

The Mexican Agenda in Latin America: the Pacific Alliance¹



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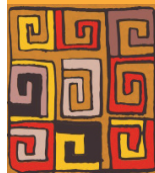


1. Introduction

Even though there is a sense of shared identity with Latin America, Mexico's relation with the region throughout history has been uneven in terms of its commitment and intensity. Take, for example, the last 15 years and the differences between President Fox and President Calderón. The Fox administration truly harmed Mexico's position in Latin America and managed to bring the relationship with the region to a historical low point. That government, for instance, engaged in a strong rivalry with Brazil and in open fights with Cuba and Venezuela (to the point of withdrawing ambassadors). There were unnecessary tensions with Argentina and the government even managed to alienate Chile—a traditional Mexican ally in South America, through a very clumsy competition for the Secretary General of the Organization of American States (OAS). In short, at the end of that *sexenio* Mexico was very much isolated and was not participating in the new multilateral or subregional schemes that began to proliferate in Latin America, such as *Unión de Naciones Suramericanas* (UNASUR) or *Alianza Bolivariana para los Pueblos de Nuestra América* (ALBA). Brazilians, by the way, were thrilled with this situation and Itamaraty encouraged the idea that Mexico was no longer a Latin American country but a North American country.

Calderón inherited that situation and from 2006 onwards, his government tried to rebuild Mexico's place in Latin America. One key way of doing this was precisely through regional multilateralism, so Mexico was very active—indeed deeply involved—in the creation of two new groups: *Comunidad de Estados Latinoamericanos y del Caribe* (CELAC) and the Pacific Alliance. The first one was launched in the Summit of Cancun in 2010. This initiative involved an important diplomatic effort and was meant as a political statement on the part of the Mexican government: it wanted to emphasize that Mexico was very much part of Latin America and intended to recover its presence and its capacity to influence regional affairs. In the economic arena, on the other hand, Mexico joined enthusiastically a Peruvian project called (at its inception) the Arch of the Latin American Pacific, which evolved to become the Pacific Alliance integrated so far by Mexico, Peru, Colombia and Chile. This is mainly an economic club.

Therefore, the two panista governments held diametrically different approaches in foreign policy towards Latin America. What is interesting is that the incumbent priista government, headed by President Peña Nieto, has chosen a line of continuity in this area: it is both committed to CELAC and, above all, to the Pacific Alliance. This is certainly a positive thing: the country is currently using the



institutional framework laid out by the previous administration and this adds to the credibility and efficacy of Mexican diplomacy.

Even if there are many things going on with regard to Latin America, at present the most important piece of the Mexican foreign policy towards the region—the one that consumes more time and energy—is the Pacific Alliance. Note that I say towards the region because one should not see the Alliance simply as a way of relating to Colombia, Peru and Chile but as a vehicle for influencing Latin American politics more generally. Therefore, the purpose of this paper is to explain its goals and results but, above all, its rationale: why was the Pacific Alliance created?

The first section briefly describes the Pacific Alliance's main accomplishments up to now and its great success in terms of image. The second section deals with the rationale behind the creation of the Pacific Alliance; it develops three lines of explanation following the neoliberal institutionalist, realist and constructivist paradigms. The last section is devoted to conclusions.

2. Pacific Alliance: What results so far?

Since its inception, the Pacific Alliance has been praised and portrayed as a great success by mainstream media interested in economic affairs—such as *The Economist* and the *Financial Times*—but also by the research units of important banks such as the Spanish BBVA. In a small lapse of time it has accumulated 32 observer countries from all over the world, including 11 European countries and 3 South American countries that do not share the Pacific Rim (see map below). This is, of course, a good measure of the Alliance's appeal and the great expectations it has generated.



Source: Alianza del Pacífico (2014). Available at: <<http://alianzapacifico.net/paises/paises-observadores/>>

But is all this enthusiasm well deserved? What has really happened with the Pacific Alliance up to now? The Pacific Alliance is a young enterprise: it was launched in April 2011, so it has only 3 years of existence. The initiative has indeed progressed at a surprisingly fast pace but there are so many things still pending that one should be cautious.

