



The Pacific Alliance

The Evolution of the Pacific Alliance and Its Projection Towards Asia

Adriana Roldán Pérez

Asia Pacific Studies Center
Universidad EAFIT

Pacific Alliance: Objectives

- Construct, in a participatory and consensual manner, an **area of deep integration**, progressing towards the free movement of goods, services, capital and people.
- Boost greater growth, development and competitiveness of the Parties' economies, aiming to **increase welfare**, overcome socio-economic disparities, and achieve social inclusion of their populations.
- Become a platform for political articulation, economic and trade integration, and global outreach, particularly to the **Asia-Pacific**.

What the figures say about the Pacific Alliance

The Pacific Alliance has
5,107
FDI GREENFIELD
PROJECTS from all
over the world.
(2003-2013)

GDP 2013 (current)
USD **2,188,268**
MILLION

3.7%
Real GDP Growth 2013(e)

USD **14,735**
GDP per capita (PPP 2013e)

214
MILLION
Population
2013 (e)

TRADE
Exports 2013
USD **558,204**
MILLION

Imports 2013
USD **555,013**
MILLION

FDI (2013e)
USD **87,127**
MILLION

TOURISM
2012
USD **31**
MILLION

Source: Report: "The best selection of agribusiness products from the Pacific Alliance is waiting for you at SIAL China 2014." Available at: http://alianzapacifico.net/documents/2014/Dir_Sial_China_06_05_14.pdf

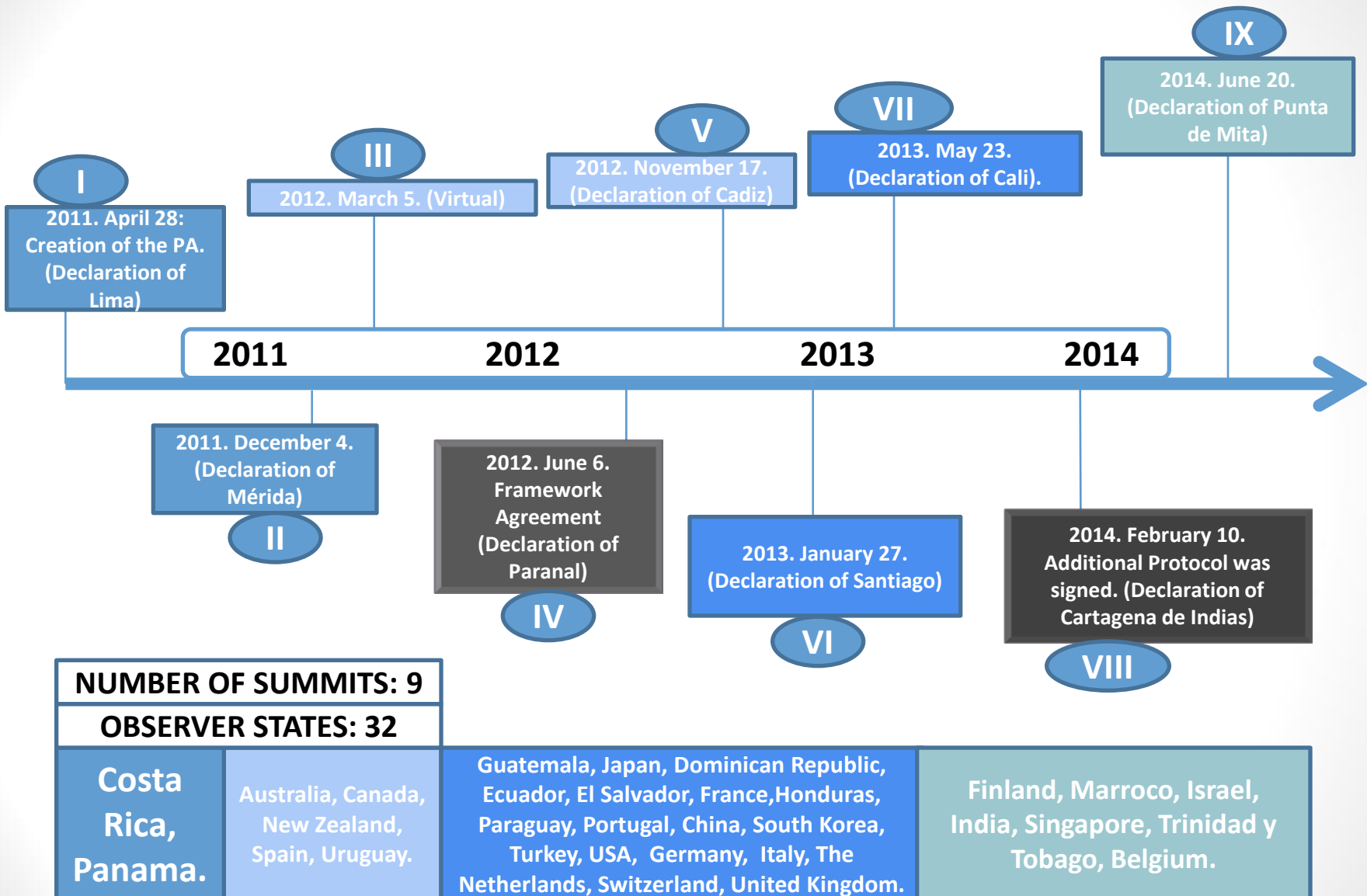


Source: Clacso, 2011.

