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7 The Pacific Alliance and the construction of a new economic regime?

Lights and shadows of the renewal of open regionalism¹

Lorena Oyarzún Serrano

Introduction

Many factors have affected the development of the diverse types of regionalisms that exist in Latin America (Sanahuja, 2010; Riggiozzi & Tussie, 2012; Briceno-Ruiz, 2013; Malamud, 2013; Vivas, 2014). Global conditions include the ongoing process of globalization, the crisis of international multilateralism, U.S. unilateralism, and the emergence of the People's Republic of China as a global power. On the regional level, the emerging leadership of Brazil, which is pulling ahead of potential competitors such as Mexico, Venezuela, and Argentina, is relevant. However, Brazil's leadership is as yet incipient, and it is not capable of exercising it effectively or aligning its followers with its main foreign policy objectives (Burgess, 2009; Malamud, 2012).

In addition, the reconfiguration of power at the global level has generated uncertainty given that the old referents or hegemones must share or, in some cases, transfer influence. This trend is particularly strong in the economic sphere, where the region of Asia Pacific has acquired an enormous amount of influence, given its high level of participation in international trade, along with the rapid growth of China and the regression of the United States and the European Union, which has yet to completely emerge from the crisis that began in 2008. For example, in 2013, China became the most important trader of commodities in the world, reaching a total value of US \$4.159 trillion in imports and exports. That nation is followed by the United States, with US \$3.909 trillion (2013). In fourth place behind Germany was another Asian nation, Japan, which reached a total value of commodities trade of US \$1.548 trillion in 2013 (WTO, 2014).

While this new international puzzle is still taking shape, its effects on the regional organization and developing economies of Latin America (LA) are clear. The Pacific Alliance (PA) emerged in this context; it includes Chile, Colombia, Mexico, and Peru and has joined the already varied offer of regionalisms in the area. One of its characteristics is a strong emphasis on issues related to trade. Given its focus on the Pacific Coast, the block does not include Brazil, one of the main supporters of the Southern Common Market (Mercosur), along with Argentina. Mercosur was created in 1991 and currently also contains Paraguay, Uruguay, and Venezuela. The South American region has been strategic for Brazil's

development, allowing it to project itself onto the global stage to trade and financial blocks such as the G-20. As a result, it has promoted various spaces such as South American Summits, the Initiative for the Integration of South American Regional Infrastructure, and the Union of South American Nations (UNASUR), which includes the 12 independent South American nations (Oyarzún, 2010; Sanahuja, 2010).

To arrive at an understanding of Latin American regionalism and particularly that of the PA, in this chapter I will analyze what its creation means and its implications for the battered multilateral system of the World Trade Organization (WTO) and the stalled Doha Round. My argument is that its creation expresses a return to open regionalism, a choice made by decision-makers in Chile, Colombia, Mexico, and Peru to strengthen a type of regional governance that is aligned with the current rules for the world. For the most part, it does so without questioning the dominant structure, as the four countries already individually follow and share the predominant ideas about trade, economics, and politics. At the same time, the PA allows them to disseminate and socialize their vision of the world.

Although we still do not know how the Alliance will relate to the various organizations in Latin America – if it will enter into a context of complementarity, indifference, or direct competition – for some its creation is already evidence of fragmentation in the region. On the one hand, there is an Atlantic axis with Mercosur led by Brazil. For this group, the region and its political project are revisionist in regard to structures and standards for the world, giving greater importance to the role of the state in the economy. On the other hand, there is a Pacific axis represented by the Pacific Alliance, an emerging region that is seeking to position itself by promoting the free market and trade liberalization (Oyarzún & Rojas, 2013; Luhnow, 2014).

To address this issue, I will focus on the ideas that allowed member states to include the construction of the Pacific Alliance in their foreign policy. The ideational dimension allows for the analysis of the ideas about belonging to a regional community, the interaction between agents and the international structure, and the construction of power, because constructivism assumes that power and national interest are social constructs that are dependent on our interpretations and language (Wendt, 1999). “If the set of rules established is convenient to some countries but not to others, it is likely that countries which find the rules convenient can assume leadership” (Hanamaka, 2014, p. 3). Furthermore, in the context of International Relations, constructivism posits questions regarding the role of norms and international governance (Simmons & Martin, 2002; Adler, 2006). I will study the PA as a regional cooperation initiative that is capable of having an agenda-setting influence and entering into dialogue with the concept of international regimes which are “implicit or explicit principles, norms, rules, and decision-making procedures around which actors’ expectations converge in a given area of international relations” (Krasner, 1983, p. 2). I also propose understanding this regional process as part of a larger framework, in this case, the construction of a new economic regime or Pacific Regime.

The Pacific Alliance and its nature: the return of open regionalism

In 2011, Chile, Colombia, Mexico, and Peru signed the Lima Declaration, in which they expressed an interest in creating the Pacific Alliance in the context of another initiative, the Latin American Pacific Arc, which was set up in 2007² (PA, 2011). It would not be until 2012, when the presidents of the four countries met in Paranál (Chile) to sign the Framework Agreement, which entered into force on July 20, 2015.

