

THE PACIFIC ALLIANCE AND PERU'S FOREIGN POLICY

Luis Castro Joo

Minister Counselor in the Diplomatic Service. Lawyer, Bachelor in International Relations and Master in International Political Economy. He is currently Consul General of Peru in Buenos Aires, Argentina.

Among the proposals for the study of Peru's foreign policy, the thesis described by Ronald B. Saint John stands out. According to Saint John the relationship established by Peru with other countries has been framed by two tendencies. On the one hand, the task to complete the definitive delimitation of the national territory, which has been present since the birth of the republic, involving "*bitter disputes*" over, often, "*vast extensions of land and potential sources of considerable wealth*". On the other hand, the promotion and support of cooperation and integration initiatives based on continental solidarity, also in force throughout Peru's independent period as shown, for example, by the Lima Conference of 1847-1848. "Territorialist diplomacy" and "the diplomacy of integration and cooperation" have alternated in the primacy of various historical stages of Peruvian foreign policy and, in general, have been opposing tendencies. Very few actions would deviate from this sort of pattern of Peruvian foreign policy (St. John, 1999: 1-3).

In this context, this article will address the creation, development and prospects of the Pacific Alliance, as well as seek to identify the possible implications of this specific initiative in the study of Peru's foreign policy.

Foreign policy, cooperation and integration

Assuming that integration and cooperation diplomacy is one of the dominant trends in Peruvian foreign policy, it is important to establish what is understood by such terms.

Foreign policy is a term used to refer to the actions of a state outside its borders aimed at achieving its objectives of providing its citizens with increasing levels of security and well-being. Foreign policy must be distinguished from diplomacy, which is one of the instruments for implementing foreign policy. Indeed, **diplomacy** refers to the *"technique of communication between states, generally through qualified representatives, who through negotiation and other peaceful means, manage their relations in order to preserve their interests, in execution of their foreign policy"*¹ (Wieland 1999: 21).

The particular characteristics of the field in which foreign policy is implemented and the demands it makes should be emphasized. Unlike domestic policy, a field in which the State enjoys *jus imperium* and a monopoly on the use of public force, foreign policy requires a different approach *"insofar as it is the projection of a State onto a space in which its interests confront those of other equally sovereign States and which, therefore, unlike the national domain, cannot impose its will and must limit itself to obtaining a result as close to its objectives as possible"* (García Bedoya 1992: iii). The arena where national foreign policies are implemented, compete and intersect is called **international politics**, and that which includes - in addition to foreign policies - the actions of other non-state actors to maximize their respective interests can be called **the international system or global system**.²

¹ The traditional conception of diplomacy refers to the art of negotiating agreements between States, as described, for example, by Harold Nicolson in his classic work *Diplomacy*, published in 1939. More recent theoretical developments -such as those of Susan Strange in *States and markets*, published in 1994- emphasize the so-called state-business diplomacy, due to the structural changes that have occurred in the international system. A perspective on this debate can be found in the article by Luis Castro Joo "Globalización y diplomacia: ¿fin de la diplomacia o diplomacia global?", published in *Revista Política Internacional* No. 45. July-September 1996. Lima, Academia Diplomática del Perú. 85-104.

² The term "international system", insofar as it literally refers to the system made up of nations or nation-states, has been set aside by some authors who now prefer to use the term "global system" to include non-state actors as well. On the other hand, it should be specified that the term "system" applied to the study of international relations includes actors, power relations (structure) and interactions according to established rules.

Within the academic discipline of International Relations, it is often said that the interactions between States in the international system are characterized by a dynamic of conflict and cooperation. While conflict arises from an incompatibility of interests, cooperation implies coordination based on the perception of common problems. In this broad theoretical spectrum of possibilities for interaction between States, war (the highest level of discord that leads to the use of force in defense of interests) appears as the extreme of conflict. On the other hand, integration (zero level of discord that can lead to the existence of a supranational interest) appears as the ideal extreme of cooperation (Barbe 2008: 246).

From this perspective, we can affirm that cooperative diplomacy encompasses all those foreign policy actions implemented by two or more States which, in the absence of conflict between them, are aimed at facing and resolving challenges that are considered common. In this sense, this trend includes actions at the plurilateral level, such as those international conferences convened by Peru between 1845 and 1862, under the government of Ramón Castilla, for the defense of Latin America against all forms of aggression from outside the region.³ And also bilateral actions, such as the 1988 Integral Development Plan for the Putumayo Basin, through which Colombia and Peru agree on joint actions to contribute to the *"sustained development and conservation of the environment and biodiversity of the region, as well as to improve the quality of life of the population through the generation of productive activities and the adequacy of basic physical and social infrastructure."*

Along the same lines, integration would be a special type of cooperation that generally involves a higher degree of formalization, complex institutional arrangements and may even lead to a certain surrender of sovereignty by the States participating in the integration process in favor of a supranational body. For example, Peru is a

³ This stage of Peru's diplomatic history is extensively studied by Rosa Garibaldi in her book *La Política exterior del Perú en la era de Ramón Castilla*. Lima, Fundación Academia Diplomática del Perú, March 2003. 409 p.

founding member of the Andean subregional integration process, established by the Cartagena Agreement of 1969. The Andean Pact evolved into the Andean Community in 1996, when the Trujillo Protocol was signed. Under this integration process, Peru currently participates in a free trade zone for goods with Bolivia, Ecuador and Colombia; institutional arrangements include the Andean Presidential Council, the Andean Council of Foreign Ministers, the Andean Court of Justice, the General Secretariat, the Andean Parliament; and foreign ministers and foreign trade officials can adopt Andean Decisions that are directly incorporated into national legislation.

