

# THE **PACIFIC ALLIANCE**

Why it's important  
for western Canada



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## OVERVIEW

The Pacific Alliance is an important new opportunity for Canada to diversify trade and access economic opportunities in the wider Pacific that includes Asia. Joining the Alliance has the potential to immediately grow and diversify Canada's trade. It will also position Canadian companies ahead of their competitors in a market composed of the fastest growing, richest, most dynamic and like-minded countries in the Americas.

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For western Canada, the Pacific Alliance is an important market in which companies could have privileged access for establishing regional supply chains to trade with Asia and for natural resource development. For small and mid-sized companies, the Pacific Alliance offers a sophisticated and lower-risk entry point for expanding abroad.

The Pacific Alliance is an initiative by Chile, Peru, Colombia and Mexico to seamlessly link their economies to better trade with each other and with Asia. These four countries have a combined GDP of just under \$3 trillion US, an average per capita GDP of close to \$14,000 US and average annual growth above 5 per cent, compared to 1.7 per cent in the U.S. and negative rates in most of Europe. The bloc formed by Chile, Peru, Colombia and Mexico has more than a third of Latin America's population and would be **the world's ninth largest economy and is essentially the fifth BRIC.**

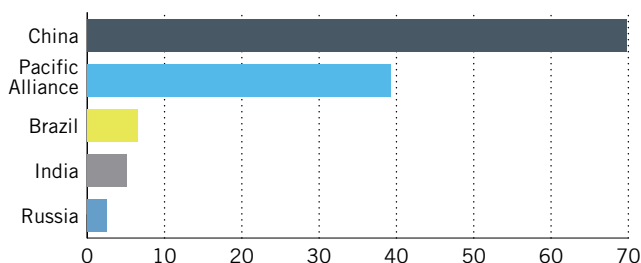
The Pacific Alliance countries are attractive markets because they are mature democracies with sound macroeconomic fundamentals and they all rank in the top third of the World Bank's Ease of Doing Business Index. Chile and Mexico are members of the Organisation for Economic Co-operation and Development (OECD) and Colombia will likely join soon. As other trade blocs such as the European Union (EU), Mercosur (Argentina, Brazil, Paraguay, and Uruguay) and the North American Free Trade Agreement (NAFTA) have faltered or gone backwards, the Pacific Alliance has progressed due to a pragmatic focus on competitiveness issues over politics. The bloc is implementing a "platinum standard" agenda of regulatory reforms and economic liberalization that should make it among the most competitive trading areas in the world. **The bloc's strong long-term political stability and macroeconomic environment make it attractive for Canadian firms to build or join regional supply chains – and as a second platform, in addition to North America, for trade with Asia.**





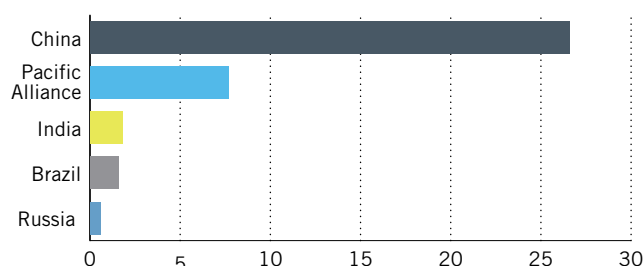


### CANADA TOTAL TWO-WAY MERCHANDISE TRADE WITH BRIC COUNTRIES AND PACIFIC ALLIANCE, 2012 (in \$ CDN billions)



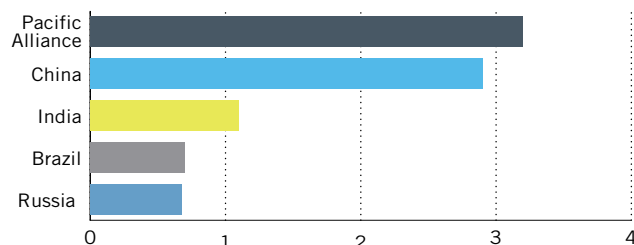
Source: Statistics Canada: Canadian International Merchandise Database.  
Notes: Re-exports not included. Pacific Alliance includes Costa Rica and Panama