Its objectives include (1) moving towards the free circulation of goods, services, capital, and people; (2) promoting the growth, development, and competitiveness of their economies to overcome socioeconomic inequality and promote social inclusion; and (3) serving as a political, economic, and commercial platform with a special emphasis on the Asia Pacific region. To that end, its members seek to liberalize the commercial exchange of goods and services and to create a free trade zone among the member states. They also support moving toward the free circulation of capital and promotion of investments as well as cooperation on customs, migratory, consular, and other issues (PA, 2012).

The four member states have signed Free Trade Agreements (FTAs) with each other, which is a requirement for membership. All of them have also signed agreements with the United States, the European Union, and several Asia Pacific countries (Oyarzún & Rojas, 2013). The PA currently has 49 observer states, including the United States, China, India, Singapore, South Korea, Canada, and Australia. Costa Rica and Panama are candidates for membership.³ They hope to confront the challenges of the international economic context with a pragmatic perspective and political will, offering returns for international business with a clear focus on the region. The idea is to come together, form a new block, and establish as a requirement the existence of FTAs among its members, which is evidence of the desire to manage interdependence and strengthen economic ties with countries with a similar vision based on a pragmatic discourse that seeks to set itself apart from other regional agencies that have been catalogued as ideological. As such, it responds to a shared vision of a development model that is characterized by emphasizing economic insertion through economic liberalization, the signing of FTAs, and the application of open regionalism. Table 7.1 presents each of the agreements signed by Chile, Colombia, Mexico, and Peru.

The four PA countries have a population of approximately 216 million people – most of them young – a qualified work force and an attractive market with buying power that is constantly growing. They have an average per capita GDP of US \$16,500 and together form the world’s eighth-largest economic power. Their GDP represents 38% of that of Latin America and the Caribbean (LAC), concentrating nearly 50% of total trade and attracting 45% of foreign direct investment (FDI) to the region, with average inflation of 3.9% in 2014 (ECLAC, 2014; Pacific Alliance, 2016a). According to the World Bank (2014), they are the countries in the region in which it is easiest to do business. Colombia placed first in 2014 followed by Peru and then Mexico, with Chile placing fourth.

Table 7.1 Trade agreements in Pacific Alliance countries (2015)^a

Business Partners	Chile	Colombia	Mexico	Peru
Argentina		ECA 2005		ECA 2006
Australia	FTA 2009			MERCOSUR
Bolivia	ECA 1993		ECA 2010	ECA 2006
Brazil		ECA 2005		MERCOSUR
		MERCOSUR		
Brunei	FTA 2006 P-4			
Canada	FTA 1997	FTA 2011	FTA 1994	FTA 2009
CARICOM		AAP 1995		FTA 2009
		FTA 2009	FTA 1999	FTA 2010
Chile				
China	FTA 2006		FTA 1995 G3	
Colombia	FTA 2009			FTA 2013
Costa Rica	FTA 2002		FTA 1995	ECA 2013
Cuba		ECA 2001		
El Salvador	FTA 2002	FTA 2010	FTA 2000	
			Northern Triangle	
EU	AAE 2003	FTA 2013	FTA 2000	FTA 2013
	FTA 2010	FTA 2009	FTA 2000	
Guatemala			Northern Triangle	
Honduras	FTA 2008	FTA 2010	FTA 2000	
			Northern Triangle	
Hong Kong	FTA 2014	FTA 2011 EFTA	FTA 2001 EFTA	FTA 2011 EFTA
Iceland	FTA 2004 EFTA	FTA 2011 EFTA	FTA 2000	
Israel			FTA 2005	AAE 2012
Japan	FTA 2007	FTA 2011 EFTA	FTA 2001 EFTA	FTA 2011 EFTA
Liechtenstein	FTA 2004 EFTA			
Malaysia	FTA 2012			
Mexico	FTA 1999	FTA 1995		FTA 2012
New Zealand	FTA 2006 P-4			
Nicaragua	FTA 2013	PSA 1980	FTA 1998	
Norway	FTA 2004 EFTA	FTA 2011 EFTA	FTA 2001 EFTA	FTA 2011 EFTA
Norway	FTA 2008		FTA 2015	FTA 2012
Panama		ECA 2005		ECA 2006
Paraguay		MERCOSUR		MERCOSUR
Peru	FTA 2009		FTA 2012	
Republic of Korea	FTA 2004	FTA 2013		FTA 2012
Singapore	FTA 2006 P-4			FTA 2009
Switzerland	FTA 2004 EFTA	FTA 2011 EFTA	FTA 2001 EFTA	FTA 2011 EFTA
Thailand	FTA 2015			FTA 2011
Turkey	FTA 2011			
United States	FTA 2006	FTA 2012	FTA 1994	FTA 2009
		ECA 2005	FTA 2004	ECA 2006
Uruguay		MERCOSUR		MERCOSUR
Venezuela		PSA 2012	FTA 1995 G3	PSA 2013
Vietnam	FTA 2014			

Source: Author's elaboration, based on data from PA (2015); DIRECON Chile (2015); the Ministry of Commerce, Industry and Tourism of Colombia (2015); the Ministry of Foreign Trade and Tourism of Peru (2015); and PROMEXICO (2015).

