

# Mercosur-Pacific Alliance Convergence: Moving Forward or Moving Nowhere?

Written by Julia Borba Goncalves

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JULIA BORBA GONCALVES, JUL 24 2020

The convergence between Mercosur (Argentina, Brazil, Paraguay, and Uruguay) and the Pacific Alliance (Chile, Colombia, Peru, and Mexico) was a result from the Chilean initiative named 'Convergence in Diversity', launched in 2014 under the Michelle Bachelet's administration and her Foreign Affairs Ministry, Hernando Muñoz. Before the Chilean proposal, the coexistence of these two blocs had been debated by Latin-American scholars, questioning if it could lead to a divide in regional integration on the Atlantic (Mercosur) and Pacific (Pacific Alliance) axes. From 2014 on, the debate moved forward to the possibilities of convergence between these two blocs. From 2014 to 2018, Mercosur and the Pacific Alliance discussed and established a potential agenda of convergence. This was only possible due to the efforts of their countries in promoting high-level meetings, such as the ones between Mercosur's Grupo Mercado Común (GMC) and the Pacific Alliance's Grupo Alto Nivel (GAN); the Foreign Ministers meetings and, finally in 2018, the Presidential Meeting. The Presidential meeting took place alongside the Pacific Alliance Summit in México, where these 8 countries signed the Plan of Action (*Plan de Acción*): a document with the main areas of interest where they can enhance regional trade. Even though the milestones achieved seemed to be a step forward into regional trade integration, soon the initiative was left aside.

Since 2019, South-America has been the stage of political instabilities and the fragmentation of regional organization. The first move was Argentina, Brazil, Chile, Colombia, Paraguay, and Peru's withdrawal from the Union of South American Nations (Unasur) in 2018 and the subsequent creation of the Forum for the Progress of South America (Prosur) – which was considered as a substitute for the former – in March 2019. In the same period, they bolstered the anti-Maduro rhetoric, individually and within the Group of Lima, by recognizing Juan Guaidó as the self-proclaimed president of Venezuela (Barros and Gonçalves, 2019).

From mid-2019 on, other events have aggravated the political scenario in South-America: the uprisings and the massive protests in Chile, Colombia, and Ecuador; the dissolution of the Peruvian Congress; the animosity between Brazil and Argentina; and Bolivian president Evo Morales stepped down the presidency after an attempt of coup d'état. All of these events are currently being discussed by scholars, along with the political impacts of the emergence of the new coronavirus, in order to study the domestic political tendencies and their impacts on regional integration projects.

In July 2020, the Plan of Action is about to complete 2 years without reaching any concrete agreement since the last Presidential Meeting between Mercosur and the Pacific Alliance. In this article, I analyze the convergence process between these two blocs in order to explain how the initial distancing evolved into a concrete agenda (the Plan of Action), why it is no longer a discussable topic in the regional integration agenda and why it should be back on the table during the Covid-19 crisis. I divided the analysis into three parts that correspond to three different moments: a) 2011-2013; b) 2014-2018; and c) 2019 onwards.

### The Emergence of the Pacific Alliance in Latin American Regional Integration

In this first moment (2011-2013), there are no initiatives to promote a dialogue between Mercosur and the Pacific Alliance. This can be understood as a reflex of the institutional shaping process of the Pacific Alliance: in 2012, Chile,

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Colombia, Mexico, and Peru signed the Framework Agreement of the Pacific Alliance (*Acuerdo Marco de la Alianza del Pacífico*), which settled the goals, the membership conditions, the organization chart, among other institutional aspects (Alianza del Pacífico, 2012). In 2013, the countries signed the Additional Protocol to the Framework Agreement of the Pacific Alliance (*Protocolo Adicional al Acuerdo Marco de la Alianza del Pacífico*), which settled the conditions and legal bases to conform a Free Trade Zone between them (Alianza del Pacífico, 2013).

One could argue that, since the Pacific Alliance had concentrated all its efforts in consolidating its integration project, it couldn't propose an agenda with Mercosur. But one of the main characteristics of the Pacific Alliance is to enhance their political and economic ties with extra-regional partners, since they do not question the dominant structure regarding trade, economics, and politics (Oyarzún, 2017).

The bloc has been promoting an identity not purely based on its geographical location, but rather on a common shore with the region and markets it aims to reach. While the Southern Common Market (Mercosur) emphasizes its identity as Southern Cone countries and the Andean Community (CAN) as an integration project between countries who share the Andes Mountains, the Pacific Alliance emphasizes itself as an integration agreement between countries which have their shores at the Pacific Ocean and that is open to all countries to become a member, despite their geographical location.

