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Bilateral relationship between Colombia and Peru within the framework of the Pacific Alliance

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ABSTRACT

This research aims to identify how the bilateral relationship has been between Colombia and Peru, within the framework of the Pacific Alliance. That means to analyze the politics, and achievements in the trade of goods, and services, mobility of people, and the increase in the flows of the foreign direct investment and know if this trade integration has brought advantages to the Colombo-Peruvian relationship.

The methodology that is going to be used in the development of this research is the deductive method, which consists of starting from a general topic to come up with a particular topic; identifying the different projects made within the Pacific Alliance, and then, verify specifically how those initiatives can affect the bilateral relationship.

As a result, there were different initiatives developed by the Pacific alliance that benefit the relationship between Colombian and Peru, because those has allowed for greater trade on both, goods and services, since the agreement's signature. Also, it has led to a greater migration flows of both, student and businesspeople, and the bilateral foreign investment between the two nations has intensified, demonstrating that the alliance's overall initiatives have provided different benefits to Colombia and Peru, individually and as a joint, reinforcing their bilateral relationship.

KEY WORDS:

Pacific Alliance, Trade Facilitation, Mobility of People, Foreign Direct Investment, International Cooperation, Bilateral Integration.

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INTRODUCTION

The aim with this research is to know how the bilateral relationship between the Republic of Colombia and the Republic of Peru has evolved, framed within the Pacific Alliance agreement, identifying the commercial fluctuations of goods and services among the parties and how the international cooperation between the two nations has developed in themes like trade facilitation, foreign direct investment acquisition, people mobility and advances in different projects focused on the society, economy, innovation and the environment growth and strengthening, as well as other relevant factors for both parts, since it's an important pillar within the mutual development in search of common good, aimed to the objectives set out in the framework agreement of this alliance.

This research is based on investigative reports by authors who have dealt with the issue of the Pacific Alliance in previous work, and reports and statistics submitted by official entities such as the Pacific Alliance web portal, the Colombian National Administrative Department of Statistics (DANE), Trade Map, the Peruvian Ministry of Foreign Trade and Tourism (MINCETUR), the Colombian Ministry of Trade Industry and Tourism (MINCOMERCIO), PROCOLOMBIA, PROMPERU, and other official sources that have relevant information within the investigation; in order to determine whether, through this agreement, one of the two nations in question, has benefited from the issues raised, thus assessing the effectiveness of this trade alliance within the bilateral relationship.

The work will be carried out in two parts, the first part will identify everything related to the trade in goods and services of these two nations, analyzing the evolution of these, what has been the fluctuation of the trade balance and determining the main goods and services marketed between the two parties from before the signing of the agreement until 2018, thus comparing the behavior of each country within this variable. In the same way, within the second part, the process of international cooperation of both countries will be determined within the objectives of the Pacific Alliance, identifying the policies proposed and progress achieved up to 2018 in the area of joint work in search of a common good, in relation to trade facilitation, foreign direct investment acquisition, people mobility and other projects proposed, which seek the social and economic development of both sides.

In summary, it is concluded that in matters of trade in goods and services, the Republic of Colombia has shown greater benefits, since over the last fourteen years, it has shown an increase in exports of goods and services, to a greater extent since the signing and entry into force of this agreement worked within this research.

1. PROJECT FORMULATION

1.1. State of the art

This section of this research is intended to recover different articles from scientific journals and previous research carried out by different authors, with the intention of identifying what has been the evolution of the relationship between Colombia and Peru after the Pacific Alliance agreement has been signed, in such areas as trade, people mobility, foreign direct investment and cooperation. This analysis was carried out by collecting data from different scientific journals and official pages from both countries, which were then compared with each other in order to develop the research subject.

The first reference that was taken into account were the bilateral reports-trade partners of Peru, registered on the page of the MICETUR (Ministry of Foreign Trade and Tourism) (MINCETUR, n.f.) In which one can analyze how the bilateral relationship of Peru's trading partners has been like in different years.

In this, bilateral reports between Peru and Colombia on investment and international trade issues were found in different years; because the alliance was signed in 2012 and for the purposes of better understanding the evolution of trade between these two economies, the years 2010, 2012, 2015 and 2018 were taken into account, so that it could identify what the trade was like before the agreement, as it was during and after its entry into force and, finally, as it is today. Thanks to this analysis, it was identified that in 2012 the exchange of goods increased, being favorable for Colombia since Peru went on to import more products than to export them. However, the picture changed completely, Peru's imports of Colombian products fell by almost 20% and exports of Peruvian products to Colombia declined slightly, so by 2018 the picture was different and encouraging, as Peruvian imports increased again, surpassing the 2012 history.

The foregoing concludes that, during the year in which the agreement entered into force, bilateral trade between Peru and Colombia was enhanced by causing Colombian exports/Peruvian imports to increase, but subsequently adopted a varying trend, since, after

6 years, these trade operations exceeded the previous highest data (year 2012). This indicates that the agreement has helped to encourage trade between the two countries and that thanks to this alliance both countries have benefited.

On people mobility's matters, the "Memorandum of Understanding between the Ministry of Foreign Affairs of the Republic of Colombia and the Ministry of Foreign Affairs of the Republic of Peru on Visa Exoneration in Migration Quality of Business" (Ministry of Foreign Affairs of the Republic of Peru, 2013) details the significant progress made by the Republic of Peru, related to the movement of people, with the objective of achieving the common intention of the Pacific Alliance, of free movement of persons throughout the territory of the member countries.

In this memorandum, it is stated that in 2013 (one year after the signing of the Pacific Alliance agreement) Peru abolished the need for a work-based visa for Colombia and other member countries; with this decision, it allows business people to remain in their territory for up to 183 days, as long as they engaged in an unpaid activity. With this initiative, the Republic of Colombia was motivated to grant Peru the same conditions, in order to strengthen relations and friendship ties between the two nations.

This meant an opening of borders for Colombian and Peruvian companies, as it facilitated the way in which new business was done, additionally, this decision generates a space for promoting commercial links, by making relations and negotiations between companies in the two countries more smoothly, this in turn generates an improvement in competitiveness and economic development between the two nations, causing the bilateral economy to increase.

Therefore, it can be said that the bilateral relationship of the two nations has been favored by the agreement of the Pacific Alliance, because it was possible to achieve integration objectives, which would probably not have been contemplated without this union.

It represents an opportunity to grow in competitiveness and development, as it is not only to share and ally large companies from the two economies, but also is the gateway for

different business people as researchers or entrepreneurs who carry out a study especially related to the other country; entrepreneurs and SME entrepreneurs looking for opportunities and that are interested in bringing their market proposals to companies in the other country; young professionals who want to start their professional lives or who seek to acquire knowledge and experience outside their home country; among many other sectors and branches of the economy that benefit from this free movement of business people.

In line with the above, the article "Abecé Alianza del Pacífico" (Pacific Alliance, 2015) provides a report on the progress that has been made in cooperation of the 4 nations as a whole, to achieve the integration objectives proposed by the alliance.

It mentions the strengthening of the "Platform for Immediate Information Exchange for Migration Security of the Pacific Alliance", which aims to facilitate people mobility among its member countries. Therefore, scholarships are provided to students from all four member countries to improve the human capital of all member nations.

According to the official website of the Pacific Alliance, a total of 2.240 scholarships have been awarded thanks to the Academic and Student Mobility Platform. This benefits the Colombian-Peruvian bilateral relationship, because it generates better academic conditions and provides accessibility to the population of being able to access studies abroad, in accredited and internationally renowned universities, in order to improve capacities and develop greater specialized knowledge.

However, this platform led to an exchange not only of academic knowledge, but also an exchange of cultures, knowledge, customs and experiences. In the XI Annual Call 2019 (period 2019-1 and 2019-2), according to the head resolution 4877-2018-MINEDU/VMGI-PRONABEC-OBE of December 07, 2018 and to the Resolution 4950-2018-MINEDU/VMGI-PRONABEC-OBE of December 17, 2018, of 100 students who traveled to Peru to carry out their university studies. 38 were Colombians.

In general, the issue of mobility has been in constant development over the years, making it possible in both countries to give free bilateral movement of people, in order to be more competitive economies and enrich the population of both countries with the knowledge that they could obtain abroad, which benefits economic and social development of Colombia and Peru.

Finally, the official website of the Latin American Integrated Market (MILA, n.f.) was taken as a reference for cooperation. Which is the union of the exchanges and deposits of Chile, Peru, Colombia and Mexico.

This one can show the high degree of integration and cooperation that the Pacific Alliance has, as this union provides greater benefits and opportunities, facilitates the possibility of providing greater variety of products and generates that the stock exchanges of all countries are more exposed in their markets. Therefore, it offers tools to develop a more competitive and investment-grade profile for the countries that make up it, making the integration economy stronger.

Regarding the research subject, it's appropriate to mention that this market has a high relation with the region mobility issues; it also creates favorable scenarios for negotiation between companies, such as macro-wheel initiatives for SME companies in the region; it therefore not only helps market capitalization at regional level, but also helps the economic and social development of the member countries.

This generates a high degree of development in the Colombian-Peruvian bilateral relationship, because, since the two stock exchanges are interconnected, it generates greater competitiveness; it allows the easy development of investment in different companies of the other country; it allows the negotiation and issuance of securities of both companies.

For this reason, it's very important to take into account, when analyzing the bilateral trade of countries, the degree of cooperation that countries possess, because it's essential to identify

this variable as it relates and affects others, and it's evident the degree of interconnectivity that all trade variables and relations between two countries have.

These research sources conclude that, there is a never-ending research related to the Pacific Alliance's relationship as a whole, with each other and with other nations and trading blocs (such as Asia Pacific), however, there is an investigative gap when it comes to analyze the bilateral relationship of the member nations of this integration. This creates an opportunity for research and data collection, to generate new knowledge related to the relations between member nations of this trade agreement so important for the Latin American region.

