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The Pacific Alliance: Much Ado about Nothing

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บทคัดย่อ

ท่ามกลางความสั่นคลอนของลาตินอเมริกาอันเนื่องมาจากการดำรงอยู่ร่วมกันของการบูรณาการทางการเมืองที่เต็มไปด้วยอุดมการณ์ที่แตกต่างหลากหลายกันไป การเกิดขึ้นของกลุ่มพันธมิตรแปซิฟิก (Pacific Alliance) ควรได้รับการวิเคราะห์ในประเด็นที่นอกเหนือจากความน่าดึงดูดใจที่มีต่อผู้นำทางการเมืองและผู้ประกอบการทั่วโลก บทความนี้ตั้งคำถามว่ากลุ่มพันธมิตรแปซิฟิกจะสามารถสร้างเวทีความร่วมมือใหม่ที่เป็นรูปธรรมในลาตินอเมริกาได้จริงหรือไม่ เพื่อตอบคำถามดังกล่าว บทความศึกษากรอบความตกลงพันธมิตรแปซิฟิก (Framework Agreement of the Pacific Alliance) ผ่านทฤษฎีการบูรณาการในทางกฎหมายและเศรษฐกิจ บทความเริ่มจากการพิจารณาความท้าทายที่ระบุในส่วนนำของกรอบความตกลงดังกล่าว จากนั้นจะมุ่งวิเคราะห์ถึงวัตถุประสงค์ กรอบความร่วมมือต่างๆ รวมถึงกรอบความร่วมมือที่มีความเป็นสถาบันต่ำ บทความเสนอว่ากลุ่มพันธมิตรแปซิฟิกเป็นเพียงการรวมตัวของเขตการค้าเสรี หาใช่การบูรณาการเชิงลึกดังที่ระบุไว้ตั้งแต่แรกก่อตั้ง

คำสำคัญ: กลุ่มพันธมิตรแปซิฟิก กรอบความตกลงพันธมิตรแปซิฟิก ภูมิภาคนิยม องค์การระหว่างประเทศ

Abstract

Amid the unstable conjuncture prevailing in Latin America due to the coexistence of different political models, ideologically loaded, that offers various integration schemes, the burst of the Pacific Alliance deserves to be analyzed beyond the attraction it generates in political leaders and entrepreneurs of the world. The paper asks if the Pacific Alliance is really forming a new and pragmatic bloc in Latin America. To answer this question, the paper studies the Framework Agreement of the Pacific Alliance in the light of the economic and legal theories of integration. It passes through the bombastic challenges of the preamble, the glare of its objectives, the announced cooperative frameworks, and ends with its low institutional framework. The paper argues that the Pacific Alliance is a sum of free trade areas, being far from a transcendental, deep integration as it has insisted.

Keywords: Pacific Alliance, Framework Agreement of the Pacific Alliance, regionalism, international organizations

1. Introduction

Since the announcement of its creation with the Declaration of Lima on April 28th, 2011, the Pacific Alliance has been perceived as an economically attractive sub-region, funded in the sum of economic indicators of Chile, Colombia, Peru, and Mexico that would constitute a profound and pragmatic integration which distinguishes itself from all previous Latin American efforts.

Amid the unstable conjuncture prevailing in Latin America due to the coexistence of different political models, ideologically loaded, that offers various integration schemes, the burst of the Pacific Alliance deserves to be analyzed beyond the attraction which it generates in political leaders and entrepreneurs of the world.

Does really the Pacific Alliance constitute a new and pragmatic bloc in Latin America? Its specialization generates greater productivity and efficiency in sectors that have comparative advantages, resulted in lower costs production. In addition, the expansion of markets favors the international economy of scale. Within this logic, the current partners that make up the Alliance understand that together they can improve their chances of integration into the world in general

and specifically in the Asia-Pacific region. Needless to say, they are also competing among themselves in markets in order to improve their integration, both into the broad (world) and the narrow (Asia-Pacific) sense.

To address the analysis of the Pacific Alliance based on four previous studies,¹ the present paper examines its Framework Agreement executed at the Paranal Observatory in Antofagasta, Chile, on June 6th, 2012, to interpret it in the light of economic and legal theories of the integration. It will pass through the bombastic challenges of the preamble, the glare of its objectives, the announced cooperative frameworks, and end with its low institutional framework.

¹ Please see Eric Tremolada, “La Integración de la Alianza del Pacífico,” in *Alianza del Pacífico: Mitos y Realidades*, eds. Eduardo Pastrana Buelvas and Hubert Gehring (Cali: Universidad Santiago de Cali, 2014), 145-169; Eric Tremolada, “¿La Alianza del Pacífico Facilita la Inserción de Colombia en la Región Asia Pacífico?,” *Papel Político*, vol.19, 2 (2014): 721-752; Eric Tremolada, “La Alianza del Pacífico: ¿un instrumento Idóneo para la Inserción de Colombia en la Región Asia-Pacífico?,” in *Colombia en el Sistema Internacional: su proyección en Asia* (Bogotá: Universidad Externado de Colombia, 2014), 203-237; Eric Tremolada, “La Alianza del Pacífico: ¿una Organización Consecuente con sus Objetivos?,” in *Repensando la Integración y Las Integraciones* (Bogotá: Universidad Externado de Colombia, 2013), 233-258.

