“Pacific Alliance”: a fresh initiative uniting Chile, Colombia, Mexico, and Peru

In the Declaration signed in Lima, Peru, April 29, the Heads of State outlined objectives for the liberalization of trade in goods and services, the free movement of persons, financial and capital integration, and physical integration, especially in the energy sector. Panama took part in the discussions as an observer.¹

According to Colombia’s Ministry for Trade, Industry, and Tourism, the initiative arose from Peru’s President Alan Garcia in 2010 and was given fresh impetus by his Chilean counterpart, Sebastián Piñera, in December that year at the Ibero-American Summit in Mar del Plata, Argentina. At the start of 2011, the Trade Ministers of Chile, Peru, Colombia, and Mexico met for the first time to begin drafting the roadmap toward integration by identifying areas of common interest.

On the one hand, the first stage of the process will focus on creating technical groups working toward liberalizing the movement of business persons and migration, trade facilitation and customs cooperation, trade in services and capital mobility, and the creation of a dispute settlement mechanism, etc. The platform on which the Framework Agreement is to be drawn up, which will be presented in December this year, will consist of the free trade agreements (FTAs) between these countries. At the start of 2011 Mexico already expanded the scope of the FTA it has had with Colombia since 1996 and has replaced its Economic Complementation Agreement with Peru with an FTA.² The FTA with Chile, in force since 1998, has deepened in recent years, and includes public procurement, financial services, etc. Chile also has an FTA with Colombia and Peru, both in force since 2009, while the trade relationship between Peru and Colombia is governed by the Andean Community of Nations (CAN).

Despite the existence of agreements, trade between Chile, Colombia, Mexico, and Peru is not very significant, accounting for between 2% and 3% of the countries’ total trade over the past 10 years. In the Andean countries’ case, this is not surprising because of the similarity in their factor endowments and the type of specialization within international trade that they maintain, where the export of raw materials predominates. For its part, Mexico’s trade is highly concentrated with its partners in the North American Free Trade Agreement (NAFTA). For this country, the initiative involves precisely an effort to diversify its markets. The great buoyancy shown by trade between the four partners (18.6% c.a. between 2000 and 2008) finds an explanation in very low initial levels (Graph 1).

¹Panama will seek to join the Pacific Alliance once its trade agreements with the other members have been concluded.
On the other hand, a High-Level Group will set up to, among other functions, represent the bloc abroad, especially in Asia-Pacific negotiations, thus establishing an interesting Latin American alliance in that area. It should be remembered that, with the exception of Colombia, the other countries are already part of the Asia Pacific Economic Cooperation (APEC) Forum, and Peru and Chile are currently negotiating the Trans-Pacific Partnership (TPP) Agreement, and have been since 2005 and 2010 respectively. Chile already has agreements with some Asia-Pacific countries and has begun fresh negotiations.

Graph 1. Evolution of Chilean, Colombian, Mexican, and Peruvian trade with APEC countries,* Pacific Alliance, and the rest of the world. In billions of U$S

![Graph 1: Evolution of Chilean, Colombian, Mexican, and Peruvian trade with APEC countries, Pacific Alliance, and the rest of the world.](image)

Note: * APEC excludes trade with Canada and United States.
Source: COMTRADE.

Trade with APEC member countries (excluding United States and Canada) grew at an average cumulative annual (c.a.) rate of 20.7% between 2000 and 2008 and then shrank 13.0% in 2009 against the background of the international crisis. It should be remembered that, in the same period, trade with the rest of the world grew by just 7.8% c.a. and shrank by 23.6% in 2009. Consequently, these APEC countries have gone from accounting for 8.4% of Chile, Colombia, Mexico, and Peru’s total trade in 2000 to 23.7% in 2009, reaching U$S124.8 billions, figures that point to the growing importance of the Pacific for these

3 Colombia has submitted a formal application to join APEC, which will be backed by the Pacific Alliance.
countries, and therefore the advantages of promote a cooperation scheme such as this one.

The four countries also share trade agreements with United States (except for Colombia, where it is in the process of being approved) and the European Union.