

CONNECTIVITY IN THE PACIFIC ALLIANCE

AND THE ASIA PACIFIC

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As we are all aware, in 2013, in Bali, APEC Leaders established a Framework on Connectivity that aims to accelerate regional connectivity within its three pillars, physical, institutional and people-to-people. These three pillars feature in the APEC Blueprint for Connectivity 2015 - 2015, which identifies the areas where we should focus all our efforts for developing links between the different initiatives promoted in the region on those three areas.

But at the same time, the Blueprint recognizes that the region faces significant challenges in order to achieve a swift connectivity. Firstly, as to the physical links, there is an important difference between the dimension and efficiency of infrastructure development among APEC economies and sub-region. There is also a disparity in access to the information and communication technology (ICT) and in its quality. Secondly, in the field of Institutional Connectivity, it has been recognized that we face an excess of regulatory constraints and a lack of capacity to build up more effective institutions. Finally, in People to People Connectivity, there are still important barriers to interaction and mobility, and a lack of seamless movement of persons.

In order to address these challenges, APEC has been a very active promoter of regional connectivity through a series of different projects such as APEC Peer Review and Capacity Building on Infrastructure Development and Investment or the APEC Initiative for Enhancing the Quality of Electric Power Infrastructure and the proposal to further enhance the Connectivity Blueprint by including concrete targets by 2017.

However the main core of connectivity development in the Asia-Pacific is based on the sub regional and national initiatives. The main task for working under the

umbrella of the Blueprint for the next 10 years is to create the links that may join these initiatives. To undertake this endeavor it is also very important to give priority to the “seamless” aspect of the connectivity: the compatibility between the different initiatives.

It is of capital importance to have a comprehensive vision of the connectivity between the different sub regions of APEC, particularly when Physical connectivity is at stake. In my opinion, following connectivity projects already underway in the framework of ASEAN and between ASEAN and its Asian neighbors, the APEC region should promote more physical and infrastructure initiatives to improve the connection between the Asia-Pacific and the Pacific rim of Latin America.

Nowadays, the most dynamic initiative of integration within the Asia-Pacific on the Latin American side is the Pacific Alliance. It may sound repetitive to stress that this group of four countries (Chile, Colombia, Mexico and Peru), with 217 million of habitants, has a GDP per capita of US\$ 16,759, 74 FTAs and 92% of totally free tariff lines . Together, they are the eighth biggest economy in the world.

But one characteristic that has not been stressed is that these four countries together cover 18,643 Km. of the Pacific Coastal line of Latin-America, or 77.58% of the total Latin-American shores on the Pacific. This fact reinforces the idea that they are the ideal partners to develop transpacific physical connectivity with Asia.

Notwithstanding its own general objective of becoming a platform for political, economic and trade integration and projection to the world “with special emphasis to the Asia-Pacific Region”, up to now the Pacific Alliance has followed up the trend of mainly focusing on connectivity between its own members and has not considered significantly yet their physical projection towards the Asia-Pacific. In the current work agenda of the Alliance, the institutional and people to people connectivity have been the prioritized areas.

In the Summit of the Leaders of the four countries that took place recently in Puerto Varas, Chile, a significant section of the agenda was devoted to promote connectivity.

A review of some excerpts from the Declaration of Puerto Varas give us a better idea of the type of connectivity measures that are already in the decision making pipeline of the Pacific Alliance:

Institutional:

Recognition of the Electronic Signature in trade documents;

Development of a low cost postal system for exports of very small and micro enterprises;

Promotion of a swift interoperability of Certificates of Origin and Customs Declarations through the Single Window System;

Development of an agreement on “Authorized Economic Operator”;

Implementation of a pilot program to have a swift Patent Recognition System

People to People:

Agreement on the free circulation of foreigners who are residents in the Pacific Alliance countries, exempting them of short term visas;

Development of a Platform for the Movement of Students;

Standardization of terminology in the Hotel Service sector;

Development of a system for the mutual recognition of university degrees;

Establishment of a virtual course for entrepreneurs in the Cultural sector;

On the other hand, in the Asia shore of the Pacific, more emphasis is also given to develop physical connectivity. Consequently, if one the main objectives in APEC is achieving a seamlessly and comprehensively connected and integrated region, it is necessary to bridge the main initiatives -especially, but not exclusively in physical connectivity- at both shores of the Pacific.

The most relevant case to consider is the “Belt and Road” initiative, particularly its component related to the “Maritime Silk Road”. Among their main objectives to strengthen physical connection we may find the development of an interconnected link for cargo transportation, a development of multimodal transportation, the improvement of the port infrastructure, the facilitation of air transportation, the development of environmental protection industries, as well as the improvement

of the fiber optic network. Also, concerning institutional connectivity, the “Belt and Road” initiative covers areas such as better customs facilitation, elimination of barriers to trade and investment, urgent reduction of non-tariffs measures, and promotion of a modern service sector in order to create a fully functional regional market.