I. PACIFIC ALLIANCE: A DEEP INTEGRATION FOR PROSPERITY

Adriana Roldán Pérez
Asia Pacific Studies Center

Timeline and observer countries



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Main integration areas of the Pacific Alliance

TRADE AND INTEGRATION

- > Harmonization of bilateral FTAs and customs cooperation.
- > Technical rules: Removing non-tariff obstacles.
- > Tariff elimination and cumulative rules of origin.
- > SPS

SERVICES AND CAPITAL

- > MILA (Integrated Stock Capital Markets; 26% of LATAM market capitalization, nearly equal to BOVESPA)
- > All participating in TISA negotiations.

MOVEMENT OF PERSONS

- > Elimination of VISA requirements for PA nationals.
- > Coordination on cross-border security issues.

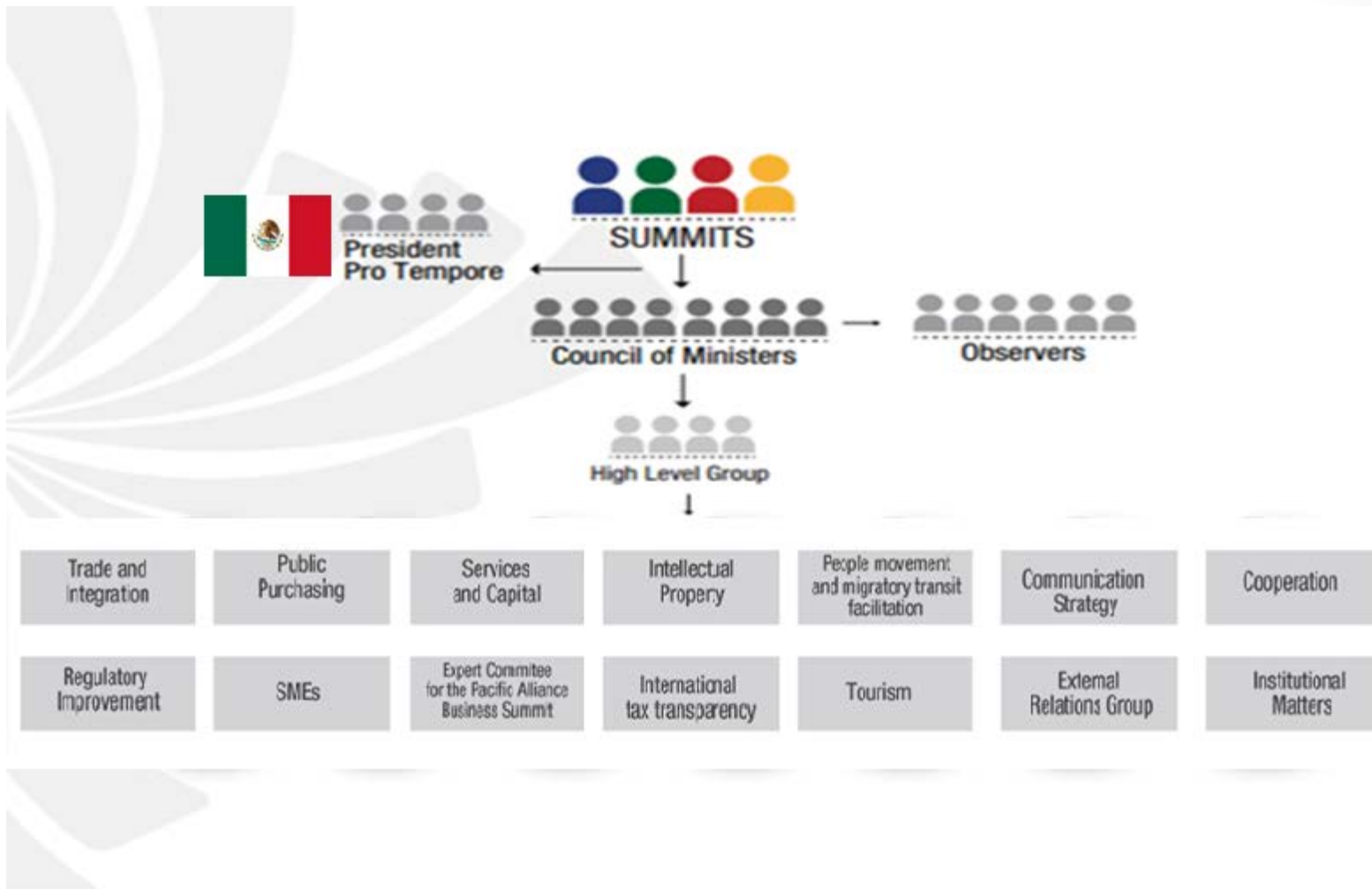
INSTITUTION AND COOPERATION

- > SMEs
- > Climate change
- > Academic mobility
- > Competitiveness
- > Tourism

Additional Protocol to the Framework Agreement for the Pacific Alliance

- ✓ Market Access
- ✓ Cumulative rules of origin
- ✓ Technical Obstacles
- ✓ Phytosanitary Measures
- ✓ Trade facilitation and customs cooperation
- ✓ Public procurement rules
- ✓ Cross- border trading in services and investment
- ✓ Telecommunication
- ✓ E-commerce
- ✓ Financial services
- ✓ Maritime services
- ✓ Settlement of disputes.

PACIFIC ALLIANCE STRUCTURE



Source: www.alianzapacifico.net "El ABC de la Alianza del Pacífico"

Market access in the Pacific Alliance

TOTAL
5.205 tariff lines

The **92%**
of the tariff lines in the basket
comprise the current
liberalization commitment
under the current FTA among
the Pacific Alliance members.

4.788 tariff lines (immediate liberalization)

→ **417 tariff lines**
(on schedule)

8%

Includes the products with liberalization on schedule from 3 to 17 years, including product with special protection.

Sensitive products:

beef (10 years); pork (5 years); milk (10 years); potatoes (15 years) beans (17 years); corn and flour (17 years);

Few exclusions

An average of **33 tariff lines**
per country including: some lines of
artificial sweeteners, molasses, cocoa
powder, malt extract, ethyl alcohol.

