On 5 and 6 July 2019, the four member states of the Pacific Alliance (PA) will meet in Lima, Peru, for the XIV Presidential Summit. With the rapidly changing both Latin American and international context, the meeting might well be the most important one since the group’s creation in 2011. The convergence with the Southern Common Market (MERCOSUR), the accession of associate members, and enhanced cooperation with observer states are among the main topics on the agenda.

- The “pink tide,” the name given to the coming to office of leftist presidents in several Latin American countries during the first decade of the twenty-first century, has since given way to a “blue tide” of conservative governments in the region. This might further the chances of convergence between the pro-market PA and other Latin American countries and regional organisations, above all with the members of MERCOSUR.

- Iván Duque assuming the presidency of Colombia in 2018 was interpreted by many as a sign of continuity in the country’s economic and commercial affairs. Nevertheless, it led to the temporary suspension of Colombia’s participation in the negotiations over the accession of associate members to the PA.

- The increasing disintegration of the Union of South American Nations led to the creation in March of this year of the Forum for the Progress and Development of South America (PROSUR), wherein the defenders of a more aggressive diplomacy approach to overthrowing Nicolás Maduro’s regime in Venezuela have gathered. In contrast to the rest of the PA members, Mexico did not join PROSUR. Some analysts fear that this could lead to additional disagreements within the PA.

**Policy Implications**

*The successful expansion of the PA could position the organisation as one of the axes of a post–Trans-Pacific Partnership network of interregional free trade agreements (FTAs) connecting Asia-Pacific and the Americas. This would make it an attractive global partner for both Germany and the European Union, who are seeking to defend multilateralism within an international context of increasing nationalism and protectionism.*
The Ever-Changing Landscape of Regional Organisations

Changes to the regional system in Latin America have shifted both the opportunities and constraints for policymakers regarding regional organisations. The most important change to have occurred is an ideological one. A “blue tide” of right-wing conservative presidents has arrived in South America, almost completely replacing the left-wing “pink tide” current that emerged at the beginning of the twenty-first century. [1] This ideological shift has only increased the burdens on regionalism.

First, Latin American regional organisations face increasing regional contestation from their own member states (for a broader assessment hereof, see Hooghe, Lenz, and Marks 2018). This contestation is connected to the domestic political dynamics in a number of countries of the region, where the right-wing governments that came to power in the most recent elections have furthered the “McCarthyisation” of the political debate by arguing that voting for any left-leaning party or political movement would bring about a “second Venezuela” and its “socialism of the twenty-first century” for their respective nations (Sanahuja 2019). Moreover, the governments elected on this platform have blamed the existing regional organisations for their inaction in the face of the worsening human rights violations and rising authoritarianism witnessed in Venezuela (Mijares and Nolte 2018).[2]

While existing regional organisations have been sidelined, new ad hoc mechanisms to deal with the Venezuelan situation have emerged – such as the Lima Group, the Montevideo Mechanism, and the European Union-led Contact Group. The creation of a new regional setting called the Forum for the Progress and Development of South America (PROSUR), a forum from which Venezuela is excluded (Sanahuja 2019), is also a consequence of this rhetorical struggle.

Second, ideological changes have led to a split among member states regarding how to deal with the Venezuelan crisis, with knock-on effects for many Latin American regional organisations. While three Pacific Alliance (PA) member countries (Chile, Colombia, and Peru) are also ones of PROSUR, Mexico is not. The latter also participated in the Lima Group during the government of former president Sebastian Piñera, but has changed course under current president Andrés Manuel López Obrador (or AMLO, as he is commonly known). Mexico decided to create the Montevideo Mechanism together with Uruguay, Bolivia, and the Caribbean Community (CARICOM), promoting peaceful resolution to the Venezuelan crisis but without delivering an ultimatum on the exact date for the celebration of new elections. While these divergent approaches have raised concerns that they might bring about a fundamental divide within the PA, whose members until now shared a common view on the Venezuelan crisis and the need to harden the measures against and the pressure on Nicolás Maduro’s government, Mexico has important incentives to maintain its active participation in the PA.

In the context of this new political cycle, despite the Alliance for the Peoples of our America (ALBA) and the Community of Latin American and Caribbean States (CELAC) having become increasingly paralysed, the worst-hit regional organisation so far has been the Union of South American Nations (UNASUR), which was already in a stalemate due to the inability of its members to choose a General Secretary since 2017. It then took two big hits with the suspension of the membership and payments of six member states in 2018, and the subsequent announcement of the exiting of Colombia from the organisation, made after Iván Duque took over the Co-

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1 Some exceptions are Bolivia, Nicaragua, Venezuela, and Mexico.

