

Javier Dario Bolaños Bedoya

Benefits of international trade in the Pacific Alliance and opportunities for Finland

Helsinki Metropolia University of Applied Sciences

Metropolia Business School

International Business and Logistics

Bachelor's Thesis

25.04.2017

Author(s)	Javier Dario Bolaños Bedoya
Title	Benefits of international trade in the Pacific Alliance and opportunities for Finland
Number of Pages	51 pages + 4 appendices
Date	25 April 2018
Degree	Metropolia Business School
Degree Programme	International Business and Logistics
Specialisation option	IBL
Instructor(s)	Suvi Moll, Senior Supervisor
<p>Since the creation of the Pacific Alliance, this has received great international attention due its fast dynamics and positive development. Its economic performance has been higher than other important economic blocs of the world in the last years. This thesis is focused on providing fundamental overview, developing the steps of a theoretical analysis of other studies and sources to extend the understanding of what is the Pacific Alliance, its progress in different areas and the projected economic and social effects for the state members. This is a secondary research based on different statistical data and other econometric studies attempting to recognize the benefits developed or expected for the countries of the Alliance (Chile, Colombia, Mexico and Peru).</p> <p>Further description and analysis of trade liberalization theories is used to understand the academic support for this regional project that appears at a time when large economies like the United States, is making significant changes in the application of liberal measures, opting for more conservative policies.</p> <p>The position of Finland related to the Pacific Alliance is analysed identifying the benefits this country has for being an Observer State and recognizing the economic sectors with more business opportunities and potential of growth in the Alliance.</p> <p>It is concluded, among others, that Pacific Alliance appears as an incipient but right project for a region, progressing relatively fast by building political, normative and structural frame for the expansion of regional commerce and a vision towards the countries outside the Alliance. Previous studies on similar past experiences support this path even though the total effects on the economy are not yet visible. The perspectives are high and different sectors have possibilities of steady growth, especially due to excess of demand when implementing high standards in logistic infrastructure and due the natural development of the economies. Some productive sectors of the Finnish economy are identified as having a high potential for business opportunities and for becoming in effective providers (i.e. in education, technology, bio economic development) for different countries of the Alliance.</p>	
Keywords	Pacific Alliance, International Commerce, Latin America, Colombia, Chile, Mexico, Peru, Business Opportunities

Contents

1	Introduction	6
2	Objectives	7
3	Thesis Research	7
4	Methodology	8
4.1	Main sources of analysis and data	9
5	Theoretical framework	11
5.1	Pacific Alliance: Overview	11
5.2	Possible effects of the Pacific Alliance	12
6	The Pacific Alliance: Goals and General outlook	13
6.1	Importance	14
6.2	Organization and structure	16
7	Main Economic Indicators of the Pacific Alliance member countries	18
8	Development of the Alliance in different areas	19
8.1	Trade Facilitation	19
8.2	Financial and Capital Integration	20
8.3	Movement of people	21
8.4	Cooperation and other matters	21
9	Economic and Social performance of the Alliance	23
9.1	Methodology	23
9.2	Evolution of the GDP per capita (PPP) and general GDP variation	23
9.2.1	Analysis	25
9.3	Port container traffic statistics	26
9.3.1	Analysis	27
9.4	Foreign Direct Investment, net inflows (%GDP)	28
9.4.1	Analysis	28
9.5	Evolution of Total Unemployment	29
9.5.1	Analysis	30

9.6	Poverty headcount ratio at national poverty lines	30
9.6.1	Analysis	31
9.7	Projections of Economic Growth in the Pacific Alliance	31
9.8	Projection on Changes of real Income in the Pacific Alliance member-countries	32
10	Future stages of the Pacific Alliance	34
10.1	Extension of the Pacific Alliance: From Observer States to Associate States	
	35	
11	Supporting the benefits on Trade liberalization policies	37
12	Finland and the Pacific Alliance	39
12.1	Importance	39
12.2	Benefits and Opportunities	39
13	Conclusions	42
13.1	On possible benefits of the PA for its countries and achievements	42
13.2	Other trade liberalization supports the project of the PA	44
13.3	On Possible opportunities for Finland	44
	Bibliography and References	47

Appendices

Appendix 1: Exports structure of the countries of the Alliance

Appendix 2: Commodity prices 1992-2017

Appendix 3: Exports structure of Finland

Appendix 4: Finnish trade with Pacific Alliance

List of figures and tables

Figure 1 Member countries of the Pacific Alliance.....	13
Figure 2 – Free trade agreements in force. Source: IDB	15
Figure 3 – Evolution of Population in the PA. Source: World Bank, 2017	15
Figure 4 – Structure and organization - Pacific Alliance, 2017	16
Figure 5 Evolution of the GDP per capita (PPP) Chile, Colombia, Peru and Mexico. Before and in the Pacific Alliance- Source: WB, 2017	24
Figure 6 - GDP Growth in the last 10 years. Source: World Bank, 2017	25
Figure 7 - Container port traffic TEUs. Source: World Bank, 2017	27
Figure 8 Foreign direct investment, Net inflows. Source: WB, 2017	28
Figure 9 - Unemployment total estimated. Source: World Bank, 2017	29
Figure 10 Poverty Levels of the PA over ten years. Source: WB 2017.....	30
Figure 11- Real GDP growth -Projections. Source: IMF, 2018	32
Figure 12 Real income change expected in the PA. Source: Ifo & KAS institute.	33
Table 1 Economic Indicators Pacific Alliance countries. Source: EY 2017, WB 2017..	18
Table 2 GDP per capita (current int. \$) in the Pacific Alliance - Source: WB, 2017	24
Table 3 Finnish sectors with potential of growth in the PA	45

List of Abbreviations

ASEAN Association of South East Asian Nations

CEAP Pacific Alliance Business Council

CEPAL Comisión Económica Para América Latina y el Caribe (Spanish: Economic Commission for Latin America and the Caribbean; UN)

FTA Free Trade Agreements

FDI Foreign Direct Investments

GDP Gross Domestic Product

IMF International Monetary Fund

MILA Integrated Latin-American Stock Exchange

OECD Organization for Economic Cooperation and Development

PA Pacific Alliance

PPP Purchasing Power Parity

SME Small and Medium-sized Enterprises

TEU Twenty-foot equivalent units

UN United Nations

US United States of America

UNCTAD United Nations Conference on Trade and Development

WB World Bank

WDI World Development Indicators

1 Introduction

The Pacific Alliance came to the international scene in 2012 as a new fresh economic pact between the current most successful economies in Latin America in the last decade: Chile, Colombia, Mexico and Peru. These countries have shown the highest economic-growth rates and lowest inflation levels among the region (Naím, 2014) regardless the impact of the 2008 global financial crisis that have affected other Latin-American countries. Stated this, it is relevant for this paper, to make an analysis on the effects and results that this free trade agreements and the cooperation inside alliance in general have brought to its member countries since its implementation, narrowing the scope of the study in some cases, to the case of Colombia.

Finland by its part, has become an Observer State of the Pacific Alliance officially on 10 February 2014 (Ministry of Foreign Affairs of Finland, 2014). This Nordic country looks for opportunities to expand its economy that has suffered in the last years due different economic conditions but specially the probable narrow commercial integration with other economies inside and outside the European Union. The Pacific Alliance appears as an opportunity to expand business for Finnish enterprises and for the national economy which tries to find stability after a long period of recession and stagnation. Diversification of partners, exports and imports, appears as an alternative for the future of the country.

During the creation of this thesis some limitations were found to the goal of establishing now the benefits from the Alliance, mainly due to the short period of life and some other external conditions or economic variables affecting the countries of the area. However, this project counts with an important political support and strong alignments with liberal theories while important progresses are being made in terms of international cooperation.

2 Objectives

The Pacific Alliance has been taking a lot of attention all over the world due to its relatively fast dynamics and positive development which has been outperforming, in some cases, other important economic blocs of North America and Europe in terms of growth in the last years. This thesis is focused on providing a fundamental overview and developing the steps of a descriptive/theoretical analysis to extend the understanding of what is the Pacific Alliance and the possible structural, economic and social effects that the Alliance is originating for all its state members since it was created. The study will try to analyse its progress in terms of cooperation measures, as well as economic and statistical data available to establish the benefits developed for the four Member States during its short span life and the projected outcomes that are still expected. Further description and analysis of trade liberalization theories will attempt to understand the academic support for this regional project that appears at a time when major economies such as the United States and United Kingdom have made significant changes in the application of liberal measures and are opting for more conservative policies. In the end, it is developed an analysis of Finland and its position related to the Pacific Alliance with the purpose of identifying some of the current benefits this country has for being an Observer State and trying to recognize the possible commercial or business opportunities that the Alliance offers to the Nordic country.

3 Thesis Research

After doing a description of the objectives and an examination on the importance of addressing this, the following research question is stated as the guideline of the Thesis to bring a proper methodology, analysis and conclusion:

What are the possible benefits since the implementation of the Pacific Alliance and the liberalization of international trade among its members, and how Finland and its international commerce can benefit from it?

4 Methodology

A methodology for a dissertation is essentially the design of different paths that the researcher will use to make a fluent, harmonized discussion and analysis of the topic addressed. (Jonker & Pennink, 2010)

The development of the thesis will rely on a Secondary research which includes an extensive documentary description, analysis of past data, re-analysis review and examination of historical macro-economic data, government and non-governmental records and projections related to the countries which belong to the Pacific Alliance and the development of major economic aspects since the implementation of this.

The study will be divided in three major parts:

The analysis of the Pacific Alliance and its state members. This part will be addressed in three subparts: the past including review of historical data and statistics that helps to understand the status that the countries were experiencing before the economic alliance. Then the present, including current numbers and the comparison with the past status. Some important analysis is made related the introduction of policies to liberate their international trade, possible developed outcomes or challenges that are not yet overcome by these implementations. Finally, a description and analysis of the plans, expectations and the benefits that are being built with this regional project.

The second major part is the analysis of the International Trade: some authors are analysed in terms of the theoretical benefits or problems that international commerce should bring to different nations but especially attention will be given to those who have previously analysed the development, advantages and disadvantages of older commercial agreements working in the present. In this point of the study, different interpretations on international commerce will be considered concerning the critics that these policies have created when been implemented in different areas of the world, especially in relation to the countries of the Pacific Alliance as emerging economies and Finland as OECD member state.

The third major part of the thesis will be concerning the benefits that Finland could probably gain by expanding its business relationships with the Latin-American bloc, the analysis to determine if the Nordic country could take advantage of deeper commercial relationship with the countries of the Pacific Alliance, especially with Colombia.

The sources of the information, quantitative researches, statistical data and previous analysis, are different and come from different books, reports, surveys, reviews and macroeconomic data released by governments and specialized organizations around the world. Furthermore, for the base of the analysis, other literature and data will be collected to create an own analytical approach to determine the goals of the thesis and answer the primary research question.

In summary, this study based on others research, will include and collect sources from different institutions in different languages (especially Spanish and English) that have developed previous studies and researches on Latin America economics; debates, critics, description of the processes done and studies on the effects of international trade taking previous experiences and theoretical approaches, statistic information provided by organizations and official institutions in the countries under study and thesis or studies that focuses directly its attention on the development of the Pacific Alliance and the Finnish Economy.

4.1 Main sources of analysis and data

For the aim of analysing the Effects and benefits that the Pacific Alliance has originated in social and economic terms among the state members, different literature is reviewed.

One important study has been completed by the German political Foundation Konrad-Adenauer-Stiftung inside its Regional Program of Social Policies in Latin America.

The study is called “Dimensions and Economic Effects of the Pacific Alliance”. It was developed as a project to analyse different statistic results but mainly to project and study the possible effects of the integration between the countries of the Pacific Alliance in different levels on the country members. This also includes quantitative research on the areas mentioned and definitions on how the bloc operates. The project was led by five authors very highly qualified, with experience as Economic Advisors for the Ministry of Economics in some of the countries of the Pacific Alliance, Post-Doc's and in activities inside international organizations and recognized universities in Europe and America. Its first publication was done in January 2015 and it clearly represents a very valuable source of data for the study and the thesis which is being built. (Abusada-Salah et al., 2015)

Another publication which is very relevant for the study is “Assessing the Benefits of Trade Facilitation: A Global Perspective”. This was written by three authors who represent important international organizations as The World Bank, the Institute for International Economics, Washington DC and the University of Osaka in Japan. They aimed to create an empirical research “to define and to measure trade facilitation, choosing a modelling methodology to estimate the importance of trade facilitation for trade flows; and designing a scenario to estimate the effect of improved trade facilitation on trade flows”. This document was published in February 2005 as an article of the “World Economy” academic journal. (Wilson, Mann, and Otsuki, 2005)

An important guide for investors was written by the international organization Ernst & Young or EY. Its name is “Pacific Alliance Business and Investment Guide 2017/2018”. This is a 224 pages’ document with a detailed initial analysis of macro-economic data from the countries part of the Pacific Alliance including comparisons with the rest of Latin America and global indexes. Later it expands deeper on descriptions and analysis of different macroeconomic and microeconomic data inside each of the state members. It offers a detailed source of information on how to start business, tax considerations, labour regulations and financial aspects for those initial founder countries of the Pacific Alliance. (EY, 2017)

In the other side, from the Finnish point of view, different documents study the position of Finland in its macroeconomic and microeconomic matters in the last years. An example of this are the OECD Economic Surveys that are made with the purpose of evaluating structural, social and economic data inside the countries that are part of this international organization. The OECD stands for Organization for Economic Cooperation and Development, where 34 democratic countries work together to promote economic sustainable development. This organization also includes the cooperation of 70 non-member countries that shares information (OECD, 2018) (USOECD, 2013).