This goal is better understood if we consider the regional context in which the Pacific Alliance emerged. The Free-Trade Area of the Americas (FTAA), a proposal made by the US, was rejected during the Summit of Americas in 2005, indicating that Latin-America countries would no longer follow the Consensus of Washington as their doctrine to promote regional integration. Instead, in the following years, new patterns of regional cooperation emerged, such as South American Community of Nations (CASA), Bolivarian Alliance for the Peoples of Our America (ALBA), Unasur, and Community of Latin American and Caribbean States (CELAC). Even Mercosur presented an enlargement of its integration agenda, including topics such as productive integration, investments in infrastructure, and social participation. Trade remained as a relevant topic, but it was no longer the only goal to be pursued (Briceño, Vigevani and Mariano, 2017). As scholars point out, the Latin American regionalism shifted from 'open regionalism' during 1990 to 'post-liberal regionalism' and 'post-hegemonic regionalism' at the beginning of 21st century (Veiga and Ríos, 2005; Riggiorozzi and Tussie, 2012; Sanahuja, 2016).

However, the Pacific Alliance proposed to revive 'open regionalism' in its first joint statement (*Declaración de Lima*), and its members, Chile, Colombia, and Peru even signed individual Free Trade Agreements with the US after the rejection of FTAA (Oyarzún, 2017). In fact, Cintia Quiliconi (2017) states that the Pacific Alliance's creation intended to boost the 'Open Regionalism Reloaded', as she argues that the bloc's intentions would go beyond the traditional model of open regionalism by demanding a greater commitment to cooperation in areas that were not a part of the 1990s' propositions. These new sectorial themes would include, for instance, immigration, consular cooperation, education, and culture. Even so, all of the institutional Working Groups address the economic aspects of integration at their agenda: as an example, the Gender Working Group discusses how to enhance the female presence on international trade.

Another factor that explains why there could not be perceived a dialogue between the Pacific Alliance and Mercosur in this first moment is that there was no political will to do so. There were individual initiatives, such as Paraguay and Uruguay joining the Pacific Alliance as Observant States, but until 2014 there were no joint proposals. In fact, until 2014 Brazil adopted a skeptical view on the Pacific Alliance and tried to minimize the effects of the signature of the Framework Agreement of the Pacific Alliance and the Additional Protocol to the Framework Agreement of the Pacific Alliance due to the increasing domestic critiques around its openness to international trade and its impacts over Mercosur and also Brazilian industry (Bressan and Luciano, 2016; Mariano, 2016; Menezes and Banzatto, 2016; Gonçalves, 2019).

### **Mercosur and Pacific Alliance: The Rapprochement Period**

The rapprochement was initiated in 2014 when Chile launched the 'Convergence in Diversity' initiative. The main idea of 'Convergence in Diversity' consisted in recognizing that these two integration projects, although having

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different purposes, could not turn their backs on each other and, instead, they should find the areas of mutual interest to promote convergence between them (Herreros, 2018).

The inauguration of the new Chilean government, in March 2014, was fundamental to promote the initial dialogue: in January, during the CELAC Summit, former Colombian President, Juan Manuel Santos, highlighted the guidelines and advances of the bloc, addressing it as a non-exclusive and non-ideological bloc, without, however, suggesting a rapprochement with Mercosur. Only in July 2014, during the Pacific Alliance Summit in Punta Mita (México), the presidents stated their interest in holding an informative ministerial meeting between the Pacific Alliance and Mercosur, and a seminar with academics, businessmen, and government representatives from both regional blocs (Alianza del Pacífico, 2014).

In this second moment, the agenda of the rapprochement was consolidated. The first ministerial meeting was held in Bogotá (Colombia) and the seminar was held in Santiago (Chile), where the countries' representatives had the opportunity to discuss and explore the sectorial areas on which the convergence could be promoted. Additionally, in 2015, Brazil held the Working meeting for the harmonization of sanitary standards between Mercosur and the Pacific Alliance.

In April 2017, the Foreign Ministers Meeting was held in Buenos Aires, where they established a Road Map with issues regarding: rules of origin; customs cooperation; trade facilitation; regional value chains. It was not only a step forward for their agenda of convergence, but also a response to both Brexit and Donald Trump's election, and their impacts over regional integration and international trade. It is also worth noting that the agenda of convergence remained relevant despite the government changes occurred in Brazil (2016) and Argentina (2015). During 2017, other milestone meetings also took place, such as the Public-Private High-Level Dialogue Table; the Mercosur-Pacific Alliance Seminar; and the GAN-GMC Meeting to discuss the following topics: digital origin certification, single-window system for foreign trade, customs affairs, regional accumulation of origin and regional value chains, non-tariff barriers, Trade Promotion, and Small and Medium-sized Enterprises (Mercosur, 2017; 2017; 2017).