1.2. Problem Statement

The Pacific Alliance is an integration of four countries from Latin America, Peru, Colombia, Chile and Mexico, which has been in force since 2012. Since then, different research has been developed on the subject; the different authors have been responsible for analyzing the relationship between the four countries that make up this alliance, its benefits; shortcomings; issues of interest such as business and investment opportunities; development of the trading bloc; integration relationship to the Asia Pacific region; among others. However, few are interested in identifying the bilateral relations that this integration has generated, that is, the relationships that are generated from country to country through this trade agreement.

This situation obeys to factors clearly related to the formation of the agreement, i.e., as a multilateral agreement, the research approach is given in a regional way, in other words, by the four member countries as a whole, and how the development and advancement of the union of these nations has been thanks to this agreement. Furthermore, the position of this new regional agreement on a global scale, has produced a high degree of interest about what its objectives are as a whole, and what they intend to achieve thanks to this union of nations at a global level, knowledge of the commercial block as a whole is generated.

The previous circumstances create a research gap, because it is essential to analyze what happens between these countries, that is, how the bilateral relationship between them has been, since these are the ones that generate the integration commerce, and they are dynamized by the development of the alliance. Similarly, to identify whether or not the agreement is being exploited by countries, whether the alliance has had a positive impact on the economic impact of a particular member country, and so to know what the relationship with one particular country is like with another.

This situation makes it necessary to find that new knowledge and research related to the bilateral relationship of the nations that make up the Pacific alliance, in order to determine whether internal relations are functioning and are in line with the objectives set by the agreement. In this case, it is intended to identify how the relationship between the countries

of Colombia and Peru has been, before and after the entry into force of the agreement, in order to identify whether these states are developing together.

This approach makes it necessary to identify how trade, investment, mobility and cooperation between these two nations have been implemented and developed before and after the agreement was signed, that is, how these factors have impacted economies or not, and how the relationship is given between them.

1.3. Objectives

1.3.1. General Objective

To determine the impact of the Pacific Alliance on bilateral trade and cooperation relations between Colombia and Peru.

1.3.2. Specific Objectives

1. To compare the evolution of trade in goods and services between Colombia and Peru since before the agreement was signed to the present time.

2. To establish which policies and advances have been in international cooperation issues between Colombia and Peru, after the agreement has entered into force; identifying changes within people mobility, trade facilitation and the acquisition of foreign direct investment.

JUSTIFICATION

This research paper about the bilateral relationship between Colombia and Peru within the Pacific Alliance is based on scientific information and previous research, from which relevant and important data and information were obtained for the analysis of the bilateral relationship between the two countries; therefore, this research contributes to the deepening of trade studies and international relations.

From the theoretical level, this paper can be support for future research, since, as evidenced in the state of art, it is a subject on which not enough studies and inquiries have been made in this regard; This allows this research to be a starting point for the next people who are interested in learning more about the bilateral relationship between Colombia and Peru within Pacific Alliance framework.

In addition, this research applies economic theories focused on international relations, which seek to explain the particular reality of bilateral ties. Regarding the subject to be developed within research, the "regional integration" theory explains how the changes that occur as a result of the unification of various countries markets, in addition to containing the issue of the exchange of goods and services, integrates investment as a determining factor in international relations.

On the other hand, from a business approach, the research has an application in the real sector, since it is information to which Colombian and/or Peruvian companies and organizations, can turn to identify how the relationship between the two countries is, in other words, it will help them identify how they can benefit from the bilateral relationship within the Pacific Alliance, so that they can make investment decisions, negotiations, or make alliances with companies of the other country.

Now, from a social approach, the research brings knowledge about a topic of social interest, because in recent years, the mobility of working people without the need for visas has been encouraged between these two countries, and thanks to this alliance, international scholarships for studies are provided within Peru, Colombia and other countries.

Finally, from the personal approach, this research is an opportunity to guide my professional practice, because thanks to my international experience in Peru, it calls my attention to be able to develop knowledge about the exchange of both economies; how they benefit from this international agreement; and in what way that benefit can help the development of society and companies in both countries.

Also, this allows me to deepen knowledge of my career, which is international business, therefore, knowing about the relations that Colombia has with another country is fundamental to my professional development, since this will make it easier for me to understand in which sectors can do business and how to contribute to the development of cooperation between Colombia and Peru.

1.4. Reference Framework

1.4.1. Theoretical Framework

The present research paper is based on two theories related to international trade and economics, with which research is sought to be conducted in an objective and theoretical line. The first of these has to do with international trade, called "Regionalismo del siglo XXI" and coming from the author Richard E Baldwin (2011) (2014); this theory arose in the 21st century, with the modernization and/or evolution of international and economic relations between countries, because, at this time, the phenomenon or disciplines that seek to maintain the relationship not only of trade alliances based mainly on tariff-related regulations, but also begin to talk about issues related to the exchange of market access, capital mobility and other aspects.

This theory seeks to provide a description and explanation of the research topic, as it is a theory that not only brings together key issues in the development of international trade in goods, but also brings together different factors, which make bilateral relations more dynamic and productive for both sides. According to the author, "Today's international trade comprises complex and bidirectional flows of goods, services, people, ideas and investments in physical, human and knowledge capital." (Baldwin, 2011) This new dynamic, surpasses the classical integration theories, since the respective theoretical bodies did not contemplate them, since the emphasis was almost exclusively on the exchange of goods.

For this reason, it is of profound importance to analyze these factors that generate trade in international relations in the 21st century; for it would be obsolete to think and contemplate only an exchange of goods, because, as Baldwin explains, in the twentieth century trade was only about goods "made here and sold there" (Baldwin, 2014), and the goods that were transformed elsewhere were not taken into account, leaving aside the international production networks and other relations that could be applied to the exchange; setting aside all related issues, which give both countries great potential to be benchmarks of competitiveness in the region.

Therefore, this theory adapts to the research project, because it is not only intended to analyze trade-related issues, but other factors for purposes to this evolution of bilateral relationships at present and more within the framework of the Pacific Alliance, since it is considered as one of the most modern international agreements, being an innovative integration strategy , in which this theory is more clearly evident, in particular, analyzing the evolution of investment, cooperation and free people mobility, between the countries of Colombia and Peru; thus allowing to identify whether the two countries are applying the theory to the development of their international relations.

1.4.2. Conceptual Framework

Since the present research revolves around the bilateral relationship of Colombia and Peru within the framework of the Pacific Alliance, under a theoretical framework of 21st century regionalism, it becomes necessary to propose some parameters that serve as a conceptual axis on which to support research.

We will begin by understanding International Trade as the main concept, which is defined by Baldwin as "International trade involves richer, more complex and more interconnected exchanges. In short, goods, services, ideas, people, knowledge and capital that used to move only within the factories of rich nations are now crossing borders" (Baldwin, 2014). This concept becomes fundamental in understanding the investigation, because the whole problem at work revolves around international relations, which, as a main component, have trade.

Continuing, as a second concept we will understand deep integration, defined by Germán A. de la Reza (2003, p. 299) as "describes the increase in interdependence governed by the forces of internationalization and the consequent reduction of the gap between national policies." Thus, by adding more provisions to integration, a deeper and more detailed bond will be generated between the two countries. This concept has a high relation 21st century regionalism, as it seeks to expand international relations by including issues beyond tariffs alone. This "in order to make a difference with respect to trade of the last century and also, of the old regionalism and to some extent of the new one" (Duarte, González, & Montoya, 2015, p. 145)

However, we will consider the creation and diversion of trade as the third and fourth concepts, because they are notions that are linked to the same idea of 21st century regionalism, and that they are also concepts that go hand in hand with each other; both concepts will be understood according to the definition given by the authors Mattoo A., Mulabdic A. and Ruta M (2017). They propose a scenario of a superficial integration agreement, to understand both concepts "members grant tariff concessions to each other, leaving tariffs on imports of non-members unrestricted." (p. 2)

In this case, they explain that in trade creation "the resulting tariff preferences increase trade among members" (p. 2) which generates a benefit for the member countries, and also achieves that the well-being of these improves; it is therefore a clear benchmark, of which some potential benefits of international trade are, which explains why countries develop international agreements. This trade creation is enhanced by a deep integration agreement.

In addition, the authors cited explain that in trade diversion "may lead members to replace previously obtained imports from non-members with FTA products" this, rather than generating a benefit as in the case of trade creation, represents a cost to member countries, since, even though the preferential agreement is being used, it is not a guarantee that there is a comparative advantage with the suppliers of the member country over non-members, of which imports were made prior to the agreement; this represents the downside of international agreements.

As last but not least important concept within the research, is South-South cooperation, defined by Rita Giacalone (2016) as "a foreign policy tool based on the idea that the existence of common problems among developing countries facilitates cooperation, Precisely in order to overcome problems and achieve mutual development" (Gonzalez Parias , Table Bedoya, & Montoya Uribe, 2018). That is, all the activities or actions that both nations must carry out, working together exchanging information, knowledge and methods to achieve said objective.

1.4.3. Methodological Framework

In regard to the research method, the approach of research and the type of study used within the investigation will be discussed below, for it is intended to address the research problem, thanks to a deductive method, which consists of starting from a general topic to reach a particular one.

Research Approach

The approach of this research is mixed. It has a quantitative approach, in relation to the issue of trade and investment between Colombia and Peru, as numerical and statistical data related to the quantity of exports and imports between the two countries are analyzed, in order to build indicators of openness and per capita trade. Quantitative information will also be obtained regarding foreign investment captured between them and the mobilities made since the agreement took effect. On the contrary, research has a qualitative approach, in talking about cooperation between the two countries, since this information is based on writings describing how the evolution of this topic has been specifically between the two nations.

Type of Study

The type of study required by this research work is applied, as it seeks to take a pure study, in this case, the theory raised in the methodological framework of 21st century regionalism, and apply it to the particular case of the bilateral relationship between Colombia and Peru within the framework of the Pacific Alliance, in order to respond to a problem to a particular reality.