Regional FTA **Before** the Pacific Alliance: Share of tariff lines that were liberalized (immediate and on schedule)

	Chile	Colombia	Mexico	Peru
Chile		Tariff elimination in 98% of lines. ACE-24 in 1983 and Extended with FTA in effect since 2009	Tariff elimination in 98 % of lines. FTA in effect since 1999	Tariff elimination in 97% of lines. ACE-38 in 1998 and Extended with FTA in effect since 2009
Colombia	Tariff elimination in 98% of lines. ACE-24 in 1983 and Extended with FTA in effect since 2009		Colombia offered tariff elimination in 92 % of the lines as part of G3 negotiation. FTA in effect since 1995 and renegotiated in 2009	Tariff elimination of 100% of lines within the framework of Andean Community (CAN). In effect since 1997
Mexico	Tariff elimination in 98 % of lines. FTA in effect since 1999	Mexico offered tariff elimination in 81% of lines as part of the G3 negotiation. FTA in effect since 1995 and renegotiated in 2009		Mexico offered tariff elimination of 98% of lines. ACE-8 in 1987 and Extended with FTA in effect since 2012
Peru	Tariff elimination in 97% of lines. ACE-38 in 1998 and Extended with FTA in effect since 2009	Tariff elimination of 100% of lines within the framework of Andean Community (CAN). In effect since 1997	Peru offered a Tariff elimination in 97% of the lines. ACE-8 in 1987 and Extended with FTA in effect since 2012	

Regional FTA **Before** the Pacific Alliance: Share of tariff lines that were liberalized (immediate and on schedule)

	Chile	Colombia	Mexico	Peru
Chile		98% (2009)	98% (1999)	97% (2009)
Colombia	98% (2009)		92% (2009)	100% (1997)
Mexico	98% (1999)	81% (2009)		98% (2012)
Peru	97% (2009)	100% (1997)	97% (2012)	

Source: CEAP –EAFIT, 2014.

Tariff lines negotiated among members of the Pacific Alliance

Tariff treatment in the Pacific Alliance Protocol:

	Chile		Colombia		Mexico		Peru	
Immediate release	7,607	97.7%	7,182	96.4%	11,776	96.0%	7,423	98.3%
On Schedule (1-20 years)	150	1.9%	239	3.2%	454	3.7%	97	1.3%
Excluded (no tariff reduction)	28	0.3%	33	0.4%	33	0.3%	34	0.5%

Source: CEAP –EAFIT, 2014.

Share of exclusions in total PA imports from:

	Chile	Colombia	Mexico	Peru
Exclusions as % of imports from PA	2.1%	0.5%	0.5%	1.0%

Source: CEAP –EAFIT, 2014.