On the positive side, Presidents have met in Summits 9 times, there have been 12 meetings at the level of Ministers and 24 meetings at the level of vice-ministers. Therefore, one can see that a great deal of political energy is being put there. Concrete results are also to be found at the practical diplomatic level: the four member countries have founded a joint Embassy in Ghana, there are three agreements that allow sharing diplomatic and consular offices and three more are being negotiated (see table below).



Embassy	Agreement	Countries involved
Ghana	Joint Embassy	Chile, Colombia, Mexico, and Peru
Vietnam	Agreement of diplomatic and consular sharing	Colombia and Peru
Morocco	Agreement of diplomatic and consular sharing	Chile and Colombia
Algeria	Agreement of diplomatic and consular sharing	Chile and Colombia
Singapore	Agreement of diplomatic and consular sharing	Mexico and Colombia
Azerbaijan	Agreement of diplomatic and consular sharing	Chile, Colombia, and Mexico
OECD	Agreement of diplomatic and consular sharing	Chile and Colombia

Moreover, there are two legal documents that contribute to the Pacific Alliance's institutionalization and uphold the possibility of its continued existence in the future even if political swings should occur in each member country. The first one is the Framework Agreement (or founding document), which states three objectives: a) the liberalization of goods, services, capital and people; b) promotion of growth, development and competitiveness of the members' economies; and c) to become a platform for political articulation and projection to the rest of the world, with a special interest in the Asia Pacific region. The second document is the Additional Protocol, just signed in Cartagena de Indias in February 2014, which provides for the elimination of trade and non-trade barriers on 92% of the goods traded within the bloc. It lays out the specific rules of the game regarding: tariffs' reduction or elimination, rules of origin, trade facilitation, regulation of e-commerce, telecommunication services, financial services, maritime services and the creation of a committee to deal with the technical obstacles for trade.

All of the above looks great on paper, however there is a caveat: these documents are yet to be ratified. Colombia's ratification of the Framework Agreement is pending and in April 2014 the process suffered a setback when the Colombian Supreme Court of Justice ruled against the law that would enact the Alliance within that country. Moreover, all four members have to launch the ratification process of the Additional Protocol. This means that, at least in the

economic arena, there are ambitious prospects but practical results are yet to be seen: we don't know so far whether intraregional trade will indeed improve, mutual FDI will really escalate and productive chains will be truly formed. Nor is labor mobility on the table yet, despite much talk about it. In this area there have been, indeed, positive developments in terms of removing visas among member countries —right now visas are no longer required for unpaid activities in a lapse of 180 days (i.e. for tourists and business men)— but this is truly short of total mobility.

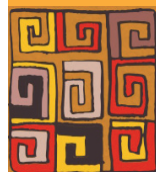
Given these limited economic results, it appears that the international media and extra-regional actors are somewhat exaggerating their positive spin on the Pacific Alliance. But why would they do so? One plausible answer is that —after a decade of discredit of neoliberal economic ideas, particularly, in South America— the Alliance represents a revival of “open regionalism” in Latin America, that is, a regionalism that is not only market oriented but also friendly to outsiders.

3. What is in it for Mexico?

In the last ten years, the most relevant phenomenon in the international relations of the Latin American region has been the proliferation of an array of different multilateral schemes. This situation begs the question of why these associations proliferate. In order to answer this query in the case of the Pacific Alliance, one might explore at least three lines of explanation: one institutionalist, one realist and one constructivist.