Regarding the level of depth, the level to applied to the research will be explanatory, since this research aims to determine the impact of the Pacific Alliance on bilateral relations between Colombia and Peru in the field of trade, investment, mobility and cooperation; this gives an identification and analysis of the behavior of these variables, that is, the reason of this phenomenon.

In the same way it is going to be proposed what methodology will be applied within the investigation, determining how the research was carried out and the main tools to use in order to develop the problem posed.

Techniques for information collection

For information collection purposes for this research, secondary sources will be used, since, with the specific objectives it is intended to objectively analyze the evolution of the variables within the bilateral relationship between Colombia and Peru, therefore, the development of research should be based on those sources systematized as reports of official pages, articles from scientific journals, documents and studies from different authors that develop topics related to the object of the research.

Bias Control

In order to ensure that the information collected for the development of this research is of good quality, reliable and truthful, it will be obtained from different scientific journals; bibliographic databases such as google scholar, redalyc and scielo; and from official sources such as the official website of the Pacific Alliance, the World Bank, The World Trade Organization, pages of the Colombian and Peruvian Ministry of Foreign Affairs, procolombia, promperu, ministries such as the “Minint” for Colombia and “Mincetur” for Peru, SIICEX, legiscomex, among others.

Additionally, in order to avoid unethical uses within the investigation by the researcher, the principles of objectivity, impartiality, veracity and relevance of the information used for the development of research will be included.

Treatment and Presentation of Information

The main techniques and methods used to systematize and organize the information collected for the present research will be general techniques such as timeline, diagrams, tables, graphs, infographics; in order to propose an easier and graphical way of exposing the information raised in the research.

2. RESEARCH DEVELOPMENT

2.1. Evolution of trade in goods between Colombia and Peru (2006-2018)

The following analysis will develop using the deductive method, that is to say, that the research problem shall be broken down from the general to the particular, indicating that it should be initiated by talking about the evolution in macro-issues of trade between the two parties, to then identify the top ten products traded by both countries in the same period of time.

The trading partner with which the comparison is to be made is the Republic of Peru, East, is a country located to the west of the continent of South America, which borders with Colombia by the Amazon region. Its GDP is based on agricultural products, financial services, trade, among others. The mining sector (copper, zinc, lead, oil) and tourism are therefore its main sources of exports. In terms of economic variables, Peru has a GDP that reached a value of USD 222,045 billion in 2018; a GDP per capita of \$6,941 USD; and an inflation of 2.016% for the same year.

However, the bilateral relationship between Colombia and Peru dates back to 1822, when the opening of diplomatic missions of both countries are given; for nearly 2 centuries, trade in goods and services has been developing thanks to the implementation of international agreements and international mutual cooperation, which characterizes the relationship. consequently, one of the most recent international agreements in this bilateral context and on which this research is based in the Pacific Alliance, which entered into force with the framework agreement in 2015. Within this agreement (2018, p. 4), the aim is to promote individual development of members; to grow as an area of integration where the free movement of people, goods, services and capital is allowed; and finally emphasize integration with the Asia Pacific area.

According to the above, and after 8 years since the signing of the agreement, this research is carried out, in order to identify whether the Pacific Alliance , focused on the bilateral relationship between the two countries, has been a tool that has driven economic growth and

development in Colombia and/or Peru, making a comparison, in the areas of exports of goods and services.

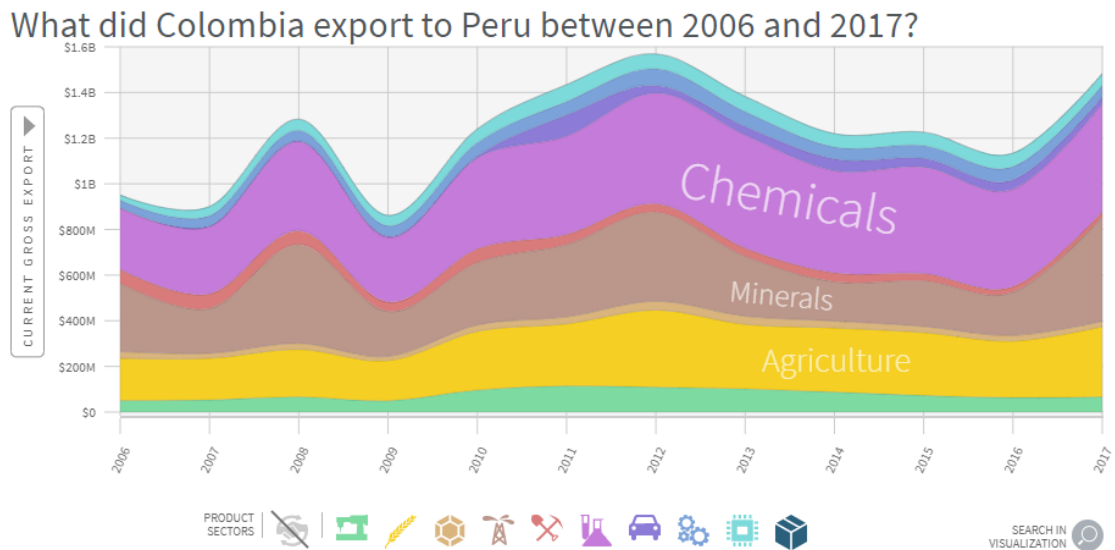


Figure 1. Colombia merchandise exports to Peru between 2006 and 2017

Source: Atlas (n.f.), taken from: <https://n9.cl/xlgh>

As shown in Figure 1, trade between these two countries, from the point of view of Colombian exports, has fluctuated markedly over the past 14 years, initially, It can be identified that in 2007 there was a trend of growth of Colombia's exports to Peru, but this was truncated in 2008, due to the economic recession caused by the crisis that occurred that year worldwide. Effects that continued until 2009. This same trend is evident in Figure 2, where it is shown that exports of goods from Peru to Colombia were also affected by this problem. Subsequently, it is possible to identify in both figures that since that year, that is, before the treaty was signed, there was a continuous growth in bilateral exports between the two countries.

However, in the Colombian case, after the agreement was signed in 2012, a fall in this commercial activity is again presented; coincidentally, during the following years (2013 and 2014), the agreement was being approved by each member, i.e. verifying that its content was exequifiable to the rules of each country, which could have meant complications in the export process, as tariff preferences agreed under the additional protocol of the framework

agreement were not yet in force this year. On the other hand, in the case of Peru, exports began to fall since 2011, the year in which negotiations of the agreement began, and in which, according to ECLAC data, the effects of the 2008 crisis are still present, this caused exports to slow down in Latin American economies, and it is therefore evident that in both cases, there was a decline in exports even until 2012, as was the case with Colombia.

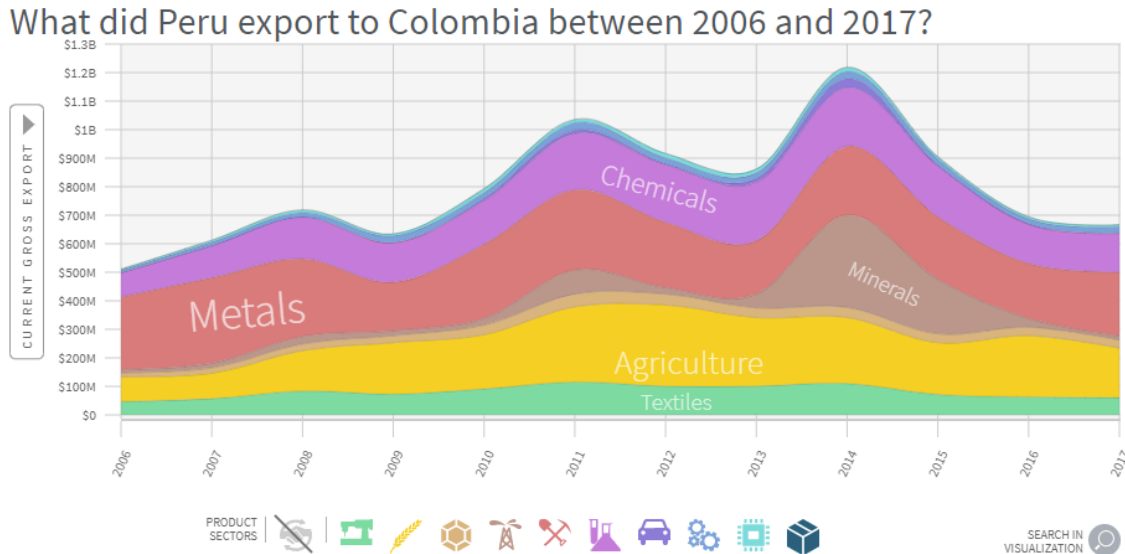


Figure 2. Exports of goods from Peru to Colombia between 2006 and 2017

Source: Atlas (n.f.), taken from: <https://n9.cl/9zde>

By May 2016, the Additional Protocol to the Pacific Partnership Framework Agreement, which aimed at the liberation of 92% of trade between member countries, entered into force; It is therefore evident that trade in goods from Colombia to Peru begins to increase again, since, as there are no barriers to most goods in trade, Colombia begins to export its products much more to Peru, sin embargo, In the case of Peru, the opposite happens, as there is a great depression that continues until 2017.

With all of the above, it can be deduced that between the two countries, the one that has benefited most in matters of trade in goods has been Colombia, since it is evident that this evolution of trade has behaved favorably for this country, after all its protocols have come into force, demonstrating, in general terms, the importance of the Pacific Alliance agreement for international trade in Colombian goods in the markets of the trading partner Peru.

2.1.1. Evolution of the bilateral trade balance

The trade balance is the means by which the difference between the level of exports and imports of one country and the others can be measured, in this case, in relation specifically to Peru, as a trading partner. It is said that there is a surplus in the trade balance, when a country's exports exceed imports, and that there is a deficit when imports exceed exports.