Important statistic information has been taken and analysed from the World Bank and its main Database that includes recent economic, financial and social information from any country in the world. Furthermore, information provided from governmental institutions of the Pacific Alliance and Finland is used in the creation of this thesis like FinPro or Business Finland, Finnish Chamber of Commerce (Kauppakamari), among others.

5 Theoretical framework

5.1 Pacific Alliance: Overview

The Pacific Alliance is a partnership initially planned in April 2011 by four Latin-American countries which have coastline on the Pacific Ocean, Colombia, Mexico, Chile and Peru. These countries have shaped a new way of regional integration that seeks for ensuring of free movement of capital, people, goods and services and in this way act as a bloc on the topics of trade and investment. The alliance was established legally after a year, on June 2012 when it was operational. (Ministry of Commerce, Industry and Tourism, 2015)

The start point of the Alliance was the similar approaches that these countries have led in topics as market economy, attraction of foreign investments and an active increase of the political and economic relations with the countries of Asia Pacific (Procolombia, 2015)

These four countries comprise a population of about 217 million people or 34,62% of the total population of Latin America (est. 2015). It also represents 39% of the Gross domestic product GDP generated by all the Latin-American region in 2015 which in the same year had an average growth of 2,5% in relation with the previous year. The countries of the Alliance accounted USD 513 billion in their Exports while a total of USD 549 billion in Imports and received a total of USD 71 billion in Foreign Direct Investments FDI. (Ministry of Commerce, Industry and Tourism, 2015)

The general objectives of the Alliance that have been traced are: To construct and area of deep integration facilitating the free circulation of goods, services, capital and citizens. The increasing of welfare and social inclusion while reducing social inequalities through the economic development and major competitiveness of their economies; and Deepening the economic, commercial and political integration with the world, but especially with the area Asia-Pacific as a bloc. (Ministry of Commerce, Industry and Tourism, 2015)

5.2 Possible effects of the Pacific Alliance

The study “Dimensions and Economic Effects of the Pacific Alliance” created different scenarios to study the different effects that the implementation of the integration would bring to the four countries of the alliance.

For doing this, the scenarios included different levels of integration to simulate and project the results and effects on the economies of these countries.

The study shows how a deep integration with complete elimination of tariffs between the countries would bring an increase on the welfare of the countries measure by the changes in real income. The change on real income for the inhabitants of the Pacific Alliance countries would be between 0,5% and 1%. (Abusada-Salah et al., 2015)

One interesting conclusion made by the authors of this study is the fact that the Pacific Alliance would come with beneficial effects in the long term not only to the state members but also nearby countries and other countries that have commercial relationships with Colombia, Peru, Chile and Mexico. (Abusada-Salah et al., 2015)

6 The Pacific Alliance: Goals and General outlook

The Pacific Alliance is a mechanism of profound integration established formally by four Latin American countries: Colombia, Mexico, Peru and Chile, on June 2, 2012. The “2017, Pacific Alliance ABC Book” and the Alliance Framework, describe the general goals as follows:

- To create an area of integration that allows progressively, free movement of the commerce, services, resources and people.
- To create a better structure that increases the economic growth, development and competitiveness of the countries of the alliance, overseeing the increase of social welfare and decreasing social inequality among their habitants.
- The alliance seeks a deeper articulation politically and commercially, seeking to become a platform with projection towards the world and especially the Asia-Pacific region.

The Alliance was also created with the objective of generating boosting tools for the agencies of Economic development of each country by facilitating the multilateral cooperation that offer more options and knowledge for the Small and Medium Enterprises. Furthermore, it is taken into consideration the Global climate to promote its investigation, development of local solutions and the promotion of academic exchange of students and researchers. (The Pacific Alliance, 2017)



Figure 1 Member countries of the Pacific Alliance

6.1 Importance

In history of Latin America, there has been many attempts to increase regional associations to advance in the regional exchange of goods, services and higher-level integration with very general approach. These have not been developing enough due to many economic but mainly political aspects in the region. (Pastrana Buelvas, 2016)

Considering this, the creation and subsequent development of the Pacific Alliance have brought a relevant character of importance and attention internationally due to its simplicity and relatively fast progress in the duties and goals that its country members have been pursuing since 2011 when it was a mere idea (Pastrana Buelvas, 2016)

Among specialists, it is expected that the agreement will permit member countries to insert and to grow their participation inside important global value chains while achieving high level of regional integration in several areas that the alliance is taking into consideration. (EY, 2017)

As an economic bloc, the Pacific Alliance represents the eight largest economy in the world (EY, 2017). This represents:

- Accumulative Nominal GDP (PPP) of US\$ 1,77 billions
- Represents 38% of the GDP for Latin America and the Caribbean.
- The four nations add up to 217 million inhabitants (Figure 3).
- GDP per capita US\$17.500 (PPP)

Another important aspect to note is that the Alliance has the goal to make use of the entire trade network created by each of the member countries through their Free Trade Agreements developed with other nations (Figure 2), creating then a superior network for the free transit of goods, services and international cooperation. (EY, 2017)

The world's new trade architecture – Free trade agreements in force

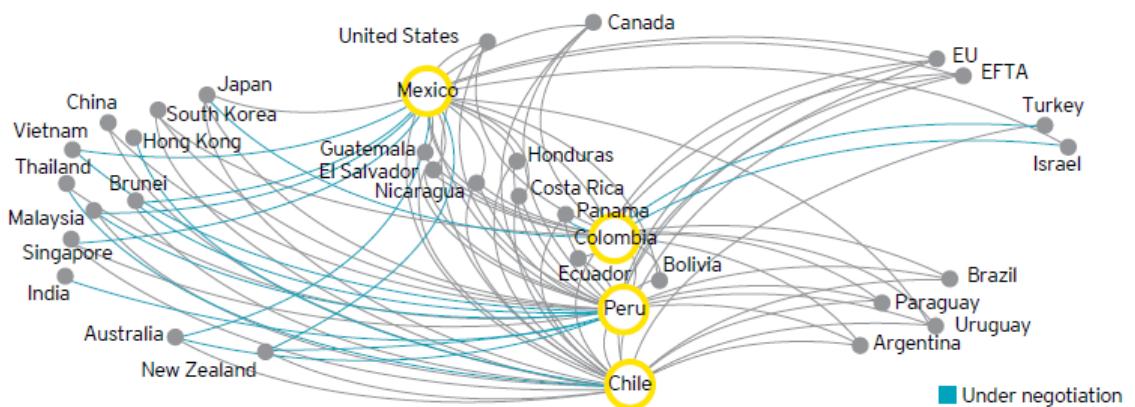


Figure 2 – Free trade agreements in force. Source: IDB

Population, total of the Pacific Alliance countries

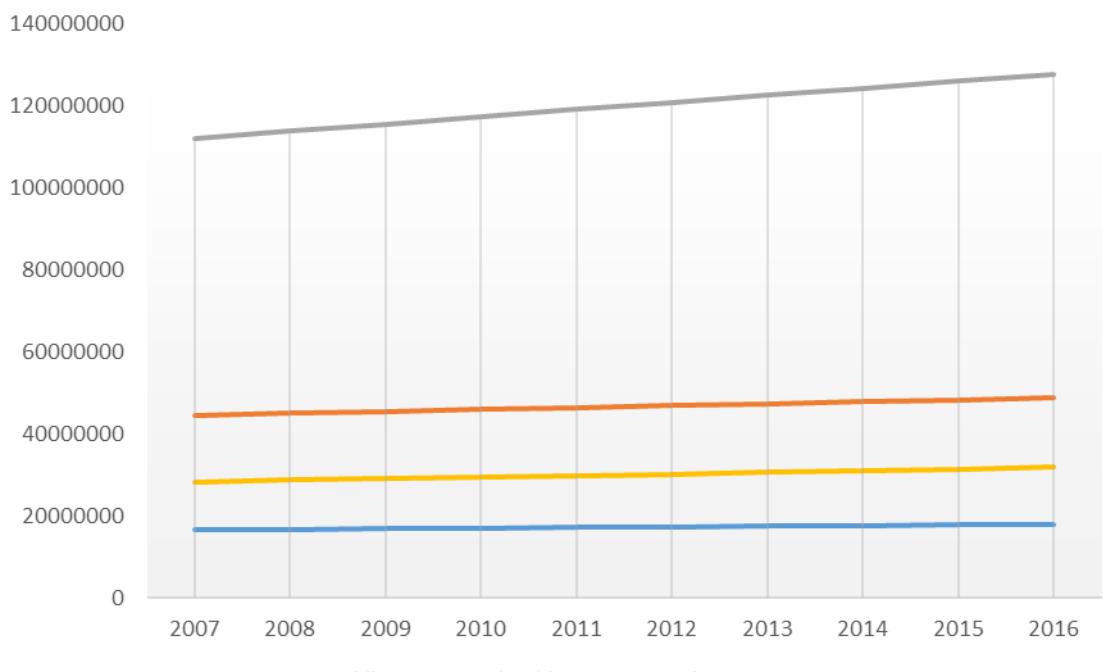


Figure 3 – Evolution of Population in the PA. Source: World Bank, 2017

6.2 Organization and structure

Until 2018, the four-member countries of the Pacific Alliance, Chile, Colombia, Peru and Mexico, have been working together through the following structure:

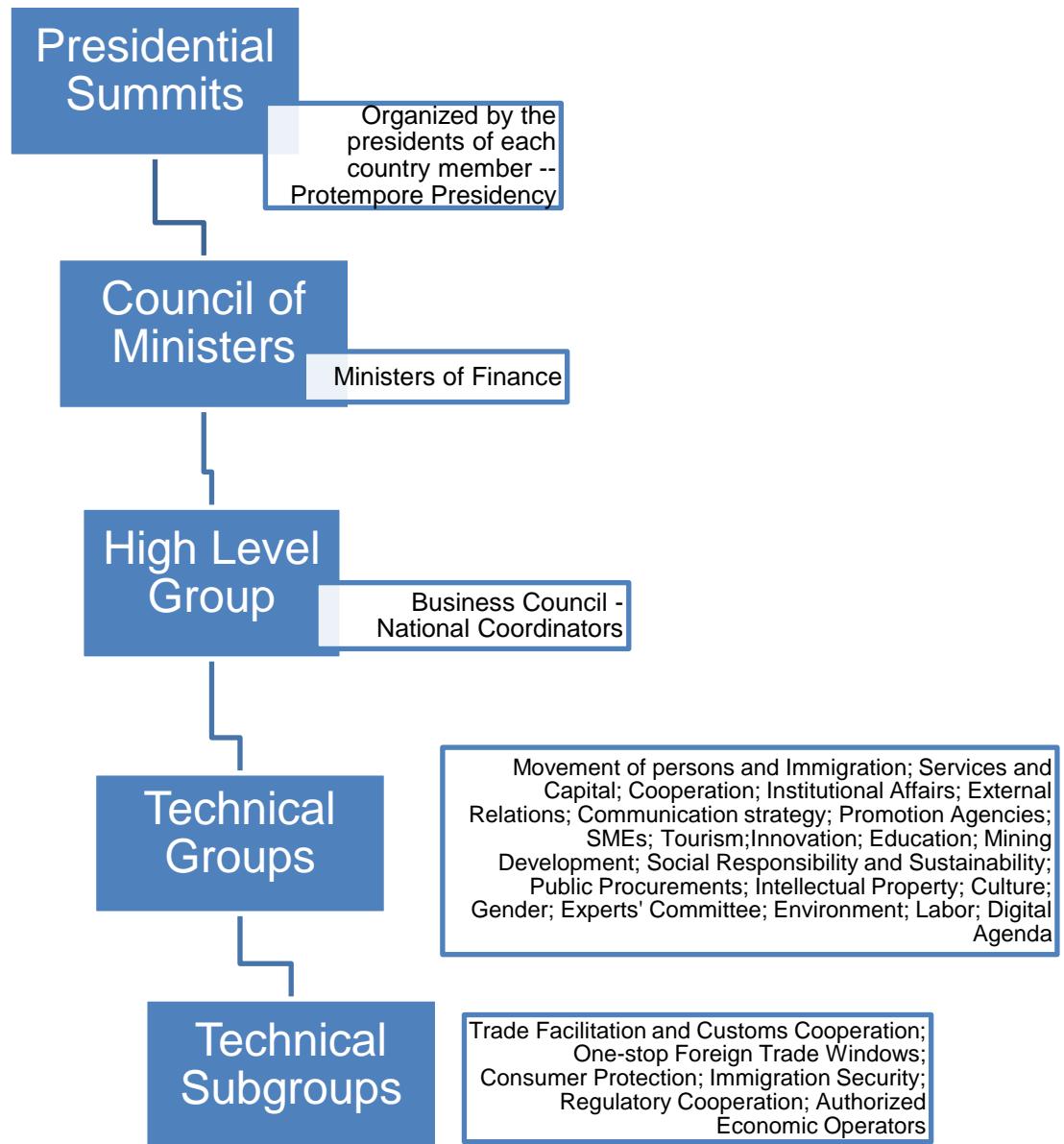


Figure 4 – Structure and organization - Pacific Alliance, 2017

The presidents of each member country are the main decision makers inside the organization of the Pacific Alliance and the ones leading the Presidential Summits that are organized regularly. The Pro-tempore presidency of the organization is taken successively by each member country for one year and in that country are held the President summits during the running period. (Pacific Alliance, 2017)

The next part of the organization under the Presidential Summits is the Council of Ministers, which includes Ministers of Foreign Affairs and Foreign Trade. They lead the creation of more specific goals and objectives according the agreements resulted from the Summits.

The High-Level Group is form by Assistants and Deputy Ministers of Foreign Affairs and Foreign Trade that are supervising the work of the Technical groups and subgroups.

