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The added value of the Pacific Alliance and 'modular regionalism' in Latin America

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In 2012 Chile, Peru, Colombia and Mexico launched the **Pacific Alliance**, the latest of countless organisations meant to foster Latin American unity and integration. The distinctive features of the Pacific Alliance are that member states all have a Pacific shore and all look with interest to the Asia-Pacific basin for their future development. While the grouping has assets that make it a promising initiative, one may wonder what its real added value to both member states and the Latin American region as a whole is. Ultimately, the Pacific Alliance seems to be a reflection of a broader trend in Latin America towards 'modular regionalism'.

The economic prospects look promising for the Pacific Alliance area. The bloc has a population of about 204 million people (roughly equivalent to the population of Brazil), generates a GDP of 1.4 billion USD corresponding to 34 percent of Latin American GDP, annual GDP per capita is close to 11,000 USD and the four countries account for about half of the foreign trade of the entire region. Exports from the bloc grow by 8 percent a year on average, with a staggering 13 percent increase in exports toward Asia in the period 2007-2011. The four members are among the fastest-growing economies in Latin America and the declared objective of the Alliance to provide a common platform towards Asia, the fastest-growing region in the world, make economic projections interesting for both investors and domestic political and social planners.

The political picture is equally encouraging. The four members are relatively stable countries. They are generally considered reliable partners and have a record of compliance with international commitments. Colombia has been successfully addressing some of its internal problems reducing risks and improving the country overall performance and image. The arrival to power in Lima of left-leaning president Humala has not brought about a rejection of business-friendly policies adopted by his predecessor. Mexico has positively re-engaged with Latin America in recent years and the newly-elected president Peña Nieto has pledged to modernise the country and tackle alarming violence rates. Chile is on its way to first world status. All the four associates pursue open economy and free trade, maintain cordial relations with the US and have a clear focus on the Asia-Pacific. However one may wonder what the newly-launched Pacific Alliance may add to this picture.

First, what added value brings the Alliance to its own members? The two principal objectives of the organisation are the free circulation of goods, services, capital and people, and the creation of a common platform towards the Asia-Pacific. Now, the bloc commitment to free trade is a well-established policy and all members already Free Trade Agreements (FTA) in place with one another. Furthermore, they all have FTAs with the United States and with several Asian countries. The real added value of the Alliance would be a significant progress in the free circulation of services and capital. Yet, it remains to be seen how serious the members are about this commitment. The creation of the Mercado Integrado Latinoamericano (MILA), which brings together and facilitates operations in the stock exchanges of Santiago, Lima and Bogota, was a positive move. Still, the exclusion of most agricultural products from the existing agreements provides a hint of the potential difficulties ahead.

Regarding the projection to the Asia Pacific, for the time being the Pacific Alliance does not have juridical personality. This means that the organisation is not able to sign any agreement on behalf of his members. Negotiations for new treaties with Asian countries will have to be conducted and concluded by member states. In this case, the real added value would be the ability of the Council of Ministers of the Alliance to exercise strong coordination on policies towards Asia. The extent to which this will be possible remains to be seen. Latin American precedents and traditional adversity to any form of supra-nationality cannot be discounted. Ultimately, the strength and consistency of the political will and commitment of each and all member states to this project will determine its success and real added value.

The second pending question concerns the added value that the Pacific Alliance may bring to Latin America as a region, which seems to suffer already from regionalist inflation. Four new integration projects were born in the last ten years: The Bolivarian Alliance for the Americas (ALBA) launched by the late President Chavez of Venezuela to counter neoliberal policies and US influence and advocating a radical change of economic and social models; the Union of South American Nations (UNASUR)

created and supported by Brazil to give a platform to its regional and global projection; the Community of Latin American and Caribbean States (CELAC) to give the region a single voice in its political relations with international partners; and, most recently, the Pacific Alliance itself.

These organisations coexist with previous schemes involving Latin American countries. These include the Common Market of the South (MERCOSUR), established in 1991 by Argentina, Brazil, Paraguay, Uruguay and (recently) Venezuela; the Andean Community (CAN), formed by Colombia, Ecuador, Peru and Bolivia; the Central American Integration System. One must also consider groupings where the US is involved such as the North American Free Trade Area (NAFTA) with Canada and Mexico, and the Organisation of the American States (OAS) that establishes a forum for political dialogue in the Western Hemisphere. Can piling-up the Pacific Alliance to this list bring any significant and novel advantage?

All these projects offer diverse and often divergent political and economic recipes, and the Pacific Alliance certainly adds complexity. The overlapping of membership and variety of ideologies and policies that characterise these projects are a stark reflection of Latin American diversity rather than an expression its unity. A pessimist would probably define Latin American regionalism today as a 'spaghetti bowl', the intricacies of which are difficult to manage and disentangle.

A slightly more optimistic approach may instead configure the picture as 'modular regionalism', which reflects the plethora of actors, multiple negotiating tables and the multiplication and intersection of issues. In 'modular regionalism' states pick and choose membership of regional integration projects reflecting their national interests and foreign policy priorities in specific areas. The advantage is to highlight complementarity and compatibility. The disadvantage is that this is very low cap regionalism, which is possible only because the level of commitment and compliance required are significantly low. Modular regionalism also signals that integration, understood as an almost universal, all-encompassing process is being superseded in Latin America by a return to cooperation, a more flexible instrument for states to work together on specific issues while jealously maintaining sovereignty and operating on a strictly intergovernmental principle.

From this perspective, the Pacific Alliance looks a reflection and consolidation of changes that have already taken place rather than a driver of change. The good political, economic and social performances of its members predate it and transcend it. Its future impact and real weight will depend on the extent and consistency of its members' commitment to it. What may be more significant at this point is that the Pacific Alliance confirms a broader trend in the region, a return from integration to cooperation. Modular regionalism captures not only the current fragmentation in Latin America but also its preference for dealing with issues of common interest by preserving national sovereignty.

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