According to the above, it is intended to identify whether, thanks to the agreement of the Pacific Alliance, a surplus or a deficit in the Colombian and Peruvian trade balance was achieved, thus comparing its behavior before the entry into force of the agreement and as it was in subsequent years, driven by the evolution of trade in goods in this bilateral trade relationship.

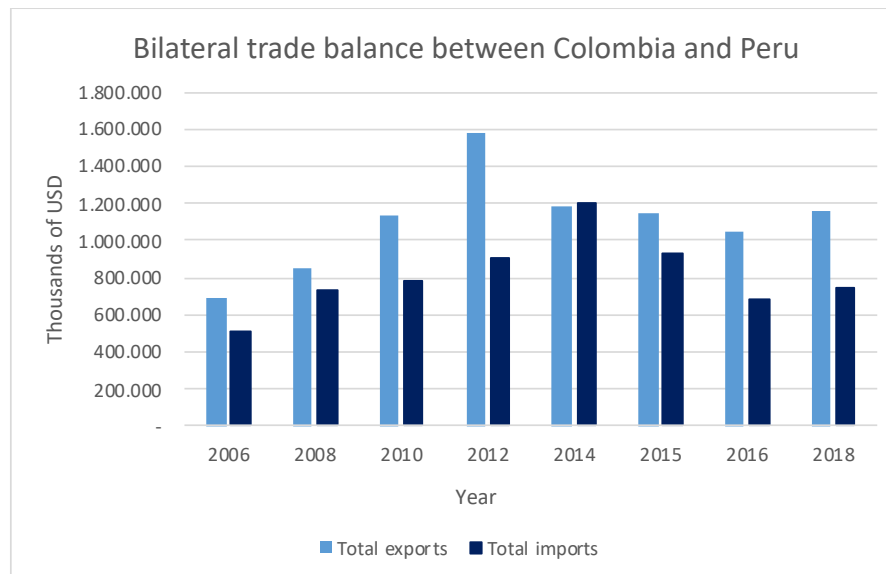


Figure 3. Bilateral trade balance between Colombia and Peru

Source: own elaboration with data from TradeMap (2017), taken from: <https://n9.cl/e9ms>

Figure 3 shows that the trade balance between Colombia and Peru has fluctuated over the past few years, and it is evident that Colombia has a surplus compared to Peru, even before the agreement was signed in 2012 and entered into force in 2015; this implies, that in matters of exchange of goods, the trade flow of these two countries occurs more from Colombia to Peru, since the value of Peru's imports from Colombia is higher than the value exported to

Peru, and on the contrary, Colombia has a higher value of its exports to Peru than it imports from it.

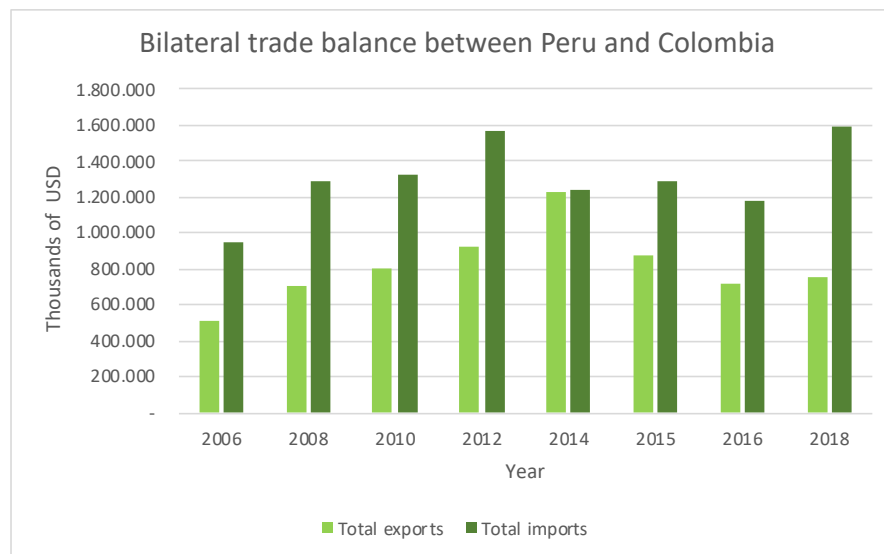


Figure 4. Bilateral trade balance between Peru and Colombia

Source: own elaboration with data from TradeMap (2017), taken from: <https://n9.cl/e9ms>

This can be ratified by Figure 4, which shows that the level of Peruvian imports of Colombian products is higher than their exports to this country. Thus, it is evident that within the bilateral relationship, Peru is in a trade deficit relative to Colombia, which presents a surplus.

If a comparison is made between the two figures, it can be observed that 2014, has been the year in which both countries obtain almost the same values of exported goods as in imported goods, this may be due, to the major declines in oil price worldwide in this year, after the crisis that occurred in 2008; this phenomenon directly affects the behavior of Colombian foreign trade, as it implies a devaluation of the peso against the dollar, causing the value of imports to increase significantly, and as oil is one of the main sources of export of the country, having a decline, it causes the value of exports to decrease.

As a result, the performance of the total values of the goods traded for that year between the two countries varied greatly, while in Colombia the value of imports increased and that of exports to Peru decreased, the latter was behaving in the opposite direction. This allowed

to achieve this “balance point” in the trade balance between the two countries’ markets. Comparing this scenario with figures 1 and 2, it is clearly noted that it was the year in which Peru's exports to Colombia were highest and Colombian exports were falling.

It is clear that during the last few years, Peruvian exports to Colombia have been below imports, and that since 2014 they have presented declining trends, which increases the negative trade balance of this country. It should be noted that according to figures from the Peruvian Ministry of Foreign Trade and Tourism (2018), of the total exports made by Peru to the member countries of the Pacific alliance, only one third go to Colombia, which explains the reason of the deficit inside the bilateral trade.

In fact, the performance of Peruvian exports to Colombia increased by 12% just by 2018 (MINCETUR, 2018), reaching a total exported of 747.495 (thousands of USD), a relatively small number compared to the value of exports for that same year from Colombia to Peru, which reached a number of 1.165.001 (thousands of USD). This indicates that although Peru showed an increase in its statistics, it still has a negative trade balance, because its imports for that year increased in more quantity.

Despite everything, Colombia is clearly the country, within this bilateral relationship, that has generated higher levels of income regarding export issues, thus generating that Peru, on the contrary, remains in a deficit of its trade balance with Colombia, from before the agreement was signed and until 2018; year in which the largest difference between these Peruvian commercial activities has been presented, reaching a negative trade balance of 841,319 thousand USD, a number rather disproportionate to the one that Colombia reached the same year, which was 414,349 thousand USD.

2.1.2. Evolution of trade in services between Colombia and Peru (2008-2018)

Another important aspect in the analysis of bilateral trade of these two countries under the Pacific Alliance agreement is services, which constitute a sector that has taken much more strength in recent years, for both Colombia and Peru, this makes them a valuable opportunity for economic development.

In addition to considering the free movement of goods, the objectives of the Pacific Alliance agreement also include the issue of facilitating trade in services, for this reason, one of the 29 working groups that make up the Technical Groups of the Pacific Alliance is “services and capital” which seeks to increase the flow of trade in this sector among member countries.

Consequently, services are therefore a sector that have representative impacts on the commercial developments of this bilateral relationship, therefore it has a high degree of relevance to the analysis of this investigation; it should be borne in mind that it is a sector that encompasses different economic activities, such as tourism, telecommunications, transport services, among others. The agreement discusses the modalities for the provision of these services, including only three: number one, cross-border trade; number two, consumption abroad; and number three, presence of natural person.

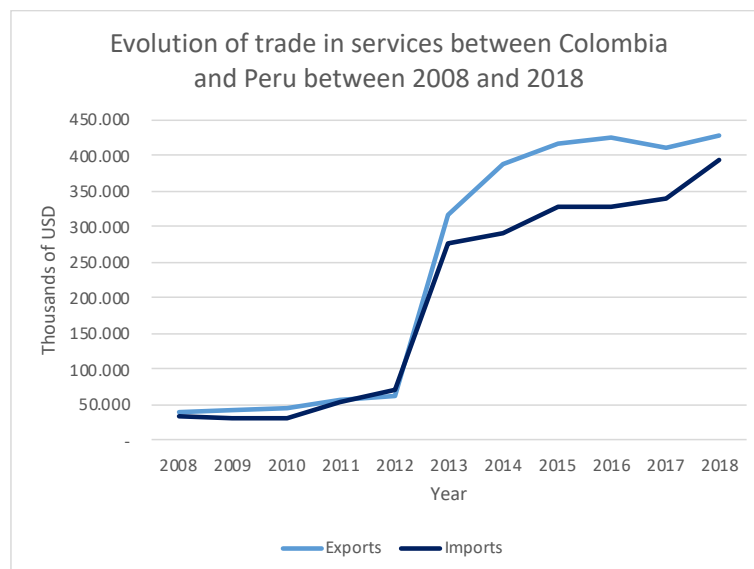


Figure 5. Evolution of trade in services between Colombia and Peru between 2008 and 2018

Source: own elaboration with data from the DANE (2020), taken from: <https://n9.cl/trw0>

According to Figure 5, the evolution of trade in services between Colombia and Peru has increased significantly since 2012, the year in which the Pacific Alliance agreement is signed. This agreement brought great benefits to Colombia in terms of this sector, since from the

signing of the agreement, exports and imports of services showed an almost constant growth trend.

The fact that either party imports services does not make it less competent than the other, on the contrary, helps to exchange knowledge, thus encouraging development, improvement and innovation in services delivery issues; even this exchange of experiences facilitates trade in this sector and makes both sides benefit not only in the purely economic sphere, but also on internal social, environmental and political issues.