Officials from the member countries, organized by different topics, form the last teams, the Technical groups and Subgroups. They have the responsibility of developing those fields according the plans draw in the Presidential Summits (EY, 2017)

7 Main Economic Indicators of the Pacific Alliance member countries

Some of the main characteristics of the member countries of the Pacific Alliance are described below to initiate the analysis and later understanding of the processes and implications generated inside this:

Table 1 Economic Indicators Pacific Alliance countries. Source: EY 2017, WB 2017

INDICATORS	CHILE	COLOMBIA	MEXICO	PERU
Gross Domestic Product - GDP 2016 (PPP)	US\$ 439 billion	US\$ 689 billion	US\$ 2316 billion	US\$ 406 billion
GDP per capita 2016 (PPP)	US\$ 24113	US\$ 14130	US\$ 18938	US\$ 12903
International Reserves (Dec.2016)	US\$ 40 billion	US\$ 45 billion	US\$ 178 billion	US\$ 62 billion
Foreign Debt (% GDP) (2016)	3,80 %	25,50 %	18,50 %	10,30 %
Total Public Debt 2016 (% of GDP)	21,30 %	54,70 %	49,70 %	23,80 %
Unemployment rate (2016)	6,70 %	8,40 %	3,90 %	6,60 %
Main Export destinations	China, European Union, USA, Japan, Mercosur and South Korea	USA, China, Spain, Panama, Venezuela, The Netherlands	USA, Canada, Spain, China, Brazil, Colombia, Germany, Japan, Venezuela, Chile	Germany, Brazil, Canada, Chile, China, South Korea, Italy, Japan, Spain, Switzerland, USA
Main Exports	Cooper, cellulose, metal industry, chemicals, salmon, wine and fresh fruits	Petroleum, coal, emeralds, coffee, nickel, flowers, banana, textiles, chemical and petrochemical products	Machines and electrical materials, terrestrial vehicles and parts, mineral fuels, mechanical devices, precious stones, plastics, vegetables, plant roots and tubers.	Gold, cooper, silver, zinc, lead, crude oil, coffee, potatoes, asparagus, paprika, bananas, mangos, cacao, quinoa, blueberries, urea, textiles, fishmeal
Origin of Imports	China, USA, European Union, Mercosur, Ecuador and South Korea	USA, China, Mexico, Brazil, Germany, Argentina and France	USA, China, Japan, South Korea, Germany, Canada, Italy, Brazil and Spain	Germany, Argentina, Brazil, Chile, China, Colombia, South Korea, Ecuador, USA and Mexico
Main Imports	Fuels, vehicles, chemical products, computers, machinery, mobile phones, clothing and corn	Petroleum and byproducts, plastics, machinery, vehicles, telecommunication equipment, office machinery, iron and steel, wheat and paper	Mineral fuels and products, plastics and byproducts, optical and medical instruments and devices, organic chemical products	Petroleum and byproducts, plastics, machinery, vehicles, iron and steel

8 Development of the Alliance in different areas

During six years of official existence, there have been 12 Presidential Summits, celebrated all in different cities that belongs to the four countries of the Alliance.

Apart of these, different meetings between realized between the Ministers and Technical teams from the four countries to work on the Framework, text agreements, specific goals, implementation and other specific documents (Pacific Alliance, 2017)

From these, the major achievements and specific actions made are in different areas: Trade facilitation, Financial and Capital integration, Movement of people and Cooperation.

8.1 Trade Facilitation

The Trade Protocol has entered into force following the major guidelines of the Alliance. Thus, the countries have implemented a free trade area eliminating tariffs on 92 percent of goods. The remaining 8 percent should be freed in the period between 3 to 7 years and a selected group of products, strategic or sensitive for the countries, should be considered to obtain customs liberalization after 10 years (EY, 2017).

These efforts are meant to promote the growth of trade between countries by expanding the market access to different economic sectors and the trade dynamics amid them allowing and enhancing the creation of new production chains and investment. (EY, 2017).

Agreement on facilitation of trade and customs cooperation, to promote easy exchange of goods, removing bureaucratic processes and establishing standard guidelines, as well as the creation of mechanisms for fast sharing of customs information, exchange of documents online between entrepreneurs and governments also between the countries of the Alliance by the so called, Foreign Trade Windows.

The development of a Framework that promotes the development of SME (Small and Medium-sized Enterprises) exports and imports inside the alliance, giving the opportunity

to eventually compete and create trade and logistic chains internationally but mainly with the countries of the Asian-Pacific area. (Pacific Alliance, 2017).

Inside the trade integration framework, it is included major efforts to ensure that laws, technical controls and evaluation processes on goods are created together and with the greater purpose of not limiting technically the free flow of commerce (EY, 2017).

The countries of the Alliance agreed on a Regime on Rules of Origin that facilitates the trade of organic good and finally, the Pacific Alliance Business Council (CEAP) was founded to maintain the regional integration aligned with the perspectives and needs of the businessmen and entrepreneurs of the area. (EY, 2017)

8.2 Financial and Capital Integration

The core of this area inside the Pacific Alliance and the agreements made is to promote the movement of capital, financial services, the inter-modal transportation and other supplementary services across the countries of the alliance.

The financial integration is highly boosted in the region by creating the Integrated Latin-American Stock Exchange or MILA (Mercado Integrado Latinoamericano in Spanish) which was established already before the start of the Alliance, in 2010 as the joint of the Stock Exchanges of Colombia, Peru and Chile. This made a major step forward when the Mexican Stock Exchange joined the group in 2014. MILA is now the largest bourse in the region in terms of capitalization (\$1,1 trillion) and the second in terms of companies listed after the Brazilian Stock Exchange (Marczak et al., 2016). With these, the alliance is creating the mechanisms to allow the free movement of capitals that includes the sharing of finance information as well as the creation of standard rules and norms for the investors from all the member countries and outsiders. (Pacific Alliance, 2017)

It is worthwhile to mention the cooperation that Chile, Colombia, Mexico and Peru have developed around tax evasion by creating mechanisms of fiscal information exchange and promotion of fiscal transparency following international guidelines and standards. (EY, 2017)

Other achievements made in this area can be shortly describe as, the creation of the Innovation Agency Network (InnovAP), the Entrepreneurs' Capital Fund and other

mechanisms like the implementation of the Patent Acceleration Procedure Agreement for the promotion of the entrepreneurship, the networking, the innovation, internationalization, and facilitation of procedures for Small and Medium-size Enterprises (SME).

8.3 Movement of people

Some of the foremost accomplishments made till 2017 in this area include the facilitation of the resident movement across the region through the elimination of tourist and business visas inside the member countries whereas building major security cooperation through the creation of a platform of immediate exchange of information for migration matters.

Furthermore, the countries of the Alliance have signed a Consular Assistance Agreement to provide support to any of the citizens of the Alliance in those countries where there are not consular offices of any of the countries.

The Pacific Alliance has now also in operation an agreement on Vacation and Work Program that allows the residents of the region to move more and easier by giving the opportunity to develop temporal economic activities while traveling inside the Alliance with fewer boreoarctic procedures (EY, 2017)

8.4 Cooperation and other matters

The alliance has established four thematic to develop cooperation processes between the full State members and with the Observer states. These are: Science, Technology and innovation, Trade facilitation, Small and Medium Enterprises and Education.

Following this guideline, it has been created a platform of Academic and Students mobility that promotes the movement of students and researchers among the region and support them by the provision of scholarships. Until 2017, the countries have been issuing about 1440 scholarships for students of superior education and researchers (Pacific Alliance, 2017).

It has been established a common cooperation fund and scientific network for the research of the Planet Climate change. (Pacific Alliance, 2017)

Since 2012 the Alliance has created about 80 events of commercial and investment promotion in the areas of business, tourism, entrepreneurship and innovation as a bloc.

The establishment of shared commercial, promotion offices and shared Consulates in some countries like in Turkey, Morocco, Algeria, Ghana and Vietnam.

9 Economic and Social performance of the Alliance

9.1 Methodology

For this paper, it is relevant to take statistic information about the development of the countries part of the Pacific Alliance since its conformation in 2012. The objective of this is to show with more details in what grade the Alliance has been affecting to the main, not only economic, but also social indicators of the countries.

It is important to notice that the Alliance has not been in full operation with the commercial agreements and liberalization policies since the beginning and thus, the economic affection can be yet not so clear. It is then one objective of this paper to try to identify in what grade it is expected that these economies grow and how they pretend to transfer the improvement to the citizens of the area, considering variables like the historical evolution of the GDP per capita, variation on the international trade by overview of the port container traffic, the latest performance of the Foreign Direct Investment in the countries of the Alliance as well as social indicators that could give a prospect on possible early affectations of the measures taken. Indicators like variation of unemployment and poverty rates will be describe and analysed. In the end, it is presented the projections made in other researches about the expected economic growth as well as the expectations regarding the changes of the real income for the citizens of the Alliance.

The information analysed is taken from different important international organizations like the World Bank and the International Monetary Fund, among others that will be cited.

9.2 Evolution of the GDP per capita (PPP) and general GDP variation

According World Bank and its World Development Indicators, the GDP per capita based on purchasing power parity (PPP) represents the gross domestic product transformed to international dollars using purchasing power parity rates. The results are showing the same purchasing power over GDP as the U.S. dollar has in the United States. The World Bank has developed the International Comparison Program or ICP to create a more understandable statistical base for comparison of countries macroeconomic data and their evolution, especially of the GDP expenditures and the internal price data to calculate the Purchasing power parities of the World's economies.

"GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current international dollars based on the 2011 ICP round." (World Bank, 2017)

Table 2 GDP per capita (current int. \$) in the Pacific Alliance - Source: WB, 2017

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CHL	\$16 971,77	\$16 551,31	\$16 226,21	\$18 265,34	\$20 437,70	\$21 620,28	\$22 578,73	\$23 014,01	\$22 647,46	\$23 193,97
COL	\$ 9 710,92	\$10 132,27	\$10 260,23	\$10 680,00	\$11 496,48	\$12 058,34	\$12 725,04	\$13 368,99	\$13 827,67	\$14 153,93
MEX	\$13 877,29	\$14 436,82	\$14 092,24	\$14 764,81	\$15 922,90	\$16 457,09	\$16 683,30	\$17 270,12	\$16 983,46	\$17 274,82
PER	\$ 8 148,92	\$ 8 956,52	\$ 9 010,33	\$ 9 755,15	\$10 449,09	\$11 145,51	\$11 828,81	\$12 138,30	\$12 530,82	\$13 018,61

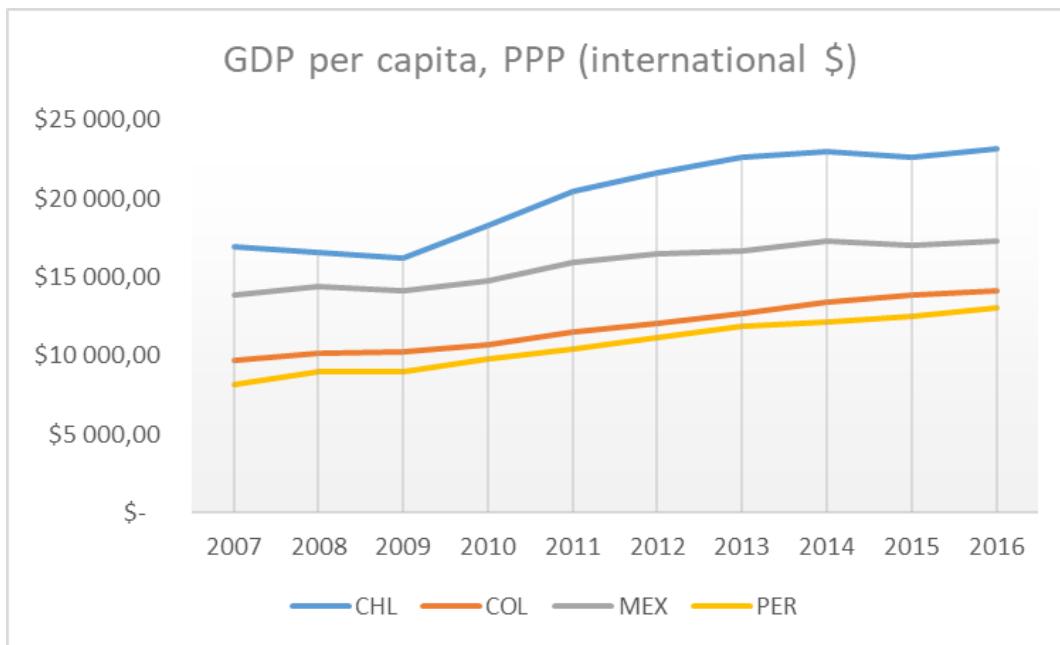


Figure 5 Evolution of the GDP per capita (PPP) Chile, Colombia, Peru and Mexico. Before and in the Pacific Alliance- Source: WB, 2017

The evolution of the GDP per capita that can be seen in the Figure 05 of the countries inside the Alliance (Chile, Colombia, Mexico and Peru), have experienced a steady growth during the period 2007 - 2016, even during the Global recession of 2008-2009 that affected deeply the most important economies of the world (IMF, 2008).

