
Peru	0.0	0.1	0.1	0.3	0.3	0.5	0.1	0.2	0.3			

Source: UNCTAD-EORA

Prepared by ECLAC's Mexico subregional office

On the other hand, during the same period (1990-2011) Mexico is the one with greater growth in this value (11.9 percent). It went from 27.0% to 39.8%. It was followed by Colombia (7.2% to 17.8%), Peru (5.5% to 12.2%) and Chile that grew from 22.8% to 27.5% (4.7 percent). The difference between Mexico and the other countries in the block is due to the large contribution by North America to the foreign value added in Mexican exports, which increased from 17.2% in 1990 to 22.3% in 2011. In the case of Chile, Colombia and Peru foreign value added generation was more diversified, comprising several regions of origin, mainly Asia and Europe which determines that these countries do not depend on a single region and, consequently, have a lesser risk in their global value chain (Minzer and Solis, 2014: 14).

Chart 7
Foreign value added incorporated in Pacific Alliance member country
exports
(export percentage)

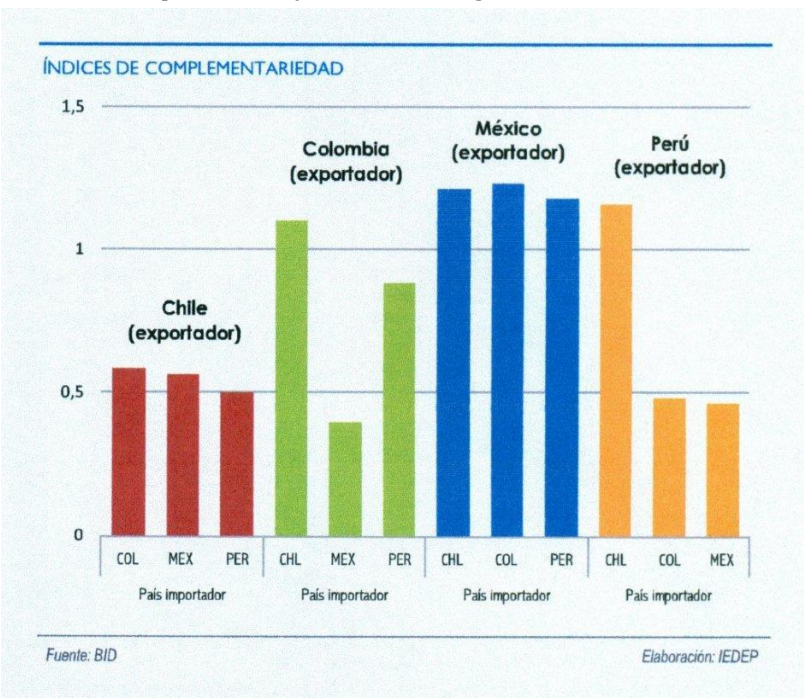
	Mexico			Chile			Colombia			Peru		
	1990	2000	2011	1990	2000	2011	1990	2000	2011	1990	2000	2011
Mexico				0.3	0.6	0.6	0.1	0.4	0.5	0.1	0.3	0.3
Chile	0.1	0.1	0.2				0.0	0.2	0.3	0.2	0.5	0.6
Colombia	0.0	0.1	0.1	0.1	0.2	0.4				0.2	0.4	0.8
Peru	0.0	0.1	0.1	0.3	0.3	0.5	0.1	0.2	0.3			
Brazil	0.2	0.4	0.7	0.8	1.1	2.0	0.1	0.4	0.8	0.1	0.4	0.9
Rest of South America	0.2	0.4	0.5	4.6	5.0	5.5	0.5	1.0	1.5	0.5	1.0	1.3
Central America	0.0	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0
Caribbean	0.0	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0
Europe	4.4	5.3	5.7	3.7	4.8	5.0	1.4	2.9	2.9	0.8	2.3	2.1
North America	17.2	19.1	22.3	9.7	4.7	5.3	4.1	3.8	4.6	2.9	2.6	2.8
Asia	4.9	6.1	8.0	2.1	2.8	5.0	0.6	1.6	2.8	0.5	1.2	2.4
Rest of the world	0.8	1.5	2.1	1.0	1.4	3.1	0.3	0.6	1.0	0.2	0.6	1.0
Foreign value added	27.9	33.1	39.8	22.8	21.0	27.5	7.2	11.3	14.8	5.5	9.4	12.2

Source: UNCTAD-EORA

Prepared by ECLAC's subregional Mexico office

Such was the situation before the Additional Protocol was established, we now have to analyze the complementarity index among the countries that make up the Alliance to determine the possibilities of a participation increase in global value chains. Thus, according to Peñaranda, this index can be calculated by analyzing the countries' foreign trade, because this permits to quantify productive complementarity by determining types of exported and imported goods, as well as to measure the degree of coincidence between a country's exports and another country's exports. This same author also explains that when the index is close to zero, this implies that existing complementarity is small. On the contrary, a value greater than the unit evidences a strong complementarity between a country's exportable supply and another country's import demand (Peñaranda, 2014b: 13). In this regard, see the following graph:

Graph 14
Complementarity indexes among Alliance countries



Source: Peñaranda, 2014b: 14

According to this graph, the IDB study shows that Chile’s exporting offer finds its greater complementarity with the demand of exports from Colombia, followed by Mexico and Peru. Colombia’s exporting supply shows much complementarity to Chilean and Peruvian imports. Meanwhile, Mexico’s exports have great demand in the other three countries in the block. Finally, Peruvian exports have high complementarity levels with Chilean imports and Colombia and Mexico follow at a great distance (Peñaranda, 2014b: 13 y 14).

Taking this into account, several studies have been implemented lately in connection to future participation possibilities of Alliance member countries in global value chains inside the block. According to Chan, for

example, there can be productive chains of fibers and polyester carpets between Peru and Chile; phosphates and detergents between Mexico and Peru; chemical paste and cardboard paper between Chile and Colombia; Colombian denim for the production of Peruvian jeans; Mexican denim for production in Chile; Chilean cellulose and wood for producing doors, windows and furniture in Peru and Mexico; Colombia's polypropylene polymer for Peruvian and Mexican plastic containers and Peruvian zinc, copper and lead for the production of batteries and wire by the other three partners (Chan, 2015: 113).

Besides, other possibilities have been identified outside the Alliance, as is the case of Mexico's iron and steel sheets for producing bars and pipes that are exported to Ecuador; Colombia's sugar cane and beet sugar by Peru, as well as inputs for its exports of fruit juices to Ecuador, United States of America, the Netherlands, Japan and Venezuela; Colombian inputs for Chilean chemical, plastic and rubber industries for products exported to the United States of America. Likewise, Colombia has identified nine possibilities of chains for China and Japan markets with Peru, and with Chile it has also identified eight cases to enter the Chinese market, among many other possibilities (Chan, 2015: 114-115 and 121-122).

As the entry of Alliance products to other markets with these characteristics —that is more value added products and hence more competitive ones— progresses, there will be a higher income and better positioning in the international market.

Latin America will continue facing strong changes in global market conditions as a result of the end of the global commodity boom, which can cause:

[...] a relocation of industries from developed countries and a redirectioning of global demand to China and its surroundings, which could be harmful for Latin America. Therefore, an effective regional integration should also increase productive potentials in the economies by a stronger anchorage in global value chains (Abusada y otros, 2015: 67).

A fundamental aspect for Alliance members to produce value added goods is to increase investment in science and technology and to develop highly qualified and specialized human resources. In this regard, Granados states that the countries in this block invested very little in these headings as a percentage of their GDP. None of them exceeded 0.4% in 2014 (Granados, 2014: 72). According to the *2014 Global Competitiveness Report*, the companies in these countries do even less. Thus, in a scale of 1 (there is no investment) to 7 (great investment) they were rated with 2.8 in scientific research, development and technological development and innovation; 3.3 in capacity for innovation and 4 in productive process sophistication. Likewise, in what concerns the index of the good use of information technologies, the World Economic Forum report pointed out that Chile was in position 38, Colombia 68, Mexico 76, Peru 90 (WEF, 2016). On the other hand, according to the 2016 Global Innovation Index—which evaluates the innovative capacity and incidence of policies directed to innovation—, Chile was 44 with a score of 38.41, Mexico was 57 with 38.0 points, Colombia was 63 with 34.16 points and finally Peru was 71 with 32.51 points.⁸⁶ Therefore, it is important to correct and improve those indexes to gradually generate an industrial structure that produces goods and services with value added.

In this regard, the Alliance with Israel (an observer member) has helped in the implementation of the block's scientific office in said country to favor scientific development in the four countries. Israel has a number of institutions that promotes innovation in agriculture. Therefore, this is an initiative to be highlighted. This office started working at the end of 2015 (Cruz, 2015a: 9). Additionally, the Alliance is doing progress in designing four innovation projects, namely incubation and acceleration programs in charge of Colombia, Award to Innovation in the Pacific Alliance in charge of Chile, Technological Transfer Forum in charge of Mexico and Joint Innovation Office in charge of Peru.

⁸⁶ See: <http://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2016-intro5.pdf>, website checked on November 9 2016.

There is a recent Public Private Innovation Agenda which includes the Business Accelerated Network and the Angel Investment Network, as well as the Pacific Alliance Innovation Ecosystem Mapping, also highlighting the creation of the Award to Innovation, all of that aimed at strengthening competitive innovation inside the block.⁸⁷

On the other hand, although productive integration (implementation of value chains) is vital for the block —particularly to successfully compete in Asian markets— goods and services should flow as easily as possible and at the least possible cost. To do so it is vital to develop inter-regional port and road infrastructure. Achieving the latter purpose depends on achieving the former one (Foxley, 2014: 20, 22-23). In this regard, it is important to remember that:

In 2000, by initiative of Brazil's president Cardoso, the South American heads of State agreed to launch the territorial integration IIRSA Program. Out of the 524 initially approved projects, only 12% have been built 23 years⁸⁸ after the initiative was launched, and 30% are under execution, with huge gaps vis-à-vis expected results.

The non-existence of regional infrastructure is one of the critical factors that explain the little progress made in production chain integration in Latin America [...] (Foxley, 2014: 23).

This is confirmed if we check the WEF 2016-2017 global competitiveness ranking. This document states that on issues of infrastructure out of a list of 138 countries Chile has position 44, Mexico 57, Colombia 84 and Peru 89. This evidences the need to invest on these matters (World Economic Forum, 2016). Transportation infrastructure lacks (of appropriate roads, ports and airports) generate an overcost for businesses in the Alliance countries that is 15% higher than what is paid in OECD countries (Cruz, 2015c: 6).

⁸⁷ See item 4 in the Puerto Varas Presidential Declaration dated July 1, 2016.

⁸⁸ The original quote stated 23 years which is, undoubtedly, an error, because it should have stated 13 years.

Nevertheless, PwC in its study *Capital Project and Infrastructure Spending Outlook to 2025*, points out that “the Pacific Alliance member countries are one of the main emerging infrastructure markets not only in Latin America, but also at global level, precisely because there is so much to do. It is estimated that annual investment in infrastructure in the block will reach 557 billion dollars to 2025.” (Cruz, 2015a: 9) Moreover, an IDB study states that if infrastructure improved, foreign direct investment in the block would grow by 14% and, more specifically, it would increase by 20% in Colombia, 17% in Peru, 11% in Mexico and 6% in Chile (Cruz, 2015a: 9).

Therefore, it is very important for Alliance member countries to invest in infrastructure so as to be able to reach a road interconnection and efficiently make transportation of goods possible among them.

Additionally, it is indispensable to strengthen our port infrastructure to consolidate ports as modern and secure spaces. Although according to the 2015 ranking of the *Latin American and the Caribbean Container Port Throughput*, the main Pacific Alliance ports are well positioned regarding container movement volumen (TEU) —the Manzanillo port in Mexico has the 4th place, Cartagena (Colombia) the 5th, El Callao (Peru) the 6th and San Antonio (Chile) the 12th, of 100 ports⁸⁹—, the same does not happen with other ports in these countries.

⁸⁹ See the entire ranking at: <<http://www.cepal.org/cgi-bin/getprod.asp?xml=/perfil/noticias/noticias/4/54974/P54974.xml&xsl=/perfil/tpl/p1f.xsl&base=/perfil/tpl/top-bottom.xsl>>, website checked on October 21, 2016.

Graph 15
Ranking of the main 20 ports in Latin America and the Caribbean (2015)
(according to container cargo movement)



Source: <http://www.cepal.org/cgi-bin/getprod.asp?xml=/perfil/noticias/noticias/4/54974/P54974.xml&xml=/perfil/tpl/p1f.xml&base=/perfil/tpl/top-bottom.xml>, website checked on October 11, 2016.

Chart 8
Alliance ports per container volume
(TEU)
2013-2105

Ranking	Port	Country	2013 (TEU)	2014 (TEU)	2015 (TEU)	Variación % 2015/2014
4	Cartagena	Colombia	1,987,864	2,236,551	2,606,945	16.60%
5	Manzanillo	México	2,118,186	2,355,149	2,458,135	4.40%
6	Callao	Perú	1,856,020	1,992,473	1,900,444	-4.60%
12	San Antonio	Chile	1,196,844	1,093,625	1,170,184	7.00%
14	Lazaro Cárdenas	México	1,051,183	996,654	1,068,747	7.20%
15	Veracruz	México	866,966	847,370	931,613	9.90%
16	Buenaventura	Colombia	851,101	855,404	911,533	6.60%
17	Valparaiso	Chile	910,780	1,010,202	902,542	-10.70%
23	Altamira	México	597,760	599,357	647,369	8.00%
27	Coronel	Chile	394,070	521,527	471,426	-9.60%
28	San Vicente	Chile	453,174	475,164	456,176	-4.00%
42	Iquique	Chile	244,565	240,823	227,099	-5.70%
43	Arica	Chile	204,174	217,817	226,893	4.20%
44	Puerto Angamos	Chile	148,973	167,266	223,124	33.40%
46	Paíta	Perú	169,662	204,555	214,483	4.90%
50	Ensenada	México	131,054	139,938	193,424	38.20%
54	Lirquen	Chile	126,244	106,438	164,994	55.00%
62	Santa Marta	Colombia	129,466	96,025	102,037	6.30%
68	Antofagasta	Chile	100,564	81,936	77,467	-5.50%
70	Progreso	México	64,928	65,583	67,653	3.20%
83	Mazatlán	México	28,094	33,977	35,906	5.70%
84	Imbituba	Brasil	13,887	41,909	30,602	-27.00%
85	Rosario	Argentina	32,239	26,887	30,227	12.40%
86	Oranjestad	Aruba	191,838	29,628	-	-
87	Punta Arenas	Chile	26,781	26,263	29,677	13.00%
88	Guanta	Venezuela	65,355	37,006	28,169	-23.90%
89	Belém	Brasil	25,632	25,548	28,029	9.70%
95	Matarani	Perú	15,391	20,677	20,002	-3.30%
99	San Andres	Colombia	3,998	3,405	13,711	302.70%

Source: Infrastructure Service Unit, DRNI/ECLAC/United Nations, 2016.

Following with the analysis of progress and possibilities in this first pillar referred to circulation of goods, the study prepared by Banco Bilbao Viscaya Argentaria (BBVA) in 2015 highlights productive sectors with more potential in each of the Alliance members:

Chart 9
Sectors with more potential

CONSUMPTION GOODS	CHILE	COLOMBIA	MEXICO	PERU
Perfumes and cosmetics		X	X	X
Cereals, pasta, bakery and flour	X		X	X
Food preparations, including coffee and sauces	X	X		
Alcoholics beverages and liquids			X	X
Detonators, explosives and fireworks	X			X
Plastics and related manufacturing	X			X
Paper, cardboard and related manufacturing		X		X
Fabric, yarn and ropes		X		X
Ceramic products			X	X
Electric machinery and material, including telephony, radio and television	X		X	
INTERMEDIATE GOODS AND CAPITAL GOODS				
Plastics and related manufacturing	X	X	X	X
Paper, cardboard and related manufacturing	X	X		
Machinery and mechanic devices	X			X

Source: Serra, 2015: B2.

Finally, task forces have been created in the groups to implement trade facilitation mechanisms, such as the Electronic Origin Certification System (COE), Foreign Trade One-stop Shops (VUCE) interoperability and minimum standards and guidelines for signing mutual recognition agreements among Authorized Economic Operators (OEA) of Pacific Alliance countries, developed in chapters 4 and 5 in the Additional Protocol.

As for the Electronic Origin Certification System (COE), it will eliminate paper transactions, origin certificates will be digitally transmitted and this will decrease processing and filing costs, speeding up origin verification. VUCEs are tools that permit to send electronic information once and to one single entity, avoiding bureaucracy and simplifying information flows among authorities and participants in the custom process. There is a pilot plan for phytosanitary certificates issued by VUCEs and the idea is to then use this procedure in other areas. On June 30, 2016, the Electronic Signature Validity Acknowledgement Agreement for VUCEs Interoperability was signed. Finally, the OEA program considers accredited economic operators certified by customs administrations to guarantee security in the logistic chain, increase foreign trade operation predictability, facilitate integrated management of logistic operations and legitimate trade through collaboration agreements between customs and the private sector (Del Valle, 2013: 52). The Action Plan on Authorized Economic Operators has been recently signed to attain mutual acknowledgement in 2017 and thus speed up customs procedures.⁹⁰

According to Del Valle:

If the mentioned initiatives come true, simplification, harmonization, streamlining, interoperability and fostering of standards in the Pacific Alliance customs procedure will facilitate and increase trade flows among these and access of domestic companies to regional and international markets, improving competitiveness of their

⁹⁰ See item 4 of the Puerto Varas Presidential Declaration dated July 1, 2016.

production chains and their insertion in the global economy (Del Valle, 2013: 53).