2. The Noises of the Preamble

In 2011, the governments of Chile, Colombia, Mexico, and Peru cooperated with each other with the purpose of building an essential instrument for the sustainable economic and social development. To this end, they considered that it is necessary to strengthen various integration schemes in Latin America. They aimed at promoting an open regionalism that efficiently integrates them into the globalized world and links them to other regionalization initiatives. However, this incorporating effort of the Pacific Alliance made a lot of noise to differentiate itself from other Latin American integrations, emphasizing on how much they have progressed in almost three years and omitting that these advances were based on “economic, commercial, and integration agreement in force between the parties, at bilateral, regional, and multilateral level,”² as stated in the preamble of the Treaty of Paranal, which officially constituted the Pacific Alliance.

² The sentence quoted is part of the fifth paragraph of the preamble of the Treaty of Paranal dated June 6th, 2012. The “rapid” liberalization of goods and services was supported by Mexico free trade agreements with Colombia (1995), Chile (1999), and Peru (2012); and of Chile with Colombia and Peru, in the framework of the bilateral negotiation with the Andean Community (2006); and of Colombia with Peru in the multilateral framework of the gradually consolidated Andean Community (1997-2005).

At first, while reaffirming the rights and obligations under the Marrakech and Montevideo Agreements (World Trade Organization), the preamble of the Framework Agreement of the Pacific Alliance does the same with the different Latin American integration schemes following a rationale of open regionalism. This involves a contradiction because, on the one hand, the WTO encourages that countries should not discriminate among their diverse trading partners, but, on the other, all regional integration schemes, where Latin American ones are not the exception, discriminate third parties based on the rules of origin. Moreover Chilean, Mexican, Peruvian and Colombian strategy of participating in many trade agreements may cause overlapping obligations and, therefore, administrative difficulties in access to markets and determination of rules of origin. In fact, the genesis of the Pacific Alliance, as sub-regional integration scheme, contributes more to the fragmentation among Latin Americans. It geographically divides the region into Pacific and Atlantic countries. The presence of Mexico in South America makes it a counterweight to Brazil.

To think that there is a possible consensus among these different schemes which are fragmenting the region is also a mere utopia. Frustrated experiences between the Andean Community and Mercosur which resulted in UNASUR have

proven it. As noted by Cavalcante de Oliveira,³ the integration is not a state policy in any Latin American country. Additionally, the idea of open regionalism, as indicated in the preamble, seeks to integrate the member states of the Alliance into the world and link them with other regional integration agreements. However, the Alliance has only been able to negotiate the partial harmonization of existing liberalization agreements among its members. In any case, if it reaches trade agreements with other regional blocs, it would also discriminate third parties.⁴

3. The Objectives: A Chimera?

As included in article 3.1 (a) of the Framework Agreement, the first objective of the Pacific Alliance is to “participatory and consensually build an area of deep integration to move progressively towards the free movement of goods, services, capital, and persons.” This ambitious goal states the progressive way to achieve it and then focuses on what it pursues. In

³ A. Cavalcante de Oliveira, “Alianza del Pacífico: de la Fragmentación a la Convergencia en América Latina,” in *Alianza del Pacífico: mitos y realidades*, eds. Eduardo Pastrana Buelvas and Hubert Gehring (Cali: Universidad Santiago de Cali, 2014), 376.

⁴ It reminds us that regionalism tends more to undermine full trade than support it, which can give rise to trade wars. See Maurice Schiff and L. Alan Winters, *Integración Regional y Desarrollo* (Bogota: Banco Mundial y Alfaomega Colombiana, 2004).

this manner, one must ask first what does it mean by ‘deep integration’ and how can it support the liberalization of goods, services, capital, and persons?

The theoretical framework of economic integration structured in the second half of last century on the studies of Jacob Viner, Canadian economist of Rumanian origin, the founder of the School of Chicago, and Béla Alexander Balassa, Hungarian economist and renowned professor of the Johns Hopkins University and World Bank consultant⁵ allows us to say that integration is a legal institution of an economic nature where member states cooperate to expand their trade, based on agreements that form economic areas (zones) where countries grant each other certain advantages according to their political will. Thus, the incorporation of the area will respond to the stage or agreed entity of economic integration. If the parties set

⁵ The basis of the theoretical framework of economic integration was built on studies of the theory of customs unions in 1950s, proposed by Jacob Viner, and the theory of economic integration in 1980s, proposed by Béla Alexander Balassa. See Jacob Viner, *The Customs Union Issue* (New York: Carnegie Foundation for International Peace. 1950); Béla Balassa, “Trade Creation and Trade Diversion in the European Common Market: An Appraisal of the Evidence,” *Manchester School of Economic and Social Studies* (1974): 93-135; Béla Balassa, “Tariff Reductions and Trade in Manufactures among the Industrial Countries” in *Comparative Advantage, Trade Policy, and Economic Development* (London: Harvester Wheatsheaf, 1989), 131 - 139.

up an area where they will significantly eliminate or decrease tariffs and non-tariff barriers, what is formed is called a *free trade zone*. If the establishment of a common external tariff for trade with third parties also agreed, a *tariff union* is formed. And if a supranational customs body that receives and distributes tax revenues from third-party countries enters the area created for a tariff union, we will have a *customs union*.

Tariff union and customs union are not analogous concepts. They have substantial differences. In the tariff union, the tariff from countries outside the zone stays in the treasury of the country which it entered, while in the customs union, regardless of the location which it enters, the tariff goes to the common treasury.⁶ In addition, the tariff union requires a high degree of cooperation and coordination of national customs to avoid additional costs. Meanwhile the supranational customs union makes decisions and national customs are mere executors of the former. Apart from the elimination of tariffs and trade barriers, the custom union also aims for introducing a common external tariff and creating a supranational customs entity where full freedom is given to goods, services, capital, and labor. Therefore, a high degree of cooperation to harmonize

⁶ José Roberto Dromi, Miguel Angel Ekmekdjian and Julio César, *Derecho Comunitario, Sistemas de Integración Régimen del MERCOSUR* (Buenos Aires: Ciudad Argentina, 1995), 114.

macroeconomic and sectoral policies is very critical.⁷

If the full or partial delivery of macroeconomic and sectoral competencies (monetary and fiscal policy) to supranational decision maker bodies is added to a common market, this constitutes an *economic union*.