During the following years, according to the Technical Group of Services and Capital (n.f.) different achievements have been achieved in the field of services within the Pacific Alliance, one of these was that in 2013, within the alliance commercial protocol, commitments to be fulfilled for trade in services were established. Additionally, the article XIV of the World Trade Organization's General Agreement on Trade in Services (GATS) is incorporated into the additional protocol of the Alliance framework agreement, which further frames trade in services at a multilateral sphere.

All of this has led to the successful development of trade in services, which has caused the implementation of different initiatives in both countries to stimulate trade in services. For example, in Peru, PROMPERU's initiative to create “Peru Service SUMMIT” an annual event that seeks to bring together the business offer of this sector, in order to facilitate trade, making it one of the main platforms to encourage trade in services in Latin America.

The Peruvian service sector is one of the most important for its economy, according to Peru Service SUMMIT (2016, p. 11), representing 61% of the country's GDP, and until 2016, exports of this sector grew on average by 11%. However, it can be inferred from Figure 5 that at the time when Colombian imports of services supplied by Peru slowed down, it meant, for the Peruvian side, a decrease in the value of its exports, which showed moderate growth in the following years compared to Colombia.

This makes it clear that, although Peru has expertise in the development and commercialization of services worldwide, and that it is one of the sectors of this country that has high projections of growth in the coming years, within the bilateral relationship within the Pacific Alliance, Colombia is the country that has benefited most from this commercial activity, because, by comparing the evolution of trade in services between the two parties, the Colombian export curve is evidently larger than Peru's.

2.1.3. Goods traded between Colombia and Peru (2006-2018)

After learning what the evolution of bilateral trade has been, identifying the overall export behavior of goods over the past 14 years, and analyzing how the behavior has been before and after the Pacific alliance agreement came into force, the aim is to identify more in depth which are the main products that have been marketed by both countries within the same time frame.

In the first instance, goods are a fundamental axis within the framework of the Pacific Alliance agreement, because this agreement aims to remove barriers to trade by allowing free movement between the parties. In 2016, the additional protocol of the agreement came into force, which seeks tariff release of 92% of products.

To identify a product in terms of international trade, tariff positions are used, which with global codes classify goods according to their nature and characteristics, facilitating world trade, as it allows standardization of products, and making it easier to recognize for both buyers (importer) and sellers (exporter).

According to this classification, it is possible to clearly and accurately identify the main sources of trade of each of the countries that make up this bilateral relationship, i.e. to analyze within the total of the exports or imports it makes, which are the products that actually generate the greatest positive impact within the country's economy, and which make bilateral exchange possible between the parties involved.

In addition, it is vitally important to classify these products, since they allow to identify the basis of the economy of each country, that is, the sectors that have the greatest development or that contribute to the growth and economic strengthening of the country, it can also evidence which are the main export sectors of each of the parties, which are usually the most important within the economy of a country; this allows to understand the exporting behavior of the members of the bilateral relationship, which strengthens the interdependence link that can be generated between the two, since it allows: to buy (import) goods that are not produced within one of the territories, or that have a lack of domestic supply for high population demand; and sell (export) products that are produced par excellence in one of the parties or because their marketing is enhanced within the territory of the other country, either by better reception by the public; because costs and taxes can be significantly lower; and even because the home market show no interest or intention of buying it.

Table 1. Products that Colombia exports to Peru in thousands of USD

Tariff heading	Product description	Colombia exports to Peru (Thousands of USD)							
		2006	2008	2010	2012	2014	2015	2016	2018
'2709	Crude oil or bituminous mineral oils	-	-	153.765	373.859	112.172	105.634	119.871	170.896
'1701	Cane or beet sugar and chemically pure sucrose, in solid state	54.562	30.450	58.938	114.631	76.209	96.293	85.574	81.631
'3902	Polymers of propylene or other olefins, in primary forms	40.989	67.278	82.623	75.050	57.092	58.735	45.825	43.624
'9619	Hygienic pads and tampons, baby diapers and similar items, of any material	-	-	-	44.997	46.461	45.476	42.601	40.370
'3402	Organic surface agents (excl. Soap); tensoactive preparations, preparations for ...	2.312	5.313	9.029	5.812	7.645	8.370	26.078	39.652
'3004	Medicines made up of products mixed together or unmixed, prepared for uses ...	24.592	28.253	31.017	41.582	49.290	56.072	47.726	39.578
'3304	Beauty, makeup and skin care preparations, incl. preparations ...	8.240	14.900	22.621	31.377	30.610	29.787	26.680	31.635
'2710	Oil or bituminous mineral oils (excl. Crude oils); preparations containing...	3.679	11.445	20.218	41.781	34.511	24.457	22.607	30.573
'3305	Capillary preparations	8.350	8.835	14.745	20.904	24.347	25.791	31.763	29.366
'8703	Tourist cars and other motor vehicles designed mainly for transport ...	17	4.673	4.732	26.511	38.185	40.820	26.382	28.183

Source: own elaboration with data from TradeMap (2017), taken from: <https://n9.cl/e9ms>

Table 1 shows the evolution of the ten main products exported by Colombia to Peru in 2018. Within this group of tariff items (only 4 digits) it can be noted that most are manufactured products, i.e. they were undergoing a transformation process, which added value to them.

This is a very important issue to take into account, as it demonstrates in the first instance that exports to Peru are not entirely traditional, as in agricultural products, miners or oil only, but that a large proportion of non-traditional goods are included, as pharmaceutical products (chapter 30), washing preparations, cleaning products, candles, among others (chapter 34) toiletries or cosmetics (chapter 33), vehicles (chapter 87) and various manufactures (chapter 96).

According to Annex 3.4 of the Additional Protocol to the Pacific Partnership Framework Agreement, which refers to the elimination of customs tariffs, different categories of tax relief are agreed, with a view to achieving free trade of 92% of the tariff universe. Accordingly, the category in which most traded goods are located is “A”, in which it is stated that “The customs duties on originating goods, established in the tariff lines of this tax relief category, shall be completely eliminated from the year 2014” (MINCETUR, n.f.)

Within this it can be found nine of the ten products exported by Colombia to Peru, which means that these products reach Peruvian territory with a higher level of competitiveness, because they go from having an average import tariff of 6% to having 0%, generating greater opportunities for Colombian products in this country and the economic growth of Colombian export industry.

Of equal importance, this Annex contains category “X” which proposes that “goods classified in this category shall not be subject to tariff relief” (MINCETUR, n.f.) This indicates that these goods have no tariff benefits on imports and that they are subject to restrictions proposed by the importing country, applying pre-established ad-valorem tariffs for the above mention products prior to the agreement and which are in force at the time of importation.

Within this category is Tariff heading 1701, it includes cane or beet sugar and chemically pure sucrose in a solid state. Clearly, Colombia is rich in the production of this goods category, which, compared to the total of the Colombian export supply, are traditional goods that have no transformation, are exportable goods par excellence; therefore, despite being a group of goods that was not negotiated within the agreement, and therefore has no tariff benefits, it is the second most important in Colombia's exports to the Peruvian country.

Similarly, within this list of ten products exported by Colombia, it can be observed that there are two groups of goods that had slight or no export levels since before the agreement was signed in 2012; thanks to this behavior, the evolution of trade between the two countries, from the point of view of Colombian exports, is demonstrated, Since trade in goods has fluctuated within the bilateral relationship, different goods have been included in the trade to the point that these new products are among the most representative for Colombia, these include traditional goods of tariff heading 2709 such as crude oil or bituminous mineral oils; and non-traditional of tariff heading 6919 as compresses (hygiene towels), hygienic tampons, baby diapers and similar items of any material.

Similarly, this tariff benefit, as a result of the additional protocol to the Pacific Alliance agreement, has allowed a remarkable growth in the value of Colombian exports of various goods to Peruvian territory, for example in the case of chemicals and tensing preparations, had an increase of USD 32,007 thousand after moving from USD 7,645 thousand in 2014 to USD 39,652 thousand in 2018; this denotes how this agreement has benefited Colombian industry, allowing it to increase its exports, generating more revenue and allowing a constant economic development.

Within this context, it is also relevant to make the analysis of the main tariff heading (2709) that Colombia exports to the Peruvian country, since it is part of Section V of the customs tariff, which includes mineral products, in this case specifically mineral fuels; it is particularly interesting to discover that the product with the highest value exported in 2018

by Colombia to Peru, a country characterized by being a mineral exporting country, specifically crude oil or bituminous mineral oils.

Table 2. Products that Peru exports to Colombia in thousands of USD

Tariff heading	Product description	Peru exports to Colombia (Thousands of USD)							
		2006	2008	2010	2012	2014	2015	2016	2018
'7408	Copper wire (excl. Bronze wires for surgical sutures; cables, braids and articles ...	143.869	177.765	188.079	159.948	162.251	138.676	114.565	148.703
'7901	Raw zinc	80.989	50.299	44.876	42.511	44.970	40.126	38.948	51.667
'3920	Plates, sheets, sheets and strips, made of non-cellular plastic without effort, stratification or support ...	14.131	24.328	28.280	45.074	53.851	47.868	36.043	44.643
'0901	Coffee, incl. roasted or decaffeinated; coffee husk; coffee substitutes containing ...	7.449	4.991	32.622	85.708	8.706	2.940	9.365	32.115
'1511	Palm oil and its fractions, incl. refined, chemically unmodified.	-	-	-	-	25.488	4.022	21.888	29.805
'6006	Knitted fabrics, width > 30 cm (excl. Knitted fabrics per warp, incl. those obtained ...	205	4.027	9.942	14.881	23.118	15.577	17.950	22.597
'1905	Bakery, pastry or biscuit products, incl. with the addition of cocoa; hostesses, stamps ...	9.653	11.604	13.476	18.597	23.253	21.720	19.018	21.276
'2710	Oil or bituminous mineral oils (excl. Crude oils); preparations containing ...	12.119	29.845	21.354	28.310	346.631	181.331	44.846	20.779
'2815	Sodium hydroxide "caustic soda"; potassium hydroxide "caustic potash"; peroxides ...	8.864	15.428	6.185	11.068	6.146	6.771	6.918	18.748
'4911	Printed, incl. prints, engravings and photographs, n.e.c.	10.584	13.655	15.123	23.364	20.748	17.434	16.429	16.518

Source: own elaboration with data from TradeMap (2017), taken from: <https://n9.cl/e9ms>

On the other hand, table 2 shows the trade flows of product groups that Peru exported to Colombia in 2018. Among these, the first two are highlighted, which belong to the mining sector, a sector that characterizes exports not only to Colombia, but to other parts of the world. In addition, this list highlights different manufactured products, which compared to the Colombian list presented in Table 1, are quite diverse, since they can be found from knitted fabrics (chapter 60), photographs (chapter 49) to bakery items (chapter 19); even, within these main export goods, coffee appears at position number four (chapter 09)

However, within the tax relief categories that were negotiated, nine of the ten products are classified with “A”, that is, they have 0% tax relief immediately since 2014, this is a very important step in Peru’s exports to Colombia, since tariff items such as 1905 containing bakery products or 1511 including palm oil, went from 20% ad-valorem tariff to 0%, the others from 5% or 10% to 0%. This makes these Peruvian origin products competitive within Colombia, and even more with such a significant change in taxes.