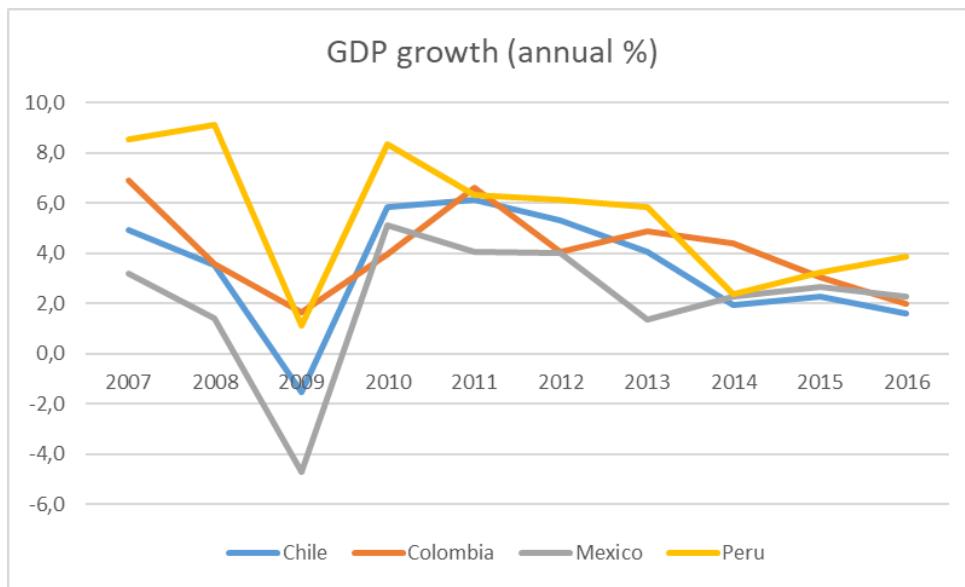


Figure 6 - GDP Growth in the last 10 years. Source: World Bank, 2017

The only negative growth registered in the area was in 2009 for Mexico (-4,7%) and Chile (-1,6%) in the same year (Figure 6). This situation was immediately overcome in 2010, while the rest of the world and the developed countries were experiencing deeper economic fallings that in some cases took more years to recover from. (EY, 2017).

During the first months of 2018, national statistic agencies have been reporting the growth of the different economies of the Alliance during the year 2017 (La Tercera, 2018) as it follows:

Chile.... 1,6%

Colombia... 1,8%

Méjico.... 2,1%

Peru... 2,5%

9.2.1 Analysis

The elimination of the tariff barriers for 92% of the products traded inside the Alliance entered into force in May 2016 (Portafolio, 2016), therefore, it is very soon to note and analyse acutely the effects of these policies. However, considering the last macroeconomic data on GDP growth per capita and the totals, the economies continue in positive expansion, from which Peru registers the highest growth rate of 3,9% while the economic growth of the other countries are around 2%.

As described previously in *Figure 6* and with more details on Appendix 1, the countries of the Alliance are highly dependent on exports of commodities. Therefore, changes in the prices of commodities affects in some extend the behaviour of the GDP variations as the empirical evidence demonstrates when contrasting the fluctuations and the important fall in these prices after 2014 and the falling of the economic growth after that year (Appendix 2).

This great dependency is a limiter factor in the intention to measure, in the short term, the impact of trade liberalization on the economic growth of the Alliance country-members. However, later some projections on economic growth will be described and analysed.

Despite this, the general performance of the countries of the Alliance has been positive during the whole period observed of ten years (2007-2016), excepting Chile and Mexico, which experienced a negative variance during year 2009.

9.3 Port container traffic statistics

This measures the number of containers that are flowing in or out of the country through its ports. The containers that are taken into consideration are the standard-size or twenty-foot equivalent units (TEUs). (World Bank, 2017)

This data can give an idea about the behaviour of the international commerce through the ports of each country and to identify possible incidence when international agreements on liberalization of trade are made.

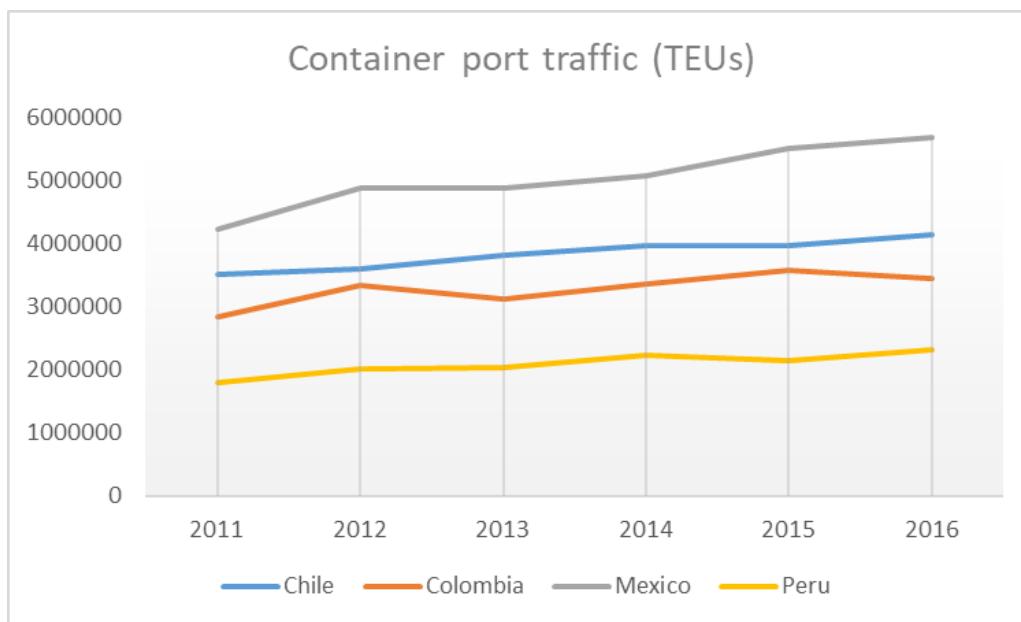


Figure 7 - Container port traffic TEUs. Source: World Bank, 2017

9.3.1 Analysis

During the years between 2011, year of birth of the Alliance, and 2016, the movement of containers have grown as follows (*Figure 7*)

Chile 18,6%

Colombia 21,6%

Mexico 34,6%

Peru 29,5%

The empirical evidence shows a positive behaviour in this indicator which is very similar to all the countries of the Alliance except for Mexico that shows a slightly stronger growth during the same period after the creation of the Pacific Alliance. One of the reasons could be considered to explain this is the export structure of the country which is more diverse compared to the rest of the countries of the Alliance (Appendix 1).

9.4 Foreign Direct Investment, net inflows (%GDP)

According to the World Bank, “Foreign direct investment (FDI) refers to direct investment equity flows in the reporting economy”. The Direct investments provide equity capital, reinvestment of earnings and other capital from foreign sources to local companies in exchange of ownership or when foreign companies introduce in new markets in different countries creating their own business operations or branch in it. “Ownership of 10 percent or more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship. Data are in current U.S. dollars” (World Bank, 2017)

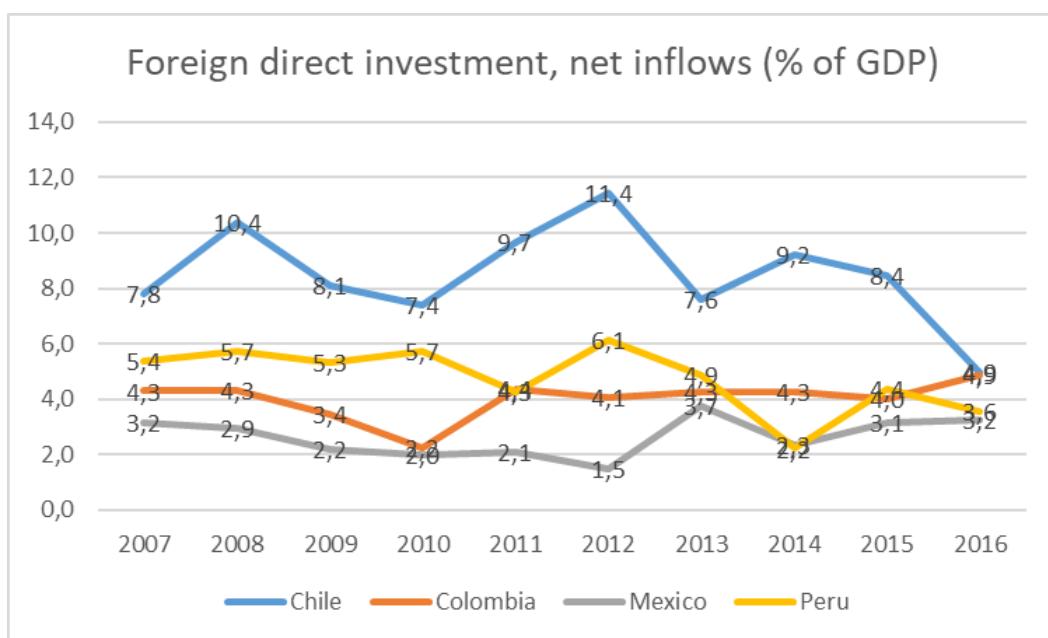


Figure 8 Foreign direct investment, Net inflows. Source: WB, 2017

9.4.1 Analysis

During the period of existence of the Pacific Alliance and even before this, the four-member countries have experienced positive net inflows of Foreign direct investments while the period between 2011 and 2013 show a pick in this indicator for many of the countries (*Figure 8*).

According the United Nations Conference on Trade and Development on their World Investment Report 2017, economies in the region are highly supported by the exports of commodities, and the falling of the international prices of minerals, agriculture and other

related products in the last years have led to a reduction in the general level of FDI even though it keeps still in positive levels between 3,2% and 5% of GDP of the countries. (UNCTAD 2017)

Thus, as in the case for the GDP growth, the great dependency on commodities of the countries of the Alliance plays also an important role in the variation of the FDI. The recovery of commodity prices between 2009 and 2011 (Appendix 2) is reflected in the growth of the FDI in Chile, Colombia and Peru, probably because the major investments by foreign companies in these countries are focused in the oil and minerals sectors.

Despite this, the levels of Foreign Direct Investments continue having a relative stable performance.

9.5 Evolution of Total Unemployment

The total unemployment (as percentage of the Total labour force) has registered steady decrease in all the four economies part of the Alliance. In the last year of 2016, the major unemployment rated is found in Colombia on 8,2% of the total labour force, while the lowest is in Peru with 3,9% of the total labour force. Chile and Peru, registered an unemployment rate around 6,6%.

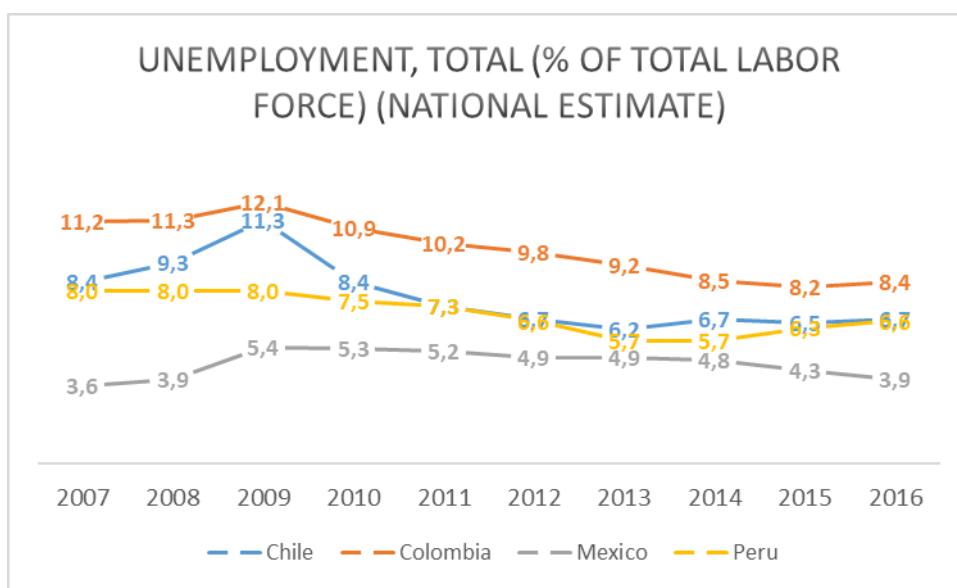


Figure 9 - Unemployment total estimated. Source: World Bank, 2017

9.5.1 Analysis

The unemployment rate is always an important indicator that relates the general level of activity of the economy and its affection to the general society and specially the inhabitants of the country.

Before the creation of the Pacific Alliance, it is possible to note (see *Figure 9*) general levels of unemployment as follows: over 8% for Chile and Peru, slightly over 11% for Colombia and 3,6% for Mexico. However, in 2016 these levels have decreased for Chile and Peru to approx. 6,6% and for Colombia to 8,4%. In the other hand, Mexico presents a slightly increased of this indicator, in 2016 as 3,9%.

9.6 Poverty headcount ratio at national poverty lines

This indicator (as percentage of the national population) shows the relative number of people that is living under national poverty lines that indicates very low levels of real income and therefore, very low standard living. (World Bank, 2017).

In *Figure 10*, it is represented some of the data, in some cases every year (Colombia and Peru) or every two years (Chile and Mexico) about the evolution of the general levels of Poverty levels in the country following own standards.