### WESTERN CANADA TOTAL TWO-WAY MERCHANDISE TRADE WITH BRIC COUNTRIES AND PACIFIC ALLIANCE, 2012 (in \$ billions CDN)



Source: Statistics Canada: Canadian International Merchandise Database.  
Notes: Re-exports not included. Pacific Alliance includes Costa Rica and Panama

### CANADA TOTAL TWO-WAY SERVICES TRADE WITH BRIC COUNTRIES AND PACIFIC ALLIANCE, 2010 (in \$ billions US)



Source: United Nations Service Trade Statistics Database

## Canada already has trade agreements with these countries, so why is joining the Alliance worthwhile?

Canada's major competitors in the region – Spain in banking, Australia in mining and mining equipment and the United States in everything – already have trade agreements with Pacific Alliance countries, so Canada needs to keep up. In addition, **joining the Alliance will give Canadian companies important advantages over their main competitors.** For example, the Alliance countries have linked their stock markets to create a unified exchange, and joining the Alliance will bring unique new opportunities for the TSX and Canada. Being a member, as opposed to an observer, will also give Canada a voice in how the Alliance is structured and a seat in negotiations with other blocs and countries – especially in Asia.

## Is this more important for Canada than a new trade agreement with the European Union?

No, but neither is it less important. The Pacific Alliance offers a different set of opportunities for Canada to diversify its trade. A trade agreement with the EU is crucial to protect Canada from losing market share to American firms once the U.S. signs its own agreement with the Europeans. But in the end, Canada will still be only one of several countries with a trade agreement with the EU. **Full membership in the Pacific Alliance will give Canada a “second NAFTA” – a market in which its companies can enjoy privileges and access beyond those available through simple trade agreements.** This would include things such as regulatory harmonization and an agreement for facilitating trade and eliminating non-tariff barriers.

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## Will the Pacific Alliance detract from other trade negotiations?

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It should not. Since Canada already has trade agreements with all Pacific Alliance countries, the hard work has been done. Negotiations will be limited to recent undertakings by the Pacific Alliance and will yield immediate benefits as Canada will be joining a process that is underway and already producing results. **The rapid pace of liberalization in the Pacific Alliance is in marked contrast to dealings with the U.S. on issues such as *Beyond the Border*, which have stalled due to political dysfunction in Washington.** No such dysfunction exists with the Pacific Alliance; in fact, just the opposite is the case.

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## Does the Trans-Pacific Partnership (TPP) make the Pacific Alliance redundant?

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The TPP is potentially of greater economic importance because it is larger and more encompassing. However, the chances of it coming into being any time soon are remote. With 11 widely disparate countries – most of which do not have trade agreements with each other – negotiations are more difficult. **The major impediment is political; the U.S. president still does not have “fast track” negotiating authority. Even if this were granted, once TPP negotiations conclude, the agreement still must be ratified in the U.S. Senate and getting the necessary 67 votes for this will be a challenge.** Joining the Pacific Alliance and experiencing the benefits of doing so, on the other hand, can happen in relatively short order.

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## Why are the Pacific Alliance countries interested in Canada?

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**The Alliance is of greater interest to Asia with Canada as a member, just as Canada is of more interest to Asia as part of the Alliance.** Alliance countries and Canada share key qualities that are increasingly rare on this side of the Pacific – seriousness regarding trade in general and with Asia in particular, seriousness about becoming more competitive and seriousness about good governance. Alliance countries and Canada also share a desire to diversify away from over-dependence on trade with the U.S., balanced by a desire to maintain good political and economic relations with it.