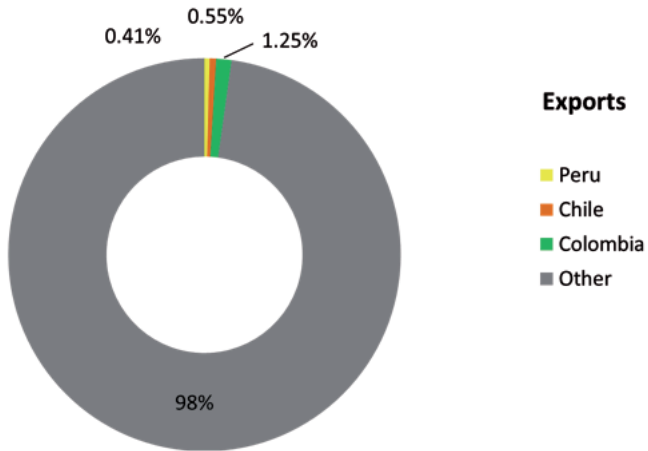
3.1 *Mutual gains and competitiveness*

Let us begin with the economic and institutionalist reasons, since these are the ones that the governments of the member countries usually put forward. The institutionalist explanation emphasizes the need for state cooperation in an interdependent world economy in order to produce mutual gains and increments in competitiveness. In this view, the Pacific Alliance is an economic governance structure that reduces transaction costs. According to Beatriz Leicegui (2014), it is attractive to Mexico because Colombia, Peru and Chile are experiencing dynamic growth rates: 5% in average from 2000-2011. On the one hand, this is much more than other traditional trade

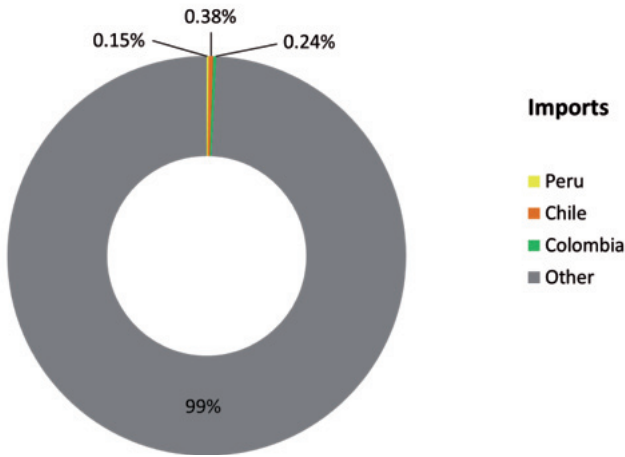


partners such as the United States and the European Union. On the other, growth comes hand in hand with improved purchasing power among their population which, in fact, increased around 45% in the same period. Finally, Mexico has got a complementary trade structure with these partners because they import mainly manufactures and that is precisely what Mexico mostly offers.

Despite all this, the economic rationale still looks somewhat weak. The truth is that before the Pacific Alliance existed, Mexico already had free trade agreements with Chile and Colombia and an Economic Agreement with Peru. Notwithstanding, the share of Mexico's trade with these three countries remained always very small: together they represent only about 1% of Mexican imports and about 2.2% of exports (see graphs below). It is difficult to think that the Pacific Alliance will be able to fundamentally alter this pattern. And it is also unclear how exactly the Pacific Alliance will boost trade and FDI flows with Asian countries.



Source: Subsecretaría de Comercio Exterior (2013). "Importaciones totales de México". Available at: http://www.economia.gob.mx/files/comunidad_negocios/comercio_exterior/informacion_estadistica/anual_importa.pdf



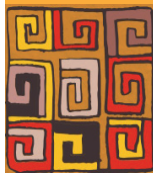
Source: Subsecretaría de Comercio Exterior (2013). “Exportaciones totales de México”. Available at: http://www.economia.gob.mx/files/comunidad_negocios/comercio_exterior/informacion_estadistica/anual_exporta.pdf

Since economic reasons do not seem to explain the whole story one should turn to additional and complementary accounts.

3.2 Geopolitical calculations

In the neo-realist tradition, regional associations are the result of the balance of power logic and the constant need of states in an anarchic international system to compete with each other for areas of influence. Therefore, in this view regional associations are above all geopolitical projects or geo-economic projects, i.e. initiatives in which geography heavily influences the political behavior and the economic performance of its member countries. In this vision, the name of the Pacific Alliance is not a metaphor: it is interpreted as a true “alliance” or a “coalition of pragmatic and flexible character among international actors against one or several third states”.