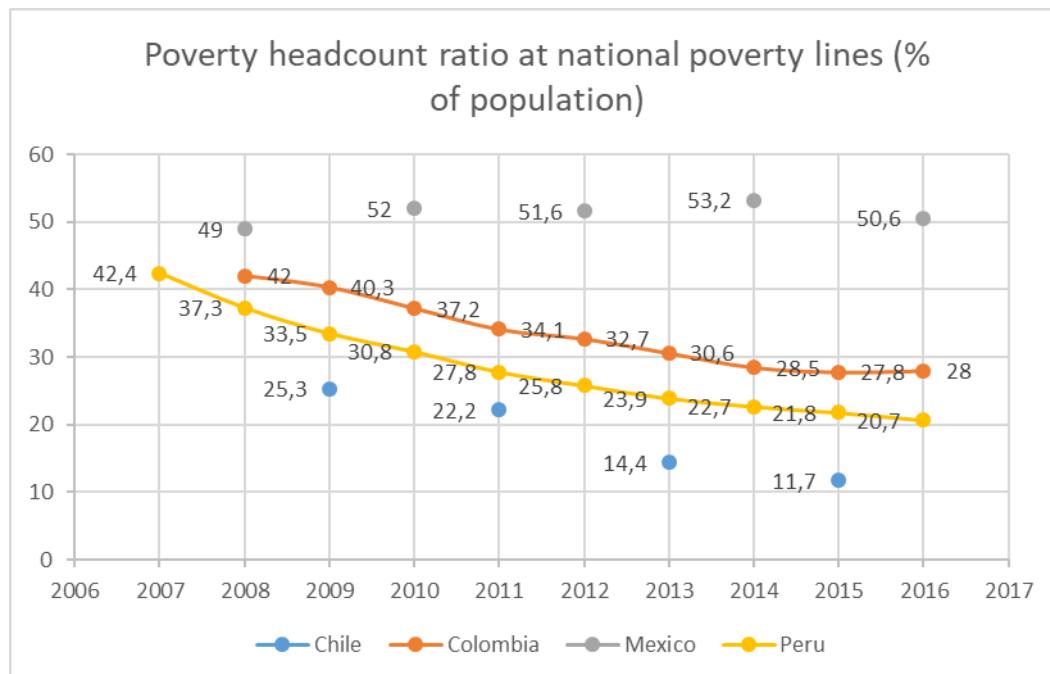


Figure 10 Poverty Levels of the PA over ten years. Source: WB 2017

9.6.1 Analysis

Countries across the world put a great effort to increase the living standard of their inhabitants by creating economic opportunities or social mechanisms that rise their income, possibilities of employment, keeps inflation under control, among other elements that works together to reduce the general levels of poverty and bring welfare to the people in the long term (UN 2015).

Over ten years shows a relative improvement on this area, especially in Colombia, Peru and Chile, were the poverty has fallen from higher levels and in 2016 it was situated on 28%, 20% and 11% (2015) respectively.

The case of Mexico shows a behaviour with no relevant change over the ten years (oscillating between 49 and 53% of the population in poor standard levels).

One possible reason for this can be seen through making cross-analysis that takes into consideration the high population growth that the Mexican nation has experienced in the last decade (2006-2017) of over 15,7 million more inhabitants or 14,7% increase in ten years (*Figure 3 – Evolution of Population in the PA. Source: World Bank, 2017*), while their GDP have grown in the same period 19,6% (*Figure 5*). The fast population growth that Mexico has been experiencing is likely to absorb the economic growth and therefore the levels of poverty require more governmental efforts to obtain significant change that leads to the improvement of the living standards of the Mexican society.

9.7 Projections of Economic Growth in the Pacific Alliance

According to the International Monetary Fund calculations, the region presents in general terms, good perspectives of economic growth.

The projections in *Figure 11*, represent the expected Real Gross domestic growth for the four-member countries as well as a comparison of the projections for the Latin America and Caribbean regions as well as for the group of Advance economies.

In here, it is important to highlight the significant difference in the rates for the advanced economies, between 1,7 and 2,5 per cent between 2018 and 2020, while for Latin America and the Caribbean, the rate is expected between 2 and 2,8 per cent.

For Chile, Colombia, Mexico and Peru, the projected GDP growth is at the lowest 2,3% while the maximum is 4%. Showing superior and more optimistic data for the Alliance.

Chile is expected to grow between 3,2 and 3,4 per cent till 2020.

Colombia is expected to have a GDP growth between 2,7 and 3,6 per cent.

Mexico between 2,3 and 3 per cent, while Peru between 3,7 and 4 per cent. (IMF, 2018)

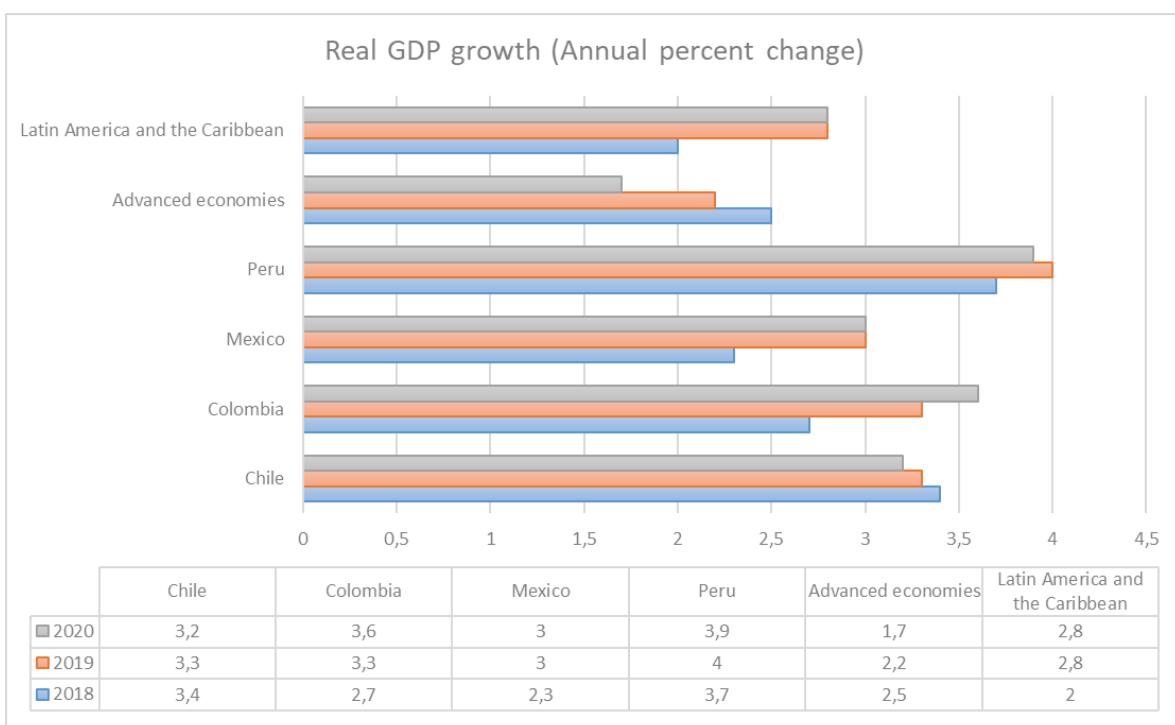


Figure 11- Real GDP growth -Projections. Source: IMF, 2018

9.8 Projection on Changes of real Income in the Pacific Alliance member-countries

In the study, “Dimensions and Economic Effects of The Pacific Alliance” by the German Ifo Institute for Economic Research and the Konrad-Adenauer-Stiftung foundation (Abusada-Salah et al., 2015), the authors predict a change in the welfare status of the inhabitants of the whole area by calculating and measuring the expected changes in their real income after the execution of different steps established for the Pacific Alliance country members.



Figure 12 Real income change expected in the PA. Source: Ifo & KAS institute.

In *Figure 12*, it is possible to overview the changes in real income calculated in the study, with Peru and Colombia with the highest gains while Mexico and Chile present lower increase. These values reflect that Mexican and Chilean economies have a major commerce exchange with other economies like the US or China, thus the expected effects from the Alliance are lowered:

Chile..... 0,47%

Colombia... 0,83%

Mexico..... 0,12%

Peru..... 1,87%

These simulations made inside the research are having limitations that are mentioned as result of other economic effects from bilateral Free trade agreements (FTA) that countries were negotiating in the moment of realization of the paper and coming into force in the coming years, while also the base year for the data was 2007. Therefore, the results should be taken as approximations to the real results that the countries of the Alliance will experience in the coming years when all tariffs and other market integration steps are developed (Abusada-Salah et al., 2015)

10 Future stages of the Pacific Alliance

In the last Presidential Summit in June 2017 and in the rest of the year, some important steps in line with the major goals of the Alliance were agreed to continue its development. (EY, 2017). These are:

To increase the knowledge and application of risk management methodologies to prevent or fight against illegal trade activities among the countries of the alliance.

Agreement on the creation of the Authorized economic operator, allowing the establishment of guidelines on minimum safety standards for logistic operators.

The development of standard statistics and professional practices that allows, facilitates and speed-up the exchange of financial, social, economic information inside the Alliance.

The proposal of the creation of a common fund in the Alliance to finance investments on new infrastructure. (Reuters, 2017)

To promote the business culture among the citizens of the Alliance through educational programs for entrepreneurs and to continue the development of technological platforms that digitalizes and simplifies all the processes for businesses.

The realization of plans to promote the trade of agricultural and industrial products or seeking the creation of new productive chains inside the Alliance.

The research and development of opportunities of Internships inside the Alliance, facilitating the movement of apprentices undertaking technical and technological studies. Furthermore, the alliance is looking for increasing the sharing of information among its member about best practices and improvement of work environments.

One important step of the Alliance during year 2017 was the establishment of the Work Plan in terms of facilitation of trade and cooperation with the countries of the APEC and ASEAN.

10.1 Extension of the Pacific Alliance: From Observer States to Associate States

The Observer countries of the Pacific Alliance in the end of 2017 are 52 states that have the right to participate in the different work meetings of the Alliance without right to vote but to express their considerations on thematic or negotiations between the countries. (Pacific Alliance, 2017). These are:

1 Argentina	21 Honduras	41 Slovenia
2 Australia	22 Hungary	42 South Korea
3 Austria	23 India	43 Spain
4 Belgium	24 Indonesia	44 Sweden
5 Canada	25 Israel	45 Switzerland
6 Costa Rica	26 Italy	46 Thailand Trinidad and
7 Croatia	27 Japan	47 Tobago
8 Czech Republic	28 Lithuania	48 Turkey
9 Denmark	29 Morocco	49 Ukraine
10 Dominican Republic	30 Netherlands	50 United Kingdom
11 Ecuador	31 New Zealand	51 United States
12 Egypt	32 Norway	52 Uruguay
13 El Salvador	33 P.R. China	
14 Finland	34 Panama	
15 France	35 Paraguay	
16 Georgia	36 Poland	
17 Germany	37 Portugal	
18 Greece	38 Romania	
19 Guatemala	39 Singapore	
20 Haiti	40 Slovakia	

During the last Presidential Summit celebrated in 2017, one important step in the enlargement process of the Pacific Alliance was made: The creation of the figure of Associate Member country, which is a new stage to promote and establish near trade partnership with Observer states (Reuters, 2017)

The new status of Associate Member follows the major Framework guidelines oriented towards a high liberalization of trade between the bloc and the new Associate states, involving then, from part of the last one, the commitment to subscribe deep Free Trade Agreements with the bloc.

The created protocol facilitates the conception of new areas of integration with other countries and four of them were invited to become the first Associate states of the Pacific Alliance: Australia, Canada, New Zealand and Singapore. (Reuters, 2017)

Continuing this path, the new countries are having during the 2018 work meetings and negotiations on ambitious and high standard economic trade agreements to expand the reach of commercial, service and capital flows. (Reuters, 2017)

11 Supporting the benefits on Trade liberalization policies

Different studies by other authors attempt to research and analyse the effects of trade liberalization. Being a macroeconomic aspect, this includes more than many variables that must be considered to realize about the possible positive or negative effects of trade liberalization.

In the study, "Assessing the Benefits of Trade Facilitation: A Global Perspective" (Wilson, Mann, Otsuki, 2005), the authors made a detailed research on different policies and reforms with trade facilitation as their backdrop in different countries all over the world to realize about the effects on the international trade, exports and imports of the countries after applying such policies.

The study recognizes the difficulties to establish direct relation between economic and political variables that influences on the results of the economy of a country, but using different econometric tools, economic scenarios and calculations, it concludes on the benefits of the overall improvement of all trade facilitations including, port efficiency, infrastructure, regulations and customs environment. (Wilson, Mann & Otsuki, 2005)

The study, having a global perspective, analyses the historical behaviour of different economic blocs and countries before and after applying changes on the line of trade facilitations, analysing the effects on imports and exports occurring after these reforms.

The general findings point out that exports and imports show a general growth in all countries that made changes for their internal or external economic environment to favour the international trade and the inclusion into the international chains of value. (Wilson, Mann & Otsuki, 2005)

An important note included in the conclusions of the research is, after analysis of economic blocs, that major gains for developing countries in term of exports are presented when they have been creating and implementing policies and changes improving their own ability to export to the countries of the OECD group, which is at the end, the area with the largest values on international trade (over 2760 billion Dollars) among all other regional groups. (Wilson, Mann & Otsuki, 2005)

The conclusions presented in the mentioned study, support the action and steps of the Pacific Alliance, starting from Emerging countries that are working together to entering different global production chains and creating an important platform of free trade with high dynamism and active cooperation in different areas with countries all over world.

12 Finland and the Pacific Alliance

12.1 Importance

For Finland, increasing exports is a superior necessity for the country's economy which was in economic stagnation or recession for many years. As the Senior Advisor of Export Finland in FinPro, Janne Jäälinnoja, expressed in the article "Why export is the medicine Finland needs" (2016), the downturn in the exports is a problem which is also linked to the fact that the country depends on too few large companies that makes majority of the exports, originating a higher risk for the economy when international crisis affects those sectors where those companies belong to.

Finland seeks for diversifying its economy and its export structure developing incentives for Small and Medium Enterprises or SME due the dynamism of this sector that year over year shows better progress than the traditional sectors. Unfortunately for the Finnish economy, the SME still do not represent an important share of the total export value: in other near countries like Sweden or Denmark this represent over 30% of exports coming from this kind of enterprises (Jäälinnoja, 2016).