On the other hand, an advanced example of integration is provided by the European Union (EU), currently made up of 27 States, which have community policies on trade, agriculture, fisheries and regional development. The EU also has a monetary union under the euro (17 EU States participate in it) and the Schengen zone, which facilitates migratory transit since no passports or visas are required (22 EU States participate in it).

Establishment of the Pacific Alliance: from the Lima Summit to the Paran  Summit

On October 14, 2010, the then President of Peru, Alan Garc a P rez, extended an invitation to the Presidents of Chile, Colombia, Ecuador and Panama proposing the creation of a Deep Integration Area to advance in the liberalization of trade in goods, while ensuring the free movement of services, capital and people, as a strategy to consolidate a common economic platform in order to project itself to the Pacific and the world.

As a follow-up, the Presidents of Peru, Mexico, Colombia and Chile met in Mar del Plata on December 4, 2010, within the framework of the XX Ibero-American Summit. Ecuador declined the invitation.

Subsequently, with the process further defined through preparatory meetings at the technical level, the Presidents of Peru, Colombia, Chile

and Mexico met in Lima on April 28, 2011 and signed the Presidential Declaration on the Pacific Alliance, which set the guidelines to be followed in the consolidation of this process to encourage regional integration, as well as greater growth, development and competitiveness of their economies. To this end, the leaders pledged to move *"progressively towards the goal of achieving the free circulation of goods, services, capital and people"*. In addition, in the Lima Declaration, the Heads of State instructed their ministers to prepare a draft Framework Agreement based on the homologation of existing free trade agreements. It is worth noting that Panama signed this Declaration *"as an Observer in the process of joining the Pacific Alliance"*.⁴

In compliance with the Lima Declaration, in order to organize the work to achieve the objectives set by the Presidents, four Technical Groups were established to negotiate: i) Movement of Business Persons and Facilitation of Migratory Transit; ii) Services and Capital; iii) Trade and Integration; and, iv) Cooperation. An Ad-Hoc Group was also established to prepare the Framework Agreement or Constitutive Treaty of the Alliance.

Peru, through the Ministry of Foreign Affairs, coordinated the Technical Cooperation Group, while the Ministry of Foreign Trade and Tourism (MINCETUR) coordinated the Ad-Hoc Group for the preparation of the Framework Agreement. Chile coordinated the Technical Group on Trade and Integration; Mexico the Technical Group on Movement of Persons; and Colombia the Technical Group on Services and Capital.

In addition, the leaders decided to form a *High Level Group (HLG)*, at the level of Vice Ministers of Foreign Affairs and Foreign Trade, to supervise the progress of the technical groups, among other tasks.

In other words, in six months -between October 2010 and April 2011- Peru, Mexico, Colombia and Chile reached an agreement to work

⁴ Declaración de Lima, April 28, 2011. Available at www.cancilleria.gov.co.gov.co

together in order to *"progressively advance towards the objective of achieving the free circulation of goods, services, capital and people"*, in what they called a *"deep integration area"*. They also established a three-level structure: the technical negotiating groups, a supervisory body for such negotiations in charge of the High Level Group (HLG) composed of the Vice Ministers of Foreign Affairs and Trade, as well as the decision-making and political leadership body in charge of the Presidents.

Having established the objectives, structure and initial negotiation agenda, the II Presidential Summit of the Pacific Alliance, which took place in the city of Merida, Mexico, on December 4, 2011, showed concrete achievements. In fact, the trade negotiation agenda was specified in Merida: tariff treatment for the entire universe of goods and, in parallel, the cumulation of origin mechanism, with a view to starting its implementation in 2013; technical barriers to trade, sanitary and phytosanitary measures, trade facilitation, electronic commerce.⁵ In addition, transcending the trade agenda, within the framework of this Summit, the "Memorandum of Understanding for the Pacific Alliance Cooperation Platform" was signed, through which the States identified the following priority issues of common interest to promote collaboration: environment and climate change; innovation, science and technology; micro, small and medium-sized enterprises; and social development. In this regard, it was agreed to negotiate the establishment of a platform for academic and student mobility at the undergraduate and graduate levels to contribute to the formation of advanced human capital in the member countries through the academic exchange of undergraduate and graduate students, as well as university professors in Colombian, Chilean, Mexican and Peruvian institutions of higher education. Each country will offer 100 scholarships annually.

In Merida, collaboration was also promoted among national economic promotion agencies such as PROEXPORT Colombia, PROCHILE, PROMPERU and PROMEXICO; among business associations; and

⁵ Declaración de Merida, December 4, 2011. Available at www.cancilleria.gov.co.gov.co

among the stock exchanges of the Pacific Alliance countries. An agreement was also signed leading to the incorporation of the Mexican Stock Exchange and INDEVAL of Mexico into the Latin American Integrated Market (MILA), made up of the stock exchange institutions of Chile, Colombia and Peru.

Another important development at the Merida Summit was the affirmation that the rule of law and the respective constitutional orders, the separation of state powers and the protection of and respect for human rights and fundamental freedoms are considered essential requirements for participation in the Pacific Alliance.