^aFree Trade Agreement (FTA), Economic Complementarity Agreement (ECA), and Partial Scope Agreement (PSA).

Regarding the Alliance's institutional structure, the Summits of Heads of State and Government make decisions and set the agenda. The Council of Ministers, which is composed of the member states' ministers of foreign trade and foreign affairs, is responsible for implementing the objectives set out in the Framework Agreement and the presidential declarations. There is also a High Level Group (HLG) composed of vice ministers of foreign trade and foreign affairs. The HLG cultivates relationships with regional organizations and groups and supervises the progress of the 20 technical groups, including promotion entities, trade and integration, the Pacific Alliance Business Council (CEAP), fiscal transparency, intellectual property, regulatory improvement, education, and gender. The Technical Groups are composed of public servants from the four member states (PA, 2012).

Given its clear interest in promoting free trade and positioning itself in the world economy, the PA includes foreign trade development agencies: ProChile, ProColombia, ProPeru, and ProMexico seek to increase exports, encourage FDI, increase the internationalization of local companies, and attract tourists to member states (PA, 2012). In 2012, a business summit was held parallel to the PA Summits of Presidents, demonstrating its importance to the PA. During 2013 the VII Alliance Summit, a Business Committee of Experts (CEAP) was created to analyze the issues that emerged from its sector and maintain an ongoing dialogue as well as coordination between the PA and business leaders. See Figure 7.1.

While the various PA declarations highlight an interest in promoting a process of deep integration, the Alliance does not have a supranational institutional structure, and its members have not proposed the implementation of a common market. In other words, there is no context in which there would not only be zero tariffs among member states and the elimination of barriers to free trade but also a shared external tariff for third parties and free circulation of goods, services, capital, and workers (Oyarzún & Rojas, 2013). While the PA decision-making structure presents a marked intergovernmental character, it does not have dispute resolution mechanisms or a General Secretariat. However, Wilhelmly (2014) argues that the formation of the Alliance is a long-term process and that the governments are responsible for encouraging the block's success.

The ideas and interests of PA member states

By creating the Alliance, Chile, Colombia, Mexico, and Peru decided to take an active stance in LA and advance a return to open regionalism. This was an ideological choice because the PA seeks to counterbalance the ideas, principles, and protectionist rules present in other blocks, building a "robust institutional and legal framework that gives certainty to investments and free trade." (Peña, Santos, Humala & Piñera, 2013). During the first decade of the 21st century, protectionism was strengthened in the region by the emergence of the Bolivarian Alliance for the Peoples of Our America (ALBA), a block that defined itself as anti-imperialist, anti-system, and opposed to the economic policies that had been implemented in the region since the late 1980s. It was thus opposed to the principles of open regionalism (Oyarzún & Rojas, 2013; Bricco-Ruiz, 2014).