Unlike these products, coffee was classified by Colombia in different tax relief categories, among them “A” and “C”, the latter proposes that import tariffs on these products “... will be eliminated in three years, starting in 2014, In accordance with the cuts established in the timetable of this Annex. These goods shall be free of customs duties from January 1st, 2016” (MINCETUR, n.f.) That is to say that the products that were classified with “C” and fall within tariff heading 0911, remained at 0% tariff in 2016, thus generating benefit for Peruvian coffee exporters in different presentations, and adversely affecting Colombian domestic production of this good; It is incredible to imagine that despite being a country with a significant crop of this Colombian flagship product, positioned internationally as one of the most important for its characteristics and flavor, it has 0% tariffs on imports from Peru since 2016, causing imported coffee to be consumed within the national territory.

After all of the above, coffee is a product that until 2012 represented great values in Peruvian exports to Colombia; Unfortunately, after these tax relief plans became effective between 2014 and 2016, their export value decreased significantly, which was mainly due to the outbreak of the rust plague in this country’s coffee crops between 2013 and 2014 (INEI, 2013), what obviously affected the exports to Colombia of this product, since they went from 85.708 (thousands of USD) in 2012, the year in which the treaty was signed, to 8.706 (thousands of USD) in 2014, the year in which the tax relief plans proposed in the agreement began to be governed; after all this, and to implement the appropriate sanitary and phytosanitary measures, by 2018, again, an increase in the value exported is noted, which is benefited by the tariff preferences achieved in 2016, which positions it as one of the main products exported by Peru to the Colombian country.

Within these groups of products exported by Peru to Colombia, it is further noted that one of the tariff headings had no record of values exported to Colombia before 2014, the year in which the tax relief programs came into force, This tariff item (1511), which includes palm oil, is classified under category “A”, therefore the product remains at 0% import tariff, directly benefiting the Peruvian export that markets its products in Colombia.

As in the Colombian case, Peruvian exports have benefited from these tariff preferences proposed under the additional protocol of the Pacific Alliance framework agreement, as they have generated a remarkable growth in the exported values of different goods, mainly those in the energy mining sector such as copper wire, which is included in tariff heading 7408 and that increased by USD 34,138 thousand between 2014 and 2018 or raw zinc, falling under heading 7901, which grew by USD 12,719 thousand in the same period; And also the goods belonging to the agro sector showed an increase, especially coffee, located under tariff heading 0901, which, despite the phytosanitary problems presented in 2013 and 2014, grew by USD 22,750 thousand between 2014 and 2018.

However, in order to know clearly what the evolution of trade in goods has been like within this bilateral relationship between Colombia and Peru within the Pacific Alliance agreement, it is not only sufficient to know what products have mainly been marketed between the two parties, nor the evolution in the types of goods, or in the fluctuation in their exported value from 2006 to 2018, but how the trade concentration index has behaved between both countries, an indicator that is of supreme importance to determine.

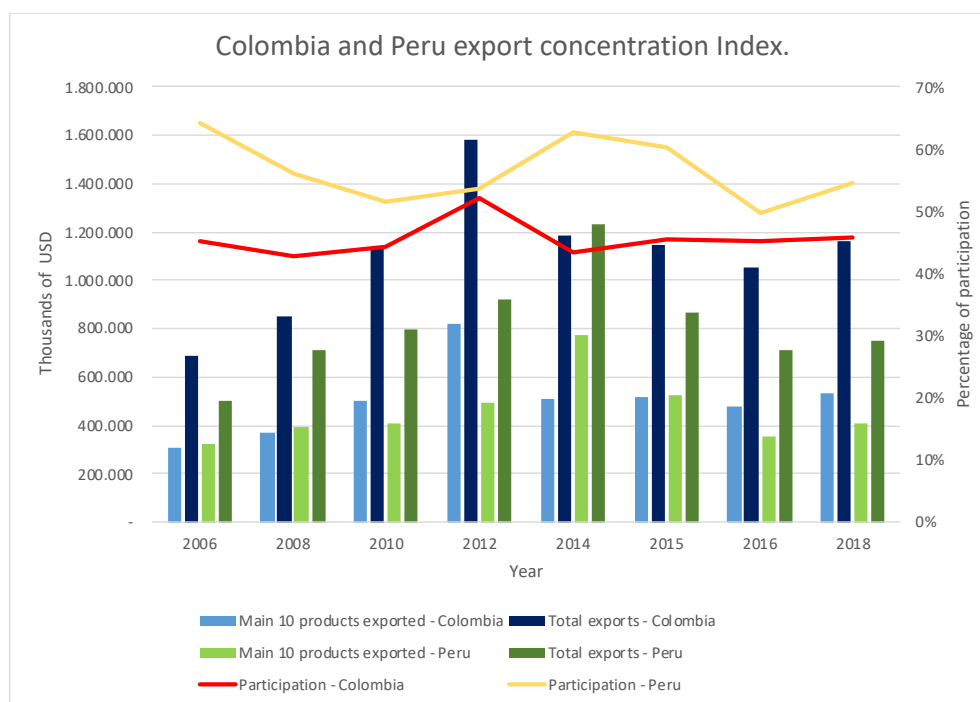


Figure 6. Colombia and Peru export concentration index

Source: own elaboration with data from TradeMap (2017), taken from: <https://n9.cl/e9ms>

As shown in Figure 6, this index allows to know whether exports or imports from one country to another are diversified or not, i.e. identify the share of the most representative products of commercial activity within the total exports or imports made by a country in a given year. Based on the result, it can be determined whether a country's total exports or imports are represented in only ten products, or have a broader export offer, mitigating the risk of being left without a market in that country, since it would imply that if the importing country stopped buying these products, this market would be practically closed to the exporting country.

In the first instance, this index will be discussed for exports in the Colombian case, where, of the total products exported to Peru in 2018, 46% represent only the ten main products (as shown in Table 1), this to say that less than half of the total value of exports made in that year, are only ten tariff items. This way, it is suggested that Colombia has a moderately diversified export supply, so there are goods that, although not the main ones, have a share within the Peruvian market. By contrast, in the case of Peru, 54% of goods exports to Colombia made in the same year were only one of the ten main products exported, this shows that more than half of its exports are concentrated in only a few products, indicating that there is little export diversity from Peru to Colombia.

Now, in analyzing the behavior of this share in previous years, it is identified that for both countries it has been almost steadily constant, since it has remained in an average range of 10 percentage points, Colombia remained between 43% and 52%, this shows that during these 14 years, the concentration in exports has not had a significant variation, despite the change of the top ten export products each year; Peru, on the other hand, has remained between 50% and 64%, a range above Colombia's; this is not convenient at all, because the higher the percentage, it indicates that exports are represented in the first instance by few products, which is somewhat risky to that country's international trade.

However, within the range of participation, significant fluctuations can be observed from one year to another. For Colombia, the curve has increased in 2012 and for Peru in 2014, that

is because those two years were in which exports from these countries achieved the highest values between 2006 and 2018; for this reason, by increasing this volume, the value of the main exported products will clearly increase, generating a higher concentration rate. Additionally, returning to Figure 6, this phenomenon is much more evident in the concentration of Peruvian exports, since both countries had almost the same total value exported, but in the main products exported by Peru are clearly noted with a higher value than those exported by Colombia.

This demonstrates the importance of diversifying export supply for both countries. Within the comparison, Colombia is the country that has its most diversified export offer, thanks to its evolution in goods sold to Peru, since, if it were still based on the same trades in the first instance in 2006, the percentage of concentration would most likely be much higher.