Thus, by the end of 2011, the Pacific Alliance consolidated its identity as an integration mechanism whose ambition is to enshrine the four freedoms of a common market: movement of goods, services, capital and people. It brings together dynamic economies of the Latin American Pacific region, whose governments are committed to the consolidation of democratic regimes, the rule of law and international trade as an important economic growth factor, in order to project themselves more competitively into the Asia-Pacific region. In a context of international economic crisis - where pressures for protectionist measures are emerging - the Pacific Alliance is perceived as a scheme that aims to promote greater trade openness as a means of deepening integration and sustaining sustained economic growth in the countries of the region. But its interests go beyond the purely commercial aspects of liberalization of goods, services and capital, given that it has a broad agenda that includes migration issues, movement of people, and a platform for cooperation to develop projects in the areas of environment and climate change; innovation, science and technology; micro, small and medium-sized enterprises; social development, among others. In other words, its agenda introduces more topics and areas than those of the bilateral Free Trade Agreements (FTAs) previously signed by the participating States among themselves.

The III Summit of the Pacific Alliance was held on March 5, 2012, via the virtual "teleconference" system. On that occasion, the Presidents

accepted Costa Rica's request to become an Observer and approved the text of the Framework Agreement or Constitutive Treaty of the Pacific Alliance, after which a legal review stage was carried out. The Ad hoc Group met in Bogota on May 3 and 4, 2012, when the legal review of the Framework Agreement of the Pacific Alliance was completed, leaving it ready for its signing.

Subsequently, on June 6, 2012, the IV Summit of the Pacific Alliance was held at the headquarters of the Paranal Observatory, Antofagasta, Chile, where the presidents of Chile, Colombia, Mexico and Peru signed the Framework Agreement or Constitutive Treaty of the Pacific Alliance. Panama and Costa Rica signed it as observers. Article 3.1 of this Framework Agreement establishes that the objectives of the Pacific Alliance are:

- "a. to build, in a participatory and consensual manner, an area of deep integration to progressively advance towards the free circulation of goods, services, capital and people.*
- b. to promote greater growth, development and competitiveness of the economies of the Parties, with a view to achieving greater well-being, overcoming socioeconomic inequality and the social inclusion of their inhabitants; and*
- c. to become a platform of political articulation, economic and commercial integration, and projection to the world, with special emphasis on the Asia Pacific".⁶*

It should be noted that according to Article 13 of the Framework Agreement, it will enter into force sixty (60) days after the date of deposit of the last instrument of ratification by the Parties.⁷

The Presidential Declaration of Paranal was also approved, which incorporated the mandates and instructions of the Presidents to advance

⁶ Pacific Alliance Framework Agreement. Available at: http://www.acuerdoscomerciales.gob.pe/images/stories/alianza/docs/acuerdo_marco_AP_firmado.pdf.

⁷ To date, only Mexico has completed the internal approval process. Chile, Colombia and Peru continue with their respective internal approval processes.

the work of the various Technical Groups, and took stock of the main progress made to date, especially in the area of cooperation. Among these, it is worth highlighting the mandate to achieve results by the end of 2012 in the negotiations on elimination of tariffs, rules of origin and cumulation of origin. The Presidential Declaration also highlights the main advances made to date, including: the creation of the Academic and Student Mobility Platform and the beginning of its implementation in 2013; the establishment of a Scientific Network for Climate Change; the culmination of negotiations on e-commerce; Mexico's intention to eliminate visas for nationals of Pacific Alliance member countries by December 2012, depending on the degree of progress of the subgroup created to share information in real time to monitor secure migratory flows.

The issue of cultural promotion was also enshrined in the Alliance's agenda. The Paranal Declaration instructs the design and implementation of a program of joint activities in the cultural field *"that will contribute to strengthen the presence of the Alliance in the Asia Pacific region, including a traveling exhibition, with collections from the four Pacific Alliance countries, reflecting the common cultural heritage and the influence of cultural exchanges between the Americas and the Asia Pacific"*.⁸

Chile, host of the IV Presidential Summit, assumed the Pro Tempore Presidency of the Pacific Alliance.

From the implementation of the Paranal Summit commitments to the Santiago Summit

After the Paranal Summit, Puerto Varas, Chile, hosted the VI Meeting of the Technical Groups and the VII Meeting of the High Level Group on August 23 and 24, 2012. These meetings yielded positive results considering the progress made in the areas of trade negotiations, cooperation, mobility of people, cohesion and internal coordination, as well as the initial definitions for the projection of the Pacific

⁸ Declaración de Paranal. June 6, 2012. Available at www.cancilleria.gov.co

Alliance both in its external relations and in the area of communications. Progress was made in the participation of Observers and Guests; in the definition of an agenda for the Institutional Affairs Group, whose coordination was entrusted to Peru; and a subgroup was created for the communication strategy that will include the launching of a web page, among other tasks.

Subsequently, the VIII meeting of the High Level Group (HLG) was held in Mexico City on August 28, 2012 and on the following day the Meeting of the Council of Ministers of Foreign Affairs and those responsible for Foreign Trade was held in the same city. Among the results of these meetings were: i) the definition of the participation of the Inter-American Development Bank (IDB) in the progress of the process, agreeing that the coordination and dialogue with that organization for the purposes of cooperation and possible technical assistance will be done through the Pro Tempore Presidency; ii) the affirmative responses to the requests submitted by Canada and Uruguay to become Observer States of the Pacific Alliance; iii) reaffirmation of the agreement reached at the Informal Reflection Meeting of Ministers -held in Mexico on July 27, 2012- for Chile, in its capacity as Pro Tempore Presidency, to send a communication to ASEAN expressing the interest of the Pacific Alliance in a greater rapprochement; iv) the subscription of the Cooperation Agreement on Tourism of the Pacific Alliance by the respective ministers of the sector; v) the subscription of the Constitutive Agreement of the Business Council of the Pacific Alliance.