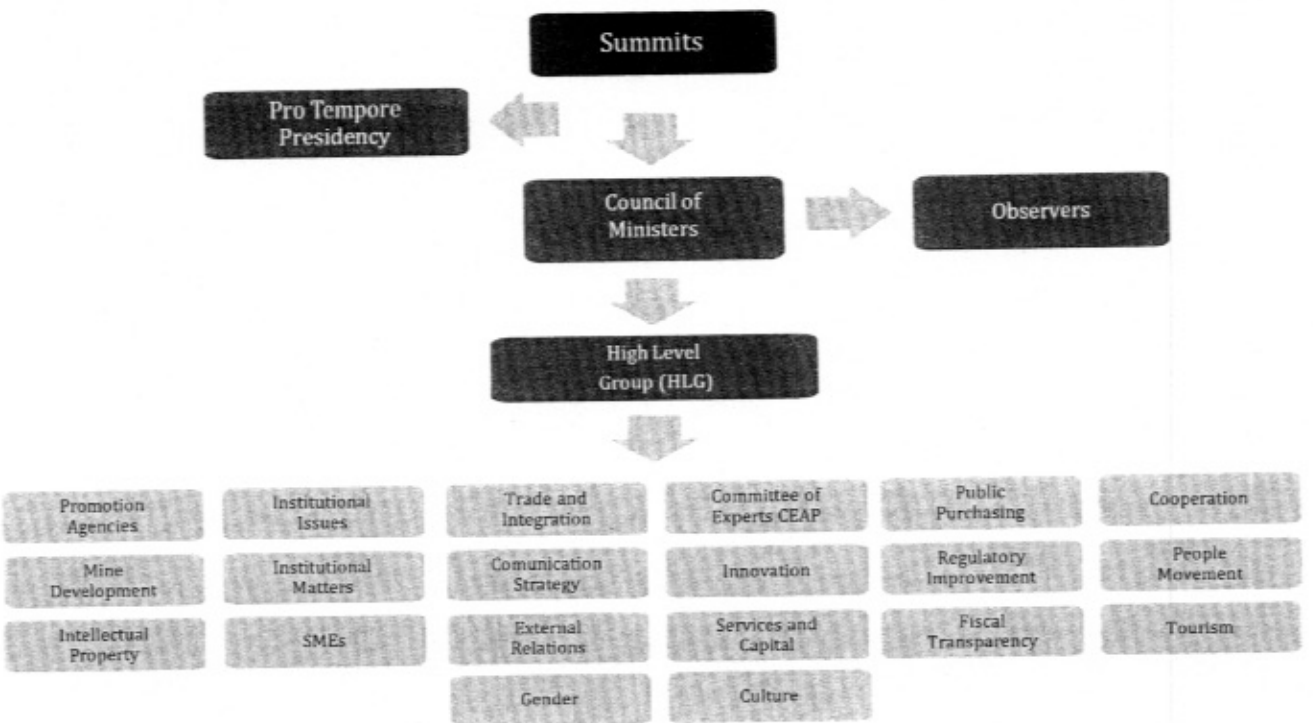


Figure 7.1 Structure of the Pacific Alliance
 Source: Elaborated by the author based on Pacific Alliance (2016b).

From an economic perspective, the existence of the entity helps the four Alliance countries to improve their positions on the global stage, particularly in regard to Asia Pacific and China, an economy that has considerably increased international trade. Between 2000 and 2013, Mexico decreased imports from North America from 75.4% to 51.7% and increased the participation of Asia Pacific economies from 11% to 30%. PA member states play only a marginal role in Mexican imports (León & Ramirez, 2014). Chilean exports are the least dependent on the United States and are the most diversified in the group as a result of the increasing Chinese demand, mainly for copper. China has in fact become the main destination for Chilean exports. However, "it is important to consider the high level of economic concentration in the country. One of the great challenges for Chile is to incorporate medium and small companies into world markets" (Oyarzún, 2013, p. 280).

By contrast, Peru's economy has reached more-balanced diversification, which will give it a greater margin of action for export market substitution in the case of economic difficulties in Asia. Colombia has only achieved greater diversification in the past few years by slightly decreasing the importance of the United States as an export market for its goods. In 2000, the U.S. market absorbed 50.7% of the country's exports, but that number had dropped to 32% by 2013 (León & Ramirez, 2014). Meanwhile, Colombia's exports to Asia Pacific grew from US \$4.594 billion in 2010 to US \$8.085 billion in 2012. Oil, coal, ferroalloys, raw coffee, and hides and skins are among the top items (Prieto & Rodríguez, 2014).

In the regional context, the existence of these two blocks could be a possible source of competition over leadership of Latin America between Brazil, the leader of Mercosur and UNASUR, and Mexico, a member of the Community of Latin American and Caribbean States (CELAC) created in 2010 and the Pacific Alliance. When it entered the North American Free Trade Agreement (NAFTA) in 1994, Mexico favored its connections to the United States and Canada, losing presence and influence in Latin America. Brazil, by contrast, has geo-strategically redefined the region in the 21st century, proposing the construction of a South American space through UNASUR in the political realm and Mercosur in the social-economic sphere (Oyarzún, 2010; Ramos, 2013; Castro, 2014).

The two projects in which Brazil is participating differ in nature from the PA in that they promote a revisionist, post-hegemonic, and autonomist type of regionalism with a focus on political and social coalitions, not only in the economic-trade dimension. By contrast, the Mexican view is linked to open regionalism (Riggirozzi & Tussie, 2012; Briecher-Ruiz, 2014). In this context, the PA allows Mexico to project itself as a platform of economic and trade integration and generates a dynamic of counterbalance or soft balancing in an agency in which Brazil does not participate because it does not have a Pacific Coast (Oyarzún & Rojas, 2013; Nolle & Wehner, 2014). For Mexico, CELAC could also be a route to "return" to the region, but it is a very heterogeneous forum with 33 member states. As such, it has limited capacity to articulate a unanimous vision and generate deep commitments (Oyarzún & Rojas, 2013). In this context, the most important piece of Mexican foreign policy in LA is the Pacific Alliance, because it is a vehicle for influencing Latin American politics (Saltalamachia, 2014). However, the recent

initiatives (PA & CELAC) do not seem to be sufficient for the country to recover the spaces lost and build leadership (León & Ramírez, 2014).

While the vision of the PA and its members also stands in contrast to the vision of ALBA, which is led by Venezuela and presents an anti-hegemonic stance, the main source of regional competition according to Oyarzún and Rojas (2013) is Mercosur, the revisionist and Atlantic axis led by Brazil. In contrast to the PA, neither of Mercosur's members has signed an FTA with the United States or the European Union. For Soriano (2012), the problem is not the struggle between Brazil and Mexico over markets, influence, or investments but the fact that they are wasting the opportunity to provide benefits to wide social sectors by having a closer relationship. Table 7.2 presents representative data for Pacific Alliance and Mercosur member states.

