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Pacific Alliance, Group of 20 Summits Boost Mexico's International Prestige

by Carlos Navarro

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Just a few months before his term in office ends, President Felipe Calderón is moving to consolidate Mexico's position as a major player on the global stage. In early June, the Calderón government joined the leaders of Colombia, Peru, and Chile to form a new economic bloc known as the Pacific Alliance. A few weeks later, Mexico played host to leaders from the Group of 20 (G20) nations in Los Cabos, Baja California Sur, in a summit that some considered an important step in addressing the global economic crisis. Calderón said that some decisions taken at the G20 would be the most important in many years, "perhaps many decades."

Pacific Alliance becomes a reality

On June 6, Calderón joined with counterparts Juan Manuel Santos of Colombia, Ollanta Humala of Peru, and Sebastián Piñera of Chile in Santiago to formalize the creation of the Pacific Alliance, a bloc that will allow the four countries to expand their economic and trade ties. The bloc had been in the works for the past several months ([SourceMex, Dec. 7, 2011](#)). Although there are bilateral agreements among some members of the group, the countries felt there was room to grow. Under the new accord, the four countries—which together account for 35% of GDP in Latin America—agreed to remove barriers not covered under existing bilateral agreements, such as streamlining customs services and facilitating visas.

"The drive toward free trade contrasts with the slow pace of integration in the four-nation MERCOSUR trade bloc led by Brazil and Argentina, which hasn't achieved its goal of a common market more than two decades after its creation," said Bloomberg news service.

Members of the new bloc are also seeking ways to further link financial services after stock exchanges in Lima, Bogotá, and Santiago formed the integrated exchange known as the Mercado Integrado Latinoamericano (Mila). The next step would be to link Milo and the Bolsa Mexicana de Valores (BMV).

"In today's world marked by recessions, stagnation and deceleration, it's auspicious and gratifying how our countries are taking the path of growth, openness, and integration," said Piñera, who hosted the meeting.

Calderón told reporters that the new bloc, which would represent the ninth-largest economy in the world, has a strong potential to foment growth in the region. He pointed out that the Pacific Alliance is stronger in the global trade market than MERCOSUR. "We are an economic region that has almost double the exports of MERCOSUR," said the Mexican president.

The Pacific Alliance has raised the possibility of expanding into Central America, with Costa Rica and Panama interested in joining the bloc. For now, the two countries are participating as observers.

In the long run, the bloc might extend beyond Latin America, with Canada, Australia, and Japan showing interest in joining. Those three countries, along with Mexico, Chile, and Peru, are already members of the Asia-Pacific Economic Cooperation (APEC) economic forum.

Mexico hosts G20 meeting in Los Cabos

On June 18-19, just weeks after the Pacific Alliance was formalized, Mexico made a bigger splash on the global stage by hosting the annual meeting of the G20 countries in Los Cabos. Mexico is the only country in the Pacific Alliance that also belongs to the G20. In addition to Mexico, Brazil and Argentina are the only Latin American countries that form part of the bloc.

Many analysts considered this year's G20 meeting crucial because the leaders of the world's largest economies had to make tough decisions that had an impact on the European debt crisis and its consequences for the global economy. As expected, all eyes were focused on German Chancellor Angela Merkel, British Prime Minister David Cameron, French President François Hollande, and US President Barack Obama.

Observers said the summit basically represented a tug of war between backers of two solutions to the European crisis. Conservative leaders like Germany, Britain, and South Korea pushed for more austerity measures. They warned that budget cuts were necessary to restore fiscal order and confidence in the global economy.

The more liberal governments of Argentina, Brazil, and France denounced the German-imposed austerity plan for struggling countries such as Spain and Greece and pushed for more stimulus spending.

In the end, the agreement reached by the G20 leaders did open the door to more lending and spending if the European economy worsens. "Should economic conditions deteriorate significantly further, those countries with sufficient fiscal space stand ready to coordinate and implement discretionary fiscal actions to support domestic demand," the G20 said in a final statement.

But the leaders failed to make specific commitments, instead limiting themselves to more generalized promises to invest in public works, overhaul labor markets, and use innovation, education, and infrastructure investment to fuel economic growth. A more detailed plan to address Europe's crisis is expected to emerge at the end of June after a European summit meeting in Brussels.

"From the side of the European Union, we argued unanimously and collectively that we are determined to solve the crisis, and to do it in a mix of fiscal consolidation, growth initiatives, and deepening European cooperation," said German leader Merkel. "That reached very attentive ears here."

Mexico was the first of the three Latin American members of the G20 to host the gathering, and therefore Calderón's comments were covered widely. The Mexican president concurred that the summit was a success from the standpoint that the 20 largest economies were able to move forward instead of remaining at a stalemate.

Calderón holds personal meetings with European leaders, Obama

Calderón acknowledged that the leaders of the 20 countries had to overcome many differences to reach agreement. "We worked in an environment of cooperation and amicable and frank dialogue,"

the president said in a television interview. "It was in that environment that we were able to reach agreements that will help us overcome the immediate obstacles as well as the long-term challenges."

The Mexican president said the G20 leaders also pledged to reject protectionist measures. "We agreed in our last session of the G20 summit to extend until 2014 our commitment to abstain from implementing protectionist measures...which offers a measure of certainty to the international markets," Calderón said.

Calderón took advantage of the summit to hold important one-on-one meetings with leaders of other countries. In separate meetings with British Prime Minister David Cameron and Trade and Investment Minister Lord Stephen Green, Calderón addressed the possibility of expanding trade ties with Britain, including in the energy sector.

Following a meeting with Calderón a day after the summit, Cameron said his country would like to work with Mexico to double trade between now and 2015. "We need to open more markets and bring our companies closer together so they can generate jobs and growth," said the British prime minister.

In particular, Cameron mentioned the expertise that British companies could provide to Mexico in deep-water drilling. With Mexico's supply of crude oil rapidly declining, the state-run oil company PEMEX has turned to the deep waters of the Gulf of Mexico for potential new reserves. The problem is that PEMEX lacks the capital and the technology to develop those reserves, so expertise and investments from international companies are needed ([SourceMex, Aug. 26, 2009](#), and [Feb. 22, 2012](#)).

During the summit, Calderón also held private meetings with Merkel, Obama, and Italian Prime Minister Mario Monti. Following the meeting with Merkel, the Mexican president lauded his German counterpart for her leadership in addressing the European crisis. "The two leaders agreed on the urgency of restoring confidence to the markets and that the G20 constitutes an ideal forum to coordinate economic and financial policies," said a prepared statement following the Calderón-Merkel meeting.

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