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Trade liberalization as share trade in goods with other Pacific Alliance economies

Share of Imports entering with no tariffs	Chile	Colombia	Mexico	Peru	Free trade as % imports from PA
Chile		94.01%	99.73%	99.81%	97.90%
Colombia	99.91%		99.83%	97.51%	99.54%
Mexico	99.96%	96.66%		99.99%	99.47%
Peru	97.39%	99.58%	99.98%		99.05%

Source: CEAP –EAFIT, 2014.

99% of the imports will enter other Pacific Alliance markets free from tariffs once the liberalization process is completed.

Free Trade Agreements with				
Observers	Chile	Colombia	Mexico	Peru
Australia	2009			
China	2006			2010
India	2007 (a)			
Japan	2007		2005	2012
New Zealand	2006 (b)			
Singapore	2006 (b)			2009
South Korea	2004	2013		2011
Costa Rica	1999		2011	2011
Dominican Republic				
Ecuador	2008	1997 (d)	1983	1997 (d)
El Salvador	1999	2007	2011	
Guatemala	1999	2007	2011	
Honduras	1999	2007	2011	
Panama	2006	2013	2014	2011
Paraguay	1996	2005 (d)	2002	2005 (d)
Trinidad and Tobago		1998		
Uruguay	1996	2005 (d)	2002	2005 (d)
Canada	1996	2008	1994 (c)	2008
United States	2004	2012	1994 (c)	2009
EU members+	2003	2013	2000	2013
Israel		2013	2000	
Marocco				
Switzerland	2004	2011	2001	2011
Turkey	2011			

Source: CEAP –EAFIT, 2014.

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- (a) Preferential Trade Agreement
- (b) Transpacific SEP P4
- (c) NAFTA
- (d) Mercosur Agreement
- + Belgium, Finland, France, Germany, Italy, Netherlands, Portugal, Spain and UK

	Signed and in Effect
	Signed but not in Effect
	Negotiations Launched



Fuente: www.istockphoto.com

II. TRADE FLOWS IN THE PACIFIC ALLIANCE

Intraregional trade in the Pacific Alliance (2013)

Pacific Alliance	Intra Pacific Alliance exports 2013 (US\$ millions)	% Intra Pacific Alliance	Exports to the world 2013 (US\$ millions)
Chile	4,153	5.37%	77,367
Colombia	3,709	6.31%	58,822
México	8,591	2.26%	380,096
Perú	3,214	7.79%	41,244
TOTAL	19,667	3.53%	557,529

Trade among the Pacific Alliance members 2013 (Exports USD millions)

	Chile	Colombia	Mexico	Peru
Chile		869	1,321	1,963
Colombia	1,572		864	1,274
Mexico	2,085	4,735		1,771
Peru	2,028	918	416	

Source: CEAP –EAFIT. Data: Trademap, 2014.

Exports of the Pacific Alliance to the world by sector (2007-2011) in millions of dollar

Sector/Country	Chile	Colombia	Mexico	Peru	Total
ICT	1,080	1,016	114,642	261	117,000
Basic metals and manufactured metal products	43,217	3,917	23,819	20,937	91,891
Petroleum and Petroleum Products, Natural Gas	656	20,600	44,004	3,141	68,401
Automotive	745	559	46,518	18	47,840
Agroindustry	9,462	6,053	16,681	4,919	37,116
Electronic Sector	84	39	16,072	10	16,205
Other manufactures	621	476	11,770	157	13,024
Textiles; fabrics; textile articles	438	1,491	6,585	1,775	10,289
Chemical industry	2,392	946	5,217	675	9,231
Health care	178	807	7,020	95	8,100
Plastic and polymers	475	1,318	5,622	331	7,747
Timber industry and manufactures	4,996	622	1,814	284	7,717
Non Metallic Minerals articles	229	690	3,428	240	4,587
Fishing Sector	2,904	171	721	477	4,273
Other transportation equipment	116	219	1,763	14	2,112
Rubber industry and related articles	231	170	1,574	60	2,035
Leather industry and leather goods	130	328	778	51	1,287
Footwear	90	118	364	17	589

Source: CEAP-EAFIT. Data: COMETRADE, 2013.

Exports to the Pacific Alliance by sector (Intra) (2007-2011) in millions of dollar

Sector/País	Chile	Colombia	Mexico	Peru	TOTAL
Basic metals and manufactured metal products	1,088	100	814	1,176	3,178
ICT	329	155	2,018	53	2,555
Agroindustry	959	307	187	308	1,761
Petroleum and Petroleum Products, Natural Gas	135	874	123	373	1,506
Automotive	98	18	1,257	10	1,384
Chemical industry	228	151	450	162	991
Timber industry and manufactures	669	115	45	87	916
Plastic and polymers	175	268	296	95	834
Health care	42	203	457	34	735
Textiles; fabrics; textile articles	134	203	125	154	616
Electronic sector	19	7	353	2	381
Other manufactures	84	75	113	44	316
Non metallic mineral articles	35	53	115	63	266
Rubber industry and Articles thereof	43	31	38	22	134
Fishing sector	77	0.33	1	8	87
Leather industry and leather goods	44	17	3	11	75
Footwear	36	6	2	9	53
Other transportation equipment	18	16	9	4	47

Source: CEAP –EAFIT. Data: UNCOMTRADE ,2013.