2 The Central American Integration System (SICA) has been able to maintain its institutional framework by not activating its democratic clause, but this has not been without a loss of legitimacy due to its inaction in combating the increasing anti-democratic repression by President Daniel Ortega in Nicaragua and the expulsion of the United Nations Commission to investigate corruption in Guatemala by President Jimmy Morales (Sanahuja 2019: 111; on legitimacy and international organisations more broadly, see Lenz and Viola 2017).
lombian presidency. Shortly after, UNASUR would start to rapidly disintegrate with the declared departures of Argentina, Brazil, Chile, Ecuador, and Paraguay too.

Taken together, the phase of post-hegemonic regionalism that Latin America entered into with the arrival of the pink tide in the early years of the new century seems to be in crisis, and may even come to an end. Post-hegemonic regionalism sought to increase the autonomy of the region with regards to the influence of the United States, and promoted a non-commercial agenda of regional integration – including organisations such as UNASUR, ALBA, and CELAC (Riggiozzi and Tussie 2012). The agenda of these organisations included, for example, crisis management, security, infrastructure, political coordination, and social policy issues.

In contrast, the blue tide is trying to put trade once again at the centre of regional organisations’ focus as well as seeking closer bilateral relations with the US. The arrival of Mauricio Macri (2015) and Jair Bolsonaro (2019) to the Argentinian and Brazilian presidencies respectively has consolidated a “trade turn” from the more social and productive aspects of the Southern Common Market’s (MERCOSUR) agenda, as emphasised under the region’s various centre-left governments (Sanahuja 2019; Lenz 2012). This “trade first” policy has further fostered potential convergence between the PA and MERCOSUR. In addition, Brazil, Argentina, and Ecuador have become observer states of the PA in the last few years. However, a complicating variable is Bolsonaro’s unilateral trade policies, which have already created tensions within Brazilian–Argentinian relations – that is, the main axis of MERCOSUR.

In its ambition and setup, the PA antedated the ideological leanings of the blue tide. It was founded in 2011 by Chile, Colombia, Mexico, and Peru to facilitate the free movement of capital, people, goods and services, and to promote “deep integration” between its members. Considering the lasting effects of the 2008 global financial crisis in the US and Europe, the founding PA members shared the idea that it was necessary to integrate their economies more closely with the Asia-Pacific region – which they deemed the most “dynamic” one in the world. This economic agenda at the regional level reflected a domestic neo-liberal strategy of insertion into the global economy that consists of signing free trade agreements (FTAs) and seeking to attract foreign direct investment, especially from more developed countries from other regions.

The founding members aim to use the PA as a platform to increase their commercial exchange with Asia-Pacific – for which all of them, with the exception of Colombia, also participate in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) [3] and the Asia-Pacific Economic Cooperation (APEC) forum. Some of the tools to do this have been: joint business and investment promotion; cooperation with the Association of Southeast Asian Nations (ASEAN); and, shared embassies in several countries around the globe.

The PA member states also attempt to project themselves as an “enlarged market” of business-friendly countries, in order to attract foreign investment. For the same reason, they seek to sharply differentiate themselves from other states and regional organisations in the Latin American region, which they portray as being too protectionist – such as ALBA and MERCOSUR. This strategy has been labelled “nation branding” (Nolte 2016) or as the institutional contestation of Brazilian and Venezuelan regional leadership (Flemes and Castro 2018).
The Global Expansion of the PA

Since the emergence of the PA in 2011, the global political and economic contexts have changed significantly, and the institution has thus undergone reform so as to adapt. One of the most important shifts for the global order was the coming to power of Donald Trump and his subsequent policy of withdrawing the US from various international agreements that are considered fundamental to the contemporary liberal order. For instance, Trump withdrew the US from the Trans-Pacific Partnership (TPP), which groups together multiple countries from all sides of the Pacific Rim.

This withdrawal from the TPP and the fears about a widespread return of global protectionism led the PA countries to convene a summit in Viña del Mar, Chile, in March 2017, which China and South Korea also attended. One of the most important results was the creation of the category of “associated state” within the PA. This established the possibility for other states to join the PA as partners through the negotiation of trade agreements that are expected to follow the standards established by the TPP.