Of course, we all know this alliance does not include military elements. Nonetheless, today in Latin America military power does not play a central role as a resource of influence in regional international



relations. Instead, institutional construction in the political and economic realm performs a primary role in that respect, which is why we have seen lately that Latin American states created new clubs in order to increase their power and influence in the region. In fact, this is the realist explanation for the establishment of UNASUR and ALBA: the first is seen as a tool for the geopolitical projection of Brazil and the second of Venezuela. If we follow this logic, what happens with the Pacific Alliance?

In contrast to UNASUR and ALBA, the Pacific Alliance does not have a clear leader. According to its size and relative power Mexico would be, of course, the natural candidate to play such a role; however, there are many limits to this, among which the lack of political will among the Mexican elite to exert regional leadership or to play middle power politics is paramount. So, within this neo-realist framework, this fact takes us to observe the Pacific Alliance more as a *defensive* response which, in turn, poses the question: a response to whom or to which threat? Well, precisely in this line of inquiry one should identify the third state or states that require balancing and the perceived risks they represent. Calculations in this respect, of course, may vary among Mexico, Colombia, Peru and Chile.

In the case of Mexico the neo-realist hypothesis would emphasize the rise of Brazilian leadership in South America in the first decade of the 21st century. In its ambition to delimit an area of influence, Brazil encouraged a narrative of South America as a region of its own and a region of which Mexico is naturally excluded. In this sense, the Pacific Alliance puts in place conditions to maintain and guarantee the presence of Mexico in the area given that the other three members — Colombia, Chile and Peru— are South American countries. Also, the Pacific Alliance can be seen as a project that works against the unity of UNASUR and, from the economic viewpoint, it may be an alternative or even a competitor to *Mercado Común del Sur* (MERCOSUR). In this zero-sum neorealist vision the mere existence of the Pacific Alliance implies a weakening of the associations that Brazil has supported in order to wield its power and influence in the area.

In Brazil, on the other hand, it seems that this kind of interpretation has prominent followers within the political class. In fact, Brazilian strategists put themselves in a whole different level when they say that the creation of the Pacific Alliance is not attributable to its member countries but to Washington. Their interpretation is that this is an *offensive* project. It is not truly motivated by the interests of Mexico and its partners, but by the real strategic competitor of Brazil in the sub-region: i.e. the United States. This idea was openly stated by former president Luiz Inácio Lula Da Silva in the Sao Paulo



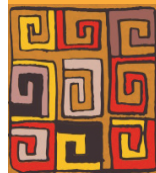
Forum held in August 2013. He said: “The United States does not play around. The Pacific Alliance, other than the commercial interests of each member country, conceals the American geopolitical interest of weakening South America and the CELAC” (Consulta Previa, 2013).

Lula’s view is shared not only by a sector of Latin American intellectuals from left but also by other South American heads of state.² Two months later, in October 2013, Bolivian president Evo Morales went back to this subject and said: “I want to tell you that the United States is dividing UNASUR. The member countries of the Pacific Alliance are part of a conspiracy that comes from the north in order to divide us and so that UNASUR may not progress towards our definitive liberation” (El Universo, 2013). These statements, however, have not been met with declarations of the same sort by the Pacific Alliance countries, as we will next see.

3.3 *Competing ideas*

Constructivism emphasizes the social character of regional entities and the fact that they are spaces in which states interact more densely and intensely. Such interaction presupposes the existence of shared principles and norms (at least to a certain extent) which, in turn, constitute a regional social structure that is produced and reproduced in the process of constant interaction among regional partners. In these spaces —such as the Pacific Alliance, the European Union or the Association of Southeast Asian Nations (ASEAN)— there is a production of collective agreements and interpretations regarding what is proper/improper or correct/incorrect in interstate relations, especially in the issue areas covered by each specific regional entity.