It should be noted that the Pacific Alliance Business Council is made up of associations representing the four member countries, whose purpose is to promote the Pacific Alliance both in the member countries and in the business community and to make recommendations and suggestions to the respective governments for the best progress of the process, as well as to promote and suggest joint visions and actions towards third markets, particularly with the Asia-Pacific Region.

From October 14 to 16, 2012, the IX Meeting of the High Level Group (HLG) and the VII Meeting of the Technical Groups were held in Lima,

Peru. The results were very positive, given that the negotiations on goods and services were put on track with the approval of the "Principles for negotiation in the Technical Group on Trade and Integration" and the "Principles for negotiation in the Technical Group on Services and Capital". In the area of cooperation, the project "Synergy among the countries of the Pacific Alliance to improve the competitiveness of micro, small and medium-sized enterprises," presented and promoted by Peru, was approved. Moreover, the challenge of moving from the initial package of 20 annual scholarships per country to 100 annual scholarships for the emblematic cooperation program "Academic and Student Mobility Platform of the Pacific Alliance" was overcome, following presidential instructions.

Likewise, as instructed by the Ministers, the IX HLG finalized the "Guidelines on the participation of Observer States in the Pacific Alliance". In line with what was agreed at the ministerial level in Mexico City on August 29, this document establishes that States that are not part of the Pacific Alliance and that share the objectives and values of the Alliance may request to participate in it as Observers, a condition that will allow them to participate in the Summits and Ministerial Meetings with the right to speak. The Observer State that has trade agreements signed with at least half of the countries of the Pacific Alliance may apply for candidacy with a view to its subsequent accession to the Alliance. This document reaffirms the Observer status of Panama and Costa Rica, which are considered candidates. Likewise, the participation of third States or international organizations in specific meetings, as guests, is also foreseen.

The II Meeting of the Council of Ministers of Foreign Affairs and Foreign Trade was held in Cartagena de Indias on November 9, 2012. Within this framework, Mexico announced its government's decision to exempt Peruvian and Colombian nationals holding a valid ordinary passport from visa requirements to enter Mexico as visitors, without permission to carry out remunerated activities for up to 180 days. This decision implies progress in compliance with the Paranal Declaration on the facilitation of migratory transit given that, as of November 9, 2012, no visa is required for tourism between the countries of the Pacific Alliance.

In addition, the Ministers agreed to accept the applications submitted by New Zealand, Spain and Australia for Observer status.

Taking advantage of their presence in Cadiz on the occasion of the Ibero-American Summit, the Heads of State of the Pacific Alliance countries met on November 17, 2012, in what was the V Presidential Summit, to take stock of the results and progress of the process, as well as to reiterate their political support for it. The Cadiz Declaration highlighted, among other points, the willingness to liberalize trade in at least 90% of tariff lines (0% tariff) as of the entry into force of the agreement and, taking into account the status of the negotiations, extended the deadline for the completion of these negotiations on market access and rules of origin until the first four months of 2013. Likewise, the Presidents instructed to advance in the work for the creation of a Cooperation Fund in the Pacific Alliance, so that it can be operational in the course of 2013.⁹

The VI Presidential Summit was held in Santiago, Chile, on January 27, 2013, on the occasion of the CELAC and CELAC-EU Summits. In this context, the "Santiago Declaration" was signed, in which the Heads of State endorsed the agreements adopted by the Vice Ministers at the XI meeting of the High Level Group (HLG) held in Cali, Colombia (December 19 and 20, 2012), stressing in particular that no later than March 31 of this year, the negotiations on tariff liberalization of goods will be fully concluded, as well as those on rules and cumulation of origin. The Presidents confirmed that all other negotiations underway or with a current negotiating mandate that deepen the existing bilateral FTAs between the four countries should be finalized and concluded no later than June 30, 2013. They also reiterated the need to put the Pacific Alliance Cooperation Fund into operation this year.

Perspectives of the Pacific Alliance

The consolidation and credibility of this mechanism will be linked to the degree of progress in the fulfillment of its objectives and commitments. In the area of trade, the fact that the four member countries have bilateral

⁹ Declaración de Cadiz, November 17, 2012. Available at www.cancilleria.gov.co

FTAs in force among themselves is a good basis for future negotiations and should facilitate compliance with the objective of deepening trade liberalization among the member countries. However, it should not be lost sight of the fact that the starting point of the trade agenda would be the set of tariff lines that -at the time, at the bilateral level- were left aside or for which longer periods for tariff reduction were agreed upon in consideration of the sensitivities that they represented for the countries.

In addition, it has been established that simultaneous progress must be made on the issue of the regime and cumulation of origin, an area that generated divergences among the member states when this same issue was negotiated in the Pacific Arc Forum. To date, the Parties have agreed that at least 90% of the tariff universe will be fully liberalized upon entry into force of the Agreement. However, as mentioned *above*, the initial deadline for the completion of these market access negotiations set by the Paranal Declaration for December 2012 had to be extended to the first four months of 2013 by the Cadiz Declaration.¹⁰ On the other hand, positive results achieved in a relatively short period in the areas of cooperation (400 annual scholarships for student and academic mobility by 2013) and movement of people (no requirement for tourist visas between Pacific Alliance countries) lend credibility to the initiative.

