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WELCOME PACIFIC ALLIANCE—WATCHOUT MERCOSUR!

Pacific Alliance, Latin America's largest free-trading four nation Pacific countries – Chile, Colombia, Peru and Mexico - cemented their quest to boost productivity amid concerns of a slowdown. In Latin America, the Pacific Alliance has sprung up in the midst of an array of multilateral regimes like ALBA, CARICOM, CELAC, the Andean Community and UNASUR and of course, MERCOSUR.

Latin America seems to be dividing into two camps. First, the Pacific Alliance which advocates for neoliberal, pro-American policies and second, MERCOSUR, comprising of Argentina, Brazil, Paraguay, Uruguay, Venezuela and Bolivia is certainly veering towards the left end of the global political spectrum. On trends of economic growth, the Pacific Alliance seems to outsmart MERCOSUR's lead. MERCOSUR is not irrelevant yet, but it needs to re-think and re-organize their isolated looking policies.

India having been given the "Observer Status", for this regional block, it paves way for developing better economic relationship with Pacific Alliance countries.

Pacific Alliance is itself at an evolving stage. It supports private sector, open markets, foreign investment and less government involvement in the economies. As compared with MERCOSUR, the Pacific Alliance does not aim at focusing its policies to create economic prosperity through trade only. The Pacific Alliance agreed to do away with trade tariffs and rules of origin in order to facilitate free flow of goods, services, capital and people. They have also agreed to create a joint dispute resolution system, which would give extra security to companies investing in any of the member countries. With their goal of negotiating treaties as a single entity, this is great opportunity for India. Pacific Alliance is also poised to become a strategic platform into other far-reaching multilateral agreements, such as the Trans-Pacific Partnership currently under negotiation among North American, LATAM and East Asian countries (minus China!).

Since its launch in June 2012, Pacific Alliance is seen as a more dynamic rival to MERCOSUR, whose leading partners Argentina and Brazil, although preaching integration, had adopted policies to protect their markets, restrict imports and are increasingly interventionist in their economies. While MERCOSUR was meant to create open trade amongst its members, it has created protectionist insulation amongst this group of countries instead.

Other countries increasingly see MERCOSUR as a fortress, rather than a bridge. MERCOSUR has been indecisive on how to pursue trade policy. It has only negotiated one FTA since its inception – with Israel in 1991. Its members are pursuing a different strategy from the Alliance's, because they see closer trade ties with China as a quick fix to high tariffs and uncompetitive industry, and are unprepared for a slowdown in Chinese demand. They also played a key role in the failure of the US-initiated Free Trade Agreement of the Americas (FTAA).

On the macroeconomic fundamentals too, Pacific Alliance is impressive. The combined GDP of the Pacific Alliance countries would make it the ninth largest economy of the world. At ~\$ 2 tr, it is 35% of the total Latin and Caribbean GDP, which compare well with MERCOSUR's GDP of ~ \$3 tr, which is largely of Brazil. The economic growth rate of 5% in 2012, is much higher than Latin America's average and that of MERCOSUR. The GDP per capita of ~ US\$ 13,000.00 shows high disposable incomes and global trade of over US1 Billion is almost half of LATAM's trade. The inflation rate of Pacific Alliance stands at 3.2% lower than the 6% regional average in 2012. While trade within the Pacific Alliance grew 1.3% in 2012, trade within MERCOSUR contracted 9.4%. Pacific Alliance also exports 60% more than MERCOSUR.

It is worth pondering on Uruguay and Paraguay, members of MERCOSUR, who are increasingly disenchanted with the workings of MERCOSUR because of Argentina and Brazil's protectionist policies, are interested in becoming a full member of the Pacific group.

India's approach to changing dynamics in LATAM thus needs discussion. India's trade with Latin America as a whole was US\$ 41 billion in 2012-13, which is around 6 % of India's global trade. However, countries of Pacific Alliance are suppliers of raw materials, mainly fuel and minerals to India, clocking trade of US\$ 13.7 Bn with India, as against MERCOSUR, which is higher at US\$ 21.2 bn mainly due to Brazil.