Brazil's economic policy has been characterized by a protectionist tradition and low permeability to foreign influence. However, in the opinion of some analysts, Brazil is being relegated to the sidelines in the discussions that many countries are holding in response to the difficulty that they have had moving forward in the multilateral context. The goal is to reach consensus regarding shared principles and rules in trade liberalization (Da Motta, 2014). There are also critiques of Brazil's current insertion strategy due to the fact that the country's economy is in a deindustrialization process or a return to a focus on primary products, due to the

Table 7.2 Comparative table of countries of the Pacific Alliance and Mercosur (2013)

Countries	Population (in millions)	GDP (in billions of current dollars)	GDP per capita (in current dollars)	Exports of goods (in billions of current dollars)	Imports of goods (in billions of current dollars)	FDI inflows (in billions of current dollars)	FDI outflows (in billions of current dollars)
Chile	17.6	278	15,783	77.4	79.6	20.3	10.9
Colombia	48.4	379	7,841	58.8	59.4	16.8	7.7
Mexico	119.3	1,268	10,628	380.1	381.2	38.3	12.9
Peru	30.3	202	6,669	41.9	43.4	10.2	0.1
Pacific Alliance	215.6	2,127	9,866	558.2	563.6	85.5	31.6
Argentina	41.4	636	15,352	76.6	73.7	9.1	1.2
Brazil	200.0	2,262	11,309	242.2	239.6	64.1	-3.5
Paraguay	6.8	31	4,506	9.4	12.1	0.4	0.0
Uruguay	3.4	56	16,554	9.1	11.6	2.8	0.0
Venezuela (Republic Bolivarian)	30.4	372	12,231	89.0	53.5	7.0	2.2
MERCOSUR of*	282.0	3,356	11,902	426.3	390.6	83.4	-0.1
Latin America and Caribbean	616.6	6,021	9,914	1,116.9	1,163.6	184.9	31.6

Source: Elaborated by the author and based on ECLAC (2014).

strong presence of China in the national market (Perrota, Fulquet & Inchauspé, 2011; Da Motta, 2014). Economic liberalization can be an opportunity, but only if it is accompanied by an industrial strategy and the state (Salamanna, 2012).

The influence of the Chinese economy has also extended to ALBA and Argentina through loans and investments in which the state plays a key role. "Since 2005, such loans to these governments have accounted for 75% of the \$119 billion lent to the region by Chinese State banks such as the China Development Bank and China Ex-Im bank" (Ellis, 2015a, p. 6). In a context of interdependence, Furché (2014) argues that openness should be promoted along with convergence between PA and Mercosur that would integrate the main regional stakeholders, Argentina, Brazil, and Mexico. Along these same lines, Peña (2014) proposes joint work by Mercosur and the PA under the umbrella of the Latin American Integration Association (ALADI) in three areas: rules of origin, regulatory frameworks, and working together to participate in a multilateral context and face mega-agreements like the Trans Pacific Partnership (TPP).

The idea is very attractive if it helps the region to address one of its traditional challenges, that is to say, overtook the condition of peripheral economies with scant capacity to export products with high added value. However, it seems unlikely given that these two regions support principles and rules that result in different development models and strategies for insertion. PA is presented as an alternative to the protectionism promoted by the revisionist and anti-imperialist projects represented in Mercosur and the Bolivarian Alliance for the Peoples of Our America, respectively (Gardini, 2011; Briceno-Ruiz, 2013).

Through the Pacific Alliance, member states favor their connections to one of the most dynamic regions in the world, the (Asia) Pacific. It is a tool for reaching consensus regarding principles, rules, and procedures in areas of interest and in an effort to promote the positioning of the countries in an uncertain international context. In the global market, there is also competition over ideas and models, given the possible construction of a new economic regime, particularly if we understand that

The Pacific is less a physical place than an arena in which China and the other countries of Asia relate to the United States, Canada, Latin America, and the Caribbean. That relationship is about politics, ideas, and institutions as much as it is about trade and investment.

(Ellis, 2015b)

Figures 7.2 and 7.3 show the evolution of the composition of LAC exports to the world and the low level of intraregional trade.

The Alliance in the context of a new Pacific regime

It is important to analyze the formation of the Pacific Alliance through the lens of its connections to other regions and actors and in dialogue with the creation of a new economic regime. For example, beginning in the 1990s, the United States sought to establish the Free Trade Area of the Americas (FTAA), which was to

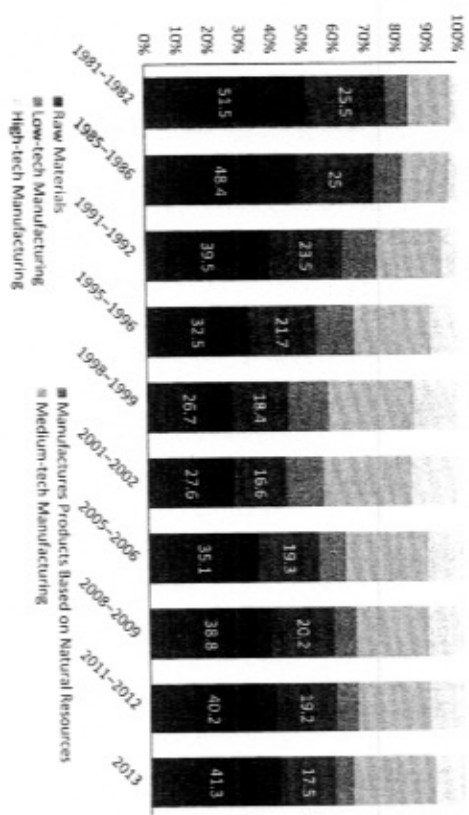


Figure 7.2 Latin America and Caribbean: composition of export value to the world by categories of technological intensity, 1981–2013
 Source: Author's elaboration based on (ECLAC, 2014).