A good trade facilitation example followed the subscription in Lima of the *Interinstitutional Cooperation Agreement between Health Authorities of the Pacific Alliance Countries* on June 20, 2013 —that is much before the Additional Protocol. The interinstitutional agreement lays the foundations for cooperation to facilitate sanitary registration and certification of good manufacturing practices for chemical synthesis medicines in these countries with the purpose of having safe, effective and quality medicines for physical and mental diseases suffered by block member country populations. This agreement establishes the following commitments: consider the information and evaluations that led to granting a sanitary registration or a good manufacturing practices certification by any participant; inform the health institutions of other countries about any significant change in the requirements for granting a sanitary registration of medicines in their country or inform the respective regulatory authorities; inform the other parties about any sanitary registration that has been cancelled or revoked, as well as about adverse reactions, alerts and any other problem related with quality, safety or effectiveness of medicines; make every effort to get the highest certification level as National Regulatory Authority by the Panamerican Health Organization, among others when considering sanitary registration and good manufacturing practices certification processes.

Finally, the First Protocol Amending the Additional Protocol signed in Paracas on July 3, 2015 includes an annex to the chapter of technical obstacles to trade on cosmetics, which seeks to become a model to be followed for the productive linking of other economic factors from Alliance member countries. The annex pursues the sanitary harmonization of the cosmetic and personal hygiene industry among block members through mutual recognition of registration, labeling, marking and sanitary certificates, guaranteeing good quality and greater competitiveness of cosmetic products manufactured by the Alliance.

The global cosmetic market is a 500 billion dollar market and the cosmetic and personal hygiene industry in the Alliance billed more than 19 billion dollars in 2014. Mexico is the biggest player with 10.35 billion dollars, followed by Colombia with 4.09 billion dollars, Peru with 2.37 billion dollars and Chile with 2.27 billion dollars. Additionally, this harmonization can mean in the case of Peru “the takeoff of natural cosmetics by attracting investment for product reserach and development [...] based upon natural [...] extracts [...] of quinoa, maca, uncaria tomentosa, white cacao, among others in the Peruvian mega biodiversity.” Natural cosmetics bill around 175 billion dollars (Cruz, 2015b).

3.2 Free circulation of services and investment

A second work line in the Alliance is to attain commercial liberalization of services and investment promotion in member countries.

Regarding the free circulation of services, although there are free trade agreements between Alliance members, they have many gaps and limitations in connection to service trade, particularly on telecommunications, financial services and e-commerce, as shown in the following chart:

Chart 10
Voids and limitations on services in different FTAs

Trade agreements	Cross-border service trade	Telecommunications services	Financial services	e-commerce
TLC Colombia-Chile	Chapter 10	No	No	Chapter 12
CAN Colombia-Peru	Decisions 439-510-659	Decisions 462 & 439	Decision 659	No
TLC Colombia-Mexico	Chapter X	Chapter XI	Chapter XII	No
TLC Chile-Mexico	Chapter 10	Chapter 12	No	No
TLC Chiloe-Peru	Chapter 12	No	No	No
TLC Mexico-Peru	Chapters 10 & 14	No	Chapter 12	No

Source: García, 2013: 51.

To cover these gaps, Alliance member countries deemed important to create a mechanism to analyze and prepare proposals. On December 4, 2011 the *Memorandum of Understanding that Creates the Joint Committee* was subscribed during the Second Presidential Summit. The memorandum promotes service trade and investment through information exchange, promotion and cooperation on related topics, and identification and elimination of barriers to investment and service trade in Alliance countries. The committee will also be charged with analyzing existing measures in connection to foreign investment in each country based upon current international trade and investment characteristics. This committee meets once a year and is in charge of adopting general guidelines for the Alliance on issues within its jurisdiction.

Two subcommittees were organized—the Service Trade Subcommittee and the Investment Subcommittee—aimed at sharing information and promoting cooperation on issues related with service trade and, particularly, in connection to professional services. It also evaluates instruments and agreements to facilitate and increase service trade, seek solutions or eliminate barriers for this kind of trade, particularly professional services, among others.

Additionally, a work group was created in the Alliance that promoted agreements on service trade. This has been dealt with in chapter 9 of the 2014 Additional Protocol, as well as in the 2015 First Amending Protocol.

The Additional Protocol includes areas that were not included in the commercial agreements in effect among group members and that improve the conditions for access to market of these services, such as financial services (chapter 11), e-trade (chapter 13) and telecommunications (chapter 14). These two last chapters have been improved and expanded by the First Amending Protocol. Rosales, Herreros and Durán highlight the following about the first instrument:

For example, in the case of the relationship between Chile and Mexico, the Protocol sets forth the opening of the telecommunication sector to foreign participation in Mexico at 100% in comparison to 49% in the bilateral FTA [...]. At the same time, the Protocol establishes the opening of the Mexican radio broadcasting industry to foreign participation to up to 49% of capital, while the bilateral FTA reserves that industry only for Mexican nationals. (Rosales et al, 2015: 94)

Another important aspect of this Additional Protocol that can have a favorable impact in service trade refers to public procurement (chapter 8). Thus, for example, while this instrument permits Chilean service suppliers to enter the Peruvian public procurement market, the current FTA between those countries does not include provisions in this regard. Besides, Colombia has improved in the Protocol the supply of covered entities and has eliminated existing exceptions on engineering, architecture and printing services. Additionally a challenging mechanism was included (Rosales et al, 2015: 94).

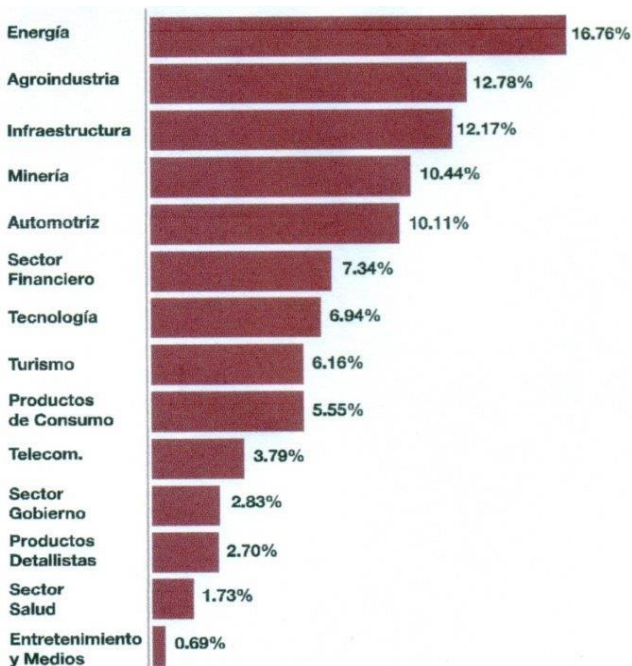
Regarding investment, the Subcommittee Investment aims at sharing information and promoting cooperation on issues related with investment and investment climate improvement so that it is fostered among Alliance countries. The subcommittee discusses about bilateral and multilateral mechanisms or instruments to increase investment flow; it promotes joint attraction of foreign investment to Alliance countries; it promotes investment by any block country in the territory of other members, including exchange of information on investment opportunities, regulation, etc.

Additionally, this task force has led to progress in obtaining consensus for promoting investment. Such progress has been incorporated in chapter 10 of the Additional Protocol. The investment chapter includes “the last developments on dispute settlement between investors and State and cutting-edge provisions on sustainable investment and corporate social responsibility” (Chan, 2015: 109), which undoubtedly aim at stimulating investments inside the Alliance.

In the last years, several Latin American companies have started to invest their capitals beyond their borders. They are called *Translatinas* this means there is a potential inside the Alliance to increase investments among group members. Out of the 50 most important companies in Latin America with these characteristics, 16 come from Mexico, 11 from Chile, 6 from Colombia and 3 from Peru. The first three countries have the first, second and third position, respectively, among the main foreign investors in Latin America and the Caribbean in 2013 (Rosales et al, 2015: 87).

As for industries of Alliance member countries which are more attractive for foreign investment, the block's entrepreneurs have pointed at energy, agribusiness, infrastructure, mining and cars.

Graph 16
Most attractive industries for investment in the Pacific Alliance



Source: PwC Mexico, 2014.

Finally, an important step to increase investment in the block requires concluding the studies being conducted inside the Alliance to identify barriers and to establish good practices and opportunities to improve the investment climate in the member countries. It would also be advisable to work in creating mechanisms so that pension funds in the block member countries (which account for 480 billion dollars) and investment funds from other parts of the world may shoulder infrastructure investment projects inside the Alliance.

3.3 Free circulation of capitals

The third great objective in the Alliance is liberalizing capitals inside the block. This would permit a company to register its securities in any stock market in the member countries so that it can be transacted by all the broker firms in different markets inside the block. In turn, integration of stock markets from the foreign countries will lead to harmonizing taxing treatment in stock exchange markets and, generally, at investment level, which would undoubtedly facilitate financial operations (García, 2013: 51).

The so called Latin American Integrated Market (MILA) facilitated achieving this objective. MILA is made up by Chile, Colombia and Peru stock markets. MILA is “the first transnational stock market integration initiative without corporate merger or integration at global level, through the use of technological tools and regulation adaptation and harmonization around capital markets and security custody transactions in the three countries.”⁹¹ MILA started on November 9, 2010 through a group of integration agreements among the stock marketes of these three countries, as well as Deceval,⁹² DCV⁹³ and

⁹¹ See: URL:<<http://www.mercadomila.com>>, website checked on April 22, 2015.

⁹² The Depósito Centralizado de Valores S.A. (DECEVAL) is the Colombian entity in charge of receiving securities registered in the National Securities and Issuers Registry as deposits. They manage them through a high technology computerized system that guarantees security soundness and eliminates risks related to physical handling of securities, dealing with records, transfers, payments of interests, etc.

⁹³ Depósito Central de Valores S.A. (DCV) is a Chilean corporation which was incepted on March 15, 1993 and which electronically processes and records transfer operations in the stock market and in the OTC market. It also coordinates and supplies necessary information for the financial settlement of operations.

Cavali⁹⁴ deposits. This is how equity market integration was thought among these stock markets, particularly in aspects related to (i) listing of Securities in the Integrated Market; (ii) characteristics of routing value-added orders; (iii) information supply regarding integrated market issuers and securities, including operations with securities. Finally, although MILA's mission is joint growth in an integrated market it clearly establishes upfront that subscribing these agreements does not mean a merger among these entities but that, on the contrary, each one of them would keep their independence and regulatory autonomy. Thus, on May 30, 2011, the MILA started its operations so that Chile, Colombia and Peru investors and brokers could transact stocks from the three stock markets under the local currency with book entries through the local broker, undoubtedly facilitating international operations.⁹⁵

With the idea of completely realizing the block's objective, the Statement of Intent among the Stock Exchange Markets that make up the Latin American Integrated Market (MILA) was entered into on December 4, 2011 during the Second Summit of the Pacific Alliance in Merida that the four presidents attended. This aims at incorporating the Mexican Stock Exchange Market (BMV) and Mexico's INDEVAL⁹⁶ to this integrated market in the future. To that effect, the countries agreed to explore necessary market, operational and technological aspects, and get the relevant permits or regulatory framework adjustments to achieve total BMV integration with the MILA.⁹⁷

However, the BMV incorporation process took a few years more and only on August 19, 2014 the MILA country supervisors and Mexico signed a cooperation agreement to officially incorporate the Mexican stock exchange market. This agreement incorporated Mexico's National

⁹⁴ CAVALI is Peru's Central Security and Settlement Registry in charge of creating, keeping and developing the domestic security market infrastructure.

⁹⁵ See: URL:<<http://www.mercadomila.com>>, website checked on April 22, 2015.

⁹⁶ INDEVAL is a Mexican private institution that has legal authorization to operate as central security deposit, which offers custody, management, compensation and settlement of securities services. See: URL:<<http://www.indeval.com.mx/>>, website checked on May 19, 2015.

⁹⁷ See: URL:<http://www.bmv.com.mx/wb3/wb/BMV/oculta_repo/_vtp/BMV/20d3_boletines_de_prensa/_rid/2556/_mto/3/BVMILA051211.pdf>, website checked on April 23, 2015.

Security Banking Commission (CNBV) to the Executive Committee and the MILA Supervision Committee, thus permitting cooperation, information exchange and strengthening of supervision to facilitate mutual regulatory acknowledgement and agreements among stock markets.⁹⁸

Finally, the Mexican Stock Market entered the MILA when its first operation took place on December 2, 2014. In fact, the Mexican Stock Exchange Group (GMB) broker bought 200 shares from the Chilean company Falabella for a total amount of 1.415 dollars. This is a negligible operation in terms of committed investment but is very significant in terms of future projection.⁹⁹ Later, on January 21, 2015, Mexico commemorated its formal incorporation to the MILA.

Bueno states that stock market integration of the Alliance countries will have a positive impact in their economies by permitting more participants and generating more security, profitability and liquidity in this market. Similarly, company shares can have greater circulation because they can be received by a larger public. This derives in more profits for the companies triggering a domino effect. Thus, savers will obtain benefits through dividends that they will also be able to invest, and since the State has a means to get funded in the stock market, it can face public expenditures more easily (Bueno, 2011: 49).

Currently, according to the World Federation of Exchanges (WFE) in Latin America, the MILA is the first market according to number of listed companies¹⁰⁰ and inside of stock capitalization (the joint value of the four markets exceed 1.1 billion dollars, that is, almost the same as Brazil's Bovespa, but still away from the New York stock exchange

⁹⁸ See: URL:<<http://gestion.pe/mercados/alianza-pacifico-mexico-se-incorporo-hoy-al-mila-2106088>>, website checked on May 19, 2015.

⁹⁹ See: URL:<<http://mx.reuters.com/article/businessNews/idMXL2N0TM1HZ20141202>>, website checked on May 20, 2015.

¹⁰⁰ With the incorporation of Mexico to the MILA, 136 new issuers were added, totalling more than 780 stocks among four countries. See URL:<<http://elcomercio.pe/economia/mercados/mexico-realizo-su-primera-operacion-mila-noticia-1775792>>, website checked on April 23, 2015.

capitalization at 18.9 billion dollars)¹⁰¹ and the third in terms of negotiation volume.¹⁰² In 2015, Mexico was positioned as the country that participated the most in the value of listed companies in the market with 49.13% followed by Chile with 23.93%, Colombia with 14.75% and Peru with 12.2%.¹⁰³

However, a large part of the Alliance's corporate and financial sector considers that the MILA has stagnated, to a great extent due to a lack of tax harmonization among member countries. This has hampered capital market integration, which "has not finished boosting" (Vargas, 2015: 8). In this regard, the block's ministers of economy consider that such harmonization will not be possible in the short or mid term, since each tax corresponds to a domestic logic. In 2016, specialists have pointed out other possible causes for this stagnation and that investors are not fully convinced, one is the fact that Brazil is not part of the group, another is the little knowledge about the platform use and the need to have recourse to an intermediary, also that the system is more focused on individual investors (retail) than to large groups, the impossibility of operating the platform electronically, among others.¹⁰⁴

In any case, it is vital to strengthen the MILA so that the Alliance's purposes are complied with. To do so, it is necessary to work towards harmonization of fiscal treatment and also prevent double taxation of revenues obtained in capital markets; expand instruments that can be negotiated in member country markets; promote participation of a larger number of agents in these markets, among other measures.

3.4 Free circulation of people

The Alliance countries considered from the start that this integration process would not be complete if it was only limited to the economic and

¹⁰¹ *Idem*.

¹⁰² See: URL:<<http://www.mercadomila.com>>, website checked on April 22, 2015.

¹⁰³ See URL:<<http://www.elcolombiano.com/entrada-de-mexico-al-mila-no-freno-la-caida-de-la-capitalizacion-bursatil-DE1420476>>, website checked on May 6, 2015.

¹⁰⁴ See: <http://diario.latercera.com/2016/07/10/01/contenido/negocios/27-218921-9-el-mila-y-las-trabas-que-limitan-su-despegue.shtml> and <<http://gestion.pe/economia/mila-que-trabas-limitan-su-despegue-2166611>>, websites checked on September 15, 2016.

trade fields. Therefore, they decided to include a fourth fundamental pillar, namely liberalizing the circulation of people inside the block. This also helps to facilitate integration in the other two fields.

Thus, the first measure towards this was taken on December 4, 2011 during the Second Pacific Alliance Summit in Merida in which the Requirement Guideline was adopted. This guideline has relevant information for the mobility of business people, aiming at facilitating migratory transit among member countries.

On the other hand, another fundamental aspect to progressively achieve free circulation of people was to eliminate visas as a condition for tourist entry. There was no need for visas between Chile, Colombia and Peru¹⁰⁵ since the Alliance was created. On the contrary, Mexico kept visa requirements for Colombia and Peru. However, as we said before, Mexico decided to eliminate these requirements on the Second Meeting of the Alliance's Council of Ministers on November 9, 2012 in Cartagena de Indias. This now allows Colombians¹⁰⁶ and Peruvians to enter said country as visitors for up to 180 days, although they cannot perform remunerated activities.