Members of Pacific Alliance have also shown interest in Indian investment in renewable energy, agriculture and farm industries, minerals and mines. In terms of global ease of doing business, the average ranking of countries constituting Pacific Alliance group is around 45 while that of MERCOSUR stands around 130. Hence, Pacific Alliance countries can act as a springboard for Indian investment in LATAM.

From the above it is evident that while Pacific Alliance is an attractive market for enhanced trade and investment for India, markets like Brazil cannot be ignored either.

India could thus adopt a two pronged approach towards LATAM. First, an FTA in goods, services and investment with Pacific Alliance, could be the right thing for our government to expedite and offer a viable platform to Indian companies. With relative ease of doing business there, Indian companies can expand their global presence and de-risk from current vagaries of world economy. Second, would be to focus on Brazil separately, considering its 200 million population, established manufacturing base and abundance of resources. Indian companies should not get bogged down with relative difficulty of doing business with Brazil, in view of these benefits.

Manish Singhal & Partha Ghosh

FICCI, New Delhi

PACIFIC ALLIANCE: UNLIMITED OPPORTUNITIES FOR INDIA SEMINARS IN BANGALORE (DEC 08, 2014) AND MUMBAI (DEC 10, 2014)

FICCI in cooperation with Pacific Alliance countries, organised Seminars on The Pacific Alliance in Bangalore on Dec 08, 2014 and Mumbai on Dec 10, 2014.

The purpose of these interactions were to show case India-Pacific Alliance Relations and explore opportunities in business collaborations for trade and investment. The discussions revolved around the benefits for investing in the region: supply chain, global market access: and ways in which Indian companies could benefit from increased trade and investment flows with other markets in North and South America.

In Bangalore, Mr Avinash Vashistha, Chairman, FICCI Karnataka State Council & Chairman and Managing Director, Accenture-India in his welcome address stressed that Peru, Chile, Colombia and Mexico which form part of the Pacific Alliance, is the fastest growing block in Latin America. India having been given the "Observer Status", for this regional block, it paves way for developing better economic relationship with Pacific Alliance countries. Mr Augusto Castellanos, Director, ProColombia, in his address showcased investment environment and business opportunities in Colombia. Mr Miguel Cabello, Commercial Counsellor, Embassy of Peru, in his address focused on investment and trade opportunities for India in Peru. Mr Rodrigo Blanco, Director, ProMexico, shared his thoughts on the unlimited opportunities that Mexico can provide to India on trade and investment opportunities.

In the seminar organized in Mumbai, as part of the road show, Mr Augusto Castellanos, Director, ProColombia, Mr Miguel Cabello, Commercial Counsellor, Embassy of Peru and Mr Rodrigo Blanco, Director, ProMexico shared their thoughts on exploring opportunities on cooperation not only in the areas of trade, investment but also in the areas of connectivity. They were of the opinion that Pacific Alliance is itself at an evolving stage. It supports private sector, open markets, foreign investment and less government involvement in the economies. The Pacific Alliance does not aim at focusing its policies to create economic prosperity through trade only. The Pacific Alliance agreed to do away with trade tariffs and rules of origin in order to facilitate free flow of goods, services, capital and people. They have also agreed to create a joint dispute resolution system, which would give extra security to companies investing in any of the member countries. With their goal of negotiating treaties as a single entity, this is great opportunity for India.

Since its launch in June 2012, Pacific Alliance is seen as a more dynamic group. It supports private sector, open markets, foreign investment and less government involvement in the economies. As compared with MERCOSUR, the Pacific Alliance does not aim at focusing its policies to create economic prosperity through trade only. With their goal of negotiating treaties as a single entity, this is great opportunity for India. Pacific Alliance is also poised to become a strategic platform into other far-reaching multilateral agreements

On the macroeconomic fundamentals too, Pacific Alliance is impressive. The combined GDP of the Pacific Alliance countries would make it the ninth largest economy of the world. At ~\$ 2 tr, it is 35% of the total Latin and Caribbean GDP. The global trade of Pacific Alliance members stood at US\$ 1121 billion. The bilateral trade of Pacific Alliance members with India during 2013-14 stood at US\$ 15,8 billion and investment into India from the member countries of the Alliance is US\$ 12.4 million. So, there is enough scope for increasing the untapped potential between India and the Pacific Alliance.