These organs, which make up an economic integration, are necessarily discriminatory against third parties outside the area, since the freedoms granted are based on the origin, either of the goods, services, capital, or workers.⁸ Additionally, the orientation of trade agreements should be taken into account. If they are designed toward the interior, we would be facing what was called *closed regionalism* where industrialization, protectionism, and increase of tariff and non-tariff barriers to third parties are promoted in order to protect and promote

⁷ One of the great difficulties of the European Union during the monetary crisis is that the competencies transferred to the European Central Bank are not full competencies, so decisions have to be agreed with local governments. The so-called Tax Agreement, formally the Treaty on Stability, Coordination, and Governance in the Economic and Monetary Union is an agreement executed on March 2nd, 2012 by 25 member states. The agreement includes a set of mandatory “gold rules” that would ensure the principle of budget equilibrium.

⁸ “¿Qué es la Integración Económica?” *Universidad de Cantabria*, <http://ocw.unican.es/ciencias-sociales-y-juridicas/integracion-economica-europea/material-de-clase-1/modulo-3-integracion-europea/tema-3.1-integracion-economica-europea/> (accessed December 11th, 2015).

intra-zonal industry. Conversely, if the projection is abroad, we are facing an *open regionalism*⁹ that promotes the setting forth of open trade agreements subjected to international competitions and immersed in the multilateral trading system.¹⁰

But what is actually a *deep integration*? The term can be traced back into the expressions of *negative* and *positive* integration coined by Dutch economist Jan Tinbergen in 1954, which corresponds to what are called today *shallow* and *deep* integration respectively. For him, *positive* integration requires a common sovereignty to coordinate among member states, while *negative* one entails only removal of the trading restrictions and barriers without any common bodies. As argued by Schiff and Wintes,¹¹ *deep integration* was a denomination favored by Robert Z. Lawrence and Robert E. Litan to describe the efforts aiming at a more transcendental integration. When the expression started circulating, it was used to refer to agreements, such as

⁹ Open regionalism was an idea back from the 1990s conceived to describe the original ideas of the APEC and transmit its full coherence with multilateral objectives. See Maurice Schiff and L. Alan Winters, *Integración Regional y Desarrollo*.

¹⁰ Darío M. Pereyra, *Comercio e Integración en África: el Rol de la Unión Africana*. MA dissertation, Department of International Economic Relations, Universidad Nacional de La Matanza. 2007, 13.

¹¹ Maurice Schiff and L. Alan Winters, *Integración Regional y Desarrollo*, 163.

the European Union, with the aim of achieving an economic union that would create supranational institutions to fulfill such purpose.¹²

4. The Prospects of Deep integration

The Pacific Alliance is announced as deep integration. However, its development shows only the intention to set up a free trade zone, which would become a reality with the entry into force of the Additional Protocol to the Framework Agreement.¹³ When the ratification processes in four member countries are over, they will eliminate and/or lower their tariffs, and set forth their non-tariff barriers standards. In any case, this is an imperfect reality based on bilateral and/or multilateral

¹² The regional integration in Europe was understood as a gradual process where successes were hinged on both the transference of sovereignty to supra-national bodies and the attitude of masses. See Pedro Canovas, *Planteamientos de la Integración: Evolución de la Integración en Latinoamérica* (Madrid: Biblioteca Digital, Universidad Complutense, 2002).

¹³ Article 1.1 of the Additional Protocol to the Framework Agreement of the Pacific Alliance subscribed in Cartagena, Colombia on February 10th, 2014 reads “The Parties according to article XXIV of the 1994 General Agreement on Customs and Trade Tariffs and article V of the General Agreement on Service Trade part of the Marrakech Agreement by means of which the World Trade Organization is set up, incorporates a free trade zone.”

agreements previously agreed by the members and those we already referred to.

Nowadays, we are facing several free trade areas that could have administrative obstacles to access markets in determining rules of origin among themselves and that also include the intellectual property regime and imperfect external tariff. The Additional Protocol to the Framework Agreement of the Alliance, even when in force, does not solve these difficulties at all, since specific origin requirements are maintained, which are agreed in Annex 4.2. We must not forget that Costa Rica, Panama, and Guatemala, observers and other aspirants to integrate the Pacific Alliance would make more administrative obstacles since they also belong to a prevalent regime, the Central American Integration System. Thus, not only Peru and Colombia must solve their double militancy.¹⁴

Regarding to the realization of the first objective of the Alliance, member states agreed to build “participatory and consensually” a progressive area of deep integration. It remains unresolved whether the “deep” integration implies

¹⁴ The unsolved double militancy expresses that the dispute resolution regime provide in chapter 17 of the Additional Protocol “will not apply to disputes arising between the Republic of Colombia and the Republic of Peru regarding the rules forming the Legal system of the Andean Community,” as provided in the footnote of article 17.3.

liberalization not only of goods and services, but also of capital and people. If so, according to the theoretical framework of integration and the European experience, it would necessarily be based on supranational decision-making bodies that impose patterns of behavior and manage the economic space merged to ensure the full liberalization of the four aforementioned freedoms. Otherwise, the effectiveness of the process will be condemned to the political revalidation of the member states, and would supposed to submit the adopted decisions to non-automatic mechanisms of incorporation in domestic legislation. In other words, we would be facing a negative, superficial, not transcendental integration.