The Pacific Alliance vs. Mercosur

Indicator	Pacific Alliance	Mercosur
Population	214	287
GDP, \$trn	2.11	3.41
GDP Growth	5%	2.25%
GDP Per Capita (2010-2012)	\$ 13,262	\$ 10,854
FDI, inflows \$bn (2012)	75.3	94.8
Merchandise exports to world, \$bn	557.52	339.39
Merchandise exports to Asia Pacific, \$bn	78.93	95.16

Source: CEAP-EAFIT based on information of the WB and TRADEMAP, 2014

Adriana Roldán Pérez
Asia Pacific Studies Cent



Source: ANDI, 2014

Pacific Alliance's trade with the Observer Countries and ASEAN+6 (bn dollar)

	Exports to the world*	Imports from the world*	Trade balance*	Exports to P.A.*	Imports from P.A.*	Trade balance P.A.*
Pacific Alliance	557.53	558.18	-0.66	19.67 (4%)	22.18 (4%)	-2.52
Observer countries (32)	11,322.14	12,028.90	-706.76	493.74 (88%)	465.60 (83%)	28.13
Asia Pacific (ASEAN+6)	5,390.82	5,302.12	88.70	74.10 (13%)	163.61 (29%)	-89.51

Source: CEAP-EAFIT. Data: UNCOMTRADE, 2013.

* 2013

Trade concentration in the Pacific Alliance*

Pacific Alliance	Trade concentration exports(products)	Trade concentration exports(countries)	Trade concentration imports(products)	Trade concentration imports(countries)
CHILE	IC = 56% Cathodes (31%). Copper ores and concentrates (18%). Unrefined copper (4%). Fresh grapes (2%). Other wine (2%).	IC = 25% China (23%), United States (11%), Japan (11%), Brazil (6%), Republic of Korea (5%).	IC = 56% Petroleum distillates(9%). Crude oils (9%). Transportation Automobile Vehicles (3%). Liquefied natural gas (2%). Telephones, including mobile (2%).	IC = 56% United States (20%), China (17%), Brazil (8%), Argentina (6%), Germany (4%).
COLOMBIA	IC = 69% Crude oils (40%). Bituminous coal (14%). Light petroleum distillates (6%). Unroasted coffee without caffeine (5%). Gold unwrought (5%).	IC = 54% United States (39%), Netherlands (Holland) (4%), Chile (4%), China (3%), Panama (3%).	IC = 16% Aeroplanes and other aircraft (4%). Light petroleum distillates (4%). Transportation Automobile Vehicles (3%). Alcohol fuel (3%). Other maize (2%).	IC = 60% United States (25%), China (15%), Mexico (11%), Brazil (5%), Germany (4%).
MEXICO	IC = 28% Crude (14%). Motor transport vehicles (5%). Monitors and projectors (5%). Other machines systems (2%). Other vehicles for the transport (2%).	IC = 86% United States (79%), Canada (3%), China (2%), Colombia (2%), Spain (1%).	IC = 15% Alcohol fuel (5%). Other parts for radio transmitters (3%). Light petroleum distillates (2%). Other materials (2%). Integrated Circuits(2%).	IC = 77% United States (50%), China (15%), Japan (5%), South Korea (4%), Germany (4%).
PERU	IC = 53% Gold unwrought (22%). Copper ores and concentrates (17%). Cathodes and sections (6%). Lead ores and concentrates (4%). Flours, meals and pellets of fish or crustaceans, molluscs (4%).	IC = 55% China (15%), United States (13%), Switzerland (13%), Canada (9%), Japan (5%).	IC = 20% Crude oils (10%). Light petroleum distillates, (5%). Vehicles (% 2) Other maize (2%). Telephones, including mobile (1%).	IC = 53% United States (20%), China (17%), Brazil (6%), Ecuador (5%), Argentina (5%).