Later on, Peru eliminated the business visas for the three Alliance countries on May 23, 2013 on the occasion of the Seventh Presidential Summit in Cali (Colombia). This aims at facilitating mobility of entrepreneurs and business people, thus promoting investment and trade inside the block.

¹⁰⁵ See the Agreement signed on January 30, 1992 between the Peruvian and Chilean governments on eliminating tourist visas, which replace articles 3 and 4 of the Tourism, Passenger, Baggage and Vehicle Transit Agreement dated June 16, 1978; the Agreement between Peru and Colombia on Suppressing Visas and Ordinary Passports dated February 7, 1986 and the Agreement on Diplomatic, Official and Tourism Visa Exemption between Colombia and Chile, signed on March 19, 1970. In the case of the first two agreements, these were confirmed by Andean Community Decision 503, dated June 22, 2001, which set forth the free circulation of people among citizens of Bolivia, Colombia, Ecuador and Venezuela, the Andean countries.

¹⁰⁶ In this regard, it is interesting to point out at the Agreement between Colombia and Mexico which suppresses tourism visas for Mexican citizens that enter the Colombian territory dated December 4, 1990.

On June 19, 2014, in Punta Mita – Nayarit (Mexico), country members subscribed the *Pacific Alliance Interinstitutional Agreement for a Vacation and Work Program* so that youth from any party country could temporarily enter the other States' territory with recreational or cultural purposes, they would also be able to perform remunerated activities to pay their stay and food during their stay in the host country, provided that said activity were complementary and not the main purpose of their stay (chapter 1).

In this regard, the agreement establishes visa requirements in detail, procedures to be followed, fees to be paid, causes for application or entry rejection, and information from each country for a better stay of young visitors. At this point, the agreement establishes a maximum number of visas (300) to be granted per State Party (articles 2, 3 and annexes).

On the other hand, the agreement also provides that this program's beneficiaries can follow studies or carry out training activities for a maximum term of two months (article 8), committing in all cases to respect the host country's juridical framework (article 6).

Finally, the countries also agreed to foster an Immediate Information Exchange Platform for Migratory Security in the Pacific Alliance at the Punta Mita meeting. This would gradually establish mutual cooperation mechanisms that would allow for increasing internal security in each one of the member countries in connection to migratory flows. Later on, the Interinstitutional Agreement on Implementing an Information Consultation Mechanism with Migratory Aims to Facilitate the Mobility of People was adopted at the Puerto Varas Presidential Summit, on July 2016 to strengthen the platform.

In spite of the progress made, there are still some pending issues. Thus, it is first fundamental to conclude work towards an eventual establishment of a Pacific Alliance visa for third country nationals, according to a design device on the Eighth Meeting of the Task Force on Movement of People and Facilitation of Migratory Transit, in Viña del Mar on October 7, 2014, which went on in work meetings during 2015.

Besides, it is still necessary to attain consensus so that the free mobility of people is not limited to tourism, business and temporary programs for youth, but is also extended to labor mobility. This has not been foreseen in existing free trade agreements between Pacific Alliance members.

Adopting this measure will undoubtedly mean various difficulties. For example, Mexico has limitations stemming from the fact that it is a USA neighbor; unemployment and informal employment levels in Alliance country members; absence of a definition regarding the need for technicians or professionals in connection to the productive structure in each country; acknowledgement of professional degrees; need to look for convergence in block country's labor policies; and, finally harmonization of social security systems for workers (De la Mora, 2015: 146 y 163).

Other models should be taken into account to achieve this purpose, such as the European Union model, where the free circulation of people is a fundamental human right and the free circulation of workers is considered one of the four basic pillars of the Single Market. Community citizens can reside in any member country with no need for visas or work permits (De la Mora, 2015: 148). Although each reality is different, this is the most advanced model and it could be used as a road map for Alliance countries.

In any case, the recent approval of the Professional Registry Operational Framework will facilitate granting of temporary permits to practice engineering in one or several countries of the Alliance. This is a step ahead on this road.¹⁰⁷

3.5 Cooperation

The Pacific Alliance incorporated a fifth pillar to the block referred to cooperation among member countries. This has undoubtedly permitted to enrich Alliance objectives by introducing several matters of common

¹⁰⁷ See point 4 of the Puerto Varas Presidential Declaration dated July 1, 2016.

interest that had been relegated. It has also evidenced that our integration process is not only an “expanded free trade agreement.”

Regarding this objective, the *Memorandum of Understanding on the Pacific Cooperation Platform* was subscribed on December 4, 2011 during the Second Pacific Alliance Summit in Merida. This memorandum established a number of priority and common interest subjects for the countries partake in the Alliance, such as environment and climate change; innovation, science and technology; micro, small and mid-sized enterprises; and social development. This is how the fifth pillar in the Alliance, namely cooperation, started to come true.

The memorandum agrees to foster cooperation and collaboration among the four member countries. To do so, the following cooperation modalities were identified: promotion and development of initiatives; plans, programs and projects; joint studies and/or diagnoses; information and current regulation exchange; joint education and training activities, including exchange of specialists and technicians; and technical assistance and/or visits of officials, experts, researchers and delegations. The gamut of cooperation possibilities is very broad.

Later on, the *Agreement for Establishing the Pacific Alliance Cooperation Fund* was signed on May 22, 2013 in Cali, Colombia.¹⁰⁸ This agreement took into account the 2011 memorandum. The agreement aims at creating a fund to allow for financing the different cooperation actions, programs and projects inside the Alliance. To that effect, the fund consists of annual contributions of member countries, which are determined year by year. For example, the initial contribution for the first year was 250.000 dollars per country. The fund can also receive contributions from third parties (articles 1 and 2).

On the other hand, the Parties to the agreement determine the cooperation areas that are to be financed with fund resources, pointing out the same issues as the 2011 memorandum. The Parties also

¹⁰⁸ This agreement has not entered into effect yet. It is in the process of being adopted internally in Chile, Colombia and Peru. Therefore, the fund is still not operational.

establish the cooperation modalities that can take place: joint studies and diagnosis; exchange of information and current regulations; development of initiatives, plans, programs and projects; education and training activities; exchange of specialists and technicians; technical visits from officials and experts; networking; etc. (article 4).

The agreement states that the Council of Ministers is in charge of approving the fund's annual work plan budget, while the Technical Cooperation Group is responsible for managing the fund, preparing its operational regulation, as well as approving, coordinating and supervising projects, programs and cooperation activities. The fund's operational administration is charged to an entity of the parties that partake in the agreement; the first administrative entity was Chile's International Cooperation Agency, to be followed, in alphabetical order, by the other national entities (article 5).

Finally, the cooperation matters initially included in the 2011 memorandum have been largely exceeded because other further and specific agreements have been incorporated between Alliance member countries. To the date this publication got to printing, the following are attainments in this regard:

3.5.1 Diplomatic and consular issues

Diplomatic and consular cooperation among the four countries in the Pacific Alliance has undoubtedly set a milestone concerning trust and collaboration within the framework of integration processes.

Firstly, the member States have agreed to share diplomatic offices abroad. This helps them save costs since they do not need to buy or rent premises for the mission, but also to achieve greater international presence. Besides, the fact that they share offices facilitates better coordination among them and can, eventually, lead them undertakings as a block.

In this regard, on January 10, 2014 in Mexico D.F., the four countries agreed to share the Colombian diplomatic offices in Ghana. They did so

by subscribing the corresponding bilateral agreements. Thus, for example, we have the *specific Agreement between Peru's Foreign Affairs Ministry and Colombia's Foreign Affairs Ministry to allow for the use of part of the facilities and infrastructure of the Colombian Embassy in Ghana for the operation of the Peruvian diplomatic and/or consular mission*. This agreement was entered into taking into account the Memorandum of institutional understanding between both ministries to permit the use of facilities and infrastructure of signatory party embassies and consulates in third States, agreed to that end in Santiago de Chile on November 27, 2013.

The agreement establishes the conditions and characteristics of exclusive and common area use in the Colombian facilities by Peru. This refers to the areas assigned for the Peruvian mission, the use of its flag and coat of arms, the responsibility for any damage caused to the mission's infrastructure, the obligation of paying common expenditures for the use of facilities according to the space proportion used by the Peruvian mission, the commitments of not carrying out any activities that may lead to directly or indirectly obtain the other party's information, among others.¹⁰⁹

Besides, the memorandum of interinstitutional understanding that is the framework to the specific agreement states that nothing in the agreement can be interpreted as one party having waived in favor of the other party the exercise of the diplomatic and/or consular representation that corresponds to each one of them, as well as that the referred agreement is signed based upon the reciprocity principle (first article).

By virtue of this principle, the *specific agreement between Peru's Foreign Affairs Ministry and Colombia's Foreign Affairs Ministry was signed on January 10, 2014 to permit the use of part of Peru's Embassy's facilities*

¹⁰⁹ See articles one, five, seven, nine and ten of the specific Agreement between the Ministry of Foreign Affairs of Peru and the Ministry of Foreign Affairs of Colombia to permit the use of part of the Colombian Embassy's facilities and infrastructure in Ghana for the operation of the Peruvian diplomatic and/or consular mission, dated January 10, 2014.

and infrastructure before the Socialist Republic of Vietnam for the operation of the Colombian and/or consular mission, with the same content as the Ghana agreement.

Additionally, the Alliance member countries, with the exception of Peru, entered into a similar agreement to share the Colombian offices in Azerbaijan. In turn, Colombia and Chile have signed an agreement to share the Algeria and Morocco offices. Likewise, Colombia and Chile would share their offices before the OECD; Colombia and Mexico their Singapore offices; while Mexico and Peru are negotiating a framework interinstitutional memorandum of understanding to identify appropriate premises to establish embassies with a shared office.

Secondly, the Alliance's member countries have deemed convenient to extend the cooperation to the consular assistance field. Thus, an *Interinstitutional Agreement* was signed among the Alliance Party countries ministers of foreign affairs to establish cooperation measures on consular assistance, on February 10 2014 on the occasion of the Eighth Pacific Alliance Presidential Summit. This agreement proposes a central objective based upon the reciprocity principle of providing consular assistance to individuals who are nationals of the four countries when there is no diplomatic or consular representation of the country of origin and when there is a consular representation of any of the other three countries. However, this assistance is not required from consular offices under the charge honorary officers (article 1).

Nevertheless, consular cooperation and assistance are even more specified when article 2 establishes that such cooperation and assistance only applies in the following cases:

- a) In emergency and need situations;
- b) When dealing with unaccompanied girls, boys and adolescents or other vulnerable populations, such as family violence victims and human trafficking survivors;
- c) When a person is arrested, detained or under parole;

- d) When assistance for repatriating people is required;
- e) In case of natural or anthropogenic catastrophes;
- f) Others, according to the criteria of the respective consular official.

Besides, all this applies provided that the effective individual or his/her State submit an assistance or cooperation request.

As for any expenditure that may derive from consular assistance or cooperation, the agreement foresees different possibilities. It points out that they can be paid by the beneficiary, or according to the beneficiary's State's regulations, or as the Parties agree (article 6).

On the other and, referring to the consular cooperation and assistance mechanisms, the agreement states that cooperation can consist in collaborating to locate nationals, report nationals from Party Countries about their rights and duties as migrants; receive inquiries from nationals about the local juridical order; channel travel document applications by nationals; and be the conduit for communications between nationals and host States. Article 3 points out "it can consist of," which implies that the list is not closed but, on the contrary, open to other possibilities.

3.5.2 Commercial and investment promotion

From the start, it was fundamental for the Alliance's purposes to have common commercial and investment promotion strategies, since this allows not only to save costs but also to leverage the effort each country makes individually on these matters.

A declaration between Colombia's PROEXPORT, PROCHILE, PROMPERU and PROMEXICO was signed on February 8, 2012 in Bogota, by virtue of which cooperation among these four entities would be promoted to foster foreign trade and investment among the Alliance countries, thus, contributing to an exchange of trade intelligence, better import promotion practices and an appropriate boosting of mutual investments.

To that effect, the entities that signed the declaration committed to develop the following activities: experience exchange; synergies on promotion and participation in fairs and events; identification and promotion of business opportunities among member country companies; management towards opening shared commercial offices abroad; assistance and guidance to investors; exchange of experiences to strengthen the institutional knowledge; information exchange about companies that would like to develop investment projects; information exchange on the legal framework applicable to investment, tax and tariff regimes, market, infrastructure, basic service and labor information; and, dissemination to corporate sectors in each country regarding investment opportunities provided by the other countries. As for leading these activities, a temporary chair was established among promoter entities that take turns in alphabetical order.

On the other hand, cooperation among these entities already existed before the declaration. Thus, since April 2011, the four entities started to execute the work plan geared towards promoting the presence of Alliance countries goods and services in international markets, promoting foreign investment, increasing commercial exchange among countries and installing joint promotion representations to reach new markets.

As for developed activities, 6 foreign direct investment opportunity seminars took place in 2012, and there were two joint participations in international fairs. In 2013 there were 36 joint commercial and investment promotion activities: 24 commercial and/or investment opportunity seminars, eight joint participations in international fairs, three corporate forums and/or meetings (for example the Corporate Forum in New York and the LAB4+ Entrepreneurship Forum in Santiago de Chile), the First Activation in Peruvian Supermarkets and the First Macro Business Round (in Cali)¹¹⁰. The latter saw the participation of 722 entrepreneurs from Alliance countries. Out of these, 486 were exporters and 236 buyers. Additionally, approximately 3.800 business

¹¹⁰ See: URL:<<http://alianzapacifico.net/agencias-de-promocion/>>, website checked on May, 2015.

appointments took place at this macro round and the expectation was to reach agreements for approximately 116 million dollars.

The *Pacific Alliance Declaration of Promotion and Investment Entities* was signed in Cartagena on February 10, 2014 on the occasion of the Eighth Presidential Summit. In this declaration, PROEXPORT Colombia, PROCHILE, PROMPERU and PROMEXICO ratified the commitments adopted in the 2012 declaration and reaffirmed their interest in promoting activities aimed at trade and investment. The macro business round organization among companies of Alliance countries and the establishment of joint commercial offices abroad are highlighted in this pursuit.¹¹¹

The first joint commercial promotion office in Istanbul, Turkey, was to open on September 2012. Other places of interest have also been identified. The Alliance agreed to open a second joint commercial promotion office in Casablanca, Morocco. To that effect, ProMexico opened a commercial office in said city at the beginning of 2015. It was agreed that this office would be chaired by ProChile, ProColombia and PromPeru promotion agencies. Casablanca was selected, because it is the economic, commercial and financial hub in Morocco. The headquarters of the main industries and commercial establishments are there and it is the largest port in North Africa.¹¹²

Regarding activities in 2014, they consisted of 17 trade and investment opportunity seminars, 9 joint participations in international fairs and the Second LAB4 Entrepreneurship and Innovation Forum in Cali, Colombia, on October 24. 165 exporters/entrepreneurs, buyers and service investors participated at this forum. 444 business appointments took place, which generated transaction expectations for 8.57 billion dollars, as well as a real interest of 64.75 of investment appointments.

¹¹¹ Cali declaration, dated May 23 2013, subscribed during the Pacific Alliance Seventh Presidential Summit.

¹¹² See: URL :<<http://archivo.eluniversal.com.mx/finanzas-cartera/2014/casablanca-africa-1057559.html>>; <<http://www.orpnoticias.com.mx/nota.cfm?id=669658>>; <<http://empresaexterior.com/not/51281/promexico-inaugura-oficina-de-representacion-en-el-exterior-en-casablanca-marruecos/>>, websites checked on June 19 2015.

Likewise, the Second Macro Business Round took place in Puerto Vallarta (Mexico) on June 10 and 11, 2014. 457 entrepreneurs participated there. Out of these 183 were buyers from Chile, China, Colombia, Korea, Japan, Mexico and Peru, and 274 were Pacific Alliance exporters. 2.111 appointments took place at this macro round, generating expectations for more than 206 million dollars.¹¹³ Although there were 1.689 appointments less than at the former meeting, business expectations increased by 265 million dollars.

In 2015, there were three joint participations at international fairs. The Third Macro business round also took place in Paracas (Peru) on June 17 and 18, 2015. More than 1.000 entrepreneurs participated at this meeting, including exporters, importers and service suppliers from the four member countries plus China as a guest country. Eight Chinese companies participated: three were e-commerce companies, three were supermarket chains and two were traders that have been importing fresh produce, such as mango and citrus fruits to Shanghai.¹¹⁴ The main transacted products were food, garments, manufacturing and services; there were more than 4.250 business appointments and business expectations reached 220 million dollars.¹¹⁵ Global value chains were proposed for the first time at this macro round.

On the other hand, the First Commercial Meeting on Value Chains for Industrial Strengthening took place in Paracas, Ica on June 18, 2015. More than 100 companies from the four countries participated. Then, the Third LAB4 Innovation and Entrepreneurship Forum took place in Puebla, Mexico in October 2015.

The highest authorities of ProChile, ProColombia, ProMexico and PromPeru entered into a new commitment to promote joint commercial

¹¹³ See: <<http://www.larepublica.co/sites/default/files/larepublica/foros/archivos/temas/3%20Jorge%20Hernan%20Gutierrez%20-%20Procolombia.pdf>>, website checked on May 5 2015.