Concerning the free movement of capital and the promotion of investment provided for in literal b. of numeral 2nd of article 3 of the Treaty of Paranál, the parties expect the Alliance to become an interesting destination for investment and trade of services, and also increase investment and service trade flows within region and with the rest of the world. That is the reason why chapter 10 agreed in the Additional Protocol does not have any major difficulties in the negotiation, because it was based on the investment chapters contained in bilateral free trade agreements between the members of the Alliance. In the case of Peru and Colombia, it was based on the Autonomous Agreement on the Reciprocal Promotion and Protection of Investments. They are thus forming (based on previous treaties

between the members) an area that promotes and protects investments, stimulating investment flows between the partners and third parties, but does not liberalize the movement of capital within the area (national treatment) that would characterize a transcendental and deep integration as the European one.

In fact, the only real development in this regard is how the bloc potentiates the attractiveness of the four member countries, constantly reminding them that together they are the eighth largest economy of the world and the seventh export power worldwide. Also, they represent 36% of GDP of Latin America and the Caribbean, concentrate 50% of total trade, and attract 41% of direct foreign investment coming into the region. In addition, with young population and skilled workforce, they add up to 212 million people with an average GDP per capita of USD\$10,000.¹⁵

With regard to the free flow of people in the area, developments are not just scarce. Nevertheless in the event of capital liberalization, concepts are intentionally misrepresented. Literal d. of numeral 2nd of article 3 of the Treaty of Paranal refers to the promotion of cooperation between immigration authorities and consular authorities to facilitate the movement of people and migratory transit. However, “the movement of

¹⁵ Figures as of 2012 with information of the WTO and IMF taken from the website of the Pacific Alliance

business people and the facilitation of the migratory transit are a priority, including immigration and policy consular cooperation.” Facilitation options have been discussed. These are special visas and schemes for expediting entering permits for business people.

In fact, in migratory terms, we see only two significant progresses: on the one hand, the elimination of the requirement of visas for Colombian and Peruvian nationals who want to travel to Mexico. The Mexican government gives easy access to its territory to all nationals of member countries of the Alliance, provided that they do not carry out any paid work. On the other, the announcement of Peru on the elimination of visas for businessmen from Chile, Colombia, and Mexico up to 183 days provided they do not carry out any unpaid activity.

Based on these developments and regional practices, it is not very optimistic in thinking of an integration process, such as the Andean Community, of which Colombia and Peru are current members. The admission of tourists from its member countries is the only thing that has been approved in the Andean Community. The travelers can merely file one of the currently valid local identification documents for staying in other countries up to ninety days extendable for a similar

term.¹⁶ This right is not disclosed in practice, but immigration authorities arbitrarily set the times for the stay. Even more, requirements for admission have been modified unilaterally.¹⁷

The reason for integrating defines the second objective of the Alliance. Rhetorically, the members of the Alliance forget the fragmentation that already existed.¹⁸ They point out that the establishment of a binding framework that facilitates a safer access to the most important markets would encourage “a greater growth, development, and competitiveness of the economies of the parties.” Additionally, they close this objective by highlighting the intention of achieving greater well-being, overcoming socioeconomic inequality and social inclusion of inhabitants. No regional or sub-regional integration has ever

¹⁶ Decision 503 dated June 22nd, 2001 issued by the Andean Council of foreign Relations Ministers.

¹⁷ Colombian nationals travelling to Ecuador are requested the certificate of criminal and police records. After the bombing from Colombia in Sucumbíos, the government of Ecuador retook the measure and also requires that the certificate of criminal and police records are submitted with an apostille.

¹⁸ Since 2007, Peruvian president Alan García has assumed the leadership of the political-economic bloc called “Arch of the Pacific” born within the framework of the APEC, including Peru, Mexico, Canada, Panama, and Chile. This was frustrated and served as background of the Pacific Alliance. Both wanted to coordinate the economies for the members with interests in Asia and be an alternative to the ALBA led by Hugo Chávez.

contributed decisively to this kind of objective.

The third and final objective tends to convert the area of regional integration constituted in a platform of political and economic and trade integration coordination with projection to the world, with special emphasis on the Asia-Pacific.¹⁹ For the objective to crystallize, it needs to change the regional practice since no Latin American experience of regional or sub-regional integration has managed to negotiate as a bloc or has increased the bargaining power. It has always ended in the reign of unilateralism.²⁰

A study of Nolte and Whener shows the difficulties of the second and third objectives emphasizing in the conclusions that although the Alliance tries to be something more than just another FTA, it has advanced especially on cooperation (although shyly in our judgment) and the possibility of defining common positions in international forums is to be seen. It emphasizes also the adverse reactions it has unleashed in the region (Venezuela, ALBA, Brazil, and the Mercosur partners),

¹⁹ Please see second and third goal in the Treaty of Paranál, which incorporates the Pacific Alliance, article 3, 2012.