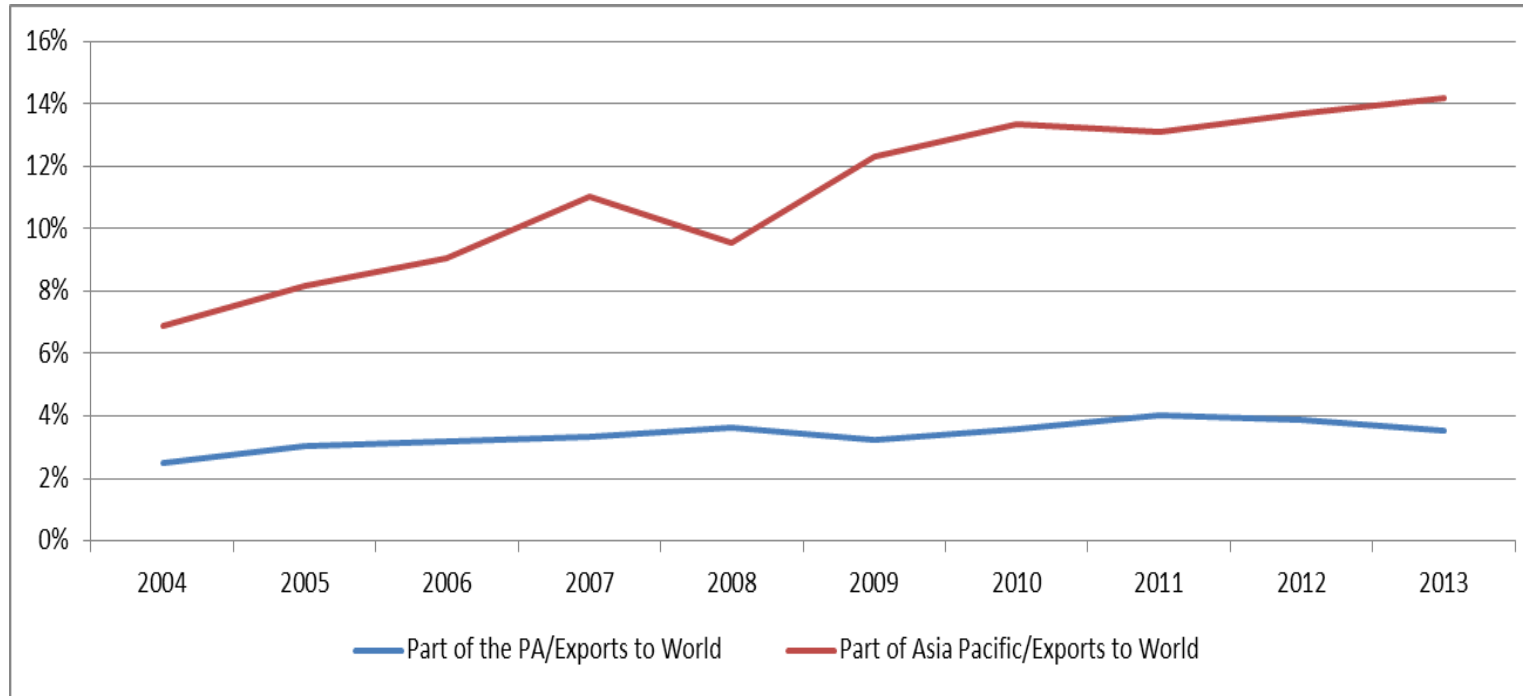
III. THE PACIFIC ALLIANCE AND ASIA PACIFIC

Free trade agreements between the Pacific Alliance member countries and Asia Pacific countries

	Chile	Colombia	Mexico	Peru
Brunei Darussalam				
Cambodia				
Indonesia	2014			
Phillipines				
PDR Lao				
Malaysia	2012			
Myanmar				
Singapore			2000	2009
Thailand	2012			2011
Vietnam	2014			
Australia	2009	2009	2006	
China	2006	2012		2010
R. of Korea	2004	2012	2004	2011
India	2007	2004		
Japan	2007	2012	2005	2012
New Zeland			2002	