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## Additional Information

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The growing Pacific Alliance. Join the club.  
*The Economist*. April 29, 2013

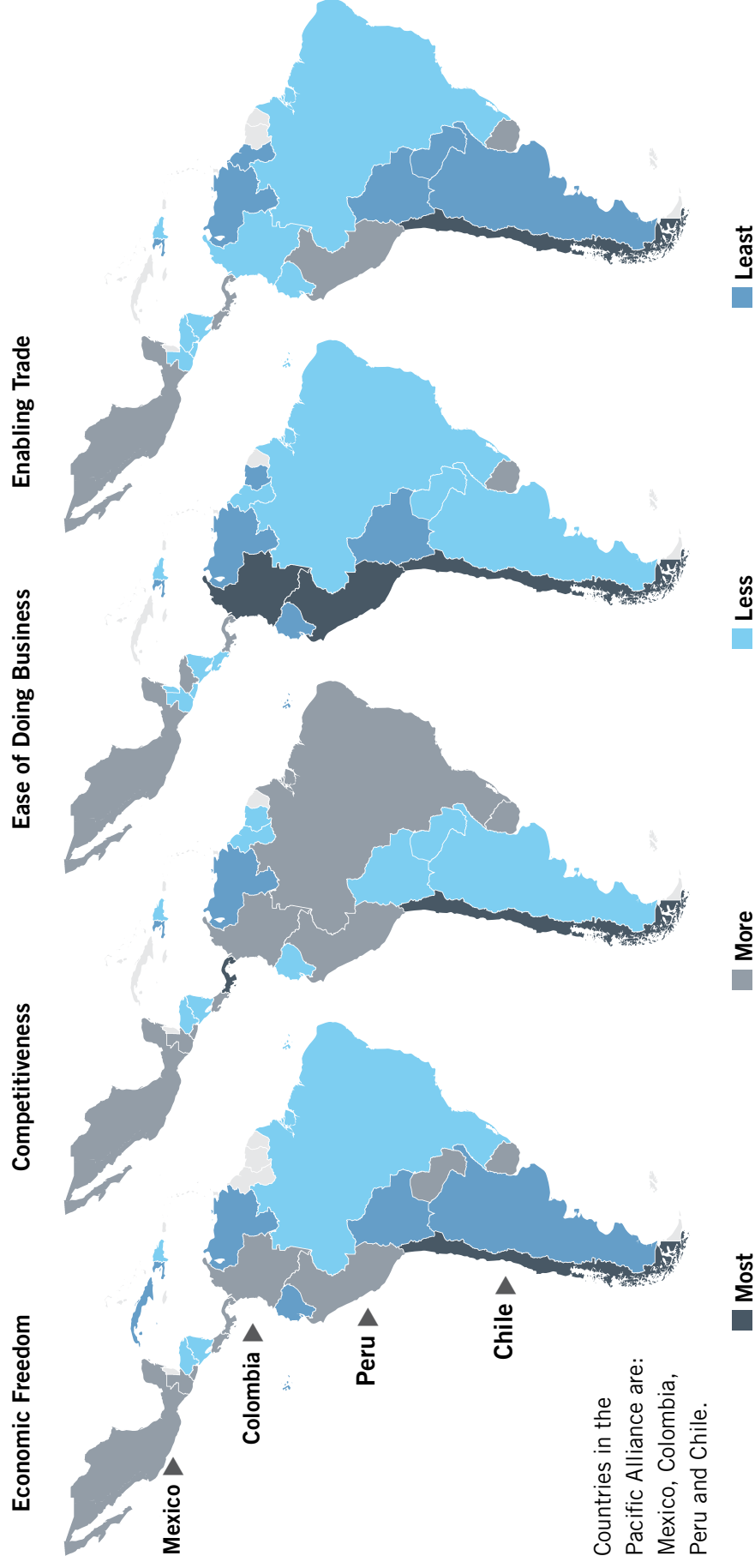
The Pacific Alliance: An Example of Lessons Learned. *Center for Strategic and International Studies*. June 2013

Is this Canada's Latin Path to Asia? *The Globe and Mail*. October 9, 2012

Why Canada Needs the Pacific Alliance.  
*Canadian International Council*. May 2013

## The Competitiveness Split in Latin America

Comparison of 2013 Heritage Foundation/Wall Street Journal Economic Freedom Index, World Economic Forum Competitiveness and Enabling Trade Indices, and World Bank Ease of Doing Business Index



Countries in the Pacific Alliance are: Mexico, Colombia, Peru and Chile.