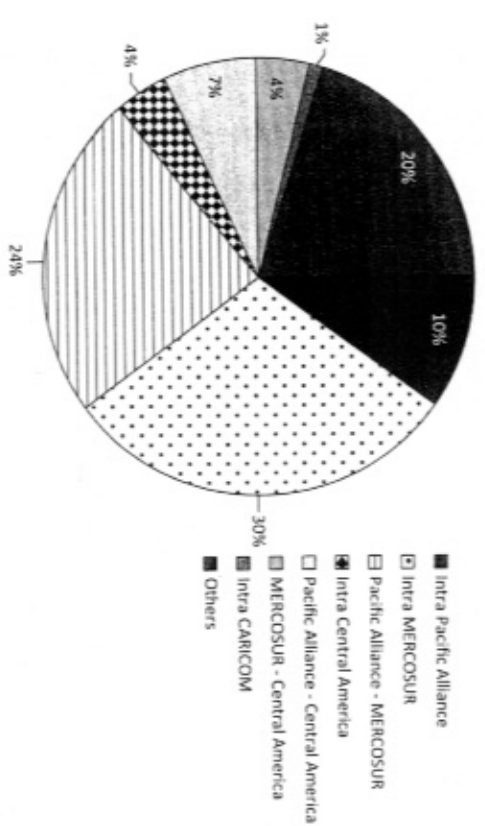


Figure 7.3 Latin America and the Caribbean: distribution of intraregional exports by selected groups, 2013
 Source: Author's elaboration based on (ECLAC, 2014).

cover the entire continent. However, it was unable to implement it due to conflicts of interest between regional stakeholders. The United States then opted to sign NAFTA with Mexico and Canada in 1994 as well as bilateral agreements with Chile in 2003, Central America and the Dominican Republic (CAFTA-DR) between 2006 and 2009, Peru in 2009, and Colombia and Panama in 2012. The idea was to create a large economic zone stretching from Canada to Panama by drawing on the existing institutional structure (NAFTA-CAFTA-DR)⁴ (Furche, 2014). However, many Latin American economies have experienced a weakening in trade with the United States in favor of the Asia Pacific region, particularly China. To maintain its position in the global economy, the United States promoted the TPP and the Transatlantic Trade and Investment Partnership (TTIP), which is being negotiated bilaterally with the European Union⁵ under the principles of open regionalism (León & Ramirez, 2014; Ellis, 2015a). On the other hand is the Regional Comprehensive Economic Partnership (RCEP), in which China participates. In this context, if the PA member states manage to act in a cohesive manner, they could improve their relative position and have more influence on the construction of the new regime. Organizations such as the Association of Southeast Asian Nations (ASEAN) and other middle powers are already looking to play a role in defining the rules for international trade in the 21st century.

It is important to note that three members of the PA – Chile, Mexico, and Peru – are also part of the TPP, and the United States is an observer nation in the Alliance. Canada, a PA observer country and member of NAFTA and the TPP, has shown an interest in the Alliance since its inception because it sees it as an initiative that is similar to the TPP in that it promotes free trade, investments, and their protection. However, in contrast to the TPP, the PA includes policies of harmonization and liberalization in the movement of people, which could become an insurmountable obstacle. Latin American citizens need a visa to enter Canada, and members of the Pacific Alliance have eliminated that requirement in their economic space.

Canada needs to carefully shadow what regulatory changes the PA adopts in order to maintain its competitiveness as a host country. For example, if the PA countries take a common view that welcomes FDI from state-owned Asian multinationals, then Canada would have to review its recent policy or lose a competitive edge in that regard. If Canada wants to advance trade with the rest of Latin America, it would be wise to remain an observer rather than joining the PA.

(Heidrich, Macdonald & Prada, 2013, p. 6)

For its part, the EU has signed agreements with the four members of the PA, and the creation of the Alliance has been viewed as a positive development. Note that the EU's relationship with LA was somewhat stalled and weakened, not only because it had not managed to finish negotiations with Mercosur, but also because of the nationalization of some European companies in Argentina and Bolivia and the situation in Venezuela. In this context, the PA member governments used the

2013 CELAC-EU Summit held in Santiago, Chile, to emphasize that rule of law and legal certainty exist in their territories and to invite European nations to continue to invest. Meanwhile, Australia, an extra-regional actor with a Pacific Coast, a TPP member, and a PA observer country, has praised the initiative for sharing the vision of open regionalism. It has stated that the process of building the Alliance has been an example of how to reach agreements swiftly on trade-related matters. In the words of the Minister for Foreign Affairs, it showed that the nations had the political will to provide benefits to their economies through trade liberalization (Bishop, 2015).