The Pacific Alliance has generated international expectations beyond the region. The formal applications of Canada and Uruguay to join the Pacific Alliance as Observers were accepted in August 2012. Subsequently, Australia, New Zealand and Spain formally submitted their applications to become Observers, which were accepted at the last meeting of Ministers of Foreign Affairs and those responsible for Foreign Trade, held in Cartagena de Indias on November 9. At the Santiago Summit, the applications of Japan and Guatemala were accepted. To date, the Pacific Alliance has 4 full members (Chile, Colombia, Peru and Mexico) and 9 observers (Panama, Costa Rica, Uruguay, Canada, New Zealand, Spain, Australia, Japan and Guatemala).

The challenge for the member states will be to manage their relations

¹⁰ Declaración de Cadiz, November 17, 2012. Available at www.cancilleria.gov.co

with third parties and maintain control of the agenda, as well as the pace of progress in the negotiations. From this perspective, it should be borne in mind that the Pacific Alliance appears as an economic and trade integration initiative in the Asia-Pacific, with a certain initial Latin American regional identity. In this dynamic area of the world, however, there are two other plurilateral initiatives underway. One is the negotiation process of the *Trans-Pacific Partnership* (TPP), currently under way, in which Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam and the United States of America are participating. Canada and Mexico formally joined in December 2012.¹¹ The TPP is presented as an ambitious, high-standard trade agreement of the 21st century and aims to become the basis for a free trade zone in the Asia-Pacific.

Another initiative is called "Asean + 6". On September 1, 2012, it was announced the start of negotiations for a free trade agreement comprising the ten countries that make up this regional association (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam, which plan to become an Economic Community in 2015) and the six partner countries: China, Japan, Korea, India, Australia and New Zealand. Such negotiations will begin in 2013 with the aim of completion by the end of 2015. "ASEAN plus 6" will aspire to be a comprehensive agreement on goods, services and investment. Some analysts¹² have speculated that ASEAN plus 6 could be presented as a counterweight to the US-led TPP or as a complement to it, with the eventual Asia-Pacific free trade area as a perspective.

It should also be noted that Australia, Brunei, Malaysia, New Zealand, Singapore and Vietnam participate in both processes - TPP and "ASEAN plus 6" - and the presence of countries such as China, Japan, Korea and

¹¹ Canada and Mexico joined the TPP negotiations at the 15th round of negotiations, held in Auckland, New Zealand, from December 3 to 12, 2012.

¹² For example, Ippel Yamazawa of Hitotsubashi University in Tokyo alludes to this sort of competition between TPP and Asean in the following terms: "In 2008, US, concerned about being excluded from East Asia Community move, expressed its desire to join the P4 group and to expand it to TPP". Available at: http://aienetwork.org/pdfs/aug_workshop/day4/4-1_Yamazawa.pdf

India in this second scheme gives it an undeniable projection and importance. Peru, Mexico and Chile participate in both the Pacific Alliance and the TPP. Within each of the three initiatives mentioned above, a sort of trade integration based on existing FTAs could be envisaged, but it remains to be established which perspective and orientation will prevail and whether these initiatives could converge in the future in an eventual Free Trade Area of the Asia-Pacific.

Pacific Alliance and Peruvian foreign policy

In the last ten years, Peru has become one of the most solid countries in the region from a macroeconomic point of view, with growth rates of around 6% per year. This result is partly explained by factors such as: a positive insertion in the process of economic globalization through trade liberalization, the signing of trade agreements, the increase in export competitiveness, high international mineral prices, the dynamism of the Asian economies, mainly China and India, and the increase in investment flows. At the same time, significant progress has been made in the social area, especially in reducing the incidence of extreme poverty - measured in monetary terms - from 16.4% in 2004 to 7.6% in 2010. Poverty fell from 54.7% in 2002 to 27.8% in 2011.¹³ Likewise, the National Institute of Statistics and Informatics (INEI) reports that the percentage of children under 5 years of age with chronic malnutrition dropped from 25.4% in 2000 to 15.2% in 2011.¹⁴ There is still much to be done in Peru in terms of social welfare and equal opportunities, but the trend is positive.

Within this framework, the Peruvian initiative that led to the creation of the Pacific Alliance is part of a foreign policy aimed at consolidating a better insertion in the global economy through trade liberalization and the signing of preferential trade agreements. From a theoretical point of view, the Pacific Alliance initiative is part of the trend known as “diplomacy for cooperation and integration” based on solidarity.

¹³ Information available at www.cepal.org

¹⁴ Information on social statistics is available at www.inei.gob.pe

It should be noted that this line of action in search of a better insertion in the global economy was decided and adopted in a context that deepened after 2001, characterized by three factors: i) Peru's adoption of an economic model of open growth, taking into account the limitations and size of the domestic market; ii) the evident importance for the growth of Peruvian exports of preferential trade regimes such as ATPA¹⁵ ATPDEA¹⁶ and SGP¹⁷ plus, which led it to emphasize an action aimed at legally ensuring preferential conditions for access of its exports of goods and services to the markets of its main trading partners; iii) the difficulties encountered at the multilateral level to advance trade liberalization - such as the Doha Round of the World Trade Organization (WTO) and the Free Trade Area of the Americas (FTAA) in the hemisphere- which led to consider the bilateral or plurilateral route and free trade agreements as the essential instruments to advance Peru's trade policy of positive integration into the global economy.