¹¹⁴ See: <http://gestion.pe/empresas/empresas-chinas-proyectan-negocios-us-31-millones-alianza-pacifico-2135391>, website checked on May 23, 2015.

¹¹⁵ See: <<http://marcotradenews.com/noticias/macrorrueda-de-negocios-de-la-alianza-del-pacifico-genera-oportunidades-por-220-millones-de-dolares-38345>>, website checked on June 30, 2015.

promotion spaces and consolidate instruments for increasing interregional trade, emphasizing SMEs, when they met on the occasion of the Eleventh Alliance Presidential Summit on July 1, 2016.

Similarly, the following activities were developed until August 2016: the Fourth LAB4 Innovation and Entrepreneurship Forum in Lima (June); the Third Corporate Meeting in Frutillar (June); and the Fourth Macrobusiness Round in Santiago de Chile on June 22 and 23. More than 600 entrepreneurs met at this last meeting, among them exporters from the four member countries and guests from Asia, USA, Argentina, Brazil, Paraguay and Uruguay. In total 2.734 appointments took place for projected amounts approaching 200 million dollars. The food and beverage industry led transactions for 172 million dollars and there were 1.414 effective meetings. Chile had business projections for 104 million dollars, Colombia for 51 million dollars, Peru for 25 million dollars and Mexico for 11 million dollars.¹¹⁶

3.5.3 Micro, small and mid-sized enterprises

Micro, small and mid-sized enterprises are small economic units, but are very dynamic and account for most of the employment in Alliance member countries. This is why the four countries that participate in this block have been particularly careful in incorporating this sector within the cooperation scope among them (García, 2013:52).

Thus, the Project *Synergy among Pacific Alliance countries for improving micro, small and mid-sized companies' competitiveness* was approved on the occasion of the Ninth GAN Meeting and the Seventh Technical Group Meeting in Lima from October 14 to October 16, 2012. The project was submitted by Peru and aimed at increasing placement opportunities in the domestic and international market.¹¹⁷

Later on, the GAN created the Technical SME Group on October 25, 2013. Its purpose is to exchange best practices and to strengthen public

¹¹⁶ See: <<https://alianzapacifico.net/agencias-de-promocion-de-la-alianza-del-pacifico-renuevan-compromiso-de-trabajo-conjunto/>>, website checked on June 14, 2016.

¹¹⁷ The Project has become a preliminary study being prepared by the OECD.

policies that support small and mid-sized companies, facilitating their strengthening and modernization. The group has agreed on the following guidelines:¹¹⁸

- Propose special projects addressed at economic activities where there may be value chains, supplier development, regional market development, possibilities of joint exports to other markets, and foster high potential economic activities, among others.
- Foster possible actions and instruments to promote technological and organizational modernization of companies, respecting international standards.
- Formulation of exchange programs to incentivize productive sectors and best practices thus supporting human resource development through training, experience exchange and specialized technical assistance in Pacific Alliance countries.
- Foster actions and instruments to promote technological and organizational modernization of companies, respecting international standards.

The group is currently working on three projects within this framework.¹¹⁹

1. A funding mechanism with IDB-FOMIN: the Entrepreneur Capital Fund.
2. Corporate Development Centers for small and mid-sized companies' entrepreneurs.
3. SMEs competitiveness study with the OECD.

During the X Presidential Summit in 2015, participants agreed to continue working on the first project towards creating an Entrepreneur Capital Fund to facilitate loans to SMEs. They intend to start operating in

¹¹⁸ See: <<http://alianzapacifico.net/PYMES/>>, website checked on April 23, 2015.

¹¹⁹ *Idem*

2017. During this summit, the OECD also submitted the study on competitiveness to Alliance member countries.

On the other hand, also during the Paracas Summit participants entered into the Cooperation Framework Agreement for Financial Support to Alliance Countries dated July 2, 2015. It was signed by Corporación de Fomento de la Producción (CORFO) from Chile, Banco de Comercio Exterior de Colombia (BANCOLDEX), Banco Nacional de Comercio Exterior de los Estados Unidos Mexicanos (BANCOMEXT) and Corporación Financiera de Desarrollo (COFIDE) from Peru. This agreement aims at facilitating financial support guarantees or contingent subsidies to projects and companies in the block's member countries, including exporter SMEs (clauses 1.2 and 1.3). Additionally, the agreement establishes that each party will provide technical cooperation to the other parties according to their expertise and specialization level, will exchange market information on economic, financial and legal issues, and will provide each other the most facility possible or supply contacts and be a link to promote trade in their respective territories (clause 3).

It is particularly important to achieve financial support for high impact SMEs, implement the recommendations in the OECD study and train and advise SMEs to strengthen them, collaborating with their insertion in the global market through global value chains. This will positively impact economic growth and will generate employment inside the block.

Recently, the South-South Cooperation Workshop on Small and Mid-Sized Companies and Trade Facilitation for Latin American Observer States took place in Lima on April 20, 2016. Costa Rica, El Salvador, Honduras, Guatemala, Panama, Paraguay, Trinidad and Tobago and Uruguay participated. Later, the SME Regional Observatory was launched on July 1 at the Eleventh Presidential Summit. It is a virtual

space for access to information that aims at strengthening public policies for this sector.¹²⁰

3.5.4 Tourism

Tourism is the fastest growing industry in the global economy (2.8%). It not only generates large dividends but also more employment. In this regard, this industry generated 7.2 billion dollars in 2015, namely 9.8% of the global GDP, and 284 million jobs. This means that 1 out of every 11 jobs came from this industry (WTTC, 2016f).

In the Pacific Alliance tourism also has a relevant place. In 2015 these countries jointly received more than 42.5 million tourists.¹²¹ Thus, according to the World Travel and Tourism Council (2016a, 2016b, 2016c, 2016e), the total contribution¹²² of this industry accounted for 14.8% of Mexico's GDP, 9.7% of Peru's, 9.25% of Chile's, and 5.9% of Colombia's. This means that total contribution of this industry to the

¹²⁰ See item 4 in the Puerto Varas Presidential Declaration (Chile) dated July 1, 2016.

¹²¹ See: <<https://alianzapacifico.net/?wpdmdl=4441>>, website checked on November 28, 2016.

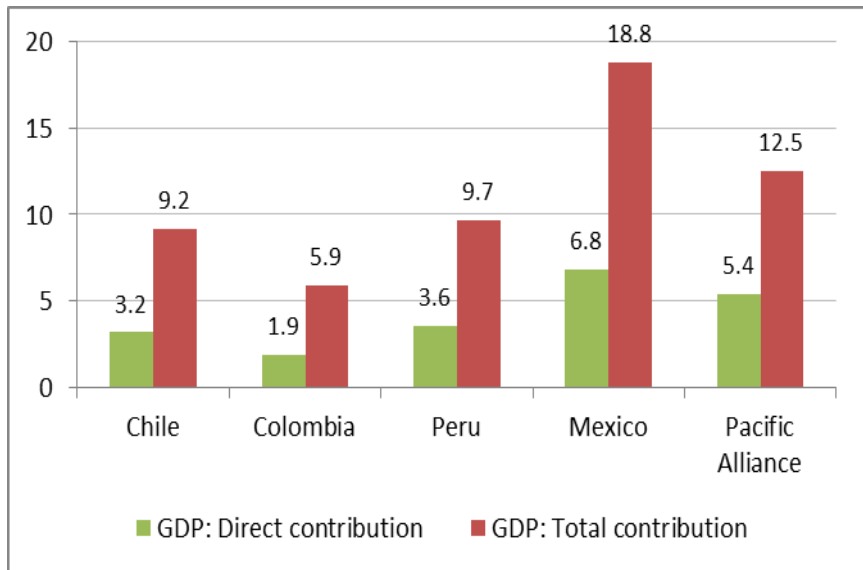
¹²² "The total contribution of Travel & Tourism includes its 'wider impacts' (i.e. the indirect and induced impacts) on the economy. The 'indirect' contribution includes the GDP and jobs supported by: a) Travel & Tourism investment spending - an important aspect of both current and future activity that includes investment activity such as the purchase of new aircraft and construction of new hotels; b) Government 'collective' spending, which helps Travel & Tourism activity in many different ways as it is made on behalf of the 'community at large' - e.g. tourism marketing and promotion, aviation, administration, security services, resort area security services, resort area sanitation services, etc.; c) Domestic purchases of goods and services by the sectors directly dealing with tourists - including, for example, purchases of food and cleaning services by hotels, or fuel and catering services by airlines, and IT services by travel agents.

[...]

The direct contribution of Travel & Tourism to GDP reflects the 'internal' spending on Travel & Tourism (total spending within a particular country on Travel & Tourism by residents and non-residents for business and leisure purposes) as well as government 'individual' spending - spending by government on Travel & Tourism services directly linked to visitors, such as cultural (e.g. museums) or recreational (e.g. national parks). The direct contribution of Travel & Tourism to GDP is calculated to be consistent with the output, as expressed in National Accounting, of typical tourism sectors such as hotels, airlines, airports, travel agents, and leisure and recreation services that directly deal with tourists. The direct contribution of Travel & Tourism to GDP is calculated from total internal spending by 'netting out' the purchases made by the different tourism industries" (WTTC, 2016f: 2).

block's GDP was 12.5% and the direct contribution was 5.4% (WTTC, 2016d). Let us see the following graph:

Graph 17
Contribution of tourism to the GDP
(percentage)

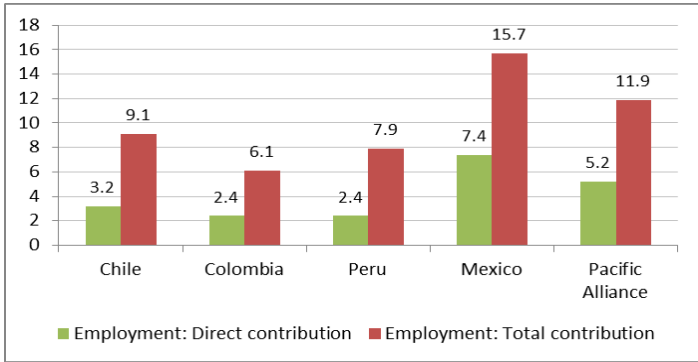


Source: WTTC, 2016a, 2016b, 2016c, 2016d, 2016e.

Prepared by the authors

On the other hand, the tourism industry is also very important to generate jobs inside the block. In that regard, according to WTTC (2016a, 2016b, 2016c, 2016e), tourism contributed with 15.7% of total employment in Mexico (7.857.000 jobs), 9.1% in Chile (721.000 jobs), 7.9% in Peru (1.247.000 jobs) and 6.1% in Colombia (1.612.000 jobs), as shown in the following graph:

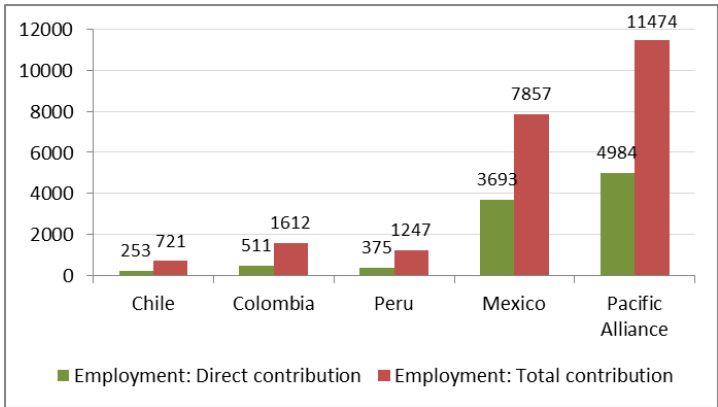
Graph 18
Contribution of the tourism industry to employment
(percentage)



Source: WTTC, 2016a, 2016b, 2016c, 2016d, 2016e.
Prepared by the authors

At Pacific Alliance level, direct contribution to employment led to generating 4.948.000 jobs. Total contribution was 11.474.000 jobs (WTTC, 2016e).

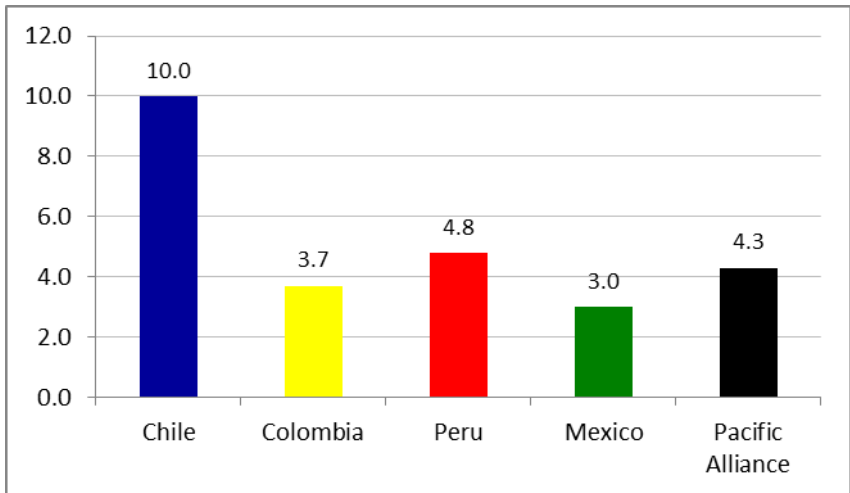
Graph 19
Contribution of the tourism industry to employment
(in thousands of jobs)



Source: WTTC, 2016a, 2016b, 2016c, 2016d, 2016e.
Prepared by the authors

Likewise, tourism is an important industry as is shown by the investment that Alliance countries receive. In that regard, this industry accounts for 10% of total investment in Chile, 4.8% in Peru, 3.7% in Colombia and 3.0% in Mexico (WTTC, 2016a, 2016b, 2016c, 2016d, 2016e) and at Pacific Alliance level, this percentage accounts for 4.3% of the total investment. It is hence an industry with great potential.

Graph 20
Contribution of investment to the tourism industry
(percentage)



Source: WTTC, 2016a, 2016b, 2016c, 2016d, 2016e.

Prepared by the authors

On the other hand, the following chart shows different headings related to tourism in the Alliance between 2010 and 2015.

Chart 11
The economic contribution of travel and tourism: real 2015 prices

Pacific Alliance (USDbn, real 2015 prices)	2010	2011	2012	2013	2014	2015	2016E	2026F
1. Visitor exports	19.5	18.8	20.4	21.9	24.4	30.8	32.1	52.5
2. Domestic expenditure (includes government individual spending)	120.1	127.0	133.7	138.9	141.7	146.4	151.4	223.7
3. Internal tourism consumption (= 1 + 2)	139.6	145.8	154.1	160.9	166.1	177.2	183.6	276.3
4. Purchases by tourism providers, including imported goods (supply chain)	-58.6	-63.4	-66.9	-70.0	-71.7	-76.2	-78.9	-118.1
5. Direct contribution of Travel & Tourism to GDP (= 3 + 4)	80.9	82.4	87.2	90.9	94.4	101.0	104.7	158.2
Other final impacts (indirect & induced)	52.2	55.6	58.9	61.5	63.9	68.4	70.9	106.9
6. Domestic supply chain								
7. Capital investment	14.1	15.0	14.9	16.5	17.4	18.3	19.0	30.4
8. Government collective spending	6.7	6.9	7.4	7.9	8.2	8.6	8.8	12.4
9. Imported goods from indirect spending	-6.2	-8.2	-9.1	-8.1	-7.9	-8.6	-8.9	-13.5
10. Induced	37.7	38.2	39.9	42.5	44.3	46.6	48.6	71.0
11. Total contribution of Travel & Tourism to GDP (= 5 + 6 + 7 + 8 + 9 + 10)	185.4	189.9	199.1	211.2	220.4	234.2	243.1	365.2
Employment impacts ('000)								
12. Direct contribution of Travel & Tourism to employment	4,454	4,425	4,517	4,646	4,750	4,984	5,087	6,134
13. Total contribution of Travel & Tourism to employment	10,048	9,998	10,253	10,721	10,978	11,474	11,713	14,128
Other indicators								
14. Expenditure on outbound travel	13.7	13.9	15.7	16.7	18.3	21.6	23.3	35.1

Source: WTTC, 2016e: 8.

Finally, according to the *Travel & Tourism Economic Impact: 2016 Pacific Alliance*, the following estimations and forecasts can be established for this region:

Chart 12
Pacific Alliance: Estimates and forecast
2016-2026

Pacific Alliance	2015 USDbn ¹	2015 % of total	2016 Growth ²	2016 USDbn ¹	2026 % of total	2026 Growth ³
Direct contribution to GDP	101.0	5.4	3.7	158.2	5.7	4.2
Total contribution to GDP	234.2	12.5	3.8	365.2	13.3	4.2
Direct contribution to employment ⁴	4,984	5.2	2.1	6,134	5.6	1.9
Total contribution to employment ⁴	11,474	11.9	2.1	14,128	12.8	1.9
Visitor exports	30.8	5.4	4.3	52.5	5.6	5.0
Domestic spending	146.4	7.8	3.4	223.7	6.3	4.0
Leisure spending	156.1	4.7	3.6	244.2	5.0	4.2
Business spending	21.1	0.6	3.6	32.1	0.7	3.9
Capital investment	18.3	4.3	4.0	30.4	5.0	4.8

¹2015 constant prices & exchange rates; ²2016 real growth adjusted for inflation (%); ³2016-2026 annualised real growth adjusted for inflation (%); ⁴000 jobs

Source: WTTC, 2016e: 7.