From this perspective, the Finnish economy demands for more diversification not only in its industrial structure but also in the export structure, a view where government and different institutions agree, and Pacific Alliance is a possible alternative that fits with the need of the country.

12.2 Benefits and Opportunities

Officially, Finland received the status of Observer State of the Pacific Alliance on February 2014, during a Summit of the Alliance celebrated in Cartagena, Colombia. (Ministry of Foreign Affairs of Finland, 2014)

As Observer state, Finland has the right of being part of the organization events, to speak in those and to receive direct information from the bloc and its developments. (Pacific Alliance, 2017)

The Government of Finland has expressed, through its Ministry of Foreign Affairs, the interest on the Pacific Alliance while some Finnish delegations, with business representatives from the main sectors of the economy have been visiting the countries

of Mexico, Colombia and Peru in various opportunities. (Ministry of Foreign Affairs of Finland, 2014), (Finnish Government, 2017).

The OECD in its last Economic Survey released in February 2018, advices to policy makers and institutions in Finland, to create and stimulate the frameworks for Small and Medium size companies that allows them to interact fluently with other institutions, and to access to research that leads to increased abilities to expand their business or commerce to other markets. (OECD, 2018)

As stated before, Finland urges from diversification of its economy and the exports is one of those with a major importance to overcome the last years of economic recession. The sectors that lead the exports in the Finnish economic structure are: the machinery and transport equipment, the forest industry products, chemical industry products, metals and sub products, and electric and electronics industry products. (OECD, 2018)

Other Institutions like FinPro / Business Finland have been created or reformed to promote the entrepreneurship and to increase the dynamism of the Nordic economy whereas it is highly recommended that boosting must be oriented by a constant rising of exports and private investments. (OECD, 2018)

At the same time, large economies among developed countries, like United States and United Kingdom, are moving towards more protectionist schemes that have high potential to affect negatively the Finnish economy as expressed by the OECD on its last report in the section of external risks for Finnish economy (OECD 2018).

Even though it is not possible for Finland to benefit in the short term of the gains derived from the elimination custom tariffs (as full members or soon, the Associate states), the Pacific Alliance is still bringing real opportunities to develop business in different sectors due to its economic expansion and the demand of new technologies and trainee in different areas.

Following the steps of the Pacific Alliance, in the Cooperation apart for development with Observer countries, Finland has increased the communication and integration with the member states, especially with Colombia, Peru and Mexico, to build more business bridges and to seek for business opportunities in the region.

The Finnish Chamber of Commerce reports that 506 million Euros was imported from the Pacific Alliance during 2016, while the exports to that region accounted around 616 million euros (More details in Appendix 4). (Kauppayhdistys, 2017)

Finland is increasing its interest in these countries by promoting the networking and exports in the traditional sectors but also seeking to be part of infrastructure projects, cooperation in Healthcare, IT, Cleantech, Cybertechnology and specially in the Innovation and Education sector inside the Pacific Alliance. (Finnish Government, 2017)

For instance, Colombia is currently having an ambitious plan to become the “most educated” country in Latin America by 2025 (OECD, 2016), and Finland with its global well-known expertise on Education, is becoming a key player in the development of this goal for the Andean country. Since 2016, Finnish delegations from Universities of Applied Sciences and other institutions, have been visiting Colombia. The Haaga-Helia University of Applied Sciences has developed a program to train local teachers on Finnish pedagogical methods adapted to the Colombian scenario and selling consultancy services to the Ministry of Education of this country. (Haaga-Helia, 2018)

The cities in those Latin American countries are expanding and renovating, moving towards new eco-friendly practices, building and improving ports, airports and highways while strengthening their existing or non-existing telecommunications connectivity throughout geographical areas that include cities, rural zones, jungles and areas with difficult access to services due to their very special conditions that are part of the vast member countries of the Pacific Alliance. Also, worthwhile to mention the increasing demand in countries like Mexico, of offshore oil production equipment and marine technology thanks to the liberalization of the oil industry sector in this country. (Vapaavuori, 2014)

The gain of experience for Finnish institutions and enterprises in a country part of the Pacific Alliance bring the opportunity to expand relatively fast to the rest of the countries of the Alliance that constitutes the eight largest economy in the world (EY, 2017) thanks to the deep economical, commercial financial and socio-cultural connections. It is important to remember also that the Alliance serves as a platform towards the countries of the Asia Pacific region bringing a major business potential for businesses. (Kauppayhdistyket, 2017)

13 Conclusions

13.1 On possible benefits of the PA for its countries and achievements

The Pacific Alliance presents till 2018, clear signs of dynamism and development in a region that has experienced unsuccessful attempts to reunite the Latin American countries under common social and economic goals during many years.

After analysis of the economic and social indicators and some projections in economic growth and income, it is possible to conclude that the economies of these countries present characteristics that the Pacific Alliance is not yet able to cover with its prospected benefits.

The economic performances are affected by other factors in the last years, including the great dependency on commodity exports, especially of oil and minerals for Colombia, Chile and Peru, while Mexico, with a more diverse economy, presents a growth of its population still high in comparison to its economic growth, which constitutes one of the possible reasons why some social indicators like unemployment and the poverty levels keeps more or less in the same levels or higher than before the Alliance.

Furthermore, the main economical partners of each of the countries of the Alliance, are not yet inside this group. United States, China, Canada, Spain and Germany represents for many of the countries the main destinations for their exports. Therefore, the liberalization of trade and elimination of tariffs represent for the countries of the alliance more a potential opportunity to diversity their economies in the coming years.

This is perhaps represented in the projections made by specialized organizations and described in this paper, where member-countries of the Alliance expect to obtain a steady growth of their economies in the coming years. Clearly, it is challenging to predict accurately the outcomes because these countries are also affected by the quirks of the world economy.

However, following the structural progress that has been made in terms of economic, financial, intraregional and external cooperation, the achievements are various, and the projections suggests that the scope of this alliance is quite broad and important in today's

world where there are no other references of commerce integration and trade liberalization as ambitious as this one.

The main structural achievements in terms of economic, financial, social areas and intra-regional cooperation, represents a potential for major exchange of commerce, economic growth and welfare progress by the expansion of more integrative relationships with the rest of the world and the facilitation of the economic development. These are:

- The elimination over 92 percent of all tariffs inside the Pacific Alliance area.
- The joint of the four-exchange stock market to create an integrated stock market called MILA (Mercado Integrado Latino Americano) that represents the biggest in Latin America.
- Involvement in the Trans-Pacific Partnership (TPP) negotiations through Chile, Mexico and Peru.
- Free movement of people by removing the visa requirements inside the area of the four countries.
- The promotion of educational and research exchange in all the area by the creation of special scholarships and interuniversity collaboration.
- The step forward in integrational terms with countries outside the regional-near geographical space, by the creation of the “Associate Member” concept. New Zealand, Canada, Australia and Singapore, are in process to be granted this status.
- The establishment of joint embassies representing the whole countries of the Alliance and increasing the ability to work together as one voice to the world.
- The initiative to create a single passport for the citizens of the Alliance.

It is also important to recall some of the ideas the Alliance is working on after the last Summit in 2017:

- To promote the integration and cooperation with the Association of Southeast Asian Nations (ASEAN) and Mercosur.
- The integration of taxation frames, patent process and creation of new rules.
- The planning of stronger gender equality measures inside the Alliance.
- The promotion of more educational integration by creating common educational credentials.

13.2 Other trade liberalization supports the project of the PA

The analysis of previous studies on trade liberalization shows that relatively positive results have been obtained when developing countries have applied these measures while continuing a project of continuous improvement of their economies through education, the remodelling of their infrastructure, their institutions and their business practices. This demonstrates that the Pacific Alliance can maintain its good expectations if its future development keeps aligned with its principles, basic objectives and simple and efficient dynamics to achieve results.

13.3 On Possible opportunities for Finland

On the other hand, Finland is emerging from a period of economic recession and it is urgent to create greater dynamism in its economy through greater commercial diversity. Institutions such as the OECD and the Government of Finland declare that it is relevant to achieve the activation, growth of exports and generate more activity in traditional and non-traditional economic sectors. Thus, in front of this challenge, the conditions of the current world where the major economies such as the United States and United Kingdom are applying protectionist measures and China has slowed its economic growth, it is important for Finland to take decisions to follow alternatives such as the Pacific Alliance, which represents not only the eighth largest economy in the world, but also a unique platform to expand and share its knowledge in areas such as Education and Innovation, not only within the members of the Alliance but also to future Associated State members (Australia, New Zealand, Canada and Singapore), as well as to consider seriously the business and commercial potential growth towards the Asia-Pacific region as destination for Finnish goods and services (Appendix 3).

The region of the Pacific Alliance is having now a strong orientation in investments on infrastructure, logistics and several sectors that are developing and updating practices. The governments of the region are doing and promoting this with the objective of updating all their productive structures, to be more efficient and bringing the best conditions to maintain the steady growth of the industry, commerce, services and other sectors. Some Finnish Companies are already taking advantage of the opportunities that this region is offering to do business like Wärtsila, Kone, Metso, UPM, among other ones. Summarizing the findings in this chapter, the sectors that are identified as the ones with

higher opportunities for Finland in terms of expansion or new areas for Exports and international Cooperation, are:

Table 3 Finnish sectors with potential of growth in the PA

Sectors with potential of exports or investment for Finnish Companies (for expansion or entrance)	
Colombia	Forest industry
	Electronics
	Energy technologies
	Meteorology
	Port logistics and infrastructure
	Airport technology
	Mining
	Eco-friendly technologies recycling
	Digitalization
	Education
Peru	Eco-friendly technology
	Healthcare
	Sustainable Forest industry
	Renewable energy
Chile	Healthcare
	Wellbeing
	Telecommunications
	Machinery
	Equipment for industry
	Digitalization
Mexico	Green construction
	Healthcare and wellbeing
	Transportation machinery
	Food sector
	Retail trade
	Energy and Mining
	Offshore industry
	Forest and pulp technology
	Information technologies
	Maritime machinery

It is important to highlight that Finnish Government and Trade institutions, like Business Finland, are having a great interest on to maintain the expansion of the international trade and cooperation with the Pacific Alliance due to the sharing of different political and economic fundaments but also because it represents an alternative in a world that is moving towards a new structural trade and economic order where the most near or important economic countries are not having the same alignment in some cases.

Further research could be made in the coming years on the performance of the economies of the Pacific Alliance including the countries that are expected to join this project, like Panama and Costa Rica, and to attempt measuring the impact and prospects of the new partnership built with the Associate Members: Canada, New Zealand, Australia and Singapore. More information, statistic data and econometric studies can be gathered about the economic development of the countries and the social indicators, poverty levels, unemployment, education progress among others, to try to quantify the impact of the current changes and measures done inside the countries of the Alliance. In the same line, in the near future, should be possible to further on the studies on the economic and political partnership that Finland is building with the Alliance, measuring the development that this cooperation has on Finnish exports and general economy. In the long term it should be possible to identify more economic and trade opportunities for this Nordic country if the goal of the Pacific Alliance, of being a productive and logistic platform for the commerce with the countries of the Pacific Rim, is achieved.

Bibliography and References

- Abusada-Salah, R., Acevedo, C., Aichele, R., Felbermayr, G. and Roldán-Pérez, A. (2015) *Dimensions and Economic Effects of the Pacific Alliance*. Foundation Konrad-Adenauer-Stiftung. Available at: http://www.kas.de/wf/doc/kas_40265-1522-1-30.pdf?150729163046 (Accessed: 7 December 2016).
- Alianza del Pacifico. (2017). *Observer Countries*. [online] Available at: <https://alianzapacifico.net/en/paises/paises-observadores/> [Accessed 20 Apr. 2018].
- Baier, S.L. and Bergstrand, J.H. (2007) 'Do free trade agreements actually increase members' international trade?', *Journal of International Economics*, 71(1), pp. 72–95. doi: 10.1016/j.jinteco.2006.02.005.
- CEPALSTAT | United Nations (2018). *Databases and Statistical Publications*. [online] Available at: <http://estadisticas.cepal.org/cepalstat/PerfilesNacionales.html?idioma=english> [Accessed 10 Apr. 2018].
- Christiansen, B. (2014) *Handbook of research on economic growth and technological change in Latin America*. Boca Raton, FL, United States: Business Science Reference.
- European Institute of International Studies. 2016. *Results of the Nordic Stakeholders Meeting*, June 2016. Salamanca: EIIS. License: Creative Commons Attribution CC BY 3.0 IGO (online) http://www.ieeiweb.eu/wp-content/uploads/2016/01/The-Pacific-Alliance_book.pdf
- EY, Ernst & Young (2017) *Pacific Alliance Business and Investment Guide 2017/2018*. Available at: http://www.rree.gob.pe/Documents/2017/Pacific_Alliance_Business_and_Investment_Guide_2017-2018.pdf (Accessed: 20 April 2018).
- Flannery, N.P. (2016). *What should investors know about Latin America's pacific alliance?* Available at: <http://www.forbes.com/sites/nathanielparishflannery/2016/05/30/what-should-investors-know-about-latin-americas-pacific-alliance/#548ec1d6611c> (Accessed: 7 December 2016)
- Gehrin, H. and Koch, M.C. (2016) *On the Path from Failed State to OECD Member? Colombia's Way towards a Brighter Future*. Konrad-Adenauer-Stiftung. Berlin, Germany. Available at: <http://www.kas.de/wf/en/33.44735/> (Accessed: 8 December 2016).

Government of Canada. (2018). *Pacific-Alliance - Background and additional links*. [online] Available at: <http://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/pacific-alliance-pacifique/background-contexte.aspx?lang=eng> [Accessed 18 Apr. 2018].