This line of action had its emblematic moment during the government of President Alejandro Toledo, when in November 2003, after several months of coordination and prospective work, the U.S. announced that it was going to begin negotiations with Peru, Colombia and Ecuador for a Free Trade Agreement. Subsequently, at the conclusion of the negotiations, the Peru-US Trade Promotion Agreement (TPA) was signed at the OAS headquarters in Washington D.C. on April 12, 2006; and after its approval by both congresses, it entered into force on February 1, 2009, during the administration of President Alan García Pérez. This Agreement was a powerful signal to economic agents, investors and the international community.

What should be emphasized at this point is that the initiation,

¹⁵ Andean Trade Preferences Act (ATPA) of the United States of America.

¹⁶ Andean Trade Preferences and Drug Enforcement Act (ATPDEA) of the United States of America.

¹⁷ General System of Preferences (GSP) implemented by trading partners such as the United States of America and the European Union.

negotiation, completion, signing and entry into force of the trade agreement with the U.S. took a period in which two governments were involved in our country. What is remarkable is that this fact did not affect the capacity and political will to work towards the same objective. Many have affirmed that this was an undeniable demonstration of political maturity in Peru.

The importance of the political and diplomatic variable in reaching this agreement is underlined by former Foreign Minister José García Belaúnde when he recalls that, upon taking office in July 2006, the new Peruvian government found that the negotiations with the US had been completed, but that the results were subject to the ratification process by the US Congress. At that juncture *"we were the only ones who, having concluded the agreement with the Republicans, managed to get it approved by the Democrats. Colombia, Panama and Korea were left by the wayside"*. (Palma 2011: 38)

This line of action led to the fact that, in April 2011, at the time of signing the Lima Declaration -which implied the political launching of the Pacific Alliance- Peru already had a wide network of trade agreements that included, in addition to the Andean Community free trade zone (Colombia, Ecuador, Bolivia), and the Economic Complementation Agreement No. 58 with Mercosur Member States (Brazil, Argentina, Paraguay and Uruguay), bilateral trade agreements with: Cuba, USA, Canada, Singapore, Chile, China, Korea, EFTA (Norway, Switzerland, Iceland, Liechtenstein), Japan, Mexico, Thailand, Panama and Costa Rica. The validity of such agreements, together with the recent entry into force of the Agreement with the European Union¹⁸ will imply that more than 95% of Peruvian exports will have preferential access to such markets, *"which allows not only to diversify our supply but also to reduce the risks of possible crises in the various geographical areas."* (García Belaúnde 2011: 51).

¹⁸ Peru's Trade Agreement with the European Union was approved by the European Parliament on December 11, 2012, while the Peruvian Congress approved it on December 12, 2012. This trade agreement entered into force on March 1, 2013.

Two additional characteristics of the launching of the Pacific Alliance should be noted: its predecessor was the 2006 Pacific Arc Forum, and the type of integration promoted by the Pacific Alliance is part of the current known as "new regionalism", which was consolidated in the 1990s in Latin America.

The Pacific Arc Forum was created in August 2006 as a space for coordination and high-level agreement among the eleven Latin American countries of the Pacific Basin to identify and implement joint actions in economic and trade matters in order to strengthen their relations with the Asia-Pacific economies. It is made up of Mexico, Costa Rica, Guatemala, Honduras, El Salvador, Nicaragua, Panama, Colombia, Ecuador, Peru and Chile. The process was led jointly by the Ministers of Foreign Affairs and those responsible for Foreign Trade. Six Working Groups were established. Despite having a broad agenda, which included, for example, improving competitiveness, the discussions focused essentially on market access and rules of origin. These efforts made little progress and the process began to lose credibility. The last Ministerial Forum was held in Urubamba, Cusco, in October 2010, when Peru transferred coordination of the Forum to Guatemala. Since then, no meetings of the Forum have been convened at the Ministerial level.

On the other hand, the paradigm shift from the so-called old regionalism to the new regionalism explains the dynamism currently being experienced by regional integration processes, including the Pacific Alliance.

Indeed, the formation and initial stages of the Latin American Economic System (SELA), the Latin American Free Trade Association (ALAC), and the Andean Group took place in the context of the old regionalism of the 1960s and 1970s. It was an "inward integration", characterized by the implementation of import substitution industrialization policies, creation of economies of scale through the opening of preferential markets, bureaucratic allocation of industrial sectors, with the State as promoter and direct actor of development.

Instead, the bilateral trade agreements negotiated in the region since the 1990s took place within the framework of the new regionalism, or "outward integration". This is characterized by being export-oriented in order to integrate competitively into the global economy, leaving the allocation of resources to the market, and it manages a broader agenda than trade in goods in order to move towards deep integration.¹⁹

In this trend, the Pacific Alliance is considered by Peru as an integration scheme that is not an ideological or confrontational bloc. On the contrary, as President Ollanta Humala pointed out at the Paranal Summit, the Pacific Alliance is complementary to other agreements, given that its emphasis is on the creation of a regional platform to position itself more competitively in the Asia-Pacific. Therefore, it does not exclude or confront other integration schemes in which Peru participates, such as the Andean Community, Mercosur or UNASUR.²⁰

