

Pacific Alliance Summit Aims to Boost Trade, Integration

--Leaders of Mexico, Colombia, Peru and Chile to meet this week

--Pacific Alliance group seeks to increase trade with Asia

--Leaders of Spain and Canada will also attend

Presidents from some of the most economically dynamic Latin American nations will hold a summit in Cali, Colombia, this week, aiming to deepen a new trade group that is emerging as an alternative to other regional blocs that have erected trade barriers in recent years.

The Pacific Alliance countries, which include Mexico, Chile, Colombia and Peru, are working to decrease barriers to trade in goods and services, link their stock markets and find common policy on issues such as currency fluctuations, among other themes. A key goal is to increase trade with fast-growing Asian nations.

Also, the leaders will likely try to send a message that investors will find a safe place to start their investment projects in their countries, aiming to differentiate themselves from Mercosur, the South American trade bloc. Mercosur, which includes countries like Brazil and Argentina, frequently engages in trade squabbles and has adopted some protectionist measures in recent years.

"Anything that irons out the differences, that clears away overlapping rules and regulations, and makes investors more comfortable with their economic trajectory will help boost investments," said Barbara Kotschwar, a research fellow with the Peterson Institute for International Economics.

But one of the main priorities for the group is to increase trade with Asia. "Its central purpose is really to enhance a common position regarding trade with Asia," said Michael Shifter, president of The Inter-American Dialogue, a Washington-based think tank. Trade analysts say the Pacific Alliance was an outgrowth of the failure of the earlier Free Trade Area of the Americas, which was an attempt to link the economics of North, Central and South America.

"It is the first time in Latin America that nations in the area have taken a leadership position on trade. It stems from a position that they took that said, 'We can do this and we need to do this,'" said Eric Farnsworth, vice president of the Council of the Americas and the Americas Society.

Mexico's Enrique Pena Nieto, Colombia's Juan Manuel Santos, Chile's Sebastian Pinera and Peru's Ollanta Humala will meet at the summit in Cali, near Colombia's Pacific coast, on Wednesday and Thursday, alongside a number of their cabinet ministers. Stephen Harper and Mariano Rajoy, the prime ministers of Canada and Spain, will also attend.

Nine nations will participate as observers: Canada, Spain, Australia, New Zealand, Uruguay, Japan, Guatemala, Costa Rica and Panama.

Trade analysts say the Pacific Alliance could end up growing in size along the lines of the Trans-Pacific Partnership, a trade liberalization group that started out with four countries in Asia and Latin America and now includes 12 nations and heavy-weights such as the U.S. and Japan. Costa Rica and Panama are candidates to join an expanded membership. The alliance, which was founded in June last year, aims to carry out an integration to allow free circulation of goods, services, capital and people. Some of the member countries have already lifted requirements for travel visas among them.

"They have been trying to avoid political rhetoric and are trying to make real advances," said Michael Shifter of The Inter-American Dialogue.

Pacific Alliance members represent a large portion of the economy in Latin America and have posted solid economic indicators even as some of their neighbors grapple with high inflation and a significant slowdown in growth.

Data from the summit organizers shows that Mexico, Peru, Colombia and Chile account for about 35% of Latin America's combined gross domestic product. The average economic growth for the four nations was 5% in 2012 while inflation stood at 3.2%. The four countries represent 33% of the total trade in the region and take in about a quarter of all the foreign direct investment coming into Latin America, the figures show.

"These countries share most of the same economic principles," Mr. Shifter said. Private businesses have also taken steps towards broader integration within the member countries of the Pacific Alliance. An example is a common trading platform that has linked the bourses of Chile, Colombia and Peru. Mexico is expected to become a part of the trading system, known as MILA, in 2014.

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