Taking into account the great importance of tourism for each one of the Alliance's members, these countries have been promoting cooperation among them to favor more growth and consolidation of this industry. In fact, studies show that suppressing visas inside the Alliance has generated tourism growth among member countries. Such is the case of the De La Mora study according to which visitors from Mexico in 2012 to 2013 grew as follows: from Colombia by 60.4%, from Chile by 39% and from Peru by 7.4%. In turn, visitors to Colombia grew by 33.9% from Mexico, 23.7% from Chile and 18.2% from Peru. Mexican visitors to Peru increased by 17.5%, visitors from Chile by 9.9%, and visitors from Colombia by 0.6%. Finally, visitors to Chile increased by 6.15% from Mexico and by 4.3% from Colombia, although visitors from Peru decreased by 2.9% (De La Mora, 2015: 156-158).

To favor intra and extra block tourism growth, the four Alliance countries signed the *Cooperation Agreement on Tourism* in Mexico on August 29, 2012 following the Pacific Cooperation Platform created in 2011. This agreement aims at strengthening and developing cooperation relations in tourism along Alliance Party Countries through the following activities: a) design of tourist promotion initiatives to increase

flows among member States, especially emphasizing adventure and nature tourism, sports tourism, sun and beach tourism, culture tourism, events and conventions tourism; b) promote country member image by participating in conferences, fairs, symposia and congresses related with tourism; c) facilitate exchange of experiences, statistics and information material; and, d) supply technical aid for planning and developing tourist destinations.

The Parties have appointed liaison authorities for developing these tourist cooperation activities. They also point out that specific cooperation programs will be formalized by member States in each case, each one assuming cooperation programs' or activities' costs.

Finally, the Parties agree to provide each other any necessary facilities for entry, stay and exit of personnel participating in cooperation activities deriving from the agreement.

Tourism growth among Alliance countries also aims at being promoted outside the block. To do so Alliance countries are executing a joint promotion strategy through dissemination of tourist videos among others.¹²³

The countries also approved the Pacific Alliance Traveler Guide¹²⁴ that mainly aims at providing information and guidance to travelers to facilitate their trips and avoid any contingencies in entering and staying in the different countries of the block. This guide informs travelers about embassies and consulates, emergency phones and recommendations to take into account in each one of the countries.

Finally, the Action Plan for promoting Tourism was adopted and has been executed since 2014. In connection to this, the First Tour Operator Meeting was organized and took place in Santiago de Chile on April 29, 2014. It gathered travel agencies, tour operators and airlines from the four countries. The First Corporate Meeting also took place that year, as

¹²³ See the Pacific Alliance tourism promotional video:
URL:<<https://www.youtube.com/watch?t=18&v=q88vxCGyP-U>>.

¹²⁴ Cartagena de Indias Declaration dated February 10 2014, signed during the Eighth Pacific Alliance Participation Summit.

well as two joint participations in international fairs and in the First Tourism Macro Business Round, which took place on July 23 and 24 in Cali (Colombia). This last meeting saw the participation of 152 entrepreneurs (68 outbound and 84 inbound) and generated 2.000 business appointments leading to 3.640 commercial opportunities. The outbound entrepreneurs reported business expectations for 15.961.480 dollars¹²⁵. Finally, during this year the *Four Nations: an infinite experience* booklet for promoting opportunities in the tourism sector was launched.

The block participated in the Tourist Tianguis in Mexico (March 23-26), First Tourist Caravan,¹²⁶ 2015 Expomilan (May 1, October 31) in 2015. Likewise, the Alliance organized the II Macro Tourism and Business Round in Mazatlan Mexico on May 26 and 27. Business agreements were attained for seven million dollars at this macro round, which implied the mobilization of around 275.000 visitors, added to the trips that will be generated from the 400 business appointments among companies in the Alliance's four countries with tourist operators from China. Besides, more than 1.600 business contacts were arranged at this macroround, exceeding the target foreseen by the organizers.

To August 2016, all the four countries have participated in the II Tourist Caravan which started in April, and also on the III Tourism Macro round in Lima (7 and 8 June). Some 229 companies of the four member countries participated at this macro round, as well as 20 Chinese tour operators, a priority market for the block; As many as 2.430 business appointments were arranged for this macro round, which meant 43% increase as compared to the former round. Business was transacted for 8 million dollars only among block countries. Also, there was a roadshow

¹²⁵ Punta Mita – Nayarit Declaration dated June 20 2014, signed during the Ninth Pacific Alliance Presidential Summit. Also see: < <http://www.larepublica.co/sites/default/files/la-republica/foros/archivos/temas/3%20Jorge%20Hernan%20Gutierrez%20%20Procolombia.pdf>>, website checked on May 5 2015.

¹²⁶ The tourist caravan took place in Chile (April 14), Peru (April 16), Mexico (April 21) and Colombia (April 23). Its purpose was to train 209 travel agencies and tour operators in the four countries (65 from Colombia, 61 from Chile, 50 from Mexico and 33 from Peru). This training consisted in supplying information on tourist attractions in each one of the countries, connectivity in the region at airline level, etc. It also sought to generate multi-destination packages so that foreign tourists can visit tourist attractions of four countries on a same trip.

in Hong Kong, Beijing, Guangzhou and Shanghai between August 19 and 26. About 28 of the block's tourism companies participated.¹²⁷ All these actions seek to increase Chinese tourism in Alliance countries. In fact, Chinese tourism has already grown by 35% in the first quarter of 2016.

The Fourth Tourism Macro round is to take place in Chile in 2017. For the first time, USA operators focused in the Chinese market will participate there.

3.5.5 Student and academic cooperation

Another important cooperation area is linked to youth, aiming at providing them with more opportunities for better academic training and to allow them to meet and know each other. Real integration occurs among people. Therefore, an approximation policy among nationals of the four countries that make up the Alliance was a need.

In this regard, the Student and Academic Mobility Platform was created on June 6, 2012,¹²⁸ both at undergraduate and graduate level to contribute to forming advanced human capital in the four member countries through academic exchange of students from both levels, and university professors in higher education institutions of the four countries.

Each member State initially committed to grant twenty scholarships, which then will be increased to one hundred annual scholarships per country (75 for undergraduate students and 25 for PhDs and scholars), in different scholarly areas, among which: business, finance, international trade, public management, political science, tourism, economics, environment, climate change, engineering and sciences.

Undergraduate exchanges last six (6) months for students who finished the fifth academic semester with grades higher than 5.0 in Chile; 4.0 in Colombia; 8.0 in Mexico; and the top third of the class (between 12 and

¹²⁷ See: <<https://alianzapacifico.net/iii-macrorrueda-de-turismo-de-la-alianza-del-pacificoconcreto-negocios-por-us-8-millones/>>, website checked on July 16, 2016.

¹²⁸ Paranál Declaration dated June 6, 2012 signed during the IV Pacific Alliance Summit.

13 in Peru). For PhD students who have finished half of their graduate studies, scholarships are offered for a three week academic period. In the case professor exchanges or stay of guest professors, they are promoted for periods that go from three weeks to one year.¹²⁹

The scholarship covers a round trip air ticket, integral healthcare and accident insurance and a monthly aid between USD \$650 at undergraduate level and USD \$920 at PhD, professors and researchers level.¹³⁰ Besides, candidates to scholarships will have their studies acknowledged at their university of origin, based upon agreements signed between universities of the four countries.

To September 2016, the eighth call for applicants has been launched and scholarships already been granted to 1.268 students, 152 for undergraduates, 130 for doctors and researchers and 86 for professors along the first seventh calls,¹³¹ as shown in the following graph:¹³²

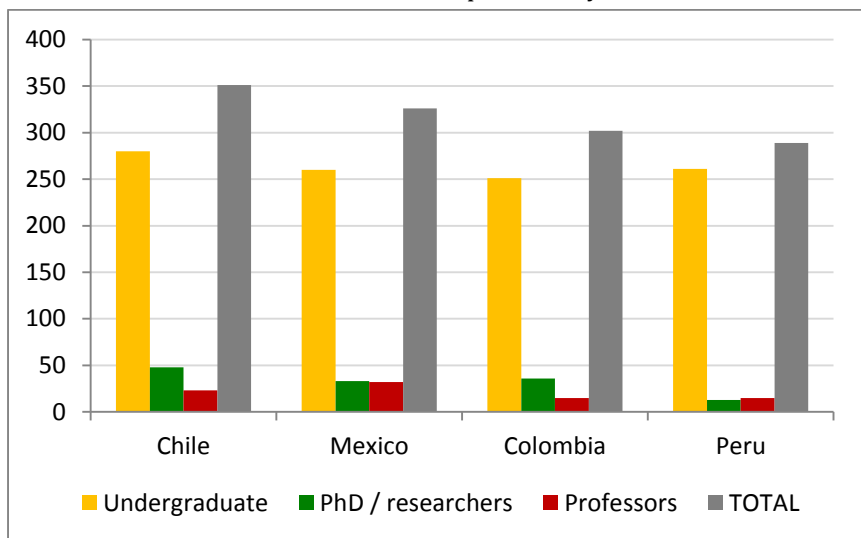
¹²⁹ See: <<http://alianzapacifico.net/cooperacion/>>, website checked on April 21, 2015.

¹³⁰ *Idem*

¹³¹ The eighth call for the first and second academic period in 2017 was launched in August 2016 specifying the following areas: 1. Public Management 2. Political Sciences 3 International Trade 4 Economics 5 Finance 6 Engineering 7 Innovation, Science and Technology 8 Environment and Climate Change 9 Business and International Relations 10 Tourism Available at: URL:<<https://alianzapacifico.net/wp-content/uploads/2016/08/9-CONVOCATORIA-AP-2017.pdf>>, website checked on September 1, 2016.

¹³² See: URL:<<http://alianzapacifico.net/temas-de-trabajo/>>,
URL:<<http://www.agci.cl/index.php/becas/becas-para-extranjeros/107-resultados-de-postulacion>>, websites checked on July 7, 2015.

Graph 21
Fellows received per country



Source: Ministry of Foreign Affairs of Peru. Prepared by the authors

As we can see, Chile is the country that has received the most fellows both at undergraduate and at graduate level, followed by Mexico, Colombia and Peru. This is due to many factors that go from a greater and better dissemination of study opportunities to preferences from some universities. International university rankings are important when choosing. In the case of Peru it has the last place for professor and graduate levels, but it has the second place at undergraduate level, following Chile. In this regard we should continue with the effort for disseminating this scholarship's advantages so that each one of the member countries grants the maximum number of agreed scholarships.

As for the fellows' country of origin, Mexico is the first country with 217 people, followed by Colombia with 224, then Peru with 217 and finally Chile with 209.¹³³

¹³³ Information provided by the Integration Directorate at the Ministry of Foreign Affairs of Peru.

Chart 13
Total fellows sent per country

Destination country	Country of origin	Chile	Colombia	Mexico	Peru
Chile	Undergraduate		92	94	94
	PhD		20	24	4
	Professors		4	12	7
Colombia	Undergraduate	65		95	91
	PhD	7		18	11
	Professors	3		4	8
Mexico	Undergraduate	88	79		93
	PhD	11	17		5
	Professors	8	16		9
Mexico	Undergraduate	27	95	139	
	PhD	0	9	4	
	Professors	0	8	7	
Total sent fellows		209	224	267	217

Source: Ministry of Foreign Affairs of Peru. Prepared by the authors.

In any case, beyond these preferences, students and academic mobility do not only aim at diversifying study opportunities, but also at facilitating a sound university education, as well as at approaching youth from the four member countries so that links are closer, something fundamental in any integration process.

The first and second days with higher education institution representatives were developed in Santiago de Chile from August 20 and

21, 2015 and in Lima from May 11 to May 12, 2016, as well as the First Forum on Education and Meeting of Youth from the Pacific Alliance, which took place in Lima, also in May 2016.

3.5.6 Youth volunteering

In connection to the preceding subject, the four Pacific Alliance members have considered it is very important to promote a volunteering program for their youth (from 18 to 30 years of age) so as to strengthen life experience exchanges through activities that will instill collaboration and solidarity behaviors in youth. This will positively impact each one of their countries. The idea is for youth to support low income communities, collaborate in environmental conservation, foster human development, and work in favor of peace and of a social inclusion culture, among other goals.

To that effect, the countries have designated the National Youth Institute (Chile); the Special Administrative Unit of Solidarity Organizations, the Ministry of Labor and National Youth System Directorate “Colombia Joven” (in Colombia); the Social Development Secretariat (in Mexico) and the National Youth Secretariat (in Peru) as responsible entities.

In this regard, each block member launched its first call for applicants on the first quarter of 2015, emphasizing different topical areas according to their needs. In Chile, the volunteering program wants young participants to cooperate with the “Experience your Parks” project (created by the INJUV – CONAF cooperation agreement, which seeks conservation and enhancement of protected wildlife areas. This goes hand in hand with an infrastructure development plan that improves public use of these places¹³⁴), and aims to have youth develop environmental awareness.

Colombia has prioritized equity and gender, peace culture, community development, cultural and natural heritage preservation, environment and harmonious cohabitation with the environment, as well as a program

¹³⁴ See: <<http://www.injuv.gob.cl/portal/postula-al-voluntariado-vive-tus-parques/>>, website checked on April 21, 2015.

to support and reinforce education and literacy. In their call they invite youth to participate in programs such as “Tell about what is ours” -that helps the most vulnerable children and youth who have been displaced and are at risk in the intervention zone-, “We are CDA” -that seeks to help a low income community identified as highly vulnerable-, “Sikuani women building political and economic autonomy in their territory,” “Training community mothers to take care of infants” -that seeks to help women household heads in different communities-, “Pijao Cittaslo Program” —to sensitize Pijao in using ancestral farming methods—, “Education for preventing teenage pregnancies,” “Nutrition for children under 5 years of age,” “Ancestral medicine practices,” “Social economic entrepreneurship in people of African descent,” a Program on “Pregnancies among indigenous adolescents,” “Vegetable, fruit and dairy agribusiness cluster” —that seeks to support small producers in the Boyaca farming area- and “2015 Intervention” —that seeks to help boys, girls and adolescents from 6 to 15 years of age in Bogota—. ¹³⁵

Mexico has focused in Chiapas for their volunteering through two specific programs: “We learn better by being healthy” —that seeks to improve knowledge and practice among girls and boys through nutritional education, promoting sports and physical activity— and “Schools building peace” —which seeks to foster positive adolescent development in safe spaces with significant and relevant learning, using the rights approach in schools, families and communities—. ¹³⁶

Finally, Peru has focused its first call for applicants in school reinforcement and artistic and sports activities to benefit children at the Warma Yachay Social Sports School. ¹³⁷

While Colombia and Chile offer a gamut of participation opportunities, Mexico and Peru have limited proposals. In this regard we consider that

¹³⁵ See: <<http://alianzapacifico.net/programas-de-voluntariado-en-colombia/>>, website checked on April 21, 2015.

¹³⁶ See: <<http://alianzapacifico.net/programas-de-voluntariado-en-mexico/>>, website checked on April 21, 2015.

¹³⁷ See: <<http://alianzapacifico.net/programas-de-voluntariado-en-peru/>>, website checked on April 21, 2015..

these two countries should make greater efforts to present a more diverse offer so that they can attract a larger number of youth interested in participating in this kind of programs.

3.5.7 Environment and climate change

As a result of implementing the Pacific Cooperation Platform, block countries consider it important to design and implement a regional network for monitoring biodiversity within the context of climate change in coordinated and synergistic efforts among domestic networks of Pacific Alliance countries. The responsible national entities were appointed: the Ministry of Environment and National Scientific and Technological Research Commission in Chile; the Ministry of Environment and Sustainable Development and the Hydrology, Meteorology and Environmental Studies Institute in Colombia; the Ecology Institute, the National Science and Technology Council, the Ecosystem Research Center of UNAM and the National Ecology and Climate Change Institute in Mexico; and the Ministry of Environment and the National Science, Technological and Innovation Council in Peru.¹³⁸

Thus, this work resulted in creating the Scientific Research Network on Climate Change on April 24, 2012. The network aims at having scientific institutions, public entities, universities, research centers and communities of the Alliance member countries, which are related to environment and climate change issues, coordinate efforts, complement research, exchange studies and experiences, and explore collaboration and cooperation opportunities on these matters, particularly on: mitigation for developing low-carbon productive and extractive systems and also low in other environmental impacts; adaptation to changes by developing climate change impact indicators in fragile and sensitive ecosystems and their repercussion in society; and on climate change effects, particularly in rainfall regimes and extreme hydrometeorological events, and related with management.

¹³⁸ See <<http://alianzapacifico.net/cooperacion/>>, website checked on April 23, 2015..

A Scientific Committee has been organized inside the network with two representatives from each Alliance member. This committee is in charge of adjusting public policies in the country to the research to be developed. This committee was installed in August 2012 and has already undertaken a number of actions such as preparing a roster of research and researchers on climate change; status of climate change in each one of the member countries; and, progress by a national competent institution on these issues. The first result from this committee was the report on *Collaboration opportunities for research on climate change in Pacific Alliance countries*, which was presented in Lima on November 27, 2014, in preparation for COP 20 that took place in Peru that year.

