

Inicio 30 questions on the Pacific Alliance

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Virtual interview with the Minister of Trade, Industry, and Tourism Sergio Diaz-Granados June 6, 2012

1. What is the Pacific Alliance?

The Pacific Alliance is a union of four countries (Colombia, Mexico, Chile, and Peru) that have coastlines on the Pacific Ocean and which have joined forces to enable them to act as a bloc on issues of trade and investment and to ensure full freedom of movement of goods, services, capital, and people.

The Pacific Alliance does not replace, but rather complements and promotes, those initiatives that are already in place for the creation of an area of integration. The Alliance welcomes the

participation of those countries in the region that share the desire to achieve common goals.

2. What is Colombia's primary purpose for being part of the Pacific Alliance?

Given the negotiations on trade, investment, and integration with the economies in which Colombia is advancing its agenda, the country seeks, above all, to increase its commercial presence in the world. This will further economic development, by way of business and investment, and lead to job creation and poverty reduction.

3. Is the Pacific Alliance a reality?

Yes. On Wednesday, the presidents of Colombia, Chile, Peru, and Mexico formalized the creation of the Pacific Alliance, by signing the Framework Agreement. This has made it a fact of great significance to regional integration.

The four Latin American presidents signed the document during the IV Summit of the Pacific Alliance, which was held on June 6th, at the Paranal Observatory in Antofagasta, Chile. Costa Rica and Panama attended as observers.

4. What does this Framework Agreement establish?

The Framework Agreement constituted the Pacific Alliance as an area of regional integration. The Agreement assumes the commitments of the existing trade agreements between the member countries as the basis of this initiative. It also defines the essential requirements of participation and the objectives of the Alliance, as well as those actions that must be taken to realize them. Moreover, it defines its institutions, their powers, and the mechanisms for adopting agreements, as well as procedures for participation as an Observer State and the accession of new States Parties, among others.

5. What comes after the signing of the Framework Agreement?

Now, the Members must continue their negotiations in order to comply with the objective of Pacific Alliance, which is the free movement of goods, services, capital, and persons.

Each country must take the Agreement to its congress, for its passage and entry into force. In the particular case of Colombia, this may take over a year. And, we are still negotiating specific agreements. For example, we have just concluded negotiations for an agreement on electronic commerce, which will now be placed before Congress.

Subsequently, the Constitutional Court will review the Agreement, and following this, there will be a law to approve it. Once this is completed, the Agreement will finally enter into force.

6. Was the original objective met as envisaged, in respect to standardizing the existing trade agreements that were in place between the Members?

The Framework Agreement is clear in stating that this integration process will be based on the existing economic, trade, and integration agreements between the Parties, at the bilateral, regional, and multilateral levels.

7. Where was this initiative created?

The initiative comes from Peru, which posed the creation of a deep integration area, where the free movement of goods, services, capital, and people would be ensured. In the 2010 Ibero-American Summit, the presidents of Colombia, Chile, Peru, and Mexico instructed their ministers to advance the development of a roadmap that would allow for the formation of a deep integration area.

8. Why is the Pacific Alliance significant?

The combined weight of the four countries of the Pacific Alliance (Colombia, Chile, Mexico, and Peru) is significant. Moreover, it sends an important signal to the rest of Latin America.

In addition to this, the Alliance can become a platform of economic and trade integration, as well as a bridge to the rest of world, particularly with Asia-Pacific. This initiative will promote higher growth, development, and competitiveness of the economies of the Member countries, as well as expand their economic relations with Asia-Pacific.

Undoubtedly, this new bloc will mean a breakthrough in the economic integration of Latin America, and it will be the opportunity to realize the commercial potential of the Member economies.

9. What was the purpose for establishing this sub-bloc?

This initiative is intended to address the need to expand and diversify the political and economic relations of the region as a whole. Firstly, it aims to deepen trade relations between the Member countries, followed by those with Asia-Pacific, which is a region that shows great commercial, economic, and political dynamics.