India could thus adopt an approach by signing an FTA in goods, services and investment with Pacific Alliance which could be the right thing for our government to expedite and offer a viable platform to Indian companies. With relative ease of doing business there, Indian companies can expand their global presence and de-risk from current vagaries of world economy.

**PACIFIC ALLIANCE: UNLIMITED OPPORTUNITIES FOR INDIA
SEMINARS IN BANGALORE (DEC 08, 2014) AND MUMBAI (DEC 10, 2014)**

PHOTOGRAPHS:



Costa Rica signs agreement to become full member of the Pacific Alliance

Costa Rica's President Laura Chinchilla on Monday signed a declaration of intent to join the Pacific Alliance, a trade bloc composed of Chile, Colombia, Mexico and Peru. The document promises Costa Rica will adhere to a framework agreement for its integration as a full member of the alliance. The procedure is estimated to last about a year, meaning it will be signed by Costa Rica's next president, as Chinchilla's administration ends in May. A working group of representatives of all founding member countries will later evaluate and review compliance with the requirements for Costa Rica's admission.

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Pacific Alliance summit will remove tariffs from 92% of goods and services

The four presidents of the Pacific Alliance are scheduled to sign next Monday the trade group's Additional Protocol which will remove tariffs on 92% of goods and services, effective immediately, announced Colombian president Juan Manuel Santos who will be hosting the summit in Cartagena.

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Pacific Alliance: moving forward

It's all about free trade. The Pacific Alliance, a growing bloc in Latin America that stands among the world's 10 largest economies, sealed a deal on Monday to eliminate tariffs on 92 per cent of goods and services in a move that distances it further from some of its more protectionist neighbours.

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Pacific Alliance stresses importance of business networking

Delegates from the four member states of the Pacific Alliance on Wednesday urged entrepreneurs to engage in business networking to spur economic development and technological advances and strengthen regional integration.

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Is the Pacific Alliance the Next Big Thing?

As the global economy enters a period of stagnation, Asia Pacific and Latin America are the only two regions that appear to be thriving. Chile, Peru, Colombia, and Mexico formed the Pacific Alliance, a trade bloc that seeks to advance economic integration, free trade, and free movement of people.

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Peru: Second highest-priority country for investments

Peru is the Pacific Alliance's second highest-priority nation for investments in the upcoming years, revealed a survey conducted on 120 regional entrepreneurs. According to "Pacific Alliance, Opportunities and Challenges in Latin America" for the next three years the highest priority countries for making business in the region are: Colombia (19%), Peru (16%), Mexico (15%) and Chile (14%).

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Chile: Fitch maintains stable outlook on insurance sector

The ratings agency expects the industry to grow at a rate of around 7% in 2015. The nonlife insurance segment is likely to register a growth of 5.9% in 2015, Fitch said. Catastrophic events in recent years have not majorly affected Chilean insurers' solvency, the ratings agency said.

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Pacific Alliance well ahead of Mercosur in the "Doing Business 2014" report

The World Bank's "Doing business 2014" report is not very encouraging for Latin-America with Chile the best ranked in position 34 out of 189 economies surveyed, but the group of countries that make up the Pacific Alliance again figures well ahead of Mercosur.

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Open Pacific and closed Atlantic

Behind the amicable relations among Latin American leaders hides a tension between two models of economic and political integration. While market-friendly leaders have rallied around the Pacific Alliance and focused on promoting economic integration, leaders who favour a bigger role for the state continue to favour other integration initiatives such as Mercosur or Unasur.