Thus, the constructivist analysis wants to understand the role that ideas and norms play in regional associations like the Pacific Alliance. It doesn’t put forward causal hypothesis as to why such groups were created, but focuses mainly on understanding how it has been possible that these four countries —Mexico, Colombia, Peru and Chile— decided to come together and form a new international association. In this case, the answer emphasizes the existing affinities between member states in terms of their economic development models and their political organization, all of which should produce similar international identities. In turn, the expectation is that this set of ideological coincidences will be reflected in the treaties and documents that give birth to regional entities.



That is, indeed, what has happened with the Pacific Alliance. The four member states display a net commitment to the market economy and the export-led development model. Even though in all of them there have been changes in the governing coalition, the national economic project has not been modified in the last two decades (or more). This suggests the hypothesis that there is a basic consensus or a sort of hegemony in the minds of the political elite regarding the acceptance of the tenets of economic liberalism, which in turn has given place to the development of a state (as opposed to a government) policy in the economic realm. This is certainly a plausible hypothesis in the case of Mexico.

Therefore, it comes as no surprise that this commitment is enshrined in the Pacific Alliance's Framework Agreement which, for instance, establishes that it is a membership requirement to have in place free trade agreements with all parties. Moreover, the Pacific Alliance founding members uphold the same political model: a classic representative liberal democracy.³ In fact, Article 2 of the Framework Agreement establishes as another essential requirement for becoming a member state the respect of the "rule of law and democracy" as well as the existence of "separation of powers" and the protection of human rights.

To sum up, the Pacific Alliance's members share the identity of liberal, Latin-American states, both in the economic and the political domain. According to constructivist theory, this generates incentives to create a community or club of equals or, in other words, an international space that is prone to the affirmation and reproduction such liberal identity.

Now, we should also note that the Pacific Alliance is embedded in a larger society of states, for instance, the Latin American community. Constructivism posits that multilateral entities —such as the Alliance— may be instruments to compete and gain influence in the domain of ideas and norms in that larger society. In other words, they can work as a tool to spread the ideas that the group favors above other options. This is strategic since it is not the same to claim the legitimacy of governmental actions only with reference to domestic norms, than to do so invoking also international norms (Acharya, 2006). Moreover, it is not the same to implement a national model of development in a friendly regional environment than in a hostile one (like it would be, for example, to bet on an export-led model in a protectionist region).

From this viewpoint, an additional constructivist hypothesis would be that one of the purposes of the Pacific Alliance is not only to

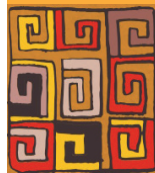


promote the continued socialization of its own members in the liberal economic paradigm, but also among neighboring countries, especially in the Latin American region. Thus, the Pacific Alliance can be seen as the sponsor of an ideological alternative that competes in the market of ideas with other paradigms such as the Brazilian and Argentinean neo-structuralism, or the “21st century socialism” advocated by Venezuela. So, if ALBA countries use their platform to promote in Latin America a “great anti-neoliberal narrative” (Kellogg, 2007), the Pacific Alliance counteracts promoting a “pro-liberal narrative”.

The Pacific Alliance and ALBA are indeed on opposite sides when discussing the role of the state in the economy and this should be understood as the expression of a fact: today in Latin America there is a diversity of development models. However, following the constructivist premises, such plurality can be represented politically and socially as a rivalry or, on the contrary, as a disagreement among friends. There is nothing inevitable in one option or the other; they are the result of the intentional decisions made by leaders. What have we seen so far?

Last year the governments of Venezuela and Ecuador began to discursively construct an idea of rivalry or antagonism. In the 12th Summit of ALBA, that took place in Guayaquil in August 2013, President Correa expressed: “We love Colombia, Peru, Chile and Mexico very much, but two visions of the world come face to face: neoliberalism and free-trade; and those of us who believe in socialism, in the guarantee of rights, and in free zones but not for free trade instead free from hunger and poverty” (Nuñez, 2014). In the meantime, Evo Morales, President of Bolivia, affirmed that: “We came here to express ourselves in a joint manner against these policies that are surely, as always, encouraged by the North and that some of our brother states are trying to reestablish” (Nuñez, 2014).