10. How does the Pacific Alliance help Colombia, specifically?

The Pacific Alliance will accelerate Colombia's agenda with Asia-Pacific. Countries, such as Japan and China, have fully endorsed this integration initiative between Colombia, Mexico, Peru, and Chile.

The consolidation of this bloc, besides giving a boost to Colombia's trade agenda with Asia-Pacific, confirms how the region agrees on the need to deepen integration, by way of more trade agreements, in order to achieve greater growth, poverty reduction, and job creation.

11. What are the topics of integration?

The initiative covers the following topics: the movement of business persons and the facilitation of immigration, including police cooperation; trade, and integration; aspects such as trade facilitation and customs cooperation, services and capital, which aims to integrate the stock exchanges, cooperation, and the establishment of dispute settlement mechanisms.

12. What benefits does the Pacific Alliance provide, in terms of trade with Asia-Pacific?

As for trade in goods, the depth of trade relations is significant because many have already been liberalized or are in the process of becoming so, with some exceptions. There is a presidential mandate to advance this. The Alliance will develop joint strategies to streamline the entry of local products to the Asian market, just as Chile and Peru have done, which has enabled them to boost their foreign trade.

13. What benefits does the Alliance bring for services?

As for services, this is less deep than that of goods, but it already has provisions in place to govern trade in this category, with the exception of financial services.

Given that services are a key factor in productivity and international competitiveness, the Pacific Alliance will be a way for the region to promote trade in services, which has a dynamic higher than that of goods.

Trade in services is crucial to raising economic growth and productivity, and it helps improve financial intermediation, infrastructure, logistics, access and use of ICT, education, and the quality of public policies.

14. What benefits does the Alliance bring for investment?

Regarding investment, its depth is similar to that of services because some sectors are excluded. But in most cases, there are already provisions allowing for investment protection. In the four Member countries, there exist agreements and arrangements for the protection of investments at the bilateral level, as well as agreements to avoid double taxation.

The four Member countries are characterized by being major recipients of foreign investment, given their clear rules for foreign capital. This certainty has aroused great interest in the Asia, in respect to investment in Latin America. Colombia, Mexico, Chile, and Peru are the recipients of nearly USD 53 billion in FDI. One of the issues proposed in this large integration project is the freedom of capital markets and the integration of stock exchanges. This point has caught the attention of foreign investors and has sparked the desire of companies in each country, in respect to accessing a group of homogeneous markets, in terms of macroeconomic policy.

15. With the Alliance, will people be able to move freely in the Member countries?

The overall objective is to achieve the free movement of people, capital, goods, and services between the countries of the Pacific Alliance. This is realistic and achievable, considering the very significant achievements in integration and trade liberalization that has already been achieved between the four countries.

As for the movement of people, there are a few developments in the region, and this is an area that requires work. The challenge is huge because, so far, the two major trade agreements of the continent, the Andean Community and Mercosur, have not covered this topic.

16. What about the individual trade agreements that each Member has?

There are, in fact, other ongoing initiatives in the region that also aim at creating a space for convergence of a network trade agreements in the region. The Pacific Partnership, in this respect, in no way replaces them, but rather complements and promotes these other initiatives, thus contributing to and deepening the existing economic and trade relations.

17. Will there be free access for agricultural products?

There are some agricultural products, in certain cases, that will not have free access. While it is necessary to work on this issue, the goal also includes advancing health eligibility processes, mechanisms of cooperation, transparency, and best practices, in order to avoid unnecessary obstacles to trade.

18. What has been proposed to further health issues?

The Member countries are working on topics of interest, such as transparency and information exchange, cooperation, the creation of sanitary and phytosanitary standards, best practices, and procedures and requirements for import and export.

19. How will trade be facilitated?

The Member countries have worked on defining the issues of paperless trading, single windows to trade, the authorized economic operator, and advance resolutions. In customs cooperation, work is being advanced with the IDB for an analysis of the existing agreements on cooperation and mutual assistance, which aims to identify areas of concern.