Haaga-Helia | University of Applied Sciences. (2017). *Haaga-Helia has signed a consultancy contract with the Ministry of Education of Colombia*. [online] Available at: <http://www.haaga-helia.fi/en/news/haaga-helia-has-signed-consultancy-contract-ministry-education-colombia#.WuCQI4hubIU> [Accessed 21 Apr. 2018].

Haaga-Helia | University of Applied Sciences. (2018). *Teachers trained by Haaga-Helia graduate in Colombia*. [online] Available at: <http://www.haaga-helia.fi/en/news/teachers-trained-haaga-helia-graduate-colombia#.WuCQ7ohubIU> [Accessed 21 Apr. 2018].

IMF | International Monetary Fund (2018), *International Financial Statistics and Balance of Payments databases*. [ONLINE] Available at: <http://www.imf.org/external/datamapper/NGDPD@WEO/CHL/COL/MEX/PER> [Accessed 15 April 2018]

International Centre for Trade and Sustainable Development. (2018). *Pacific Alliance, Associate Members Kick off Free Trade Negotiations* [ONLINE] Available at: <https://www.ictsd.org/bridges-news/bridges/news/pacific-alliance-associate-members-kick-off-free-trade-negotiations>. [Accessed 25 April 2018].

Jäälinen, J. (2016). *Why export is the medicine Finland needs*. Available at: <https://www.thinkwithgoogle.com/nordics/article/why-export-is-the-medicine-finland-needs/> (Accessed: 7 December 2016).

Jonker, J. and Pennink, B. (2010). The essence of research methodology. 2010 1th edition. Springer

Kauppakamari. (2018). *Latin America offers opportunities for Finland* - Kauppakamari. [ONLINE] Available at: <https://kauppakamari.fi/en/2014/10/15/latin-america-offers-opportunities-finland/>. [Accessed 20 April 2018].

Kauppayhdistykset. (2018). *Pacific Alliance and Finnish companies*. [ONLINE] Available at: <https://kauppayhdistys.fi/2017/04/24/pacific-alliance-finnish-companies/>. [Accessed 20 April 2018].

La Tercera. (2018). *Chile anotó por cuarto año el menor crecimiento de la Alianza del Pacífico*. [online] Available at: <http://www.latercera.com/negocios/noticia/chile-anoto-cuarto-ano-menor-crecimiento-la-alianza-del-pacifico/69578/> [Accessed 20 Apr. 2018].

- Marczak, J., George, S., Pérez Argüello, M.F. and Saldarriaga Jiménez, A. (2016) *Pacific Alliance 2.0*. Available at:
<http://www.atlanticcouncil.org/publications/reports/pacific-alliance-2-0-next-steps-in-integration> (Accessed: 7 December 2016).
- Ministry for Foreign Affairs of Finland. (2018). *Finland an Observer State of the Pacific Alliance - Ministry for Foreign Affairs of Finland: Current affairs*. [ONLINE] Available at: <http://formin.finland.fi/public/default.aspx?contentid=298585&contentlan=2&culture=en-US>. [Accessed 25 April 2018].
- Ministry of Commerce, Industry and Tourism (2015). *What is the Pacific Alliance? Colombia*. Available at: <https://alianzapacifco.net/en/what-is-the-pacific-alliance/> (Accessed: 7 December 2016)
- Naím, M. (2014). *The most important alliance you've never heard of*. Available at: <http://www.theatlantic.com/international/archive/2014/02/the-most-important-alliance-youve-never-heard-of/283877/> (Accessed: 7 December 2016).
- OEC (2018). Exports, Imports, and Trade Partners. *Finland (FIN) Exports, Imports, and Trade Partners*. [ONLINE] Available at: <https://atlas.media.mit.edu/en/profile/country/fin/>. [Accessed 25 April 2018].
- OECD (2018), *OECD Economic Surveys: Finland 2018*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-fin-2018-en. (Accessed: 7 April 2018)
- OECD, Organization for Economic Cooperation and Development (2016) *OECD Economic Surveys Finland*. Available at: <https://www.oecd.org/eco/surveys/Overview-OECD-Finland-2016.pdf> (Accessed: 7 December 2016).
- OECD. (2016) *Education in Colombia*. [eBook]. Available at: <http://www.oecd.org/education/school/Education-in-Colombia-Highlights.pdf> [Accessed 24 Apr. 2018].
- Ojala, J., Eloranta, J. and Jalava, J. (2006). *The road to prosperity: An economic history of Finland*. Helsinki: Suomalaisen Kirjallisuuden Seura.
- Organization of American States | Foreign Trade Information System SICE. (2017). *Trade Policy Developments: Pacific Alliance*. [ONLINE] Available at: http://www.sice.oas.org/TPD/Pacific_Alliance/Pacific_Alliance_e.asp. [Accessed 25 April 2018].
- Pacific Alliance | Alianza del Pacifico. (2017). *ABC de la Alianza del Pacifico*. [ebook]. Available at: <https://alianzapacifco.net/wp-content/uploads/2017/10/ABC-2017.pdf> [Accessed 14 Apr. 2018].

- Portafolio (2016). *Entra en vigor protocolo de la Alianza Pacífico que elimina aranceles a 92% de sus productos.* [online] Portafolio.co. Available at: <http://www.portafolio.co/economia/gobierno/entra-vigor-protocolo-alianza-pacifico-elimina-aranceles-92-productos-495071> [Accessed 25 Apr. 2018].
- Procolombia (2015) *Overview of the Pacific Alliance.* Available at: <http://www.procolombia.co/en/pacific-alliance/overview-old> (Accessed: 7 December 2016).
- Ravallion, M. (2016). *Poverty: the past, present and future.* [online] World Economic Forum. Available at: <https://www.weforum.org/agenda/2016/01/poverty-the-past-present-and-future/> [Accessed 4 Apr. 2018].
- Reuters (2017). *Pacific Alliance to admit new associate members to expand trade reach.* [online] Available at: <https://www.reuters.com/article/us-pacificalliance-members/pacific-alliance-to-admit-new-associate-members-to-expand-trade-reach-idUSKBN19K38F> [Accessed 20 Apr. 2018].
- Reuters. (2017). *Australia, New Zealand launch trade negotiations with Pacific Alliance.* [online] Available at: <https://www.reuters.com/article/us-trade-pacificalliance/australia-new-zealand-launch-trade-negotiations-with-pacific-alliance-idUSKBN19M33E> [Accessed 11 Apr. 2018].
- The Canadian Trade Commissioner Service. 2018. *Canada deepens ties with Pacific Alliance.* [ONLINE] Available at: <http://tradecommissioner.gc.ca/canadexport/0002539.aspx?lang=eng&pedisable=true>. [Accessed 20 April 2018].
- Thomson, S. (2015). *What are the Sustainable Development Goals?* [online] World Economic Forum. Available at: <https://www.weforum.org/agenda/2015/09/what-are-the-sustainable-development-goals/> [Accessed 2 Apr. 2018].
- Trebilcock, M.J. and Howse, R. (2004). *The regulation of international trade.* 3rd edn. New York: Taylor & Francis.
- UN Comtrade | International Trade Statistics Database. (2018). *International Trade Statistics Database.* [ONLINE] Available at: <https://comtrade.un.org/>. [Accessed 25 April 2018].
- UNCTAD, United Nations Conference on Trade and Development (2017). *World Investment Report 2017. Investment and Digital Economy.* [online] United Nations. Available at: http://unctad.org/en/PublicationsLibrary/wir2017_en.pdf [Accessed 14 Apr. 2018].

USOECD. United States Mission to the Organization for Economic Cooperation and Development. “*What is the OECD?*” Online.
<https://usoecd.usmission.gov/mission/overview.html> [Last accessed 16.11.2016]

Valtioneuvosto | Government of Finland. (2017). *Prime Minister Sipilä to Colombia, Bolivia and Peru - Artikkeli* - [ONLINE] Available at: http://valtioneuvosto.fi/en/artikkeli-/asset_publisher/10616/paaministeri-sipila-kolumbiaan-boliviaan-ja-peruun. [Accessed 20 April 2018].

Wacziarg, R. and Welch, K.H. (2007) ‘*Trade liberalization and growth: New evidence*’, *The World Bank Economic Review*, 22(2), pp. 187–231. doi: 10.1093/wber/lhn007.

Wilson Center. (2016). *Mercosur and the Pacific Alliance: Whither the Relationship?* [online] Available at: <https://www.wilsoncenter.org/article/mercousr-and-the-pacific-alliance-whither-the-relationship> [Accessed 15 Apr. 2018].

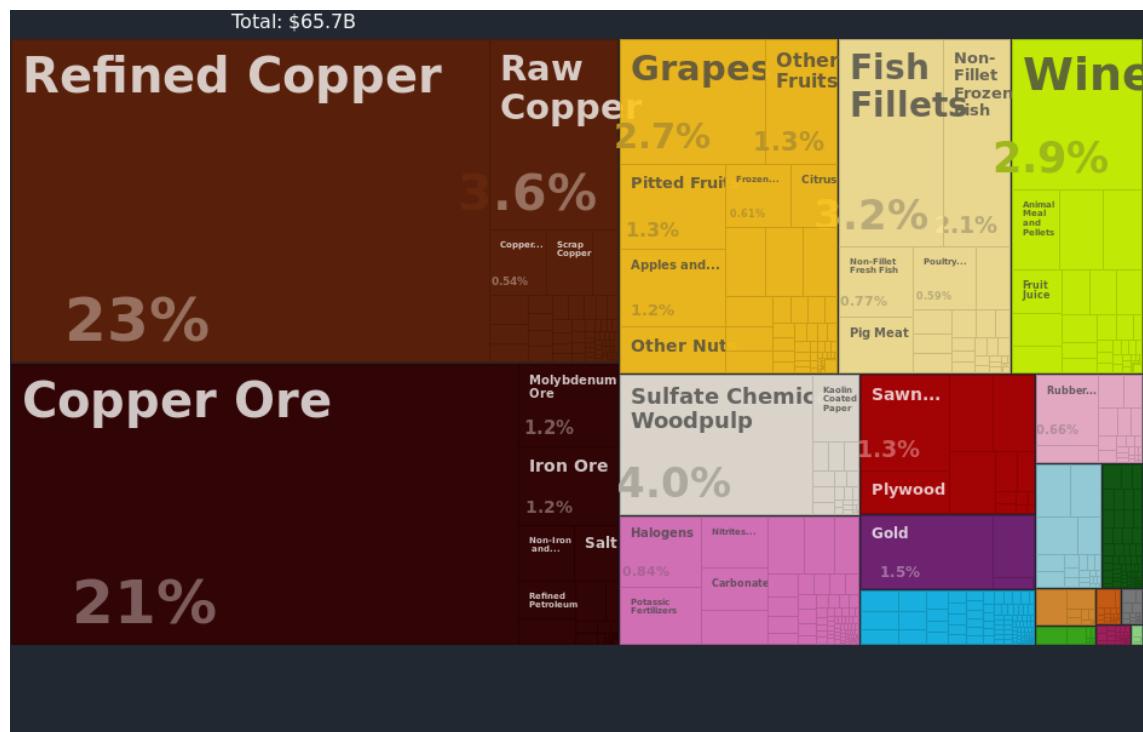
Wilson, J.S., Mann, C.L. and Otsuki, T. (2005) ‘*Assessing the benefits of trade Facilitation: A global perspective*’, *The World Economy*, 28(6), pp. 841–871. doi: 10.1111/j.1467-9701.2005.00709.x.

World Bank (2018) *GDP (constant 2010 US\$) | Data*. [ONLINE] Available at: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD?end=2016&locations=CL-CO&name_desc=false&start=1960&view=chart. [Accessed 15 April 2018].