China is an important entity for Latin America and the Caribbean, even the region's export basket to China is not very sophisticated. In 2013, primary materials represented 73% of exports from LAC to China, compared to 41% of Latin American exports to the world. Low-, medium-, and high-technology manufactured goods represented only 6% of LAC exports to China, compared to 42% of exports overall. For China, meanwhile, LAC has gradually gained weight as a trade partner (ECLAC, 2015). For the PA member states it is a key economic actor, particularly for Chile and Peru, given that both have FTAs with China, and it is their main trade partner. However, in 2014, the value of goods traded between LAC and China dropped 2% compared to the previous year. In 2014, only Chile, Brazil, and Venezuela reported surpluses in trade with China due to the reduced sales of primary materials. The situation of Mexico is different. It presents the greatest trade deficit with China. In 2014, less than 2% of its exports went to the Asian giant, while 17% of its imports came from China (ECLAC, 2015).

Ties with South Korea and Japan continue to be important in areas such as direct investment and manufacturing, and they also have signed agreements with Chile and Peru. PA members account for more than 40% of South Korea's trade with Latin America. The majority of the products exported to the Alliance are machinery, electronics, steel, chemicals, and plastics. Meanwhile, minerals account for almost 50% of total imports. The Asian nation is also participating in the Alliance as an observer:

Thus Korea will have to draw up a medium and long-term view, rather than one in the short term. To begin with, Korea will have to reduce the gap between the interest of Korea and the Pacific Alliance, and will have to pursue investment initiatives in the Pacific Alliance member countries in areas that encourage FDI, for instance mining, transportation infrastructure, and renewable energy.

(Lim & Yi, 2014, p. 5)

It is also interesting to compare the trade dynamic of the PA with ASEAN, which was created in 1967 and currently includes Brunei Darussalam, the Kingdom of Cambodia, the Republic of Indonesia, the Lao People's Democratic Republic, Malaysia, the Republic of the Union of Myanmar, the Republic of the Philippines, the Republic of Singapore, the Kingdom of Thailand, and the Socialist Republic of Vietnam. The Asian organization maintains significant intraregional

trade, which represented 25.1% of its total trade in 2011. According to León and Ramírez (2014), other differences include the fact that one driver of interdependence for ASEAN members is transnational intra-company trade. For the PA, the driver is national companies that produce within their countries of origin and export to the regional market.

The PA seeks to improve the international positioning of its members in an anarchic context, but with hierarchies of power in an effort to ensure that they do not fall outside of the negotiations on the rules for the world. Three of the four members are part of the TPP, the space led by the United States that is intended to counterbalance the growing influence of China in international affairs, particularly in the economic context (Altman & Haass, 2015). This objective is explained on the website of the Office of the United States Trade Representative (2015).

The rules of the road are up for grabs in Asia, home to some of the fastest growing markets in the world. If we don't pass this agreement and write those rules, our competitors will set weak rules of the road, threatening American jobs and workers and undermining U.S. leadership in Asia. TPP strengthens the U.S. economy, which is the foundation of U.S. national security and a critical source of our influence abroad.

The TPP is an FTA that also aligns the legislations of the member states on issues such as protection of investors, Internet access, and intellectual property. Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam are members. Chile was one of the founders, as the TPP comes from the P4 Agreement signed in 2005 by Brunei, Chile, New Zealand, and Singapore. Together, these countries are home to 800 million people and represent nearly 40% of the global economy. The TPP negotiations took five years, and the issue that generated the greatest discord among the member states was that of pharmaceutical patents. Social movements argue that it was negotiated behind closed doors and favors multinational corporations. It has yet to be ratified by the member states.

The great absence in this context has been China. Though the United States has not ruled out the possibility that it will join, it has noted that the principles and rules agreed upon must be formally adopted, particularly those regarding intellectual property and investment protection (BBC Mundo, 2015). The Regional Comprehensive Economic Partnership (RCEP) could emerge as the Chinese counterpart, given that the United States is not included. It covers 10 governments that currently take part in ASEAN (four of them are also in the TPP), as well as Australia (in the TPP), India, Japan (in the TPP), New Zealand (in the TPP), and South Korea. While powerhouses like India and Japan are part of RCEP, their memberships and possible leadership aspirations are not as complex as are those of the United States, given that "it seems that the PRC attempted to supersede Japan by controlling the (goods-centric) agenda. RCEP is an attempt to establish an alternative trade forum to TPP, one that emphasizes flexibility for developing economies and that is less ambitious than TPP" (Hamana, 2014, p. 13).

We can thus see that the PA is emerging amid the construction of these two mega-agreements. The issues that are being discussed around trade, investment, migration, finances, intellectual property, and the environment, among others, and the way in which these rules are implemented and adopted will be the key for generating more and better governance in the world.