Indeed, the Pacific Alliance aims to establish the four freedoms of a common market so that member states can project themselves more competitively into the dynamic economies of the Asia-Pacific. UNASUR, on the other hand, is a space for regional coordination at the South American level, with a more political profile, in which the issues of democracy, security, defense, infrastructure and physical interconnection stand out. The Andean Community (CAN) is the main area of sub-regional integration for Peru. After 42 years, the CAN has accumulated an important historical, legal and institutional heritage and has become a strategic mechanism for international projection. The main achievements of the CAN include: the full establishment of an Andean free trade zone; the establishment of a general framework of principles and rules for the liberalization of trade in services, for physical and border integration and for the free movement of people and capital; and the establishment of various mechanisms for dealing with social issues,

¹⁹ The concepts of "old regionalism" and "new regionalism" referred to in this section are based on Jeannete Garrido Carrasco's article "El nuevo regionalismo: características y diferencias", February 6, 2008. Available at <http://alainet.org/active/22028>

²⁰ Speech by President Ollanta Humala at the Paranal Summit. June 6, 2012. The video is available at: <http://gestion.pe/2012/06/06/politica/humala-alianza-pacifico-no-space-confrontational-nor-ideological-2004448>

health, culture, the fight against drug trafficking and indigenous peoples, among others. The CAN market is particularly important for Peruvian SMEs because it provides them with an accessible commercial opportunity, which in turn constitutes a platform of commercial experience for entering other more distant, sophisticated or complex international markets.²¹ Indeed, Peruvian exports of non-traditional products to the Andean market represented 78% in 2010, 80% in 2011 and it is estimated that they reached around 90% in 2012.

Peru has been an Associated State of Mercosur since 2003, following the signing of the Economic Complementarity Agreement between the two parties (ACE No. 58) and the issuance of Decision No. 39/03 of the Common Market Council (CMC) of that subregional integration system. In perspective, Peru wishes to maintain its status as an Associated State of Mercosur. Foreign Minister Rafael Roncagliolo has indicated that it is not on Peru's agenda to consider full membership in Mercosur. The main reason is the orientation of the Peruvian trade policy of openness, reflected in the signing of a large number of trade agreements with different States, as mentioned *above*. On the other hand, MERCOSUR members share a common external tariff of 35%, which would be incompatible with the Peruvian policy of projection to international markets. In this context, it has been reiterated that MERCOSUR will continue to be an integration space of interest for Peru (Roncagliolo 2012).

In terms of trade, it should be noted that in 2011, the Pacific Alliance represented the destination of 7.6% of Peru's exports to the world; and more than 11% of the origin of its total imports, with a trade exchange of more than US\$ 7.473 billion. This amount exceeds Peru's trade with Mercosur (US\$ 5.854 billion) and with the Andean Community (US\$ 5.839 billion).²²

²¹ This topic is extensively developed in the publication by Héctor Zevallos Urquieta and Fernando González Vigil "Efecto plataforma de la CAN en las exportaciones manufactureras del Perú y Colombia a los Estados Unidos y la Unión Europea" (CAN platform effect on manufacturing exports from Peru and Colombia to the United States and the European Union). Lima, Universidad del Pacifico, 2011. 101 p.

²² Statistics available at www.sunat.gob.pe

Furthermore, the economies of the Pacific Alliance countries accounted for 35% of GDP, 47% of exports and 38% of investment in Latin America in 2011, according to ECLAC data,²³ and represent a potential market of 205 million people. Together, adding the respective GDPs of the four member states, the Pacific Alliance would constitute the tenth largest economy in the world, only after Italy and ASEAN.

On the other hand, from the point of view of integration, it is worth emphasizing that the Pacific Alliance goes beyond the purely commercial aspect. Indeed, the work agenda not only contemplates negotiations aimed at the progressive elimination of tariffs for the liberalization of trade in goods and the liberalization of the flow of services and capital, but also includes areas such as: cooperation (scholarships, scientific network on climate change, cooperation in tourism, projection of cooperation towards third countries, improving the competitiveness of SMEs, among others); migration issues *to* facilitate the movement of people; joint trade and investment promotion; cultural promotion (traveling exhibition in Asia-Pacific countries, gastronomic fairs "Flavors of the Pacific Alliance"); communication strategy to better position the Alliance; integration of stock exchanges, as well as the participation of the private sector through the Pacific Alliance Business Council.

In the political sphere, the strengthening of Peru's negotiating capacity and international image generated by Peru's membership in the Pacific Alliance should be complemented by the strengthening of Peru's bilateral relations with each of its members.

Together with the entry into force of the bilateral Free Trade Agreement, the Alliance has contributed to strengthening Peru's relations with Mexico, as evidenced by the fluidity and high level of recent contacts. In this context, both the creation of CELAC and the establishment of the Pacific Alliance in turn mean a greater political and economic presence of Mexico in South America.