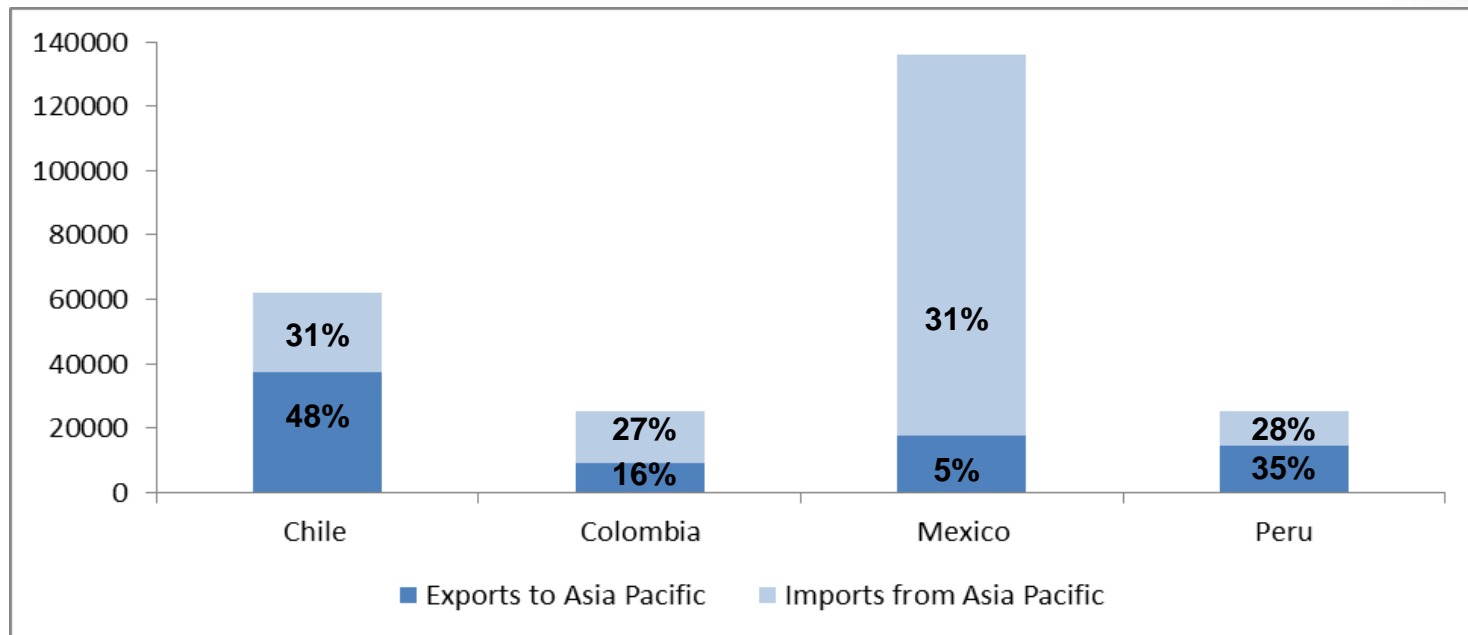
In Force
In negotiations
Signed
Proposed/under consultation
TPP

Exports of the Pacific Alliance to the region and to Asia vs the world



Source: CEAP –EAFIT, 2014.

Trade between the Pacific Alliance and Asia Pacific (2013)