²⁰ Eric Tremolada, “¿Los Pilares que Soportan la Relación de la Unión Europea con América Latina Contribuyen a su Desarrollo?,” in *Después de Santiago: Integración Regional y Relaciones Unión Europea América Latina*, ed. Joaquín Roy (Miami, Florida: European Union Center, University of Miami, 2013), 193 - 208.

increasing the fragmentation, since it identifies itself as a tool of the United States with which Washington can reassert the hegemony into the region. With it, we would strengthen centrifugal forces in Mercosur, among other reasons due to the balance which Mexico is trying to seek in South America.²¹

Moreover, it should be noted that the members of the Alliance have not defined what exactly the Asia-Pacific is. It is not an easy task for them since there are multiple conceptions. For some the Asia-Pacific refers to the watershed or geographic framework of the Pacific Ocean; an explanation that will be supported by the formation of the Asia-Pacific Economic Cooperation (APEC) which consists of 21 member states from Asia, Oceania, and America.²² However, the background the Pacific basin as a region dates back to 1967 when the Pacific Basin Economic Council (PBEC) was created. It was initially made up of business leaders from the United States, Canada, Australia, New Zealand, and Japan in addition to those of South Korea, Mexico, Hong Kong, Malaysia, and the Philippines.

²¹ Detlef Nolte and Leslie Wehne, "The Pacific Alliance Casts Its Cloud over Latin America," *GIGA Focus*, 8 (2013): 1 - 8.

²² Asia Pacific Economic Cooperation (APEC) is consisted of Australia, Brunei, Canada, Chile, China, United States, Hong Kong, Indonesia, Japan, Republic of Korea, Philippines, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Russia, Singapore, Thailand, Taiwan, and Vietnam.

In 1980, to deliberate on PBEC proposals, the Pacific Economic Cooperation Council (PECC), a tripartite organization composed of businessmen, government officials, and academics discussing, officially and unofficially, on the cooperation and coordination of policies that promote the economic development in the region, was founded. Originally, there was the representation of 11 economies, which nowadays add to 23, including Mongolia, which has no exit to the ocean.²³

As for The Asia-Pacific Center for Security Studies (APCSS), the Asia-Pacific region is broader and includes countries in Asia that do not touch the Pacific, as well as most of Oceania and the Americas that touches the Pacific: 49 countries in total. On the other hand, the Latin America-Asia Pacific Observatory considers all of Asia and Oceania as a whole for the effects of its statistical bulletins when it refers to back and forth commercial flows.

²³ The Pacific Economic Cooperation Council (PECC) is formed by 23 committees of Australia, Brunei Darussalam, Canada, Chile, China, Colombia, Ecuador, Hong Kong, Indonesia, Japan, Korea, Malaysia, Mexico, Mongolia, New Zealand, Peru, Philippines, Singapore, Thailand, Taiwan, United States, Vietnam, and the Pacific Islands Forum.

5. Timid Cooperative Developments

If one browses the Alliance's website one will see that it promotes as an area of effective cooperation that drives innovative initiatives. The development of cooperation mechanisms through a cooperative platform is a mandate of the Alliance Framework Agreement provided in the chapter of objectives (literal f of numeral 2nd of article 3). Previously, the bases of the Pacific Cooperation Platform were set forth in the Memorandum of Understanding dated December 4th, 2011. It aims to promote cooperation among member countries and third parties in the areas of environment and climate change; innovation, science, and technology; social development; as well as other that countries may establish in mutual agreement. However, results are still inadequate.

- Free movement of people

The only measure resulting from the attempt to promote free movement of people is to allow Alliance's nationals to enter and reside in each other's countries not exceeding six months (it must be renewed after 90 days) provided that they do not aim at doing any remunerated activities. The measures already existed

between Colombia and Peru, under Decision 503 of the Andean Community, and between Peru and Chile. The real innovation is the exemption of visa requirements for Colombian and Peruvian people who intend to enter Mexico.

- Environmental respect and preservation and the creation of a scientific research network on climate change

Among the four initiative projects, the scientific research on climate change is the most prospective one. The project would facilitate the exchange of experiences and progress, monitor opportunities for collaboration, explore the application of scientific knowledge and skills development, and produce knowledge required for designing environmental friendly policies. In the context of climate change, the project could help to create a regional network for monitoring biodiversity by coordinating among existing national networks of the countries of the Pacific Alliance.²⁴ In fact, in the framework of the Andean Community, there is a supranational decision no.391 issued on July 2nd, 1996. Its objective is to regulate an access to genetic resources of

²⁴ *Pacific Alliance*, <http://alianzapacifico.net/cooperacion/> (accessed on April 6th, 2015).

member states and derivate products with due recognition of knowledge, innovations, and traditional practices of indigenous, Afro-American, and local communities. This decision, which is one of the most advanced in the world, and which contributes to the development of the Convention on Biological Diversity executed in Rio de Janeiro in June 1992, would undermine an innovative nature of the effective cooperation of the Alliance.

- Academic and Student Exchange

This is the first and most voiced cooperative framework. It claims to create a platform for student and academic mobility that promotes an exchange of undergraduate and graduate students as well as university professors and researchers at higher education institutions. This resulted in a total of 573 undergraduate grantees and 79 graduate grantees up to November 2014. Another commitment is that the member states grant each other annually up to 100 academic scholarships.

- Cultural Promotion

The Alliance plans to promote social inclusion and integration of member countries through sports, culture, culinary, and volunteering. To date,

there have been only two encounters in terms of sports, one was the children's volleyball competition, which took place in the framework of the IX Summit in Punta Mita, Mexico on June 18th and 19th, 2014, and the other was the 3x3 basketball game held in Cali, Colombia on November 10th to 14th, 2014.

Meanwhile, the Alliance promotes the exchange of traditional cuisines of member countries in order to visualize the cultural wealth and culinary diversity. However, only the gastronomic festival "Flavors of the Pacific Alliance" held in Seoul, Korea, on November 13th to 21st, 2014 has materialized under the auspices of the Inter-American Development Bank.