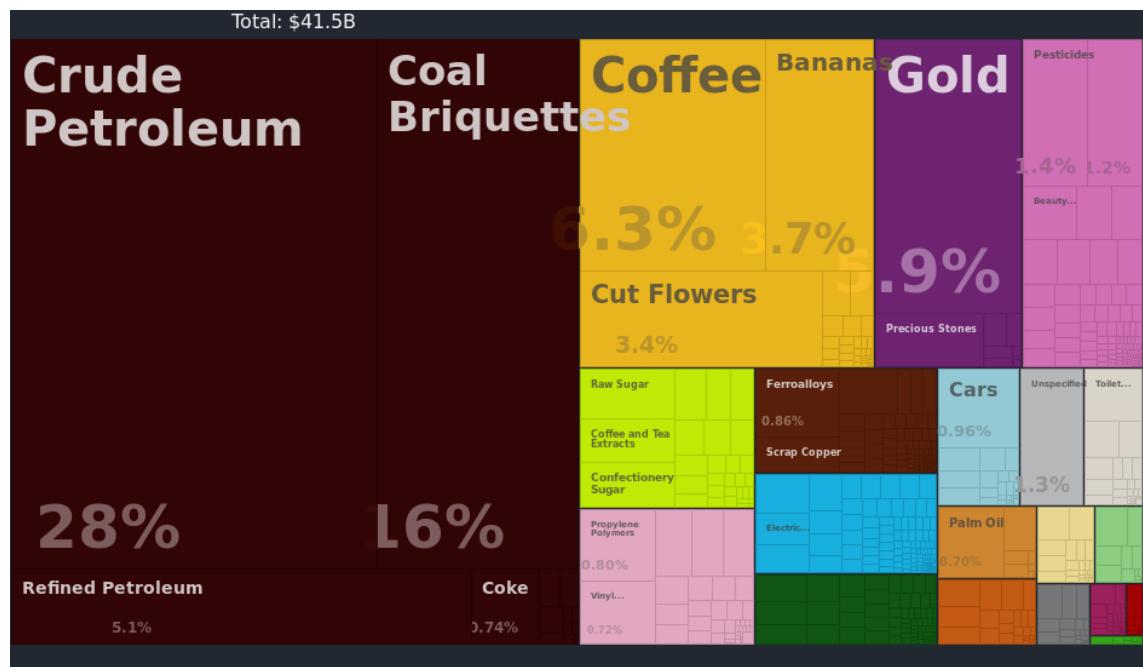
World Bank (2018) *World Development Indicators | Data*. [ONLINE] Available at: <http://databank.worldbank.org/data/reports.aspx?source=2&series=NY.GDP.PCAP.PP.CD&country=CHL,COL,MEX,PER#>. [Accessed 15 April 2018]

Exports structure of the countries of the Alliance- Main products and % of the total (2016)

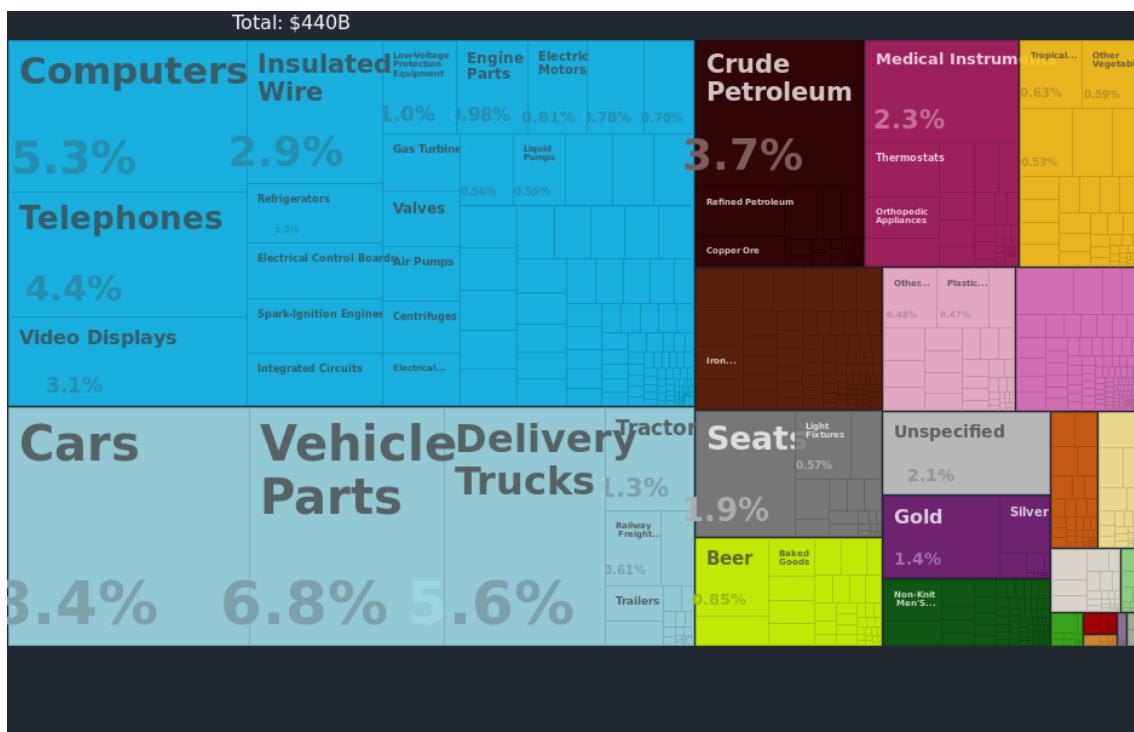
Chile



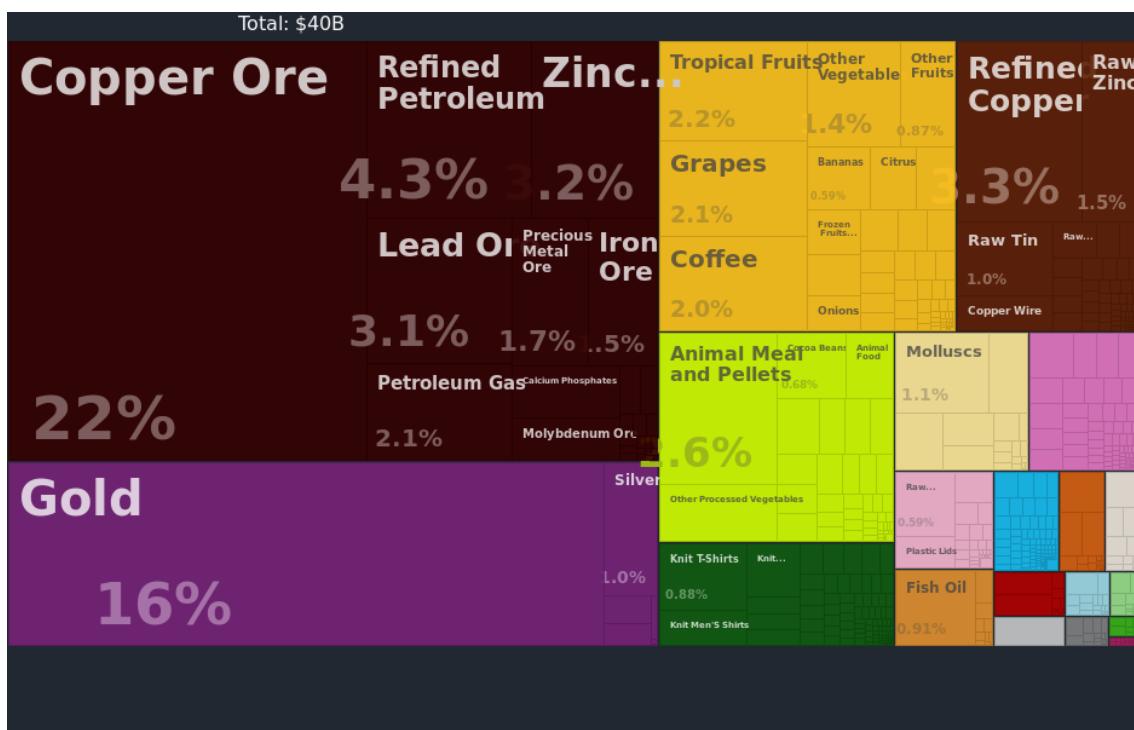
Colombia



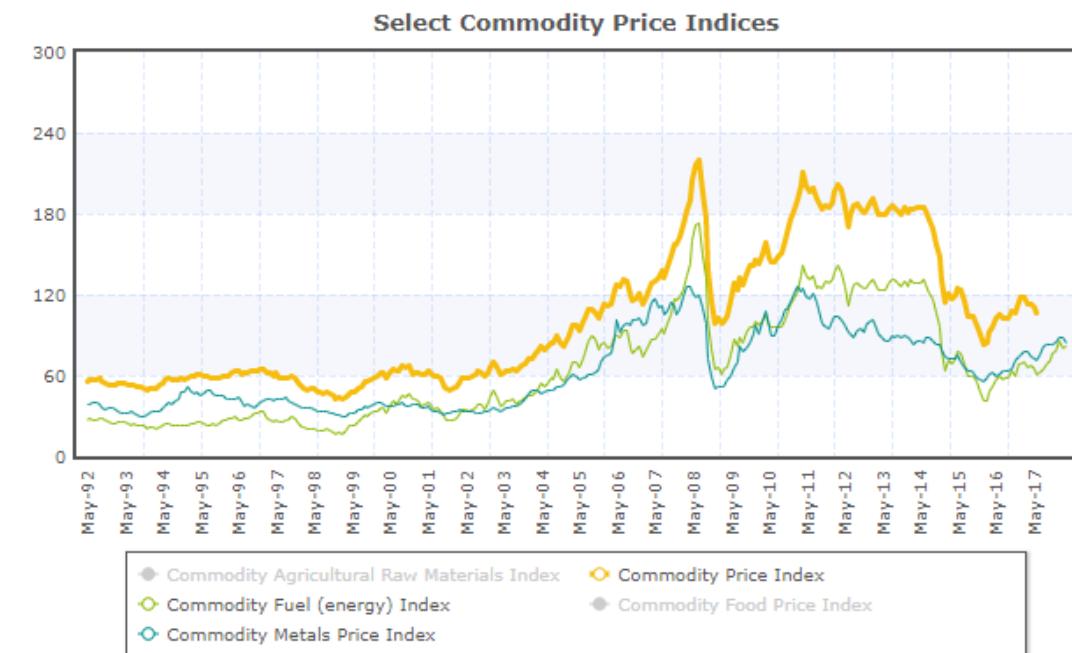
Mexico



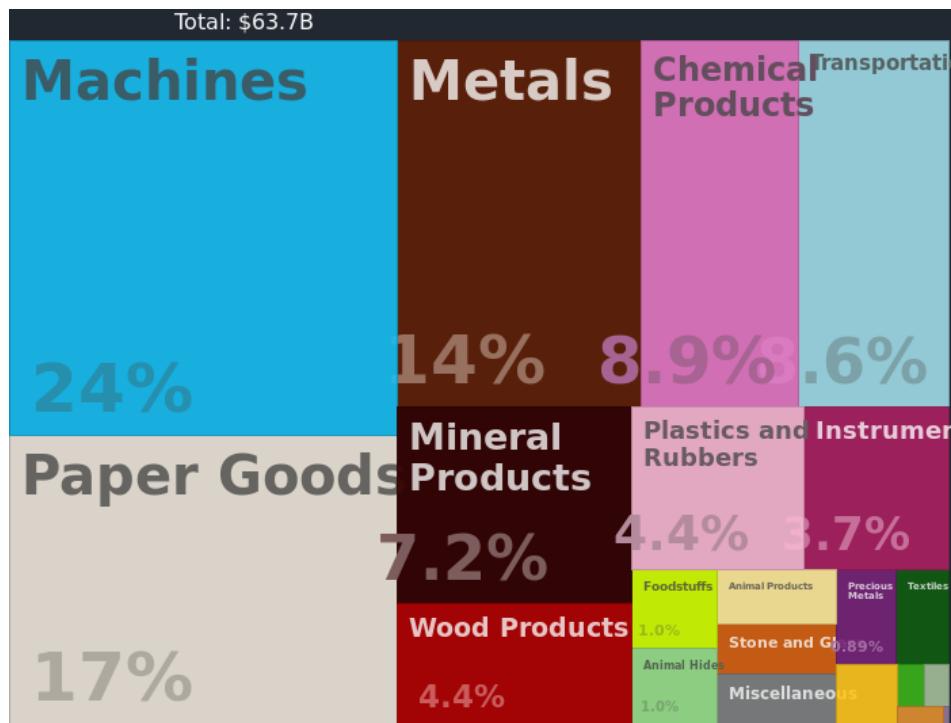
Peru



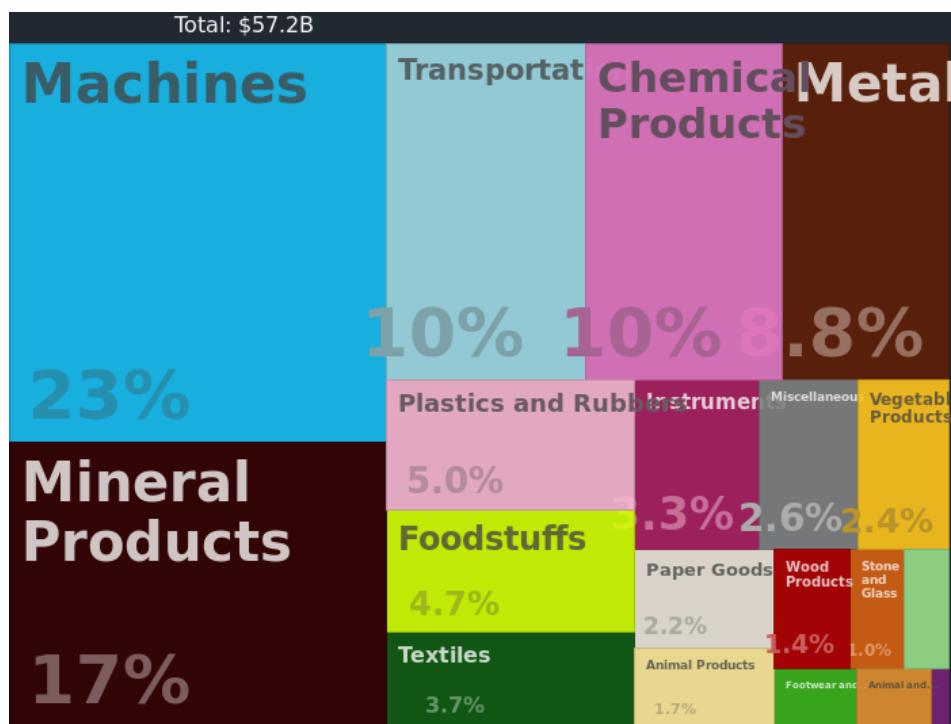
Commodity Prices between 1992 and 2017



Exports structure of Finland - Main products and % of the total (2016)



Import structure of Finland - Main products and % of the total (2016)



Report by the Finnish Chamber of Commerce, 2017

Trade with the countries of the Pacific Alliance

TRADE WITH PACIFIC ALLIANCE IMPORT & EXPORT WITH FINLAND						
	IMPORT			EXPORT		
Chile	140 m€	0,3%	-19%	212 m€	0,4%	+0
Columbia	80 m€	0,1%	-29%	72 m€	0,1%	-2%
Mexico	206 m€	0,2%	-19%	256 m€	0,5%	-20%
Peru	104 m€	0,2%	-43%	76 M€	0,1%	+0