20. In respect to the other countries of Latin America, is the Pacific Alliance a signal, as well as an example, of regional integration?

It is an important signal to Latin America, in the sense that regional integration and open markets are the best way to ensure greater volumes of investment, trade, and growth.

21. Is it possible for other countries to join the Alliance?

From the moment this idea of a deep integration area was conceived, the presidents have kept open the possibility of adding new members, and this is clearly established in the Framework Agreement. In fact, at the Summit of Presidents that was held in Antofagasta, Chile, the country of Costa Rica, which last year joined the group as an observer along with Panama, returned this year to participate in the presidential meeting.

22. What is the proposed agenda for services and capital?

Colombia will present a draft text covering the disciplines of investment and services. In light of this proposal, the Member countries will determine the need and desirability of negotiating an agreement on these matters. There are also plans for the start of sessions of the Joint Committee on Services and Investment, so as to identify barriers to investment in the countries of the Alliance.

23. What is being advanced for tariff elimination?

As for goods, the presidents have made progress in negotiating tariff elimination and rules of origin, so as to have results by the end of 2012. In this context, the subgroup of tariff relief for goods will begin by identifying common products that currently have zero tariffs, as a result of agreements in force. As for the subgroup of origin, work will begin for the construction of rules of origin and accumulation.

24. Is there a commitment to transparency and regulatory cooperation?

The countries presented a list of areas of interest in order to advance work on regulatory cooperation. Colombia's areas of interest include cosmetics and toiletries, auto parts and vehicles, textiles, and electrical equipment.

25. In terms of the figures, what does this Alliance really mean for the region?

The four countries that make up the bloc (Colombia, Chile, Mexico, and Peru) represent about 204 million people (equivalent to the population of Brazil), generate a gross domestic product (GDP) of USD 1.4 billion (equivalent to 34% percent of Latin America), and have a GDP per capita of around USD 11,000.

26. What does this bloc mean for trade and investment?

Colombia, Mexico, Chile, and Peru are responsible for half of the foreign trade in the region. This is USD 438 billion in exports and USD 418 billion in imports. They are also the recipients of roughly USD 55 billion in foreign direct investment.

27. On average, what is the annual growth of exports in these four countries?

Exports from Chile, Peru, Colombia, and Mexico, along with the observer countries (Panama and Costa Rica), recorded an average annual growth of 8%.

28. In 2011, how much did the Alliance Members export to Asia?

The Member countries exported 71 billion to Asia in 2011, with an average annual growth in shipments to that region at 13% between 2007 and 2011.

29. What weight will the Pacific Alliance carry in relation to other significant blocs, such as that of Mercosur?

Although Mercosur (Argentina, Brazil, Paraguay, and Uruguay) has a population of over 243 million inhabitants and a GDP that accounts for 52% of the region (over USD 2.5 trillion), the foreign trade of the Alliance Members significantly exceeds that of Mercosur.

30. How many Presidential Meetings have been held and what were their highlights?

There have been a total of four Presidential Meetings. The first was in Lima, Peru, on April 28, 2011, where the Member countries expressed their commitment to move progressively towards the objective and defined the major areas of work. The second meeting was in Mexico, on December 4, 2011, where the presidents advanced commitments and reflected on the developments in various areas. The third meeting took place on March 5, 2012, where the presidents held a virtual summit to present the progress that had been made in various areas and to prioritize the work ahead. At this event, the President of Costa Rica, Laura Chinchilla, and the President of Panama, Ricardo Martinelli, participated as observers. And the last meeting was held on June 6th, in Antofagasta, Chile, where the presidents signed the Framework Agreement.

These meetings of the presidents reiterated that the regional weight of the four countries that make up the Pacific Alliance is very significant and the improvement of integration between the four countries sends an important signal to the rest of Latin America, this being that regional integration and the opening of markets is the best way to ensure greater levels of investment, increased trade, and ultimately, vigorous and sustained economic growth.

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