There still are no developments in the volunteering activities. The mobilizations of young people between 18 and 30 years old that have special interests in supporting societies have been proposed. Five areas of strategic interest (human development, gender perspective, citizen participation, peace culture, and social inclusion) were also identified. In this regard, a call was expected by February 2015, which has not occurred yet.²⁵

²⁵ Ibid.

- Integration of Securities Markets

It is noteworthy to say that stock exchanges are private organizations that provide facilities so that the members following the mandates of their clients enter orders and conduct negotiations for the buying and selling of securities, such as shares in companies or corporations, public or private bonds, certificates, share titles, and a wide variety of investment instruments.

The so-called Integrated Latin American Market (MILA, for its initials in Spanish) is not a result of the Alliance. It is a prior agreement among individuals which in 2009 subscribed the Santiago Stock Exchange, Colombia Stock Exchange, and Lima Stock Exchange with the participation of Deceval, DCV, and CAVALI deposits. It started operations on May 30th, 2011, providing opportunities for investors and intermediaries from Chile, Colombia, and Peru who can buy and sell shares of these three stock markets by using simply a local intermediary. In December 2014 the entry of the Mexican Stock Exchange and Indeval was formalized.

This is not a merger or corporate integration. The integration of securities markets requires technological tools that facilitate operations, in addition to the

adaptation and harmonization of the regulation on negotiation of capital markets and securities custody. For this reason, any market loses independence or regulatory autonomy.

- Sharing diplomatic headquarters and opening joint commercial offices, and participation in fairs and exhibitions in the same space

Sharing diplomatic headquarters is an unprecedented experience in the region based on specific agreements among member countries of the Alliance. The four countries share headquarters in Ghana. Colombia and Peru do the same thing in Vietnam. Chile and Colombia share offices in Morocco, Algeria, Azerbaijan, and at the Diplomatic Mission to the Organization for Economic Co-operation and Development (OECD). Colombia and Mexico do so in Singapore.

In this respect, the cooperation has been very dynamic since 2012: 6 seminars on foreign direct investment and 2 joint participations in international fairs were held in 2013; 24 fairs on trade and investment opportunities, 8 joint participations in international fairs, 3 business meetings, and a business macro-round also took place.

In 2014, 17 seminars of trade and investment opportunities were held. Moreover, 9 joint participations in international fairs, the second macro-round, a forum for entrepreneurship and innovation, the launching of the joint promotion office in Turkey, and the first food festival took place. In 2015, 3 joint participations in international fairs have already occurred.²⁶

- Improvement in competitiveness and innovation of micro, small, and medium enterprises

This was also one of the first cooperation programs with a view to generating synergies that contribute to the improvement of competitiveness of micro, small, and medium enterprises, the strengthening of institutions and management through the exchange of knowledge and experience. Working through four workshops was foreseen: business competitiveness, business development, monitoring, and impact assessment of MS-MEs programs and projects, as well as financing mechanisms.

²⁶ *Pacific Alliance*, <http://alianzapacifico.net/agencias-de-promocion/> (accessed on April 6th, 2015).

However, so far only the Technical Group on SMEs aimed to deepen the collaboration of best practices in public policies to support small and medium enterprises was created. The group has only managed to agree on some guidelines to develop projects which support value chains, providers' development, market exploitation of the region, possibilities of joint export to other markets, and economic activities with high potential. In addition, technological and organizational modernization of enterprises is promoted by respecting international standards.²⁷

- Tourism

The directors of the entities promoting tourism of the Alliance anticipated the joint participation in the Tianguis Turístico de México (Tianguis Mexican Touristic) fair held in Acapulco, in March 2015 and the I Caravana Turística (I Tourist Caravan), which objective is to train wholesale, retail, and airline agencies in the cities of Santiago, Lima, Mexico, and Bogota. The most important precedent in this area was the joint participation on behalf of the Alliance at the Meetings, Incentives, Conferences, and Exhibitions (MICE) fair in Frankfurt,

²⁷ *Pacific Alliance*, <http://alianzapacifico.net/pymes/> (accessed on April 6th, 2015).

Germany.²⁸

- Integration for the Promotion of Sustainable Production and Consumption (PyCS in Spanish)

From the implementation of good business practices, the sustainable use, environmental protection, and business competitiveness will be promoted by producing, buying, and consuming sustainably. We will need to develop mechanisms and instruments that promote PyCS agreements between public and private sectors by establishing sustainable criteria for priority goods and services. This initiative will be implemented with the technical and financial support of the German Cooperation Fund.

In order to achieve the above objectives, the Framework Agreement (literal e of numeral 2 of article 3) also aims to coordinate the prevention and control of transnational organized crime to strengthen public security agencies and law enforcement. However, there is no development in this sense.

Finally, the Agreement for the Establishment of the Cooperation Fund, which is currently in the process of

²⁸ *Pacific Alliance*, <http://alianzapacifico.net/la-alianza-del-pacifico-presente-en-tianguis-turistico-mexico/> (accessed on April 6th, 2015).

ratification, will allow the Alliance members to finance the implementation of cooperation projects and activities in the areas of environment and climate change, innovation, science and technology; micro, small, and medium enterprises, and social development in the different modalities through equitable financial contributions.