Conclusions

Throughout this chapter, "The Pacific Alliance and the Construction of a New Economic Regime?" I have argued that the creation of the PA signals a return to open regionalism in Latin America, in which the four member states seek to strengthen a type of governance aligned with the current rules for the world and dominant ideas about trade without questioning the institutions that govern globalization.

The nature of the organization and its objectives and institutional structure have revealed it to be a strategy of developing economies to position themselves within the global economy in a manner that emphasizes their relationships with extra-regional actors, particularly the Asia Pacific zone with which they have an increasing amount of exchange, especially countries such as Chile and Peru. This increased interdependence poses great challenges to them because their connections, especially with China, have forced them to strengthen their role as suppliers of primary materials with nearly no added value in their export products. One of the greatest challenges will be positioning these economies under conditions that allow for more symmetrical exchange, the promotion of investment in science and technology, and environmental and labor laws.

I also argued that the PA is a tool that can be used to promote principles, rules, and procedures that compete with the ideas of Mercosur and stand in opposition to those of ALBA. The PA emerges as an alternative to revisionist and anti-imperialist regionalisms and offers a counterbalance to the Atlantic axis led by Brazil and the ideas that it disseminates in regional organizations promoted by the government of Brasilia. I also showed that it serves as a route for Mexico to "return" to LAC and recover the influence that it lost in the region following its entry into NAFTA.

Finally, I noted that the PA has generated a great deal of interest in different countries that have created connections with the organization by serving as observers. Like Chile, Colombia, Mexico, and Peru, they are seeking to maintain or improve their relative position in a changing international context in which principles are being discussed and new rules and procedures for an economic regime for the 21st century are being negotiated. In this context, I showed that the Alliance is part of a larger discussion. On the one hand, there is the TPP initiative led by the United States in which three PA members participate. On the other, we have the RCEP, in which China participates. It will be essential for the PA members to work in a cohesive manner to influence the construction of the regime, defend their interests, and be more than passive receptors. The Alliance should be careful not to exclude itself and to promote dialogue and cooperation with RCEP, all of this in an effort to build a transparent, democratic, and just trade system. We need to remember that the final objective of an organization of this kind should

be to improve the well-being of its peoples through sustainable development, eliminating the great inequality that exists in the societies of the PA members. It should promote decent jobs and transparent decision-making processes, opening up the discussion regarding the best strategy for insertion to the public, given that a policy of this kind will affect society as a whole.

Notes

- 1 The author thanks the Academic Productivity Support Program, PROAVID 2015, University of Chile.
- 2 The Pacific Arc included Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and Peru, but the initiative faltered when several members lost interest, including the Central American countries, which focused on negotiations of the Central America Free Trade Agreement (CAFTA) with the United States, while Ecuador and Nicaragua made ALBA their priority (Kahhan, 2011; Oyarzún & Rojas, 2013).
- 3 Costa Rica was scheduled to become a member of the PA during the first trimester of 2015, but the Minister of Foreign Trade requested two additional technical studies.
- 4 The countries in this zone depend mainly on the United States for foreign trade. Specifically, over 85% of Mexico's exports go to the U.S. market (ECLAC, 2015).
- 5 For more information on the TTIP, see European Commission (2016).

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8 Regionalism in Central America

An “all-in” strategy

Olivier Dabène and Kevin Parthenay

Introduction

What are the “recent transformations” of Central American regionalism and how can we explain and depict the new trends shaping regional blocs and cooperation in the isthmus? Has Central America followed the “post-West-phalian-regionalizing-world-order” dynamic? By the end of the first decade of the new millennium, Latin American countries (LAC) had experienced the post-liberal and post-hegemonic momentum (Briceno-Ruiz & Morales, see introduction), but what about Central America and its old regional system? As we have witnessed that post-liberal discourses may have radical consequences in the political sphere, we wonder if post-liberalism has been only rhetoric in the region or if some of its goals have been actually achieved? Is open regionalism coming back? In that perspective, is the Atlantic versus Pacific divide at stake in Central America, as it may be for other LAC countries? In our chapter, we address these central questions.

We claim that in Central America, post-liberalism has mainly been rhetoric. However, it still has to be explained. Does it result from successful open regionalism, or does it result from a lack of convergence of interest among the member states, or from economic asymmetries? In this chapter, we claim that Central American states have progressively made the choice of pragmatism and loose legal commitments, through variable geometry integration and “multiple cooperations” rather than complete collective agreements that commit all member states to a fixed objective under clearly specified conditions (Marks, Lenz, Ceka & Burgoon, 2014). The objective seems also to be more economically oriented, answering a crucial need for international economic insertion.

Within in this strategy, the Atlantic versus Pacific divide has become part of the Central American reality, even more so with the extensive presence of China and the Central American trade policies oriented toward Asia. However, the geopolitical structure deeply influences one of the major characteristics of regional external cooperation. As a peripheral region, Central America needs to diversify trade partners and be part of any existing economic cooperation strategy (Parthenay, 2015, 2016a). As a consequence, the region is following a pragmatic logic that encompasses many different regional and continental initiatives or ample