Taking these developments into account, it is possible to observe the emergence of a set of trade mega blocs between Asian and Latin American states plus Canada – ones in which the US does not participate. This process has been termed the construction of a “post-TPP interregionalism,” and has the PA as one of its leading axes (Pastrana and Castro 2018: 55). Closer cooperation between the PA and ASEAN constitutes a form of pure interregionalism (on how interregional relations between regional organisations may affect institutional design, see Lenz and Burilkov 2017; Duina and Lenz 2016). Negotiations that are in progress with the various candidates for associated states are a form of hybrid interregionalism of the “state bloc” kind. Another version of post-TPP interregionalism would be the CPTPP, which entered into force in December 2018. Finally, it is important to highlight that for the US and other TPP members, one of the original ideas behind the TPP was also to balance the economic influence of China in Asia-Pacific and to not let it dictate the rules of global trade. In this context, China is also leading a mega-bloc trade agreement called the Regional Comprehensive and Economic Partnership (RCEP) that overlaps in terms of its Asian members with the TPP (see Figure 1 below), and which has also sparked the interest of some Latin American countries too.

![Figure 1: Trade Mega Blocs and the PA](image)

Source: Authors’ own elaboration.
Note: CAS-PA stands for candidate for associate membership of the PA.
The XIV Summit of the PA and the Road Ahead

With the forthcoming XIV Presidential Summit in mind, the PA faces several challenges originating mainly from within. These arise largely from its institutional design and from the shifting ideological orientation of its members. The different approaches to dealing with the Venezuelan crisis might generate a small crack from the Mexican side in an otherwise unanimous “hard” (and ultimately ineffective) stance on Venezuela.

However, Mexico has an important incentive not to disrupt the functioning of the PA: even after the renegotiation of the North American Free Trade Agreement (NAFTA), the US has proven to be a highly unreliable partner for the Mexicans. The latest threats from Trump are a clear signal in that regard. He has threatened to impose a 5 per cent tariff on all Mexican exports to the US, which could gradually reach as high as 25 per cent, if the government does not stop the flow of Central American migrants entering US territory via Mexico.

In addition, AMLO has promised ever since his electoral campaign that he will concentrate on domestic rather than on international affairs; it is also pertinent to remember the broad ideological spectrum underpinning the coalition that brought him to power – which includes even the “evangelical right.” In a scenario of increasing American protectionism, and despite the migration agreement achieved with the US, it seems unlikely that Mexico will alter its participation in the PA when the institution strengthens its ties to Latin America while also furthering the diversification of Mexican exports’ destinations.

A more direct impact on the global expansion strategy of the PA has come from President Duque of Colombia. Following his electoral victory and subsequent seeking to deliver on his campaign promise not to sign any trade agreements during his term in office, he announced in 2018 the suspension of the participation of Colombia in the negotiations regarding the accession of associate member states to the PA. This was also due to concerns from the country’s meat, milk, sugar and auto-parts sectors, which asked to be excluded from the negotiations due to the high competitiveness of the Asian economies. The national milk association even argued that Colombian producers could go out of business if they faced one of the world’s top producers, New Zealand. Recently, the Colombian government has announced that it will resume the negotiations, thus honouring the commitments of the previous administration, though it has promised to ask for the aforementioned sectors to be excluded from the agreement with New Zealand. This, however, maintains the uncertainty with regards to the continuation of Colombia’s application to the CPTPP, a process initiated by Duque’s predecessor.

In contrast, regarding the applications of Ecuador and South Korea – which will also be discussed during the summit – there would not be much (if any) opposition from the Colombian side, as the country already has trade agreements with both countries. Notwithstanding, because of the aforementioned no FTA campaign promise, it is uncertain whether the Duque administration will continue to participate in the global expansion of the PA – making him a bigger danger to the ideological convergence of the group. In this respect, the administration has also clashed with several UN agencies overseeing the implementation of the peace agreement with the Revolutionary Armed Forces of Colombia—People’s Army (FARC-EP) and
with other UN programs in the country by using anti-multilateral arguments that resemble Trump’s own discourse.

This will need to be addressed at the presidential summit of 5–6 July 2019. The organisation announced in its “2030 Vision” that it plans to add 10 more associate members, as well as to foster cooperation with international organisations such as ASEAN, APEC, and the EU. There are also joint declarations in preparation with the EU, the Organization for Economic Cooperation and Development (OECD), the Eurasian Economic Commission, and with Japan regarding the upcoming summit.