6. The Scarce Institutional Set Up

The high degree of presidentialism is a characteristic of the Alliance. Without Framework Agreement of the Pacific Alliance, the presidents of the four countries understand that they make up the highest decision-making body, although not institutionalized, than any other regional blocs where the integration is personified and contributes very little to their development.²⁹

According to Article 4 of the Framework Agreement, the foreign ministers and ministers responsible for foreign trade or their designees form the Council of Ministers. This is the body responsible for taking decisions, which have to develop the objectives and actions of the Treaty and Presidential Statements. It is a decision-making body with executive and administrative

²⁹ *Pacific Alliance*, http://alianzapacifico.net/que_es_la_alianza/estructura-y-organigrama/ (accessed on April 6th, 2015).

duties, which also ensures compliance and implementation of decisions, evaluates results, approves activities, and defines policy guidelines in relationship with third parties, establishes working groups, its own rules, and adopts measures necessary for the achievement of objectives.

The Council shall normally meet once a year and extraordinarily at request of any of the member states. All decisions and/or agreements should be adopted by consensus and shall be an integral part of the regulations of the Alliance. They may include different modalities to achieve the objectives, although these modalities that have not been defined yet.

There is also a High Level Group (GAN/HLG) composed of the vice-ministers of foreign affairs and those of foreign trade of member countries, which was created with the Presidential Declaration of Lima, on April 28th, 2011. This group, not included in the Treaty, is an administrative body that monitors the progress of technical groups, evaluates new areas in which there could be further progress, and prepares proposals for the planning and external relations with other organizations or regional groups. This group may be called by the Council of Ministers when necessary.

The organization of presidential summits, the coordination of meetings of the Council of Ministers, and the

HLG, and the minutes correspond to the *pro tempore* President of the Pacific Alliance. These duties are exercised successively by each of the member states, in alphabetical order, for annual periods beginning in January. In addition to these powers, it will assume those expressly conferred by the Council of Ministers and will set to the consideration of the latter the activities programs, and by the mandate of the states it shall represent the Alliance. Please be advised that nobody has the ability to represent the Alliance.

Additionally, there are some technical groups and subgroups forming by public servants of the four member countries that are not mentioned in the Framework Agreement of the Pacific Alliance. Their major duty is to negotiate across agreed transversal disciplines within the framework of the free trade zone.

The composition and form of adopting decisions of the Council and the high degree of presidentialism allow us to infer an intergovernmental political cooperation regime that would not correspond to the intended construction of an area of deep integration.³⁰ In any case, the developments of the Treaty, the Additional Protocol, and the decisions of the Council of

³⁰ Please see Lorena Oyarzún Serrano, "Sobre la Naturaleza de la Integración Regional: Teorías y Debates," *Revista de Ciencia Política* (2008): 95-113.

Ministers and other adopted agreements are an integral part of the regulations of the Pacific Alliance. The Alliance is setting a set of standards and legal acts, mainly the Framework Agreement of the Pacific Alliance, the additional protocol (when in force), and the presidential statements that regulate the conduct of states themselves, and with their partners, which shall improve their joint positions. It tries to enhance the cooperation among these parties in order to facilitate the reaching of the goals set by the Incorporation Treaty and improving their mutual relations. However, as Pizzolo once put it, it would be a set of rules, not actually about integration, but regulated by the general international law, which would be different than the so-called communitarian law.³¹

7. Conclusions

The narrative around the Pacific Alliance is wonderful; however, if we look deeper into the details, there is more fiction than facts, and its excessive noise does not correspond to its route. Paraphrasing the title of a joint academic effort between

³¹ We refer to communitarian law that points out a type of integration process determined by several principles incorporating an autonomous and true legal system. Calogero Pizzolo, *Globalización e Integración: Ensayo de Una Teoría General* (Buenos Aires: Ediar. 2002), 86.

Konrad Adenauer Stiftung, the Pontificia Universidad Javeriana and Universidad de Cali Santiago, it is more a myth than reality.³²

The “fast” liberalization of goods and services, so loudly announced, is due and supported on free trade agreements of Mexico with Colombia (1995), with Chile (1999), and with Peru (2012); of Chile with Colombian and Peru, within the framework of bilateral negotiations with the Andean Community (2006); and of Colombia with Peru in the multilateral framework of the Andean Community gradually consolidated (1997-2005).

Meanwhile, economic, trade, and integration current agreements among Mexico, Peru, Chile, and Colombia are the foundations of the open economy that the Pacific Alliance has constituted.

However, all regional economic integration agreements discriminate in virtue of origin rules. So do the agreements among the members of the Pacific Alliance, among each

³² According to the Spanish Real Academy, wonderful narrative from the historic time and fictitious history are the first two meaning for myth, while reality is the real and effective existence of something, something true. Eduardo Pastrana Buelvas and Hubert Gehring (eds). *Alianza del Pacífico: mitos y realidades* (Cali: Universidad Santiago de Cali, 2014).

member with third-party states, and also those of other Latin American states among themselves. This is an obvious contradiction with one of the guiding purpose of WTO which indicates that “countries should not discriminate among their various trading partners.” Combining free access to several markets with imports from various sources may be attractive to Chile, Colombia, Peru, and Mexico. However, this may cause overlapping obligations and administrative difficulties in terms of access. Hence, harmonizing rules of origin among all members is a difficult challenge that was partially reached in the recently executed Additional Protocol. In any case, both the Framework Agreement of the Alliance and the Additional Protocol indicate their respect for obligations to third parties.

The first objective of the Alliance intends to build an area of deep integration to move progressively towards free movement of goods, services, capital, and people. If we understand that this is the liberalization of these factors, it would be necessary to constitute a common market based on supranational decision-making bodies that impose patterns of behavior and manage the economic space which is a result of the merger. Otherwise, the full liberalization of the four freedoms will be condemned to the permanent political revalidation of the member states.