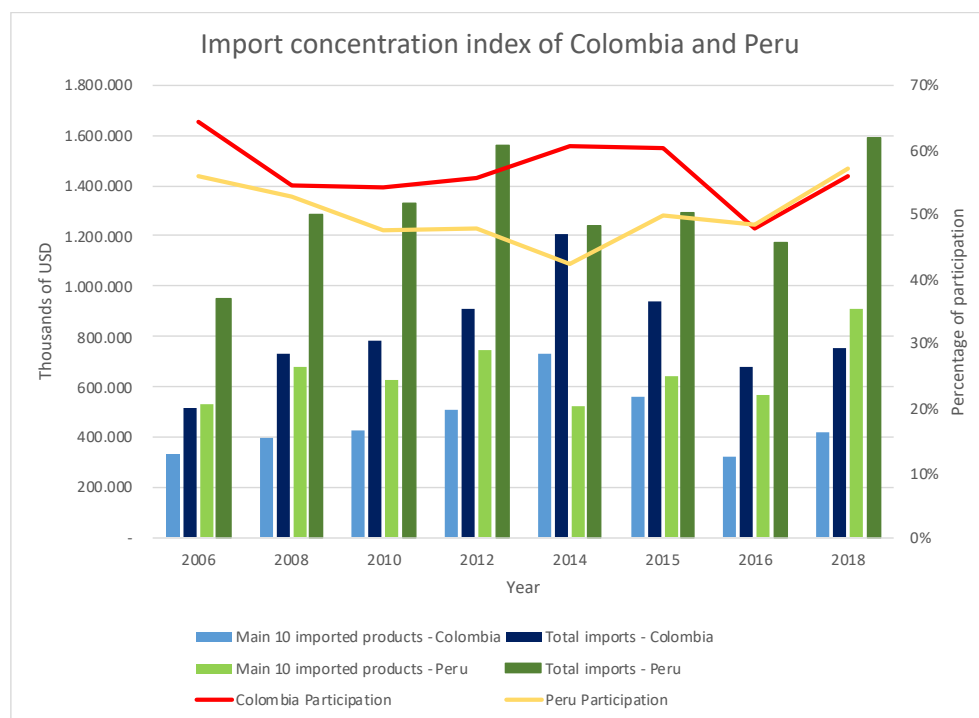


Figure 7. Import concentration index of Colombia and Peru

Source: own elaboration with data from TradeMap (2017), taken from: <https://n9.cl/e9ms>

Moreover, Figure 7 presents the concentration rate but this time in relation to imports by each country between 2006 and 2018. To identify the percentage of participation, the aim is

to compare the total value imported by the country and divide it over the total of the top ten imported products.

In the case of imports, the higher the participation percentage of the most representative products, it will mean that there is less diversification, this indicates that the total imported will be represented to a greater extent by only a few products, being this good, since the fewer goods are imported from another country, it will be much better for the domestic economy.

In this order of ideas, by the year 2018 Colombia obtained a participation percentage of these main products over the total imported of 56%, that is to say that a little more than half of the total imports made by Colombia from Peru, are represented by only ten products. In the same year, Peru obtained a 57%, a point higher than Colombia. Both results show a positive indication for the two countries, as they show that there is no great diversification of these products, in other words, imports from both countries are limited by a small amount of goods, benefiting the internal economy of both nations.

However, in analyzing the evolution of this index, it can be clearly seen in Figure 7 that the concentration of Colombian imports has remained in a higher range than Peru, this shows that in import matters, Peru acquires more product diversity in the Colombian market than Colombia in the Peruvian market. This benefits Colombia directly, since at the moment Peru imports more variety of products, it makes more commercial presence of Colombian products in its territory, as well as allowing the internal economic and industrial development of the exporting country.

2.1.4. Services traded between Colombia and Peru (2008-2018)

By taking the issue of services back into the bilateral relationship, it can be said that it is a sector with quite potential for growth and development, as has already been mentioned, it is a sector that was included within the Pacific Alliance agreement, seeking to enhance its commercialization.

Within the additional protocol of the Pacific Alliance framework agreement, the technical group on this subject is “services and capital” which is responsible for “establishing clear, predictable and legal security standards to promote trade in services” (2015, p. 10). In order to be able to present in greater detail the conditions for the marketing of certain services, this technical group proceeds to discriminate against the chapter on cross-border trade in services (chapter 9) of this additional protocol financial services (chapter 11), maritime transport (chapter 12), electronic commerce (chapter 13) and telecommunications (chapter 14).

On Chapter 9, which discusses cross-border trade in services, takes into account two fundamental principles of the World Trade Organization, national treatment and most favored nation, which seek that these foreign services will not have conditions that create barriers to the provision and marketing of these in comparison to national services , in other words, prevents additional unfavorable conditions from being applied to it, making them less competitive for the market.

However, according to this additional protocol to the framework agreement of the Pacific Alliance (2018, p. 165), the modalities for the cross-border supply of services are first “cross-border trade”, that is, the service is provided from the territory of one party to the territory of the other; secondly "consumption abroad", which indicates that the service is consumed in the territory of one party, by a person of that party to a person of another party; and finally "presence of natural person" when supplied by a national of one party in the territory of the other party.

Table 3. Colombia's services exports to Peru

Service exports from Colombia to Peru (Thousands of USD)								
Group	CABPS description	2008	2010	2012	2014	2015	2016	2018
transport Services	Air Passenger Transport	-	-	-	20.886	24.418	29.780	27.698
	Air freight transport	276	2.606	903	12.094	10.762	13.146	10.422
Other business Services	Business consulting services in business administration and public relations	-	-	-	4.533	5.504	8.913	12.860
	Architectonic, engineering and other technical services	5.569	13.072	13.252	24.265	18.279	20.659	11.089
	Callcenter Services	-	-	-	3.856	3.128	2.597	6.176
	Accounting, auditing, bookkeeping and tax advice services	166	268	1.057	2.361	1.552	1.944	5.885
	Advertising, market research and public opinion surveys	1.351	1.265	2.306	3.678	1.834	2.021	2.182
Telecommunications services	Computer Services	-	-	-	12.350	9.835	9.774	10.035
	Telecommunications services	3.281	3.300	5.277	8.954	10.918	9.883	9.760
Maintenance and repair services	Air Transport Maintenance and Repair	-	-	-	6.942	524	954	2.936
Privileges and rights of license	Other privileges and rights of license	17	1.178	2.033	-	-	-	-
Personal, cultural and recreational services	Teaching Services	18	67	294	-	-	-	-

Source: own elaboration with data from DANE (2020), taken from: <https://n9.cl/trw0>

Continuing, table 3 presents the services exported by Colombia to Peru between 2008 and 2018. It is possible to show in the first instance that of the six divisions of the export supply for the Peruvian market, the business services stand out, which represent almost 40% of the total exported in 2018, positioning itself as the main group of services supplied to Peru.

According to the above, the fact that the participation of this group of services is so high, it may be mainly due to the fact that this category of "business services", is the only one that is traded through the three modalities stipulated for cross-border supply, that is, that the exporting company, can offer its services either from its country to the importing undertaking without the need to move to this , such as call centers or the conduct of market studies or accounting services (cross-border trade); or because the importer moves to the exporter's country to acquire the service and then returns, as a business or public relations consultancy (consumption abroad); or for the exporter to travel to the importing country to provide the service and then return to its country of origin as architectural consulting or technical services

(presence of physical person); this allows the exporting company to have a much wider offer, which accommodates to the services nature with the needs and convenience of the client, allowing the providing companies, a greater ease to sell their services abroad, in this case in the Peruvian market.

On the other hand, there is the group of “transport services”, which, despite only consisting of two types of services, manages to have 38% of the participation within the total exported; it is a quite significant figure, Since Colombia's main service to Peru is included in this category, this is the “air passenger service” and represented 28% of total exports, thanks to its successful export value of USD 27,698 thousand in the year of 2018; It is interesting to analyze the behavior of this service in previous years, since just in 2014, it begins to have presence within Colombian exports to Peru, achieving an increase in those 4 years of 6,813 thousand USD.

Also, within Colombia's exports to Peru, it can be seen that there are other services that had no commercial presence within these exports until 2014, of which telecommunications services such as computer services are distinguished; repair and maintenance services such as air transport; and other business services.

This shows that thanks to the agreement, and the implementation of the additional protocol of the framework agreement, the sale of services from Colombia to Peru was enhanced, generating benefits not only for Colombian providing companies (exporters) but for Peruvian receiving companies (import) the service, since they are acquiring through these services knowledge or "know how" that would help them improve processes, implement new techniques within the production processes of some product or the provision of other services, expand markets, improve facilities, acquire new services, among other social and economic benefits that this exchange allows.

Table 4. Imports of Colombian services from Peru

Imports of Colombian services from Peru								
Group	CABPS description	2008	2010	2012	2014	2015	2016	2018
Transport services	Air Passenger Transport	8.943	3.755	5.813	7.980	13.347	14.354	48.066
	Other air transport services	7.311	151	14.229	-	-	-	-
	Road freight transport	1.749	2.598	4.495	-	-	-	-
Other business Services	Architectonic, engineering and other technical services	10.775	11.842	19.381	22.246	21.212	21.058	22.233
	Business consulting services in business administration and public relations	-	-	-	6.787	3.083	3.776	8.583
	Operating Leases Services	-	-	-	82	89	5	1.431
	Other trade-related services	615	3.606	6.764	-	-	-	-
	Advertising, market research and public opinion surveys	1.530	2.103	2.132	-	-	-	-
	Legal Services	94	1.014	1.281	-	-	-	-
Royalties and license rights	Licenses to reproduce and/or distribute related audiovisual products and other N.E.C royalties.	-	-	-	296	11.881	9.441	11.537
Communications services	Telecommunications services	745	1.855	6.319	-	-	-	-
Personal, cultural and recreational services	Teaching Services	105	290	902	-	-	-	-

Source: own elaboration with data from DANE (2020), taken from: <https://n9.cl/trw0>

Of equal importance, Table 4 shows the imports of services made by Colombia from Peru; In other words, they are the services provided by Peru to Colombia, these are divided into only five groups of which at first glance it could be identified that “business services” are the most important within this trade.

Nevertheless, this group of "business services" contains half of the types of services provided by Peru, but its total value represents only 35% of the total imports made by Colombia from Peru in 2018, this is because in fact, when analyzing the table, it is evident that since 2014, there is a great fluctuation in the evolution of these services , since while some were discontinued, such as legal services or market research and advertising services; others were just beginning to take part in the Colombian market, such as business consulting services or leasing services for exploitation.

This diversification of services generates that the Peruvian export offer is in constant movement, which can be interpreted in a positive way, since it denotes that it is a sector that

continues to develop, generating different attractive services for the Colombian market, avoiding a stagnation or loss of it.