Block members have adopted common positions at multilateral level. In this regard the four presidents issued the so called *Declaration of the Pacific Alliance Presidents on Climate Change at the COP 20/CMP 10* on December 10, 2014 on occasion of the Twentieth Conference of the Parties of the United Nations Framework Convention on Climate Change. The block reaffirmed in this document the principle of common but differentiated responsibilities and respective capacities; the readiness to adopt mitigation and adaptation policies and actions; the commitment of submitting their respective national contributions; their conviction that this agreement to be adopted in Paris in 2015 should strike a balance between mitigation and adaptation; and their readiness to financially contribute to the Green Climate Fund, calling the developed countries to fulfill their financial support obligations to face climate change.

3.5.8 Other areas

3.5.8.1 Sports diplomacy¹³⁹

Since November 2011, the Colombian Chancery implemented an initiative for promoting sports exchanges of minors with other countries to offer the children and youth of municipalities facing armed

¹³⁹ See: <<http://alianzapacifico.net/cooperacion/>>, website checked on April 21, 2015.

recruitment in their country the possibility of strengthening their sports development by interacting with other countries.¹⁴⁰

This initiative was welcomed by Pacific Alliance countries. The project aims at contributing to social inclusion and integration processes in the block's member countries through sports and culture. To that effect, sports activities are planned in each one of the member countries with the participation of their young athletes, which have to be part of social development programs in vulnerable zones.

Alliance countries have appointed the Ministry of Sports and the National Sports Institute of Chile, the Cultural Affairs Directorate and the Ministry of Foreign Affairs of Colombia, the National Physical Culture and Sports in Mexico and the Peruvian Sports Institute in Peru as responsible entities.

This is how each country will appoint a delegation that will represent them in sports exchanges to be organized and that will also participate in cultural and academic activities during their agendas.

The following sports exchange activities have taken place to August 2016:

- First Pacific Alliance Sports Diplomacy Meeting. It was around velleyball for children. It took place on the occasion of the Ninth Presidential Summit in Punta Mita (Mexico) on June 18 and 19, 2014.
- Second Pacific Alliance Sports Diplomacy Meeting. This was for 3x3 basketball and took place in Cali (Colombia) from November 10 to 14, 2014.
- Third Pacific Alliance Sports Diplomacy Meeting. This was for different disciplines in Caldera (Chile) from October 5 to 9, 2015. It also included athletes with disabilities.

¹⁴⁰ See: <<http://www.cancilleria.gov.co/newsroom/news/alianza-del-pacifico-evaluo-estado-la-implementacion-los-proyectos-que-se-llevan-cabo>>, website checekd on May 28, 2015.

- Fourth Pacific Alliance Sports Diplomacy Meeting. This was for different disciplines and took place Iquitos (Peru) from July 11 to 14, 2016.

3.5.8.2 Gastronomy¹⁴¹

The project “Sustainable traditional cuisine as a cultural exchange element and projection of Pacific Alliance member countries” seeks to promote exchange among member countries traditional cuisine through culinary meetings and academic and cultural exchanges.

In this regard, several academic and sharing activities have been planned among the members so as to highlight the gastronomic wealth of these countries.

The following are responsible entities for this project: Chilean Ministry of Culture, Colombian Ministry of Culture and Cultural Affairs Directorate, as well as Foreign Affairs Ministry; Mexican General Directorate for Educational and Cultural Cooperation together with the Mexican Agency of International Cooperation for Development (AMEXCID); and Peru's Ministry of Culture.¹⁴²

3.5.8.3 Sustainable production and consumption¹⁴³

The project “Integrating Sustainable Production and Consumption Promotion (PyCS)” aims at promoting sustainable use and protection of the environment, as well as corporate competitiveness through implementation of good institutional practices in Pacific Alliance countries in connection with sustainable production, procurement and consumption.

Consequently, this project proposes a set of actions, such as the design of national sustainable production and consumption programs, agreements between public and private sectors concerning these

¹⁴¹ See: <<http://alianzapacifico.net/cooperacion/>>, website checked on April 21, 2015.

¹⁴² *Idem.*

¹⁴³ *Idem.*

matters and establishment of sustainable criteria for common priority products and services in participating countries.

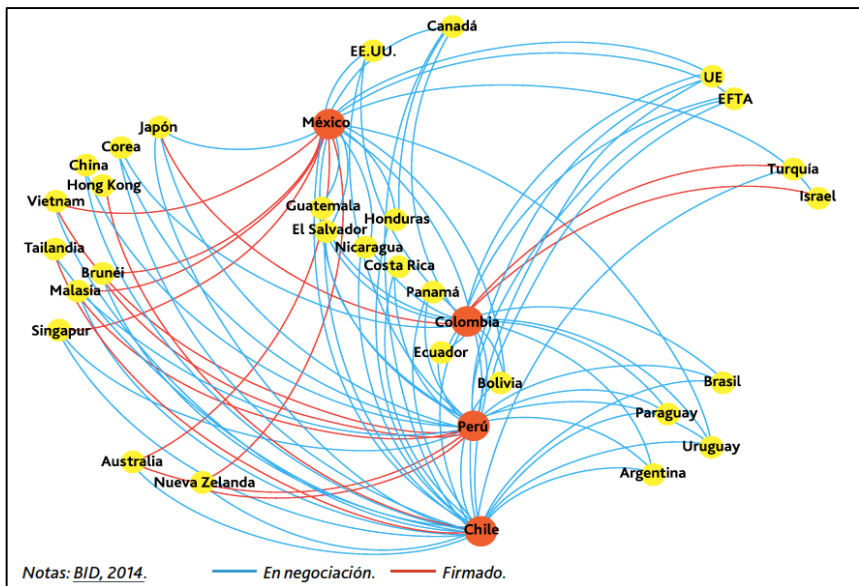
The following are the entities responsible for this issue: Chilean Ministry of the Environment and Public Procurement and Contracting Directorate – Chilecompra; the Colombian Ministry of Environment and Sustainable Development, Ministry of Trade, Industry and Tourism; the Mexican Secretariat for Civil Service and Secretariat for Environment and Natural Resources; Peru's Ministry of Environment. This project has the technical and financial support of the German Cooperation Fund.

4. The Alliance's foreign relations

As we have seen, the countries that make up the Pacific Alliance have entered into and are negotiating several trade agreements with different countries in the world, as is shown in the following graph:

Graph 22

Trade agreements of Alliance members and other countries in the world



Source: Estevadeordal, 2014: 7.

However, once the block has been made up and based upon these agreements, it is now fundamental to consolidate the Pacific Alliance foreign relations with other consensus building and political and economic integration processes that currently exist. It is a source of block relationship, different from bilateral relationship. In some cases these relations can be complementary, while in other cases they can converge. Anyhow, although the Alliance countries have emphasized their special interest for Asia-Pacific, this does not eliminate its wish to be linked with other economic blocks. As Arroyave says “the Pacific

Alliance does not only promote an approach to the Pacific area, but it also creates a multilateral negotiation platform” (Arroyave, 2015: 120).

Aware of the need to reach this objective, the Foreign Relation Group (GRE) was created on the VIII Meeting of Consular Ministers in Villa de Leyva, Colombia, between June 29 and 30. Its objective is to design a relationship strategy between the Alliance, Observer Countries and third countries or blocks. In this regard, they have identified priority areas of interest for foreign relations and have also made progress in designing an agenda to develop specific actions with observers and third parties. Thus, for example, this group designed the course of action to be followed by the block with international organizations such as the IDB, CAF and the OECD during their meeting in Bogota, Colombia on January 22, 2015.¹⁴⁴

We will now analyze the relationship possibilities between the Pacific Alliance and each priority geographic area and also between them and different economic blocks that are already established or are in the making.

4.1 Relations with Asia-Pacific

Peru and Chile very early foresaw the importance of having links with Asia-Pacific. This is evidenced in the many free trade agreements between these two countries and different Asian States, their belonging to the APEC forum, their participation in the TPP, and in how they have increased their diplomatic representation in Asia, among other actions.

In the case of Mexico, although their vision and participation in the Asian economic forum has also been long (APEC member, TPP negotiator, etc.), the prevalence of their relationship with the USA has marked their external agenda. On the other hand, Colombia always has the Atlantic basin as geographic priority for foreign policy and only now with President Juan Manuel Santos it has decided to redefine its foreign policy

¹⁴⁴ See: <<http://www.cancilleria.gov.co/newsroom/news/alianza-del-pacifico-evaluo-estado-la-implementacion-los-proyectos-que-se-llevan-cabo>>, website checked on May 28, 2015.

objectives and include the Pacific as geographic priority (Pastrana et al, 2015: 182-183).

To December 2013, Asia accounted for 13.8% of Pacific Alliance exports to the world for an amount of 77.11 billion dollars, while imports from Asia reached 172.86 billion dollars, which accounted for almost 31% of imports from the block to the world. This means that the commercial balance has a deficit for the Latin American block of about 95.74 billion dollars. Additionally, it is important to highlight that Alliance exports to Asia-Pacific grew by 18% in average between 2009 and 2013, while imports did so by 16% in average during the same period (Pérez and Roldán, 2015: 59)¹⁴⁵.

In 2013, China was the main country of origin of imports from Alliance countries with 95.75 billion dollars, followed by Japan with 22.48 billion dollars and with Korea with 19.15 billion dollars. Likewise, China was also the main destination of this block's exports with 38.12 billion dollars, again followed by Japan with 12.51 billion dollars and India exported 9.41 billion dollars (Pérez and Roldán, 2015: 61).

The trade situation between each Alliance country and China is varied. In fact, if trade figures for 2013 are analyzed, we can see that Chile is the one that kept the highest commercial exchange level with China, reaching 80 billion dollars, but with a trade balance deeply in deficit (-42 billion). Mexico follows from a far with 22 billion dollars and also a deficit trade balance (-9.2 billion); then come Peru and Colombia, both with commercial exchanges that exceed 15 billion dollars and with deficit trade balances, although the deficit is low in the Peruvian case (Velosa, 2015: 407).

¹⁴⁵ These authors include the 10 economies which are members of ASEAN within the "Asia" group (Brunei, Kampuchea, Philippines, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam) and the six partner countries (Australia, China, Korea, India, Japan and New Zealand).

Chart 14
Trade between Alliance countries and China in 2013
(in billions)

	Chile	Colombia	Mexico	Peru
Exports	19.000	5.100	6.400	7.300
Imports	61.000	10.300	15.600	8.400
Commercial exchange	80.000	15.400	22.000	15.700
Trade balance	-42.000	-5.200	-9.200	-1.100

Source: Velosa, 2015: 407.

Prepared by the authors

If we analyze trade growth in each one of the Alliance members with this Asian country between 2009 and 2013, we can conclude that it grew on a steady basis. However, Colombia increased at a greater percentage both exports and imports with China as compared to other countries in the Pacific Alliance and Mexico had the lowest growth percentage.

Chart 15
Trade growth between Alliance countries and China in
2009-2013
(percentage)

	Chile	Colombia	Mexico	Peru
Imports	153%	179%	89%	157%
Exports	193%	437%	47%	80%

Source: Velosa 2015: 407.

Prepared by the authors

We can deduce that there are huge possibilities for trade growth with Asia, and particularly, with China if we take into account that the economies in both blocks are complementary. While Asian economies are capital and technology intensive, Alliance economies are agricultural and extractive. It is important for the countries in the block to improve and diversify their exportable offer, strengthen their human capital, encourage the study of Asian languages and intensify official and

corporate business to said regions to reach this growth and seek business opportunities, dynamizing biregional relationships (Cancelado, 2015: 386 and 390).

Additionally, some propose to explore the possibility of finding convergence and cooperation points in the political field with Asia and not to see this region only from an economic-commercial point of view. This is the case of Velosa who points out:

This is why, and based upon declarations from Alliance presidents, the discursive construction of Asia-Pacific, and specifically China, is limited to a "great market" and a "great supplier" of investment resources [...] In a broader sense, China, in turn, construes the region not only as a natural resource supplier but also includes its global vision of the role Latin America and the Caribbean can play on international issues.

[...]

Individually, then, Alliance members are the entry gate to the Latin American or US market. That is the role they want to play in their relationship with China.

[...]

There is no political contextual analysis of the international order, the Asia-Pacific region or a project for establishing a permanent coordination mechanism of their foreign policies that would transcend the search for commercial or financial opportunities [...] (Velosa, 2015: 419).

However, although we coincide with Velosa that Asia and the Alliance have different visions of what they seek in their mutual relationship, we consider it is difficult to establish some political coordination levels, given the great differences there are among Alliance members and most Asian countries, particularly concerning democratic and human rights principles. It would also be necessary to evaluate to what extent a political approach to Asian countries can distance us from our natural partners, that is, USA and Europe.

The following are blocks that may relate with the Pacific Alliance.

4.1.1 Association of South East Asian Nations (ASEAN)

The Association of South East Asian Nations (ASEAN) was inceptioned on August 8, 1967. It is made up by ten countries: Brunei, Kampuchea, the Philippines, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam. They concentrate 19% of Asian trade with the world. This block represents a market of almost 626 million consumers with a middle class and purchasing power in continuous growth and with a 3.8 billion GDP. According to International Monetary Fund data, this block has recorded an average annual growth rate of 8.2% and they are to grow at an average rate of 7.9% in the following four years.¹⁴⁶

Negotiation with this block has been announced since 2012, and the idea is also to include other six countries (Australia, China, Korea, India, Japan and New Zeland) to sign a free trade and investment promotion agreement which, if signed, would result in a mega agreement (ASEAN+ 6).

This interesting outlook took Alliance countries to enter the first official meeting with ASEAN at Foreign Affairs and Trade Minister level. It took place in New York on September 26, 2014. This meeting led to agreeing identification of collaboration areas to be developed in the near future, particularly in what regards more promotion of investment, trade and cooperation flows between both blocks.

On May 25, 2015 another meeting took place in ASEAN's headquarters in Jakarta to start designing a common agenda based upon cooperation areas. It gathered Asian officials and their peers from the four Alliance members, as well as the ambassadors of these countries in Indonesia. The host country chaired the meeting along with Mexico as temporary chair of their respective blocks.¹⁴⁷ Participants agreed to explore cooperation opportunities on issues such as energy and minerals, trade facilitation, innovation, logistics, infrastructure, SMEs, agriculture, among others (item 3). The bi-regional exchange highlighted the

¹⁴⁶ See URL:<<http://alianzapacifico.net/la-alianza-del-pacifico-se-encuentra-con-la-asociacion-de-naciones-del-sudeste-asiatico/>>, website checked on May 7, 2015.

¹⁴⁷ See: <<http://alianzapacifico.net/dialogan-representantes-de-la-alianza-del-pacifico-y-de-la-asociacion-de-naciones-del-sudeste-asiatico-en-indonesia/>>, website checked on May 28, 2015.

important role of the private sector, particularly SMEs. Additionally, they highlighted the importance of cultivating close links among the peoples of both regions and they pointed at the need for studying some sort of collaboration on education, culture, tourism and sports (item 4)¹⁴⁸.

Four months later, in September 2015, a cooperation framework was established between the two blocks at the Second Meeting of Foreign Affairs and Trade Ministers on the occasion of the UN General Assembly in New York.

Exactly one year after, on September 24, 2016 these two blocks held their Third Ministry Meeting in the same city, when they adopted a broad framework for cooperation.

4.1.2 Asia-Pacific Economic Cooperation Forum (APEC)

The Asia-Pacific Economic Cooperation Forum (APEC) was created in 1989 as an economic cooperation and concertation mechanism that aims at fostering commercial exchange, at facilitating investments, at promoting economic and technical cooperation and at developing the 21 member economies in the Pacific basin. It is made up by Australia, Brunei, Canada, Chile, China, South Korea, United States of America, the Philippines, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Russia, Singapore, Thailand, Taiwan and Vietnam.

This forum meets annually and adopts its decisions by consensus. It has a General Secretariat. Its GDP, at the block, accounts for 56% of the global GDP and it also accounts for 46% of global trade.

Three of the four Pacific Alliance countries belong to APEC (Chile, Mexico and Peru). Also, Peru assumed this forum's chair and was the venue of its twenty-eighth summit in November 2016. These are important factors to consolidate the link between both economic blocks. In this regard, the First Informal Dialogue between the Pacific Alliance and

¹⁴⁸ See: Co-Chairs' Statement of the 1st Meeting between the Committee of Permanent Representatives of ASEAN and the Ambassadors/Representatives of the Pacific Alliance. ASEAN Secretariat, Yakarta, May 25, 2015.

APEC took place in Manila (the Philippines) on November 2015 during the Twenty-Third APEC Leaders Summit.

4.1.3 Transpacific Partnership Agreement (TPP)

The Transpacific Partnership (TPP) Agreement seeks to enter into cutting-edge free trade agreements for goods and services among the twelve negotiating countries (Australia, Brunei, Canada, Chile, USA, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam). As a block, they account for 30% of the global GDP, 10% of the population and 20% of global exports (Reina, 2013: 5 and 36).

Three of the Pacific Alliance member countries (Chile, Mexico and Peru) are part of the TPP negotiations, while Colombia has expressed its interest in joining them. Besides, the four block countries have signed or are negotiating trade agreements with TPP members, as follows:

Chart 16
Trade agreements between Alliance members and TPP members

	Chile	Colombia	Mexico	Peru
Australia	F			
Brunei	F			
Canada	F	F	F	F
Chile		F	F	F
USA	F	F	F	F
Japan	F	N	F	F
Malaysia	F			
Mexico	F	F		F
New Zealand	F			
Peru	F	F	F	
Singapore	F			F
Vietnam	F			

Source: Intrade IDB, 2014.