The Economic Commission for Latin-America and the Caribbean (ECLAC) was also an enthusiast of this convergence process. ECLAC elaborated two reports about the trade profile of the Mercosur's and Pacific Alliance's countries, defining in which areas and products they could increase their interdependence and what other additional policies they would have to adopt in order to achieve this goal: for example, to enhance infrastructural connections through Bi-Oceanic Corridors (ECLAC, 2014 and ECLAC, 2018).

Finally, in 2018 the presidents of Mercosur and the Pacific Alliance established the Plan of Action, which consolidated the agenda of rapprochement with the following topics: rules of origin, customs cooperation, trade facilitation, identification of possible value chains, but also tourism, academic mobility, regulatory cooperation, a digital agenda, the movement of people, inclusive trade and gender (Itamaraty, 2018).

### **Moving Forward From the Atlantic-Pacific Divide or Moving Nowhere?**

The third moment was initiated in 2019. It was expected that, once the Plan of Action was signed, Mercosur and the Pacific Alliance would ratify an Agreement between them. Concomitantly, the approval of the Mercosur-European Union Free Trade Agreement, during the Argentine Pro Tempore Presidency, was also a factor that was expected to pave the way for an agreement between Mercosur and the Pacific Alliance, since the Pacific Alliance countries had already signed Free Trade Agreements with the European Union.

By the second semester of 2019, Brazil and Chile held the Pro Tempore Presidency of both Mercosur and the Pacific Alliance. Since their bilateral relations had been fundamental for the advance of the agenda during the former administrations, expectations were created for this period. Brazil has recognized Chile as the main actor in promoting the initial dialogue (Gonçalves, 2019), and moreover, the Bolsonaro administration sees Chile as a role model for Brazil due to its open economy and the establishment of several trade agreements with other countries and blocs. Nevertheless, the agenda between Mercosur and the Pacific Alliance, which had already been consolidated after four years negotiating the main areas to enhance trade, came to a standstill.

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Brazil's foreign policy towards the region since 2019 has been remarked by the lack of protagonism and the decline of foreign trade, including with its main partner, Argentina. Brazil did not even play a prominent role in the creation of Prosur as the substitute of Unasur and did not have a consistent stance regarding the relevancy of Mercosur for its own interests. It also adopted more aggressive rhetoric towards Venezuela, and created frictions in the relationship with Argentina and Chile by making personal statements about domestic issues: president Bolsonaro openly supported Macri's re-election and did not attend Alberto Fernandez's inauguration ceremony, and offended Chile's former president, Michelle Bachelet, by saying Chile was 'saved from communists, like her father', who was murdered under Pinochet's dictatorship (this episode occurred just when Chilean Foreign Minister Teodoro Ribera was traveling to Brazil for a meeting with his counterpart).

In the case of the Pacific Alliance, although the bloc has achieved remarkable advances since its creation, the domestic political crisis in Chile, Peru and Colombia at the end of 2019, the lack of interest by the Mexican government in the Pacific Alliance, and the creation of Prosul contributed to its stagnation (Pastrana and Castro, 2020). Now, in 2020, South-America has been fighting Covid-19 without any effective regional agenda since it was declared in May as the new epicenter by the World Health Organization, which reveals the lowest level of regional cooperation that analysts have ever seen it in the past 20 years.

The South American Institute of Government in Health (ISAGS), an associate body of Unasur that had the potential to generate regional public policies regarding Health has been disintegrated since the extinction of Unasur and it was not incorporated to Prosur (De Souza, 2019). The Pacific Alliance, CAN, and Mercosur are individually discussing measures to mitigate the impacts of the pandemic on trade and Prosur was not as effective in promoting a joint effort in the region, but valued individual efforts instead.

The lack of regional organizations and, therefore, regional coordination also affects trade. As an example of this, the Latin American Integration Association (ALADI) states that the establishment of sanitary measures to mitigate the Covid-19, considered as a political decision, had negative impacts over trade since the economic activities and the mobility of people have declined (ALADI, 2020). According to ECLAC (2020), Covid-19 can impact the region's export potential as well, through its effect on the imports which are used to generate their exports. It is the case of Chile, Colombia, México, and Peru (members of the Pacific Alliance) and their trade with China. ECLAC has also stated that the Small and medium-sized enterprises are the most vulnerable not only by the economic terms but also by the social impact. President Sebastián Piñera has recently declared in the last Mercosur Summit on July 2nd, the urge to reinforce the potential of Mercosur, Pacific Alliance and Prosur during times of uncertainty and to face the pandemia.

The areas comprehended by the Plan of Action are related to what the latest documents of ECLAC and ALADI argue about the impacts of Covid-19 on regional trade. In bringing back Plan of Action to the regional agenda can be an opportunity for Mercosur and the Pacific Alliance to join efforts to reestablish regional coordination, enhance intraregional trade and minimize the decline of their exports to regions outside Latin-America.

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