In addition, the Alliance tends to convert the area of regional integration into a platform of political articulation and

economic integration. It also aims to project towards the world with special emphasis on the Asia-Pacific region by increasing its bargaining power. However, no Latin American experience of regional or sub-regional integration has managed to negotiate as a bloc: unilateralism always ends up reigning.

The Additional Protocol (pending ratification) negotiated transversal chapters on market access issues (rules of origin, trade facilitation, and customs cooperation, sanitary and phytosanitary measures, technical barriers to trade, government procurement, trans-border trade of services, investment, financial services, maritime services, e-commerce, telecommunications, transparency, and dispute resolution), and deepened on terms of tariffs delving into the existing bilateral access conditions when it liberalize 90% of tariff lines.

However, it did not fully homologate origin requirements, preserving many of those that govern specifically among the parties in their existing bilateral and multilateral relations.

Based on previous treaties among members, they are setting an area that promotes and protects investments by stimulating investment flows among partners and third parties, but does not give national treatment to liberalize the movement of capital within the area, which characterizes a transcendental integration as deep as the European. The pretended free

movement of capital and investment promotion in the Alliance is based on the investment chapters of bilateral free trade agreements with the parties, and in the case of Peru and Colombia, on the autonomous agreement on the investment reciprocal promotion and protection. These obligations were incorporated in chapter 10th of the Additional Protocol.

The announced liberalization of people in the area does not progress much further than it was proclaimed, as in the case of capital liberalization where concepts are intentionally misrepresented. It is really about cooperation between consular and immigration authorities to facilitate the movement of people and migratory transit, especially businessmen and tourists.

So, while the first objective of the Alliance, to differentiate itself from a simple free trade area, is proposed to its own and other's imagination as something possible, it is actually not the case. Meanwhile, the remaining two objectives are quite rhetorical. The second objective is to stimulate "great growth, development, and competitiveness of the economies of the parties" to achieve "greater well-being, overcoming of socio-economic inequality, and social inclusion of inhabitants." In Latin America, no regional or sub-regional experience of integration has contributed decisively to this goal, nor have the FTAs executed with non-Latin American countries. The

ultimate goal tends to turn convert the Alliance into a political, economic, and trade coordination platform with projection to the world with special emphasis on the Asia Pacific. This means a change of the regional practice and all Latin American experiences of regional or sub-regional integration since no Latin American experience of regional or sub-regional integration (where by the way three of the four members of the Alliance have participated) has managed to negotiate as a bloc or has increased the bargaining power. It has always ended in the reign of unilateralism.

Despite the emphasis on the Asia-Pacific, the members of the Alliance have not defined the configuration of this region. This is why arbitrarily the Alliance believes it is composed of East Asia, namely China, North Korea, South Korea, Japan, Mongolia, and Taiwan along with Southeast Asia comprised of Burma, Brunei, Cambodia, Philippines, Indonesia, Laos, Malaysia, Singapore, Thailand, East Timor, and Vietnam and Oceania, that is to say, Australia, New Zealand, and the islands of New Guinea.

In terms of cooperation, the efforts are very slight. There are some more mature collaboration, for example, the mutual endeavor to facilitate the free movement of people to some degree, and the design and implementation of a regional network for monitoring biodiversity. With regard to academic

and student exchanges, we believe that the offering of 100 scholarships per year per country is very little. It equals to only 0.0019% of the 212 million people of the Alliance. In terms of cultural promotion, two sport events with limited number of participants have been held: the gastronomic festival in Seoul and the announcement of a call for young volunteers aged 18 to 30.

The integration of securities markets, it should be noted, is not a result of the Alliance itself but a prior agreement among individuals (Santiago Stock Exchange, Colombia Stock Exchange, and Lima Stock Exchange), which began operations in 2011 and to which the Mexican Stock Exchange was added in December 2014.

Sharing diplomatic headquarters, opening joint commercial offices, and participating in fairs and exhibitions are with no doubt among the most dynamic cooperative development of the Alliance. Since 2012, seven diplomatic headquarters are shared. 47 opportunities seminars have been held. The Alliance's members have jointly participated in 22 international trade fairs and business meetings and have held 3 business encounters and 2 business macro rounds.

Regarding the improvement in competitiveness and innovation of micro, small, and medium enterprises, only the

SMEs Technical Group was created, which has achieved the consensus on guidelines for developing future projects. Efforts in tourism have been equally scarce. There were only two participations in international fairs (Acapulco and Frankfurt) with a stand for each member country and the logo of the Alliance.

All in all, its institutional framework is limited, as international organization agreed special competencies relating to the economic sector without transfer of skills; however, it emphasizes the willingness to incorporate the Alliance as a space for dialogue and convergence in a progressive, participatory and consensual way. Thus, what we are facing is a simple - neither transcendental, nor deep - cooperation to coordinate and develop common interests among the members. As an interstate organization in which member states do not want to give national treatment, their decisions will require further consents.

It has only one decision-making body, which in turn is executive and administrative, with the *pro tempore* presidency, which also has administrative duties. Apart from the Framework Agreement, the Alliance created a High Level Group with technical duties, and in fact, it understand that the highest decision making body is the meeting of presidents, which contributes little to their development. The high degree

of presidentialism is one of the many Achilles heels of all Latin American integration processes from which the Alliance desires to distinguish. The Incorporation Treaty only mentions who is responsible and how decisions are made, and that these are part of the legal system. However, it does not mention the mechanism for making these decisions, and even less it refers to the application and effect thereof.

The Pacific Alliance is, therefore, a mere sum of free trade areas agreed bilaterally and multilaterally, and will only form a traditional free trade area integrated when the Additional Protocol enters into force. The Alliance is far from being a transcendental, deep integration as it has insisted.

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