Prepared by Estevadeordal, 2014: 6.

F= Signed / N=Negotiation underway

All of this has allowed Pacific Alliance exports to TPP countries — excluding USA and Mexico— to reach 43 billion dollars in 2014, that is, 8% of total exports.

Therefore, participation of Alliance countries in the TPP will allow them to have preferential access to their markets and update existing bilateral agreements. It will also strengthen their links with the Asian region and they can become a bridge to other Latin American countries (Estevadeordal, 2014: 6).

4.2 Relations with the European Union and the USA

The USA and the European Union interest in the Pacific Alliance are twofold. First, both identify Alliance members as politically like-minded States and collaborators on international issues, differently from what happens with other countries in the Latin American region, such as Bolivia, Brazil, Ecuador, Nicaragua and Venezuela, among others, who have recently approached Iran, Russia and Syria clearly opposed to USA and Europe international politics.

Second, the free trade, trade promotion and foreign investments model proposed by the Pacific Alliance is attractive for the corporate sector and US and European investors. They see the block as a business space for economic profits, even more so if we take into account the economic and financial crisis they are going through. This was evidenced at the Seventh Summit of the European Union, Latin America and the Caribbean in Santiago de Chile in January 2013, where Alliance countries strongly promoted open market and juridical security for European investors (Arroyave, 2015: 120).

We must remember that the Pacific Alliance, as a block, exports 355 billion dollars to the USA. This accounts for 60% of the block's total exports. It also exports 47 billion dollars to the European Union, that is, approximately 8% of total exports (Estevadeordal, 2014: 7). Therefore, with the coming into effect of the Additional Protocol greater trade and investment opportunities open with these countries together with the organization of global value chains. This is also facilitated by the

existence of free trade agreements between the European Union and the USA with Alliance members.¹⁴⁹

Some important authorities in Europe even state that their interest in the Alliance is not only because of sharing political and economic values, but also because it is considered as a bridge with Asia and “as a new power center in world” (Zarandi, 2015: 446). Herrera points out that:

Colombia and Mexico can be, thanks to their coasts on the Caribbean and the Pacific, the geoeconomic nodes of connection between Europe and Asia-Pacific. At the same time, they can become catalysts of the economic insertion of Caribbean insular States and Central American economies and societies (Herrera, 2015: 218).

As for being a power center, Benita Ferrero, former EU Commissioner and Chair of the EU-LAC Foundation points out:

To begin with, EU-Pacific Alliance relations should be considered under the general context of a changing world most notably marked in recent years by the emergence of new concentrations of power.

[...]

In this regard, the EU and the Pacific Alliance could be said to share a similar approach. Both of them share goals, values, and methods for international insertion in the global economy.

[...]

As partners in international insertion, the EU and the Pacific Alliance stand to benefit both from a strong relationship between its Member States and, ultimately, a connection between the EU, Latin America and Asia via the Pacific Alliance, which could lead to the emergence of joint opportunities, such as the development of global value chains encompassing these geographical areas and gaining competitiveness (Ferrero, 2013: 1 and 2).

¹⁴⁹ In this regard, the Partnership Agreement between Mexico and the EU came into effect in 2000. Also, the strategic partnership was entered into in 2008. The Partnership Agreement between Chile and the EU dates back to 2003 and the trade agreements between Colombia and Peru and the EU came into effect in 2013.

Europe's interest for the countries that make up the Alliance is also shown in the European Union decision of exempting Peru's and Colombia's nationals from the Schengen visa when they travel as tourists for terms of less than 90 days, a measure that has already been adopted in favor of the other two Alliance partners.

Additionally, following military cooperation agreements between the EU and Chile (January 30, 2014) and Colombia (August 5, 2014) —which also signed a similar agreement with NATO— some estimate that the European block considers the Alliance as also relevant in geostrategic terms (Zarandi, 2015: 458).

In the case of the USA, also beyond economic and political similarities, the approach to the Alliance seeks to neutralize to some extent the increasing importance of China in the region and attain support of its members in TPP negotiations so as to “establish new global economic governance rules based upon free trade and investments, with high standards. The goal is that these rules be backed up by a broad coalition of States” (Zarandi, 2015: 452).

Finally, in case the Transatlantic Trade and Investment Partnership (TTIP) between the USA and the European Union comes true, this might have negative effects for the four Latin American block members, because TTIP countries might get preferential treatment as compared to Alliance countries. The Pacific Alliance countries, as we have already pointed out, have commercial agreements in effect with the European Union and the USA, which can be complemented with a negotiation between both blocks or, even, incorporating the Alliance to the TTIP if it becomes open to third parties (Estevadeordal, 2014: 7).

4.3 Relations with other Latin American blocks

4.3.1 Andean Community (CAN)

The Andean Community was created in 1969 and currently includes four member countries: Bolivia, Colombia, Ecuador and Peru. In spite of its long existence, this process has not been able to consolidate as a full and

effective integration block; it has not agreed on a common tariff or on achieving a customs union. It only operates as a free-trade zone among Andean countries.

Although inside the CAN there are differences in terms of economic development models and visions, it is useful for Colombia and Peru as a free-trade zone, something they share as members both at CAN and at the Pacific Alliance. It is also useful for Chile, a member State of the Alliance related to the CAN. For Colombia and Peru, for example, this zone is particularly important for their small and mid-sized companies, because it provides them with accessible commercial opportunities, but it is also good as a place to get commercial experience to then enter other more sophisticated, far and complex international markets. To confirm this we can highlight that Peruvian exports of non-traditional products to the Andean market accounted for 78% in 2010, 80% in 2011 and around 90% in 2012 (Castro Joo 2013: 50).

Therefore, although some consider that the Pacific Alliance collides with the CAN (Arroyave, 2015: 118), we believe that both processes can coexist harmoniously, it will only be necessary to be particularly careful with provisions or agreements adopted in the Alliance so they do not contradict existing commitments with the CAN. There is a broad and positive experience in doing this because of the FTAs signed by Colombia and Peru.

4.3.2 South American Common Market (Mercosur)

The South American Common Market was created in 1991 and is currently made up by Argentina, Brazil, Paraguay, Uruguay and Venezuela. They add up to around 282 million inhabitants. Their economic activity reaches 3.3 billion dollars and a total trade of 824.65 billion dollars.¹⁵⁰ Due to this, Peru enters into an Economic Complementation Agreement (ACE 58) with this block and following Decision N° 39/03 dated 2003 by the South Common Market Council, Peru became a partner country in Mercosur, so as to freely access large

¹⁵⁰ See URL: <<http://alianzapacifico.net/alianza-del-pacifico-y-mercursos-se-acercan/>>, website checked on May 6, 2015.

markets such as Brazil's and Argentina's. This same decision was adopted by Chile and Colombia, while Mexico is an observer country.

However, the high protectionism levels in this block make it imposible to have free trade with them and hence get important benefits. An example of the close character of this commercial block is that to 2013 its member countries only shared a common tariff that reached 35% (Castro Joo 2013: 50).

Due to the close character of Mercosur, a significant part of economic analysts coincide in the inconvenience of including Brazil and the other members of this block to the Pacific Alliance, because that would block their progress (Gavasa, 2014: 2). García Belaunde states, in this regard:

[...] while the Pacific Alliance is a process open to the world and of deep economic integration, Mercosur responds to protectionism dated back to the sixties and with an integration that hides its failures: restrictions to trade among themselves, a common tariff that has been repeatedly degraded and no serious attempt at liberalizing trade with third parties. If we attempt to put these two integration processes together we would repeat the Andean Community crisis (García Belaunde, 2014).

Even Chile, which proposed the initiative of calling Mercosur, realistically accepts its limitations. Michelle Bachelet declared before the Alliance ministers:

We know that Mercosur and the Pacific Alliance are integration systems articulated on different foundations. It is not realistic to propose tariff integration today, but we could reach progress in many other areas.¹⁵¹

Heraldo Muñoz, the Chilean Chancellor has written in this same regard:

[...] Chile has proposed to find convergence paths between the Pacific Alliance (AP) and Mercosur. It is not a merger between both schemes.

¹⁵¹ See: <<http://www.latercera.com/noticia/politica/2014/11/674-605866-9-bachelet-enfatiza-necesidad-de-lograr-convergencia-entre-mercosur-y-la-alianza.shtml>>, website checked on May 13, 2015.

That would not be realistic, given the tariff and regulatory differences. The idea is neither to decrease our firm commitments with the Alliance. As we understand, economic policy and international insertion differences are not obstacles for mutually beneficial specific agreements (Muñoz, 2015).

So, although there are different relation scenarios between the Pacific Alliance and Mercosur —convergence/cooperation, competition and coexistence— participants of the first block coincide in that, for the moment being, the link should be that of cooperation limited to specific points (Castro, 2015: 300-304).

We must remember that in 2013 total trade between Mercosur and Pacific Alliance reached 47.40 billion dollars, adding 23.70 billion dollars to each block's exports.¹⁵² Let us now see the matrix of exports between both blocks:

Chart 17
Matrix of exports between the members of
the Pacific Alliance and Mercosur, 2013
(in million of dollars)

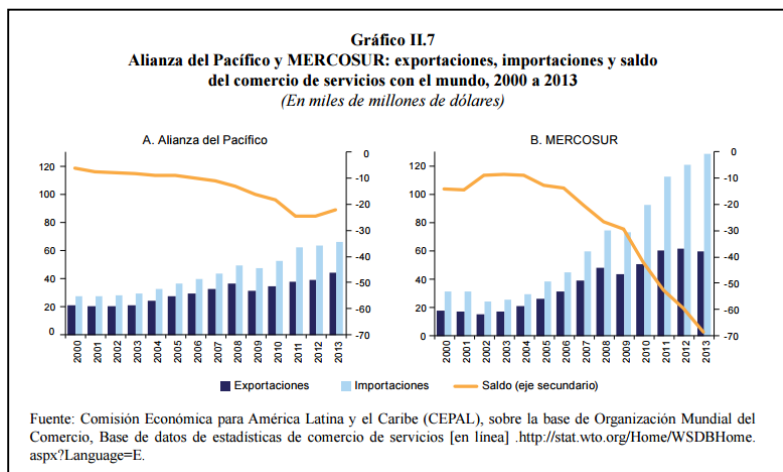
Destination Origin	Chile	Colombia	Mexico	Peru	Total Pacif Alliance	Argentina	Brazil	Paraguay	Uruguay	Venezuela	Total MERCOSUR
Chile		869.00	1,321.00	1,963.00	4,153.00	1,046.00	4,434.00	473.00	207.00	522.00	6,682.00
Colombia	1,572.00		864.00	1,274.00	3,709.00	433.00	1,591.00	18.00	23.00	2,256.00	4,321.00
Mexico	2,085.00	4,735.00		1,771.00	8,591.00	1,966.00	5,387.00	130.00	308.00	2,155.00	9,946.00
Peru	1,670.00	843.00	509.00		3,023.00	163.00	1,706.00	12.00	36.00	800.00	2,716.00
Pacific Alliance	5,326.00	6,448.00	2,694.00	5,008.00	19,476.00	3,607.00	13,117.00	633.00	574.00	5,733.00	23,665.00
Argentina	3,907.00	1,530.00	1,064.00	1,451.00	7,953.00		16,216.00	1,297.00	1,782.00	2,156.00	21,451.00
Brazil	4,484.00	2,703.00	4,230.00	2,147.00	13,564.00	19,615.00		2,997.00	2,071.00	4,850.00	29,533.00
Paraguay	526.00	27.00	272.00	192.00	1,017.00	778.00	2,834.00		198.00	52.00	3,861.00
Uruguay	143.00	18.00	146.00	115.00	422.00	493.00	1,712.00	153.00		447.00	2,805.00
Venezuela	133.00	431.00	97.00	98.00	759.00	52.00	1,181.00	0.00	492.00		1,725.00
MERCOSUR	9,193.00	4,710.00	5,810.00	4,004.00	23,716.00	20,938.00	21,943.00	4,447.00	4,543.00	7,504.00	59,375.00

Source: CEPAL, 2014: 41.

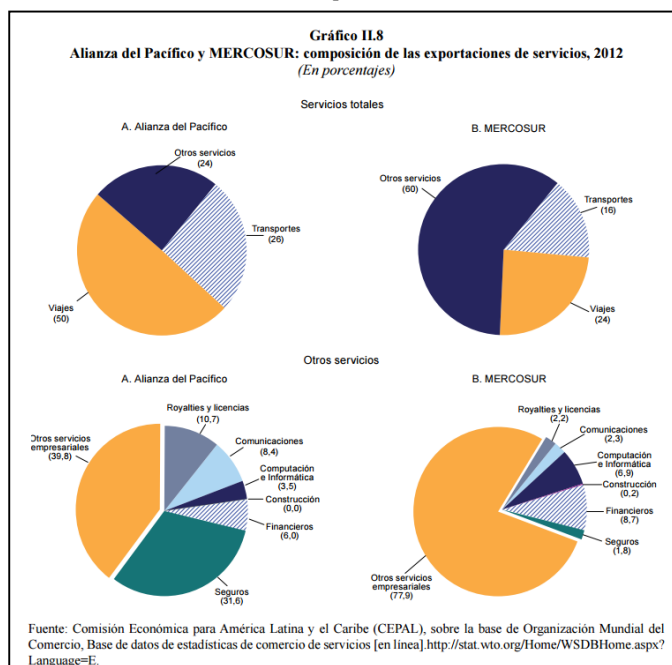
On the other hand, we can see the behavior of service trade between both blocks and the rest of the world, as well as its composition:

¹⁵² See URL: <<http://www.cepal.org/es/comunicados/alianza-del-pacifico-y-mercursos-representan-mas-de-80-del-comercio-exterior-regional>>, website checked on June 4, 2015.

Graph 23



Graph 24



Taking these figures into account, the first informative meeting among Pacific Alliance and Mercosur Foreign Affairs Ministries took place on November 1, 2014 in compliance with the mandate from the Ninth Alliance Presidential Summit that took place in Punta Mita (Mexico) in June that year. They exchanged information on the current progress and status of both processes to identify concrete cooperation areas for the future. On the 24th of that same month, the seminar “Dialogue on regional integration: Pacific Alliance and Mercosur” took place in Santiago de Chile. The ministers of Foreign Affairs and Trade from both blocks participated in this dialogue together with Latin American corporate and union leaders.¹⁵³

These first efforts towards seeking cooperation points would be substantially reinforced if Mercosur changed towards favoring free trade, because that could open infinite opportunities.¹⁵⁴ So Brazil—as the block’s undisputable power—should have a fundamental role if any reform is to take place. Although, Brazilian protectionism and its long-lasting close market permitted the growth and strengthening of its national industry, this development pattern seems to have reached a limit. This is how change seems to be an imperative more than an alternative.

About the possibility of reforming Mercosur and the Brazilian development model Zarandi shares important thoughts:

The voices that see an increasing danger of isolation for Brazil and Mercosur in the international commercial scenario have gained weight in Brazil in comparison to the Pacific Alliance free trade policies and in view of the participation of three of the Pacific Alliance members in the TPP. [...] Uruguay and Paraguay, being Mercosur members, became AP observer countries. There are voices in both countries that favor

¹⁵³ See: <<http://gestion.pe/economia/mercosur-y-alianza-pacifico-buscan-puntos-convergencia-foro-2114778>> y <<http://www.cepal.org/es/comunicados/alianza-del-pacifico-y-mercosur-representan-mas-de-80-del-comercio-exterior-regional>>, pages checked on May 7, 2015.

¹⁵⁴ See URL:<<http://www.latercera.com/noticia/politica/2014/11/674-602828-9-canciller-munoz-participo-de-primera-reunion-informativa-ministerial-de-alianza.shtml>>, website checked on May 13, 2015.

becoming full Alliance members, which could be seen as a weakening of Mercosur's internal cohesion. [...]

The greater economic growth in AP in comparison with Mercosur and the great international interest on the AP has intensified debate inside Mercosur about their economic and commercial model (Zarandi, 2015: 459)¹⁵⁵.

The proposals formulated in Brazil towards bilateral negotiation of commercial agreements and finding new markets are an example of this.¹⁵⁶

Therefore, Mercosur would have to open its mindset about integrating with the Pacific Alliance. As for the benefits that can be derived from this possibility, the study promoted by KAS in 2015 states that in a deep integration scenario between the Pacific Alliance and Mercosur, the main benefited would be Peru, which would achieve an increase in its real income of 3.25%, Colombia would be benefited to a lesser extent (1.6%), Chile (0.61%) and Mexico (0.35%). On the contrary if there were a shallower trade liberalization, all the Alliance countries, except for Mexico would experience a loss of well-being, while for Mercosur countries their real income would increase by 0.05% in average (Abugatas et al, 2015: 56-58).

Recent changes in Argentinean and Brazilian governments point at better perspectives, not only for a new direction inside Mercosur, but also for an alignment with the values and principles that are the foundation of the Pacific Alliance. These new winds were evidenced at the High Level meeting in Lima in May 2016 between Mercosur and Pacific Alliance countries, in which there was greater alignment between representatives of both blocks. This, in turn, permitted to establish the next topics of common interest and a starting point for cooperation between both blocks: trade facilitation, customs cooperation, commercial promotion and small and mid-sized companies.¹⁵⁷

¹⁵⁵ Oppenheimer, 2015 coincides on this.