The expansion of the “Belt and Road”, however, has been limited to a geographical space, which doesn't comprise the Pacific rim of Latin America.

I strongly believe that it is of the greatest importance for all countries involved in the “Belt and Road” Initiative to consider the possibility of developing a transpacific branch that may link the Asian shore with the Latin American side of the Pacific, and particularly with the member countries of the Pacific Alliance. Three of the four economies -with the exception of Colombia- are members of APEC. The figures of trade of these countries with the Asia Pacific are also impressive. The bilateral trade between the four countries of the Pacific Alliance with ASEAN plus China reached US\$ 160.59 billion in 2015.

The consideration of this initiative could also be part of the report on the ‘Exploration on Strengthening of Maritime Connectivity’ that is currently being prepared and is to be presented by the end of this APEC year. The APEC Trade Ministers meeting in May this year recognized that the report will help facilitate trade and investment in the region. It is also worth mentioning that Japan is preparing a Study on Infrastructure Investment in the APEC Region, which should be completed by November 2016, and should be useful to assess progress and gaps in this area.

In order to reach out to the Asia-Pacific, the Pacific Alliance should also promote business-to-business integration. Prospects for better trade, investment and services linkages between East Asia and Latin America have already opened up, after ASEAN-PA Foreign Ministers Meeting that was held in New York in September 2014

Financial connectivity is also of great importance to promote a better access from the Pacific Alliance to the initiatives in the Asian side of the Ocean. The Pacific Alliance has already created the Integrated Latin American Market (MILA) Stock

and Exchange Market. Another of those initiatives, which may establish a better base for financing the physical links across the Pacific, is the accession to the Asian Infrastructure and Investment Bank (AIIB). Up to now, the only signatory country in the American continent is Brazil. However, in his recent State visit to China, the President of Peru has expressed the will of his country to become a new member of the AIIB. This trend may be considered by the other three members of the Alliance as a way to extend the possibilities to obtain financing for connectivity initiatives in the Asia Pacific, besides support from IADB and ADB

There are also other potential grounds for establishing links between APEC and the Pacific Alliance, one of them is trade facilitation, dismantling barriers to trade and investment in services, promoting PPPs, supporting business networking and favoring academic mobility and students' internships.

From a systemic point of view, regional connectivity may face a main challenge in order to further up the 2014 APEC connectivity blueprint. This challenge is related to transparency: Not all the information related to the initiatives it comprises, particularly at the sub regional level, is swiftly and speedily known by all the economies in APEC. If a free and fast access to connectivity information is made available, an immediate byproduct could be a rapid adaptation and linkage between similar initiatives than may be developed in different geographical areas of the Asia -Pacific. This may also be very useful to avoid a duplication or redundancy of efforts.

In summary: it is important to apply a more efficient connectivity to APEC's information on connectivity.

An initiative that could help the freer and faster flow of information may be the establishment of a real time platform where economies and users may have direct access to consult the information on the most recent decisions taken by different countries or groups of countries regarding physical, and especially, institutional and people to people connectivity.

There is already the APEC Leaders' mandate to Ministers and Senior Officials to oversee the implementation of the Blueprint on a yearly basis and to conduct a mid-term review of the Blueprint in 2020. This mandate is implemented through the Friends of the Chair on Connectivity, which reports to SOM. The PSU, as well, prepares for the CSOM a Yearly Review Framework for APEC Connectivity Blueprint. Also, very recently, an APEC economy has presented the initiative to include in the PSU reports any connectivity decision or target adopted at the Leaders, Ministerial or relevant fora, as well as any discussion on the subject by ABAC. This important effort to focus on connectivity may be complemented with a very dynamic data sharing platform of easy and free access.

As Economies provide information on their different initiatives, particularly on institutional and people connectivity that they adopt within the framework of APEC or in other sub regional fora, this information could be compiled on a standardized format that may be easily loaded into a data base with open access.

As it was mentioned, the swift transfer of information on the different initiatives may have positive effects, at least in two areas: to promote the connection with similar measures in different areas of Asia-Pacific, and consequently avoid repetition or redundancy in initiatives when there is already a state of the art proposal or a model experience available for replication or for extending its linkages. On the other hand, the open flow of information may be of great assistance in developing the standardization of connectivity measures adopted by the different economies. This approach will address the "seamless" concept included in the mandate adopted by the Leaders in the 2013 Bali Declaration.