²³ Information available at www.cepal.org

On the other hand, and with direct repercussions in the Andean area and the Andean Community, the Pacific Alliance deepens the bilateral relationship with Colombia, which will be further strengthened when the Multiparty Trade Agreement with the European Union for Colombia enters into force soon. It should be noted that, in the Pacific Alliance, Colombia participates with the only three Latin American countries that are part of APEC, a forum that Colombia aspires to join when the current moratorium is lifted. Colombia has indicated that the Pacific Alliance is *"part of a clear strategy for its insertion in the Asia Pacific region and to enhance the common elements of foreign and trade policy, which are shared with Chile, Peru and Mexico"*.²⁴

In the case of the bilateral relationship with Chile, the Pacific Alliance implies on the part of Peru an action typically framed within the trend identified as "cooperation and integration diplomacy". The particularity of this action is that it is implemented at a juncture of the bilateral relation marked three years before by the presentation of Peru, before the International Court of Justice, on January 16, 2008, of the "Case concerning the maritime delimitation between the Republic of Peru and the Republic of Chile", that is, an action framed in the so-called "territorialist diplomacy".²⁵

Indeed, in his submission of December 3, 2012, the agent of Peru, Ambassador Allan Wagner, requested the Court in The Hague to do two things: *"first, the delimitation of the respective maritime zones between the Parties, on the basis of the principles and rules of international law articulated by this Court, beginning at the point known as 'Point Concordia' where the land boundary reaches the sea; second, the declaration that Peru is entitled to exercise titles of exclusive jurisdiction and sovereignty over the area located within 200 nautical miles of its baselines, but beyond 200 miles from*

²⁴ As it appears in the web page of the Colombian Foreign Ministry. Available at: <http://wwwhttp://www.cancilleria.gov.co/international/consensus/pacific-alliance>

²⁵ An extensive development of this topic can be found in Rodríguez. Cuadros, Manuel (2007). *Delimitación marítima con equidad. El caso de Perú y Chile*. Lima, Peisa. 416 p. and also in Agüero Colunga, Marisol (2001). *Consideraciones para la delimitación marítima del Perú*. Lima, Fondo Editorial del Congreso del Perú, 382 p.

the Chilean baselines. This is what Peru has called the 'Outer Triangle' in its pleadings".²⁶

At this point, it should be recalled that the traditional literature on Peru's foreign policy argues that it has registered two trends throughout history: integration and cooperation diplomacy, and territorialist diplomacy. These tendencies are used to divide the study of the subject into three major historical stages in which the War of the Pacific and the Second World War appear as turning points. Each of them would have tended to prevail for a time and then give way to the predominance of the other. (St. John 1999:1).

From this perspective, Peru's current bilateral relationship with Chile would be quite particular for three reasons. First, it shows simultaneously, on the one hand, actions typical of territorialist diplomacy, in which a conflict underlies, in this case, channeled as a legal dispute (lawsuit before the Court of The Hague for the establishment of maritime boundaries). And, on the other hand, actions framed in the diplomacy of cooperation and integration, such as the participation in the Pacific Alliance. Cooperation actions in the Peru-Chile bilateral relationship are not limited to the Pacific Alliance. Among others, the following can be mentioned: the agreement reached in April 2012, regarding humanitarian demining in the Quebrada de Escritos sector, to be carried out by the NGO Ayuda Popular Noruega; the holding of the First Meeting of the Peru-Chile Border Integration and Development Committee (November 15-16, 2012, in Arica); the holding -after six years- of the Peru-Chile Security and Defense Council (COSEDE) (Lima, November 16, 2012). In other words, in this bilateral relationship, territorial diplomacy actions coexist with cooperation diplomacy actions.

Second, unlike previous stages, the subject of the territorial diplomacy

²⁶ The text of the presentation by Ambassador Allan Wagner, Peru's agent before the Court in The Hague, is available at:

<http://www.scribd.com/doc/15332070/Speech-of-the-Peruvian-Agent-Allan-Wagner-before-the-Hague-Court>

controversy refers this time to maritime delimitation and not land. Third, the historical approach to the study of Peruvian foreign policy could establish general trends with respect to a given stage, but this would not prevent recognizing particularities at the level of bilateral relations. On this last point let us recall that while Bruce St. John recognized that the traditional division of the history of foreign policy into three stages is useful in general terms, he also warned that *"a more scrupulous look suggests that Peruvian foreign policy varied considerably in its content, focus and objective within each period"* (St. John 1999: 1). The characteristics of the current Peru-Chile bilateral relationship would argue in this sense.

That said, it should be recognized that the Pacific Alliance has a positive and direct impact on bilateral relations and could have an even more relevant meaning in the scenario that will open after the ruling of the International Court of Justice in The Hague on maritime delimitation, scheduled for the second half of this year.

Translated with AI support.

Bibliography

BARBE, Esther (2008). *Relaciones Internacionales*. Madrid, Editorial Tecnos. Tercera Edición. 413 p.

GARCIA BEDOYA, Carlos (1992). *Política Exterior Peruana. Teoría y práctica*. Lima, Academia Diplomática del Perú. 118 p.

GARCIA BELAUNDE, José Antonio (2011). *Arquitectura de una diplomacia para la integración. 2006-2011*. Ministerio de Relaciones Exteriores. Lima. 155 p.

PALMA, Hugo (2011) editor. *El Perú en el escenario mundial. Hacia la segunda década del siglo XXI*. Lima, CEPEI-Universidad del Pacífico-CAF. 185 p.

RONCAGLIOLO, Rafael (2012). Discurso "Avances del proceso de integración en Sudamérica", pronunciado en la sesión ordinaria del Parlamento Andino. Lima, octubre 30, 2012.

RODRIGUEZ CUADROS, Manuel (2007). *Delimitación marítima con equidad. El caso de Perú y Chile*. Lima, Peisa. 416 pages.

St.JOHN, Ronald Bruce (1999). *La política exterior del Perú*. Lima, Asociación de Funcionarios del Servicio Diplomático del Perú. 279 p.

WIELAND ALZAMORA, Hubert (1999). *Manual del Diplomático*. Lima, Fondo Editorial de la Academia Diplomática del Perú. 165 p.