Now, despite the trial by fire that the new political cycle in Latin America has posed to most of its regional organisations, the PA appears to have survived quite well so far – with a nearly unburned intra-institutional consensus. This reinforces its position for the years ahead as one of the possible core axes of a post-TPP order based on mega-bloc trade agreements. This also makes it a desirable partner for those countries and organisations that want to continue advancing a free trade agenda and to uphold the defence of multilateral agreements and institutions. In this sense, the PA is also promoting closer cooperation with its 57 observer states – with more than 90 projects already on track. It has created a Cooperation Council, a Forum for Technical Cooperation, and a Cooperation Fund while there is also a very appealing cooperation agenda proposal to expand the collaboration with observer states (see Jarrín, Gardini, and Ramírez 2019).

In times of simmering trade wars and tensions within the US–EU transatlantic alliance, this summit might, then, be of particular interest for the EU. Expressly so considering that: 1) the EU has already signed FTAs with the members of the PA and is in the process of modernising its treaties with Chile and Mexico; 2) there is a significant number of European states (28) who are observers in the PA; 3) after twenty years of negotiation, the MERCOSUR-EU trade agreement has finally been concluded and is pending ratification, this brings the EU much closer to the Atlantic side of Latin America and leaves the possibility to strengthen its economic ties with the Pacific one as a possible next course of action; 4) The EU can advance this last point while also promoting its values as the clause to respect the Paris Climate Agreement in the agreement with the MERCOSUR has shown; and, 5) there is a need to counteract anti-democratic tendencies within the region partly enabled by the increasing presence of China.

Latin America does not fall far from the general rise of authoritarianism and extreme-right political movements currently being witnessed around the world. Here a value-oriented EU–Latin American alliance might make sense to help consolidate democracy, to boost the economic development of the region, and to work bi-regionally on the defence of international multilateralism (Reith 2019). In these regards, Germany has recently started a “Latin America and the Caribbean Initiative” to deepen its own engagement. As a first step in this direction, the EU and its members could foster closer relations with the PA, explore the possibility of associate membership to articulate themselves to these trade mega blocs (especially after the complications in the Trans-Atlantic Trade and Investment Partnership), widen the inter-institutional cooperation agenda, and ensure the coordination of strategies within international forums.

The temporary suspension of Colombia in the negotiations over the accession of associate members might serve as a cautionary tale vis-à-vis the weaknesses of the institutional design of the PA. Mainly, regarding the required unanimity of its
decision-making procedures – as this could easily lead to an organisational crisis. This is less likely to happen to the PA in comparison to other Latin American regional organisations, though, due to the small number of members, their reluctance to partake in divisive and more politicised issues such as the Venezuelan crisis, and the continuity of their neo-liberal strategy of insertion in the international economy throughout the last few decades. However, as the title of the renowned salsa song by Héctor Lavoe goes: Todo tiene su final (“Everything has its ending”) – that is to say, the PA should expect the best, but properly prepare for the worst given the ever-shifting political dynamics of Latin America.

The XIV Presidential Summit should also serve as an opportunity for PA members to take a breath and reflect on the goals of the institution. As outlined, the organisation has a decent shot at helping the member states’ economies integrate into Asian markets, and even into others elsewhere too. Yet, it might also become a victim of its own success. The very competitive and value-added products coming from the Asian economies could worsen the already heavy dependence of most of the PA’s member states on the export of commodities, as has already been happening in their increasing exchanges with China.

For example, one of the main tools to add value to PA exports to Asia-Pacific could be a strong policy to construct regional value chains between members – this could also help increase the currently low intra-institutional trade, which is only around 3 per cent. In spite of this being one of the foundational proposals of the PA, however, the actions to actually advance it have come up short so far, as member states have only identified possible chains and shared this information with economic actors. The building of these chains, in contrast, will require significant incentives and policies being put forward, for which the superficial and strongly intergovernmental structure of the PA might not suffice. At least a technical secretary might be needed to decisively advance in this regard. Interestingly, at this point the convergence with MERCOSUR might be critical to creating even more and wider value chains in the region; this topic is already on the roadmap that the two organisations have designed in order to come together in certain areas.

Finally, in order to achieve these goals, to fulfil its 2030 Vision, and to integrate more closely into the international economy with concrete benefits for member states and their populations, the PA will have to invest substantially more resources in, among other areas, research and development, national and regional infrastructure, and education. It will also have to offer something more than just trade agreements to its associate members. Further, it will also have to go considerably beyond the strategy of simply seeking to attract foreign investment and of signing FTAs. This will also entail compiling a more detailed design of the concrete means and actions necessary to live up to its lofty vision.
References


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