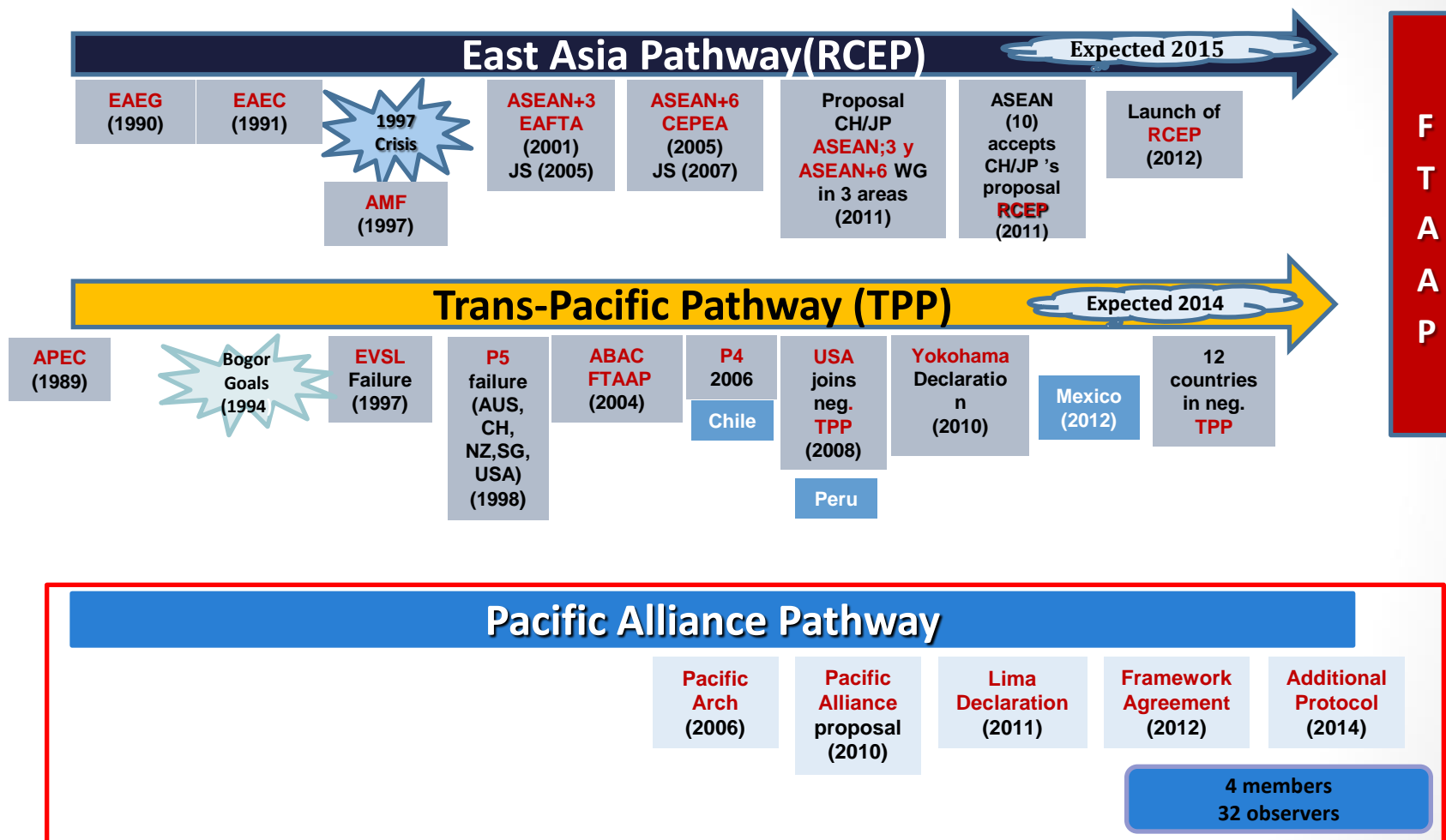


Principales productos exportados	
Chile:	Copper (HS740311, HS740200), iron ore (HS260111)
Colombia:	Oil (HS270900), ferronickel (HS720260) y coffee (HS 090111)
Mexico:	Oil (HS270900), copper ore (HS 260300) y automobiles (HS870323).
Peru:	Copper (HS260300), plumb ore (HS260700), fish flour (HS230120)

Peru's data is estimated.

Source: created by CEAP-EAFIT based on information from the UN COMTRADE, 2014.

Regional Integration Pathways in Asia and Latin America



Source: Created by CEAP-EAFIT, based on Mikio Kuwayama, 2013.

Integration mechanisms in Asia and Latin America

	TPP	RCEP	Pacific Alliance
Importance in world economy	Population: 1.4 Bn (21%) GDP: \$27.55 Bn USD (38%)	Population: 3.4 Bn (49%) GDP: \$21.18 Bn USD (30%)	Population: 214 mill (3%) GDP: \$2.11 Bn USD (3%)
Global and high quality agreement	+	-	-
Models	NAFTA +	ASEAN+1 +	(P) FTAs +
Opened to new members	✓	✓	✓
Replacement of previous agreements	X	X	X
Trade with Colombia (2011-2013, \$bn)	Exports: \$26.51 (45%) Imports: \$25.74 (45%)	Exports: \$6.68 (11%) Imports: \$15.12 (26%)	Exports: \$4.20 (7%) Imports: \$8.99 (16%)

Source: CEAP –EAFIT, 2014.

Opportunities for global supply chains between Asia and the Pacific Alliance

Categories of products	ASEAN		RCEP (ASEAN + 6)		TPP	
	Value	%	Value	%	Value	%
Primary products	1,126	34.4	36,445	55.9	79,971	23.9
Resource-based manufactures	1,054	32.2	22,797	35	31,469	9.4
Low technology manufactures	89	2.7	1,003	1.5	28,077	8.4
Medium technology manufactures	435	13.3	3,473	5.3	112,587	33.7
High technology manufactures	462	14.1	1,312	2	66,675	19.9
Others	109	3.3	151	0.2	15,738	4.7
Total	3,273	100	65,182	100	334,517	100

* 2011 million dollars

Adriana Roldán Pérez
Asia Pacific Studies Center

Based on the Standard International Trade Classification (SITC)

Source: Mikio Kuwayama (2013)

CONCLUSIONS

- ✓ Despite its recent creation, the Pacific Alliance has gained attention from the international community, currently accounting with more than 32 observer members, two of them that aspire to become members of the Alliance in the near future. This alliance will compete with the Mercosur, as the main integration community in the region.
- ✓ To date, there have been nine leaders' summits and negotiated two important agreements. The first of them is the framework agreement in June 2012, containing the legal bases that set the foundations for the Pacific Alliance. The second, is the additional protocol signed last February with the aim to regulate the establishment of a free trade zone.
- ✓ In terms of trade liberalization the Pacific Alliance offers a small yet significant improvement vis-à-vis the agreements previously signed among its members.
- ✓ The PA wants to become a platform for political articulation, economic and trade integration, with global outreach, particularly to the Asia-Pacific. The big challenge is to develop the PA own value chains in order to be competitive and be able to integrate Asia Pacific value chains.



Adriana Roldán Pérez
Asia Pacific Studies Center

