
WHAT THE PACIFIC ALLIANCE TRADE BLOC MEANS FOR INVESTORS

Written in conjunction
with **TMF Group**

While the global economy has experienced a prolonged period of slower growth, [Latin America](#) has bucked that trend to some degree. Economic development and competitiveness within the region are all largely pointing upward—and part of the credit for that positive movement may be ascribed to the Pacific Alliance trade bloc.

Created in 2011, the Pacific Alliance was formed by the nations of Chile, Colombia, Mexico and Peru in order to foster economic growth and cooperation through the open circulation of labor, goods and services.

Other objectives of the Alliance included:

- › The promotion of social welfare and the reduction of inequality
- › Greater market diversification, with the goal of reducing the exposure of member nations to economic turbulence
- › The creation of an economic and trade integration platform that can be projected throughout the world



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A HIGH-VALUE PARTNERSHIP

In terms of raw numbers, The Pacific Alliance is a high-value partnership. The group is the planet's eighth largest economy and seventh-largest exporter. In Latin America alone, The Pacific Alliance equals 38 percent of GDP and 50 percent of all trade. The group also is responsible for drawing 47 percent of all foreign direct investment in the region.

This size provides considerable competitive advantages for those seeking to do business in Pacific Alliance countries. Additionally, the four nations have a combined population of 218 million—a population that is largely young and skilled, making it an attractive base of operations for business and a growing market for new products.

The four Alliance nations are also noted for offering competitive advantages in a variety of sectors, including mining, forestry, manufacturing, automotive, energy and agriculture.

POTENTIAL FOR EXPANSION

In 2013, just two years after the trade bloc was created, Alliance nations were responsible for a GDP of \$2,123,883 million. That represents a little less than one-third of the total GDP of the Latin America and Caribbean region, and a growth rate of 3.6 percent. These numbers highlight the tremendous potential for expansion within the Alliance. All four Alliance nations are projected to see positive GDP growth in 2016, according to International Monetary Fund projections, with Peru leading the way at 1.2 percent.

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China and other Asian countries are key markets for Pacific Alliance products and goods. Chile, in particular, has a strong affinity with Asian markets, as the region accounted for more than 46 percent of all Chilean exports in 2013. Peru shipped nearly 30 percent of its exports to Asia in 2013, while Colombia shipped roughly 15 percent of total exports.

The United States serves as the main trading partner of Mexico (79 percent of exports) and Colombia (31 percent). The EU is another key trading partner, as it accounts for between 14 and 16 percent of exports from Chile, Colombia and Peru, and five percent from Mexico.

ALLIANCE MEMBERS

Mexico

Mexico is a land of enormous business opportunities. It has a population of 122 million, by far the largest among Alliance nations. The country also boasts improving infrastructure and competitive energy, telecommunications and transport sectors. More growth is on the way, as Mexico is projected to have the world's seventh largest economy by 2050. Despite these advantages, [doing business in Mexico](#) can be a time-consuming task, so "on the ground" expertise is essential.

Peru

With a fast-growing economy and more than 15 trade agreements in place, [Peru has](#) much to offer businesses and investors. The nation had a growth rate of more than six percent between 2002 and 2013. Peru has a population of roughly 31 million and vibrant fishing, petroleum, textile, mining and food processing industries.

Chile

With a population of more than 17 million, Chile is the smallest of the Alliance nations. Yet its economy has been ranked as the best in Latin America and is considered an emerging player on the world stage. Chile maintains trade agreements with 22 nations, and has enjoyed very low inflation in recent years. While policy reforms have created some uncertainty among investors, growth in Chile appears poised to continue.

Colombia

Colombia has seen strong economic growth in recent years, with an emphasis on global markets and trade. With a population of 48 million, and an open and transparent economy, Colombia has much to offer investors and

businesses. Negotiating the country's complex tax, legal and regulatory systems can be a challenge, so it's important to have local expertise.

FUTURE PACIFIC ALLIANCE MEMBERS?

Costa Rica has started taking steps toward becoming the fifth nation in The Pacific Alliance — a move that makes sense given that nation's extremely business-friendly landscape. Costa Rica offers a highly stable social, political and business environment, and a small but talented pool of workers. Costa Rica also has strong banking and mercantile regulations and thoroughly modern services — an attractive combination for investors.



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Panama also looms as a potential expansion candidate, thanks to a strong economy and stable government. Panama has become one of Latin America's leading places to do business, due in part to the presence of 80 domestic and international banks and the Panama Canal. These factors have made Panama the largest Free Trade Zone of the Western Hemisphere.

Additionally, 42 nations from the EMEA, APAC and Americas regions are currently designated as observer countries. These countries, including China, the U.S., India and the U.K., may attend meetings as observers. Observer countries may request to join the Alliance once they have trade agreements with half of member states.

WHAT HAS THE ALLIANCE ACCOMPLISHED?

Despite only being in existence since 2011, The Pacific Alliance has accomplished the following:

- Fostered cooperation on climate change
- Helped open embassies and offices of joint promotion
- Eliminated tourist and business visas for some citizens
- Strengthened free trade
- Promoted fiscal transparency
- Created new regulatory reform
- Promoted best practices between enterprises

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As the Alliance grows and adds new members, new accomplishments will follow. Likewise, opportunities for participant nations, businesses and investors will continue to flourish. Some of these opportunities include:

- The promotion of innovation, technological exchange and commercial interests with some of the world's leading regions
- The creation of competitive advantages in a variety of sectors, including mining, fishing, energy, automotive, etc.
- More cooperation among participating nations
- The potential for expansion into EMEA or APAC areas

- A higher degree of negotiating power than individual nations could achieve
- Making trade agreements with the U.S. easier, creating more opportunity on both sides
- Creating a platform to encourage joint ventures and foreign investment

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