On the other hand, however, the countries of the Pacific Alliance have chosen, up to now, to avoid the divisive narrative; constructing a discourse that highlights the common vision among the members without trying to antagonize other schemes.⁴ For example, President Santos of Colombia has stated that: “...this is not an integration agreement against anyone; it is not to exclude any country. This is an agreement to deepen an integration that was already taking place, and everyone who wants to join in is welcome. Many have thought that this is an agreement to compete against Brazil. No, this is an agreement to empower ourselves, but not against anyone” (La Tercera, 2012).



Thus, in contrast to ALBA, the Pacific Alliance does not assume (for now) in any explicit way the role of normative promoter in the international sphere that openly competes with other norm entrepreneurs. And since it takes two to tango, we have not seen an escalation of mutual recrimination. This, of course, is connected with the need of the South American members of the Pacific Alliance to maintain cordial relations with the Bolivarian states, which are not only close neighbors but also partners in other regional organizations such as UNASUR.

Conclusions

This paper outlined three complementary lines of explanation for the creation of the Pacific Alliance. From the Mexican point of view, the economic and functional motives seem to be less important, at least at first sight. There are relatively low gains from trade to be expected: on the one hand, there is not much space to expand imports of natural resources such as copper and other minerals which constitute the main products coming from Peru and Chile; on the other hand, Mexico is already the partner that exports the most manufactured products (with medium and high value added) within the bloc. Moreover, the creation of productive chains among these states appears complicated due to the large distances and the lack of the necessary infrastructure or connectivity.

All these factors might strengthen the idea that the geopolitical and ideational hypotheses carry more weight. In this sense, more empirical research and interviews with decision makers are in order. In particular, it is essential to determine what has been the role of the bureaucratic agencies in charge of negotiating the Pacific Alliance in Mexico, that is, the Ministry of Foreign Relations and the Ministry of Economy (especially, the Undersecretary for Foreign Trade). Identifying which of them has exercised more leadership would say much about the rationality behind Mexico's participation.

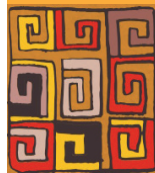
Meanwhile, the Pacific Alliance is bound to receive much attention in Mexico in the following months: the country will hold the Presidency of the group from June 2014 to June 2015 and the next Summit will take place in Punta Mita, Nayarit. This initiative has still much progress to make, therefore, it is worth following its development.

Notes

1. Paper delivered at the Mexico Week of the London School of Economics (LSE), March 11th, 2014.
2. Among those intellectuals is, for example, the Argentinean Atilio A. Boron (2013).
3. As opposed, for instance, to the model of direct and deliberative democracy put forward in the political speech of other Latin American governments such as in Venezuela or Ecuador.
4. It should be said however that the previously mentioned international media establishment specialized in financial news –The Economist and the Financial Times – has indeed tried to play one group against the other. See, for instance, the following reports: “A continental divide” [online]. *The Economist*, May 18th, 2013. Available at: <<http://www.economist.com/news/americas/21578056-region-falling-behind-two-alternative-blocks-market-led-pacific-alliance-and>> [Accessed on: October 21st, 2013]. “Would you rather join the Pacific Alliance (PA) or Mercosur (M)?” [online]. *The Economist*, May 24th, 2013. Available at: <<http://www.economist.com/economist-asks/would-you-rather-join-pacific-alliance-pa-or-mercosur-m>> [Accessed on: October 21st, 2013].

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"XIX Foro de Sao Paulo" [online]. *Consulta Previa* available at: <<http://consulta-previa.pe/blog/2013/08/xix-foro-de-sao-paulo>> [Accessed on: February 2nd, 2013].