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Pacific Alliance Adopts New Entrepreneurship and Innovation Agreements

Latin America's largest entrepreneurship and innovation event ever was held in Santiago, Chile on December 4-6. On hand to help draft the Pacific Alliance's innovation and entrepreneurship roadmap were some sixty entrepreneurs, twelve venture capital funds, and 40 local and foreign speakers.

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Pacific Alliance countries wish to expand trade

The 6th largest purchasing power economy in the world consisting of an alliance of the four Pacific countries of Chile, Mexico, Peru and Colombia.

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Latin America's Pacific Alliance liberalizes trade

The presidents of Colombia, Peru and Chile, and Mexico's minister of economy agreed on Wednesday to liberalize 92 percent of their countries' goods and services as part of the nascent regional economic integration bloc, The Pacific Alliance.

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Peru's economy likely grew 2.4 pct in Oct on year - Govt

Peru's economy likely grew by 2.4 percent in October from the same month a year ago, Finance Minister Alonso Segura said in a televised interview on Monday.

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INVESTMENT NEWS

Latin America: Free trade vs. Mercosur

In 2014, the Pacific Alliance trade bloc (consisting of Mexico, Colombia, Peru and Chile) is slated to grow an average of 4.25%, boosted by high levels of foreign investment and low inflation, according to estimates from Morgan Stanley. MS +1.55% But the Atlantic group of Venezuela, Brazil and Argentina—all linked in the Mercosur customs union—is projected to grow just 2.5%, with the region's heavyweight, Brazil, slated to grow a meager 1.9%.

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Oil shock to tilt Mexico energy opening in private sector's favor

The allure of investing in Mexico's historic oil sector opening has been dimmed by the plummeting price of crude, putting pressure on the government to offer bigger incentives to private investors in the first major round of contracts up for grabs.

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COP20: Pacific Alliance united to fight for climate change

The Pacific Alliance, composed of Peru, Chile, Colombia and Mexico stands up and expresses its firm political will for being an important actor in the fight against climate change, affirmed today Ollanta Humala, President of Peru.

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Hero MotoCorp looking forward to make it big in Latin America

Hero MotoCorp, the leading two-wheeler manufacturer in India, is looking for an aggressive expansion in South and Central America. As a part of its expansion strategy, it is eyeing for setting up manufacturing units in Argentina and Brazil.

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India's ONGC, PDVSA aim to raise around \$1 billion for Venezuela JV

India's Oil and Natural Gas Corp and Venezuela's state oil company PDVSA are seeking around \$1 billion in credit to stem an output decline at their San Cristobal joint venture, two sources close to the negotiations told Reuters.

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Peru attends Pacific Alliance macro-business round in Colombia

A delegation of Peruvian companies are taking part of a macro-business round of the Pacific Alliance, with the aim of promoting goods and services towards the region and striking potential deals with foreign exporters.

The regional gathering, set to take place through February 20th, brings together nearly 3,000 leading entrepreneurs from Pacific Alliance's member states - Colombia, Chile, Mexico and Peru -, and 1,000 from 58 countries worldwide.

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Mexico opens bidding for oil exploration rights in Gulf as it ends 7-decade state monopoly

The government announced on Thursday the start of bidding for oil exploration rights in 14 areas of the Gulf of Mexico being opened to domestic and international companies as Mexico ends a seven-decade state monopoly on the petroleum business. Bidding will continue until July 15. Companies wishing to bid must meet a set of requirements, including showing their participation in at least three exploration projects and oil extraction of at least \$1 billion and capital on hand of at least the same amount.

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Mercosur and Pacific Alliance are not contradictory competing blocks

Mercosur and the Pacific Alliance are not contradictory competing blocks, and can advance towards a mutually beneficial convergence, said Chile's Economy minister Luis Felipe Céspedes during a trade and investment promotion seminar in Brazil.

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Latin America's challenges for 2015

Corruption has long been regarded as a significant problem for Latin America – perhaps the most significant of all. As such, it's little surprise our respondents have identified this as the biggest concern currently facing the region, followed by education and increasing inequality.

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For further queries, please write to:

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