¹⁵⁶ See: <<http://www.elpais.com.uy/informacion/movida-brasil-pone-jaque-dividido.html>>.

¹⁵⁷ See item 15 in the Puerto Varas Presidential Declaration dated July 1, 2016.

5. Recommendations

We can conclude that the Pacific Alliance has resulted in a successful process despite its short existence, generating very positive expectations in the international community. However, although it has reached many achievements in its different pillars, there are still challenges and tasks ahead, particularly the following:

- a) *General issues.* The process has attained a number of achievements and there are real possibilities of getting better benefits in the future. This means that the Pacific Alliance should continue being a priority in the foreign political agenda of this block's member country. Therefore it should be a State policy, because this would allow for continuing with the same speed, seriousness and commitment in decision making as it has happened until now, which has raised international expectations.
- b) *Trade of goods.* It is important for Alliance countries to diversify and improve their exportable offer (in quality and quantity of goods, making them more competitive). They should not be limited to exporting *commodities*, but should export value added products because that will promote gradual industrialization of the block and ensure more income and a better positioning in the international market.
- In the specific fields of cosmetics and personal hygiene, following the subscription of the First Amending Protocol in 2015, it is vital to promote investment and development of natural cosmetics due to an extraordinary exporting potential. In that regard, these products should be researched around maintaining quality and stability and should also be registered in globally acknowledged entities, such as the European Union's *Cosmetic Ingredient Database*.

- It is also fundamental to define new areas to be included under the regulatory cooperation model implemented for the cosmetic industry.
- c) *Service trade*. It is also important to diversify and improve exportable offer, because that will broaden insertion possibilities in the global market.
- The cultural industry (cinema, theater, music, television, etc.) should be promoted as a mechanism to attract investment, to produce wealth and promote the Alliance's identity and diversity.
- d) *Trade of goods and services*. It is fundamental to invest more in research and development, and science and technology to improve the block's exportable offer. This will progressively lead to an industrial structure that produces goods and services with value added (productive transformation).
- Another fundamental aspect for Alliance members to produce goods and services with value added is to increase investment in developing specialized and highly qualified human resources. It is hence important to improve the quality of school, technical and university education.
- On the other hand, infrastructure should improve in Alliance countries, particularly regarding land (construction of intraregional highways), maritime (ports strengthening) and air interconnection to reduce transportation costs and remove obstacles to trade.
- It is also important to finish the studies on the different opportunities to create global value chains among Alliance members and between these and third parties. As this comes true, there will be better positioning in the international market thanks to the entry of Alliance products and services and other markets with more value added and hence more competitiveness.

- To achieve productive chains, it is fundamental to promote meetings and exchange between promotion agencies, public sector authorities and the private sector in each country, as well as exporter and importer companies of the block, and between these and those of third countries.
 - In connection to the preceding issue, it is particularly important to strengthen micro, small and mid-sized companies of Alliance countries through technological and organizational modernization, as well as through personnel training. Additionally, it is fundamental to get financial support for high-impact SMEs and implement the recommendations in the OECD's study, which aim at strengthening these economic units collaborating with their insertion in the global market through global value chains, all of which will have a positive impact on economic growth and will boost employment inside the block.
 - Finally, it is necessary to finish work towards implementing commercial facilitation mechanisms such as the Electronic Origin Certificates (COE) System, the interoperability of the so called Foreign Trade One-Stop Shops (VUCE), and minimum standards and guidelines for subscribing mutual acknowledgement agreements among Authorized Economic Operators (OEA), since that will lead to simplification, harmonization, streamlining, interoperability and promotion of standards in customs procedures of the Pacific Alliance countries, which would facilitate and increase commercial flows among them and their insertion into the global economy.
- e) *Regarding investments.* It is essential to finish the studies in the Alliance to identify barriers and establish good practices and opportunities to improve the member countries' investment climate. It would also be advisable to work on creating mechanisms so that the block's countries' pension funds and investment funds from other parts of the world back up investment projects in infrastructure inside the Alliance.

- f) *Circulation of capitals.* It is vital to strengthen the MILA. To do so, it is necessary to work to harmonize fiscal treatment and avoid double taxation of revenues obtained in the capital market; expand instruments that can be transacted in member country markets, and; promote the participation of more agents in these markets. Likewise, it is important to increase knowledge on platform use with no need for an intermediary. This system should not be more focused on retail investors than on large groups and it should not be impossible to operate the platform electronically.
- g) *People mobility.* There should be consensus to prevent limiting tourism, business and temporary programs for youth. Mobility should be extended to labor mobility and the European model can be a reference. To that effect some difficulties have to be overcome, such as Mexico's limitations due to its being a neighbor of the USA; unemployment and informal employment levels in the Alliance member countries; lack of definition regarding the need for technicians or professionals in connection with the productive structure of each country; acknowledgement of professional degrees; need to seek convergence in labor policies among block participants; and, finally harmonizing social security system for workers.
- h) *Cooperation.* It is of the utmost important to speed up the internal approval procedure to create the Alliance's cooperation fund, as well as to supply it with sufficient resources to attain its purposes.
- i) *Tourism cooperation.* It is important to continue with joint tourist promotion activities and macro tourism rounds.
- Besides, a Pacific Alliance Visa has been proposed for nationals from third countries (according to the design proposed on the Eighteenth meeting of the Facilitation of People Movement and Migratory Transit Platforms meeting in Viña del Mar in 2015, which continued with work meetings all along 2015). The idea is to facilitate and promote extra-regional tourism.

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- It is also important to design a joint cultural, activity program to strengthen the presence of the Alliance in Asia-Pacific, the USA and Europe, showing the advantages of our common cultural heritage.
 - j) *Cooperation for population participation.* It is fundamental to mainly incentivize youth participation in different scholarships, and in volunteering and sports diplomacy programs, as a way to legitimize and strengthen the future of this integration process. In this regard, Mexico and Peru should offer more participation opportunities in youth volunteering programs so that they can attract more youth interested in this kind of activity. Additionally, the Alliance might consider the creation of a youth exchange program so that young nationals from a member State can stay in another State's person's home, thus strengthening knowledge about mutual idiosyncracies, culture and customs, resulting in closer links among populations.
 - k) *Environment and climate change cooperation.* Cooperation should be strengthened among Alliance member countries, not only to mitigate climate change effects and carry out adaptation programs, but also to assume common positions in multilateral forums and organizations.
 - l) *Consular cooperation.* We consider it is important to review the different limitations for the application of the interinstitutional agreement dated February 10, 2014 which, undoubtedly, restrict the possibilities for a greater coverage and support to member country nationals.
 - m) *Commercial and investment promotion cooperation.* It is necessary to establish more joint commercial offices, increasing their number to expand trade possibilities and attract foreign investment as a block.
 - Likewise, joint commercial offices should be formalized by entering into agreements where representation scopes and limitations should be clearly defined. To do so, we should take as reference the agreements entered into for establishing joint diplomatic offices.

- On the other hand, we should continue promoting joint trade and investment, participating in international fairs, organizing macro business rounds, etc, always seeking to increase realization of business expectations, to diversify markets and to leverage value chains.

- n) *New cooperation areas.* It is important to suggest that any new topic to be incorporated should be directly linked to the block's purposes, because if not the process can expand the issues and distract participants from their objectives. In that regard, a new cooperation possibility is energy integration among Alliance members, taking into account that this is a key and central issue for all.

- o) *Different integration pillars.* It is important for the Alliance to have updated, detailed and comparable statistics, since this is an indispensable tool to be able to establish baselines on each issue. It is also important to set forth policies aimed at strengthening each one of the pillars in this block.

- p) *Foreign relations.* It is important to progress more effectively. To do so, it is not only necessary to have different relationship strategies for each block and to study how to form value chains with each one of them, but also to develop a common insertion policy that will need to clearly perceive the economic relevance and potential they have as a block. It is vital to have public and private companies partner to leverage and diversify the Alliance's exports.

- In the Asia-Pacific case, it is important for Alliance countries to improve and diversify their exportable offer, strengthen their human capital, encourage the study of Asian languages, and intensify official and corporate visits to that region in order to seek business opportunities and dynamize bi-regional relationships.

- As for ASEAN, having established cooperation issues with the Alliance is undoubtedly an attainment, because it is a potential

commercial partner. These agreements should be implemented as soon as possible.

- Concerning the APEC, the presence of three of the four Pacific Alliance member countries (Chile, Mexico and Peru), added to the fact that Peru has assumed this forum's chair and was the venue for its twenty-eighth summit in November 2016, are important factors to consolidate relationships between both economic blocks.
- On the other hand, the participation of Alliance members in TPP negotiations will allow them to enjoy preferential access to their markets and update existing bilateral agreements. It will also strengthen their links with the Asian region, which means we should continue as a part of that process also because the Alliance can become a bridge between Asia and other Latin American countries.
- In the case of the USA and Europe, the recent coming into effect of the Framework Agreement's Additional Protocol will open more trade and investment opportunities with these countries, which can also be facilitated by free trade agreements between these blocks. However, it is indispensable to study the possibilities for devising global value chains with both of them, taking into account that one of the Alliance's objectives should be to export value-added products. Likewise, it is fundamental to take the advantage of Colombia's and Mexico's presence in the Alliance, because their access to the Caribbean facilitates convergence between Europe and Asia-Pacific. We should also add to this the need for keeping and reinforcing political convergence with the USA and Europe, because that is the foundation for the Alliance to be perceived as an important commercial -but also geopolitical- partner.
- Regarding Mercosur, we consider that for the time being the link with the Alliance should be through cooperation and referred to specific points. Another alternative, such as integration of both blocks or the inclusion of any of its members can also be considered if the countries that partake in Mercosur changed in favor of free trade.

- The policy about establishing joint diplomatic representations should be deepened, expanding the number of countries that might be relevant, since this leverages the block's image and its possibilities for coordinated and joint action.
 - It would be appropriate to establish a day to celebrate the Pacific Alliance in the world, when diplomatic and consular representations would show the advantages of this process in the places where they operate. This should be coordinated with ceremonies in each one of the block's member countries.
 - Finally, it is necessary to evaluate the need for institutionalizing a representation organ concerning foreign policy to channel the block's foreign relationing initiatives, because the temporary chair is not enough to those ends. Even more so, the Alliance is not an international legal entity, so it cannot enter into international agreements with States or international organizations. Therefore, a representation body would be very useful.
- q) *Member States.* Entry of new countries in the Alliance should be evaluated very carefully, as well as the point and time for that incorporation. In this regard, the new members should share the political and economic principles of other members in the block, because that can strengthen and dynamize it. Likewise, it is important that opening be gradual and that it occurs once the block is internally consolidated with its original members.
- r) *Observer States.* It is essential to change their passive role and design a work agenda, being particularly careful in differentiating cooperation areas per group of countries. Meetings per blocks should be organized to prepare this agenda. Companies can participate at these meetings and submit proposals, channeling them through the CEAP.
- s) *Pacific Alliance Corporate Council.* It is necessary to evaluate the establishment of a secretariat to support its work.

- Likewise, it is important to expand this Council's representation, incorporating some SME delegates. Even more so, if we take into account that the Alliance countries have shown an interest in strengthening and fostering this sector.
 - Finally, the proposals submitted by the CEAP should be shared among all the members of the different national chapters, and consensus should be reached before they are submitted to the coordination committee, because this would facilitate their implementation by the political authorities that lead this integration process.
- t) *Alliance structure.* Gradual growth of areas and matters that make up this integration process lead to evaluate if this structure should be expanded and/or reinforced in the short term without implying a heavy bureaucratic structure.
- u) *Block's future.* There should be mid- and long-term planning so that the Alliance can take a look at future scenarios and the role it is to play in them, establish insertion priorities and strategies choose more competitive productive sectors, point at scientific research, development and technological innovation goals, etc.

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Declaración de Lima del II Foro de la Iniciativa de la Cuenca del Pacífico Latinoamericano, del 21 de agosto de 2007 (Lima Declaration at the Second Forum of the Latin American Pacific Basin Initiative, August 21, 2007)

Declaración de Cancún del III Foro de la Iniciativa de la Cuenca del Pacífico Latinoamericano, del 14 de abril de 2008 (Cancun Declaration at the Third Forum of the Latin American Pacific Basin Initiative, April 14, 2008)

Declaración de Santiago de Chile del IV Foro del Arco del Pacífico Latinoamericano, del 3 de octubre de 2008 (Santiago de Chile Declaration at the Fourth Forum of the Latin American Pacific Arch, October 3, 2008)

Declaración de Puerto Vallarta del V Foro del Arco del Pacífico Latinoamericano, del 24 de noviembre de 2009 (Puerto Vallarta Declaration at the Fifth Forum of the Latin American Pacific Arch, November 24, 2009)

Declaración de Urubamba del VI Foro del Arco del Pacífico Latinoamericano, del 15 de octubre de 2010 (Urubamba Declaration at the Sixth Forum of the Latin American Pacific Arch, October 15, 2010)

Declaración de Lima (Perú) de 28 de abril de 2011, suscrita durante la I Cumbre Presidencial de la Alianza del Pacífico (Lima Declaration dated April 28, 2011, signed at the First Pacific Alliance Presidential Summit)

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Memorándum de Entendimiento sobre la Plataforma de Cooperación del Pacífico, de 4 de diciembre de 2011 (Memorandum of Understanding on the Pacific Cooperation Platform, December 4, 2011)

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Acuerdo Marco de la Alianza del Pacífico, del 6 de junio de 2012 (Pacific Alliance Framework Agreement, June 6, 2012)

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Declaración de Santiago de Chile de 26 de enero de 2013, suscrita durante la VI Cumbre Presidencial de la Alianza del Pacífico (Santiago de Chile Declaration, dated January 26, 2013, signed at the Sixth Pacific Alliance Presidential Summit)

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Declaración de las Entidades de Promoción y de Inversión de la Alianza del Pacífico, de 10 de febrero de 2014 (Cartagena) (Declaration by the Pacific Alliance Promotion and Investment Entities, February 10, 2014 (Cartagena))

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Acuerdo interinstitucional entre los ministerios de Relaciones Exteriores de los Estados Partes de la Alianza para el establecimiento de medidas de cooperación en materia de asistencia consular, de 10 de febrero de 2014 (Cartagena) (Interinstitutional Agreement between the ministries of Foreign Affairs of the Alliance Parties States for establishing cooperation measures on consular assistance, February 10, 2014 (Cartagena))

Declaración de Punta Mita - Nayarit (México) de 20 de junio de 2014, suscrita durante la IX Cumbre Presidencial de la Alianza del Pacífico (Punta Mita – Nayarit (Mexico) Declaration, dated June 20, 2014, signed at the Ninth Pacific Alliance Presidential Summit)

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Declaración de Puerto Varas (Chile), suscrita durante la XI Cumbre Presidencial de la Alianza del Pacífico, el 1 de julio de 2016 (Puerto Varas Declaration (Chile), signed at the XI Pacific Alliance Presidential Summit on July 1, 2016)

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International Studies Institute (IDEI) is a Pontificia Universidad Católica del Perú academic unit. It was created in 1991 to promote knowledge on international affairs with a multidisciplinary perspective in Peru, taking into account the increasing importance of these affairs for Peru's development in a global and interdependent world.

Since it was created, the IDEI has been developing its activities in three specific areas.

Research, IDEI has developed more than two hundred and seventy studies in different areas regarding international affairs from a multidisciplinary perspective, mainly foreign policy, defense and security (human trafficking, drug trafficking, terrorism, corruption), international law (public, private, human rights, humanitarian), diplomatic law, international economy and trade, international relations, democracy, environment, diplomatic history, civil-military relationships, integration, gender and women's rights, migratory policy, among others.

Publications, the vast production by IDEI started in 1993 and now exceeds two hundred titles. The institute also publishes the International Agenda Journal on an annual basis. There are more than thirty numbers to date with collaborations from renowned domestic and foreign figures, who have dealt with matters of international interest from different disciplines such as Law, Political Science, Economics, History, Sociology, Philosophy, International Relationships, among others. Additionally, the IDEI has an electronic newsletter "Global Outlook," that analyzes the main current affairs in the world. It is published on a bi-monthly basis and has thousands of subscribers.

Dissemination of international knowledge, the IDEI has organized more than three hundred events (seminars, workshops, roundtables, conferences, conversations, etc.) which have taken place in Lima, the provinces and, even, in United States of America, Chile and Spain. Among the main activities in the last years, the IDEI was honored to coorganize, for the first time in Peru, the course at the Hague's International Law Academy in December 2005. The Institute has also participated as a Scholarly partner of the Ministry of Foreign Affairs of Peru at the Fifth European Union, Latin America and the Caribbean Summit (ALCUE, 2008), as well as at the Twentieth Summit of the Asia Pacific Economic Cooperation Forum (APEC, 2008). In March 2010, it hosted the OAS Inter-American Juridical Committee sessions. Later, it collaborated with the Third Summit of South American and Arab Countries Heads of States and Government (ASPA, 2012). Finally, in 2014, the IDEI collaborated with the Ministry of Environment MINAM and the Ministry of Foreign Affairs in preparing the Twentieth Conference of the Parties of the United Nations Framework Convention on Climate Change – COP20, as well as the Tenth Meeting of the Parties to the Kyoto Protocol – CMP10.

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