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The Pacific Alliance and Asia Pacific Regionalism

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**Workshop on Free Trade Area of the Asia-Pacific
Building Blocks: The Pacific Alliance Contribution
to APEC Work in Services, MSMEs and Trade
Facilitation**

**Ho Chi Minh City, Viet Nam
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The Pacific Alliance and Asia Pacific Regionalism

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Presentation at the APEC Workshop on FTAAP Building Blocks:
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Overview: the Pacific Alliance (PA) can help propel Asia Pacific Regionalism



- PA are trade-dependent economies with close ties to North America and East Asia – vested interest in deeper Asia-Pacific integration.
- FTAAP adrift since US withdrawal from the TPP – PA economies can play an important role in paving new pathways toward regional integration.
- Critical for PA members to (1) support TPP framework despite US withdrawal and promote its extension to more Pacific Basin countries; and (2) deepen existing commercial ties with US and China.

Pacific Alliance economic indicators (2016)



	GDP \$ billion	Population millions	Human Development Index (HDI) (2015)	Total trade in goods ^b \$ billion	Total trade in services ^b \$ billion
Chile	247	18	0.847	119	23
Colombia	282	48	0.727	76	18
Mexico	1,046	121	0.762	771	54
Peru	195	31	0.740	73	14
Costa Rica ^a	58	5	0.776	25	11
Total	1,828	223		1,064	120

^a Costa Rica is in negotiating process of entry to Pacific Alliance.

^b Total trade is the sum of exports and imports.

Source: GDP from WTO Trade Profiles 2017; Population and HDI from Human Development Reports 2016, www.hdr.undp.org (accessed on August 9, 2017); total trade data from WTO World Trade Statistical Review 2017.

Commercial ties with the Pacific Basin are important for Pacific Alliance countries



- Pacific Basin countries account for a large share of exports and imports of Pacific Alliance members.
- Largest Pacific Basin economies (US + China) dominate PA trade.
- Intra-regional PA trade is a small share of total trade of PA countries.
- Pacific Basin countries also have substantial investment in PA economies – largely from North American investors.

Pacific Alliance goods exports in 2016 (FOB \$ million)



	Chile	Colombia	Mexico	Peru	Costa Rica
World	59,884	31,045	373,883	36,040	9,908
Pacific Basin (PB)	36,944	12,853	328,988	19,845	4,414
United States	8,443	10,207	302,942	6,235	4,058
China	17,068	1,127	5,407	8,484	46
Japan	5,156	428	3,771	1,263	113
Korea	4,113	402	2,502	1,388	34
ASEAN	820	240	3,009	507	36
Canada	960	388	10,427	1,684	85
Australia	308	48	836	260	24
New Zealand	76	14	94	24	19
PA Members	3,729	2,887	7,130	2,242	381
PB share of PA total exports (%)	62	41	88	55	45
PA share of PA total exports (%)	6	9	2	6	4

FOB=Free on Board; ASEAN=Association of South East Asian Nations; FTA=Free Trade Agreement.

Note: bold for FTA partners (in force); Chile has FTAs with Malaysia, Thailand and Vietnam; Peru with Singapore and Thailand; Costa Rica with Singapore.

Source: UN Comtrade database and SICE Foreign Trade Information System.

Pacific Alliance goods imports in 2016 (CIF \$ million)



	Chile	Colombia	Mexico	Peru	Costa Rica
World	58,793	44,831	387,064	36,185	15,322
Pacific Basin (PB)	31,131	24,664	313,956	20,028	9,046
United States	10,244	11,954	179,985	7,108	5,711
China	14,149	8,631	69,521	8,244	2,082
Japan	1,978	1,116	17,751	1,035	415
Korea	1,750	889	13,612	1,298	257
ASEAN	1,938	1,260	22,564	1,507	408
Canada	626	760	9,632	670	154
Australia	356	45	527	103	8
New Zealand	90	9	364	63	9
PA Members	3,823	4,898	3,381	4,033	1,703
PB share of PA total imports (%)	53	55	81	55	59
PA share of PA total imports (%)	7	11	1	11	11

CIF=Cost, Insurance, and Freight; ASEAN=Association of South East Asian Nations; FTA=Free Trade Agreement.

Note: bold for FTA partners (in force); Chile has FTAs with Malaysia, Thailand and Vietnam; Peru with Singapore and Thailand; Costa Rica with Singapore.

Source: UN Comtrade database and SICE Foreign Trade Information System.

FDI stock in Pacific Alliance (2015, \$ million)



	Chile	Colombia	Mexico	Peru	Costa Rica
World	212,990	37,586	509,292	35,374	30,647
Pacific Basin (PB)	45,024	8,142	270,807	15,795	17,863
United States	24,004	6,157	222,476	6,859	17,205
China	-64	n.a	1,379	n.a	78
Japan	6,834	n.a	13,398	n.a	23
Korea	9	163	4,257	1,586	34
Canada	13,374	1,822	28,104	7,187	500
Australia	810	n.a	969	158	21
New Zealand	58	0	225	5	2
PB share of FDI stock in Pacific Alliance (%)	21	22	53	45	58

n.a=not available.

Note: For Colombia and Peru, inward FDI stock is obtained by counterpart country data due to limited availability.

Source: IMF Coordinated Direct Investment Survey (CDIS) database.

FTAAP is at Risk



- APEC members have discussed FTAAP for more than a decade.
- Recent work focused on elaborating FTAAP pathways, examining precedents from TPP, RCEP and other RTAs.
- US withdrawal from TPP has been a serious setback for FTAAP progress.
- RCEP by itself not a viable pathway for Asia-Pacific regionalism.
 - Reforms too limited, too many exceptions.
 - Incremental liberalization does not provide policy predictability needed to propel new investment.
 - Members should deepen RCEP content before completing negotiations.

PA countries can play an important role in PB economic integration



- Lima Process on FTAAP needs a new strategy.
- Historical precedent for small countries leading Pacific Basin integration arrangements:
 - Australia organized and hosted the first APEC meeting.
 - P4 (Brunei, Chile, New Zealand and Singapore) set precedent for the TPP.
- Pacific Alliance as a catalyst for FTAAP:
 - Support for TPP-11 and its expansion.
 - Pursue and conclude high-standard FTAs with Australia, New Zealand and others.
 - Deepen longstanding trade and investment ties with United States and China – including new China–PA BIT?

Pacific Alliance commercial pacts with the United States and China



Country	US	China	
	FTA (entry into force)	FTA (entry into force)	BIT (entry into force)
Chile ^a	1/1/2004	10/1/2006	8/1/1995
Colombia	5/15/2012	In preparation	7/2/2013
Mexico	1/1/1994	-	6/6/2009
Peru ^a	2/1/2009	3/1/2010	2/1/1995
Costa Rica ^b	1/1/2009	8/1/2011	-

^a China is considering upgrading its FTAs with Chile and Peru.

^b Date of Costa Rica implementation of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR).

Source: SICE Foreign Trade Information System.

Concluding Thoughts



- PA trade and investment initiatives can help develop FTAAP by strengthening linkages among the major economies in the Asia-Pacific region.
- PA itself cannot be a pathway toward FTAAP, but it can provide momentum for integration efforts by:
 - Broadening and deepening PA obligations
 - Expanding PA membership
 - Concluding high-standard trade and investment pacts with FTAAP participants.
- PA countries should support APEC consideration of new members. Countries critical to integration in Latin America and Southeast Asia need to be added to the APEC roster to advance FTAAP objectives.