Similarly, within these services imports, the main group of services imported by Colombia from Peru are "transport services", these represent 52% of the total imported. What is interesting is that within this group, by 2018 only the "air passenger transport services" were generating movements, which, in 2014, had an increase in this supply by Peru, achieving an increase of USD 40,086 thousand, a truly high sum compared to the increase in the other four services imported by Colombia. In addition, within the services that over time, instead of lowering their commercial offer, have been able to remain within the imports supplied by Peru to Colombia, the "Architectural, Engineering and other technical services" are those that have not increased their value, but have decreased by 13,176, but have managed to remain available, remaining within one of the main services imported by Colombia.

Similarly, it is important to note that by 2018, Colombia only imported five different types of services, thanks to the change in importing supply, perhaps related to the needs and trends that Colombian companies require, which resulted in seven services no longer being supplied to Colombia; Despite this, the total of these five services imported for that year was USD 91.850 thousand, comparing this number with the value of services exports made by Colombia in 2018, which was USD 99.043 thousand. There is only a difference of USD 7.193 thousand, this means that only five imported products almost represent the same value of services that Colombia exported. This, in terms of trade balance of services, almost keeps a positive trade balance for Colombia, but with a value that is not significantly large, this generates an increasing risk of changing the picture and reaching a deficit within this balance.

2.2. Policies and advances in international cooperation between Colombia and Peru

Generally speaking, we understand international cooperation as "all kinds of activities carried out jointly and in coordination by two or more States..." (APCI, n.f.) These actions are aimed at achieving a goal set by both sides, based on principles of common well-being, promotion of equity, sustainability and project responsibility, among other relevant aspects; these are characterized by being a way that facilitates the exchange of experience, knowledge,

good practices, concepts, among others; and where resources, economic, social, environmental and other aid are also mobilized.

This international tool has always been present in the different global integration processes that have been agreed throughout history, either directly or indirectly within bilateral or multilateral agreements; cooperation is generally the response to the development and advancement of all the countries that make up such integration, because if there isn't commune work, it will hinder mutual development and even, by not working together between all parties, it would make it difficult to achieve what was set out in the agreement.

Within the context of the region in which the research is being conducted, it is worth recalling the idea of South-South Cooperation, which is based on the fact that the existence of common problems among developing countries facilitates cooperation, therefore, it promotes the work of both parties focused on a common well-being for both populations, thus facilitating the overcoming of these problems and achieving common development.

According to the above, both Colombia and its bilateral partner Peru have development agencies for international cooperation in different fields of application, based on the principle of South-South cooperation. For Colombia there is the Presidential Agency for International Cooperation (APC) and for Peru the Peruvian Agency for International Cooperation (APCI). Both institutions have developed different projects for the development of countries, thanks to the support of different actors both nationally and internationally.

On issues of bilateral development between Colombia and Peru, there is the joint commission on technical and scientific cooperation, which came into force in 2011. This committee proposes and approves cooperation programs that will govern for two years; within this committee are the directors of international cooperation of both countries and representatives of the Peruvian Agency for International Cooperation (APCI), foreign ministries on both sides, among others. The meetings include plans for the development of different projects on cooperation between Colombia and Peru, such as peace building, border

integration, farmer sector development, environmental issues, social protection, democracy, among others.

Now then, within the framework agreement of the Pacific Alliance, one of the objectives is to "promote greater growth, development and competitiveness of the parts' economies" (Pacific Alliance, 2018) with the aim of achieving better social and economic conditions for the signatory countries. In addition, another of the objectives set out in the Alliance agreement is that it seeks to be a commercial bloc in which there is a free movement of goods, services, capital and people; this aims to consolidate stable economic and trade integration, making them more competitive against the region and other global trading blocs, in particular with a view to fostering relations with Asia-Pacific countries.

This shows the importance of this component of international cooperation within this agreement, therefore, within the different topics addressed by the Pacific Alliance for development, is the term of cooperation in different fields such as education, climate change, innovation, science, technology, among others. Some initiatives are raised on student mobility issues; in the development of different projects aimed at taking charge of the climate change problem; on trade barriers, sanitary and phytosanitary measures, and customs, for trade facilitation; in the field of government procurement and e-commerce; stock and financial issues; among others. These initiatives ensure common work to achieve the objectives set.

2.2.1. Cooperation policies and advances within the Pacific Alliance

Within the agreement of the Pacific Alliance, different mechanisms were established for the fulfilment of these objectives of cooperation between its members, in order to enable a significant degree of development for each of the signatory countries to provide them with both economic, social and political stability, this way, it can become a trading bloc with high rates of development and economic stability, which will allow them to interact with different trading blocs and interesting regions of the world to develop commercial activities at an international level.

To achieve these objectives, 29 technical groups were structured, in order to have entities that will be responsible for executing and monitoring the different projects proposed for cooperation, among the issues under which these groups were developed, cooperation is emphasized in the first instance, followed by trade facilitation, people mobility, services and investment, education, environment, tourism, development and social inclusion, among others, that what they are looking for in general terms is to achieve mutual growth of all nations with great progress on these issues.

Among these mechanisms under the framework of the Pacific Alliance agreement is the **Technical Cooperation Group**, which seeks to promote the cooperation of member states with each other and with third countries, through the establishment of the "Pacific Cooperation Platform". In order to promote cooperation among these countries, within the memorandum with which this technical group begins to govern (2020), different modalities are proposed under which this international development tool can be implemented, including joint studies or diagnostics; exchange of existing information or regulations; assistance and technical visits from different experts, researchers or practitioners; projects and plans promotions; among others; these initiatives are based on different application areas such as social development, environment, science, technology, innovation and any other areas that can be added.

According to the portal of the Pacific Alliance (n.f.), the most relevant initiatives that have been achieved thanks to this technical group are the platform of student and academic mobility, the youth volunteering program and various programs related to the environment.

The first of these initiatives is the Pacific Alliance's student and academic mobility platform, this "is a tool that has allowed member countries to recognize themselves as excellent academic destinations, it has created networks for the generation of knowledge and has established links for the social integration of the territories." (Pacific Alliance, 2020) All of the above has been achieved through the integration and international cooperation of the member countries, thanks to joint work to generate higher levels of development among

them, this recognition and growth in academic subjects have been achieved within the business block.

Meanwhile, this international cooperation tool is based on a scholarship program, which seeks to contribute to the formation of human capital of member countries in matters of economics, political science, business, finance, trade and international relations, science and technology, engineering, among others. These financial aids are intended to “support students and teachers in pursuing academic subjects or activities during a semester at universities in the four countries participating in the program.” (Technical Cooperation Group, n.f.). Clearly it is a platform that not only seeks to promote education at the undergraduate level, as it also offers scholarships for teachers, researchers and PhD students; this in terms of cooperation, enables a satisfactory exchange of knowledge, experience and technical academic training, which enables the proper development of countries, as not only are students being taken into account to acquire knowledge in other countries, but professionals and experts who travel to share knowledge with different people.

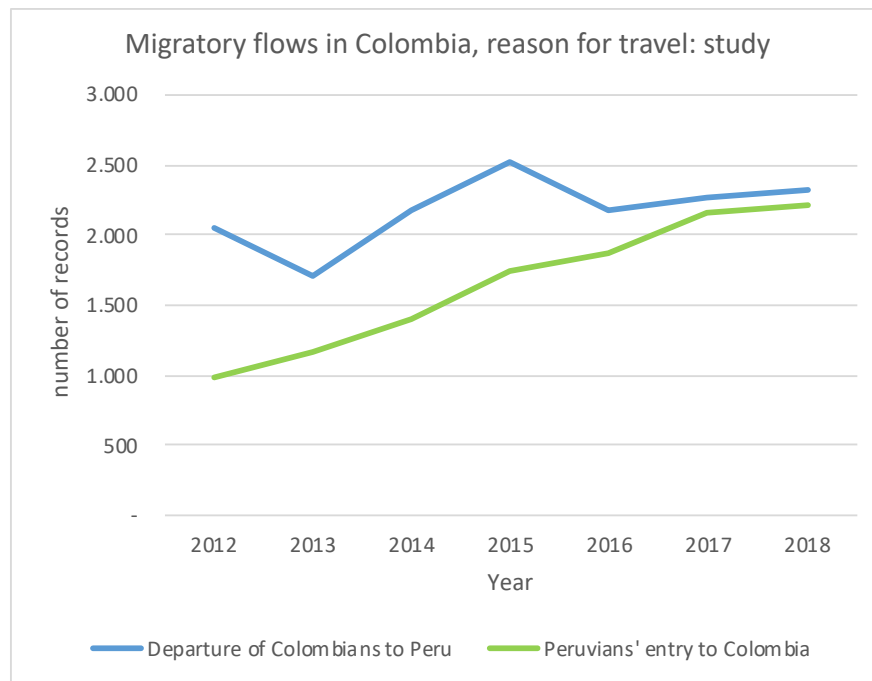


Figure 8. Migratory flows in Colombia, reason for travel: study.

Source: own elaboration with data from Migration Colombia (n.f.), taken from: <https://n9.cl/g6gt>

Figure 8 shows the general migratory flows of Colombians leaving for Peru and Peruvians entering Colombia whose reason for travel is “studies”. It is evident that over the years the demand for studies abroad has increased for both Peruvians and Colombians, possibly thanks to globalization and international aid that make this activity doable, so it is clear that this reason for traveling in particular is growing. It is specifically emphasized that the flow of Colombians leaving Colombia is greater than the Peruvians who enter, despite this, it can be understood that there has not been one country more benefited than another, because, by referring to an topic included in the bilateral cooperation, it is indicated that a mutual development is being presented on both sides, since both countries benefit from the exchange of people between the student and professional populations both Colombian and Peruvian, since social development is enriched by the bartering of concepts, experiences and other technical knowledge acquired abroad or imported by these students, which can be used in both countries.

Within this evolution, the platform of the alliance is considered one of the factors that have generated this increase regarding student mobility, since according to this scholarship program, eleven calls have been made since 2012, the year in which this mechanism came into force.

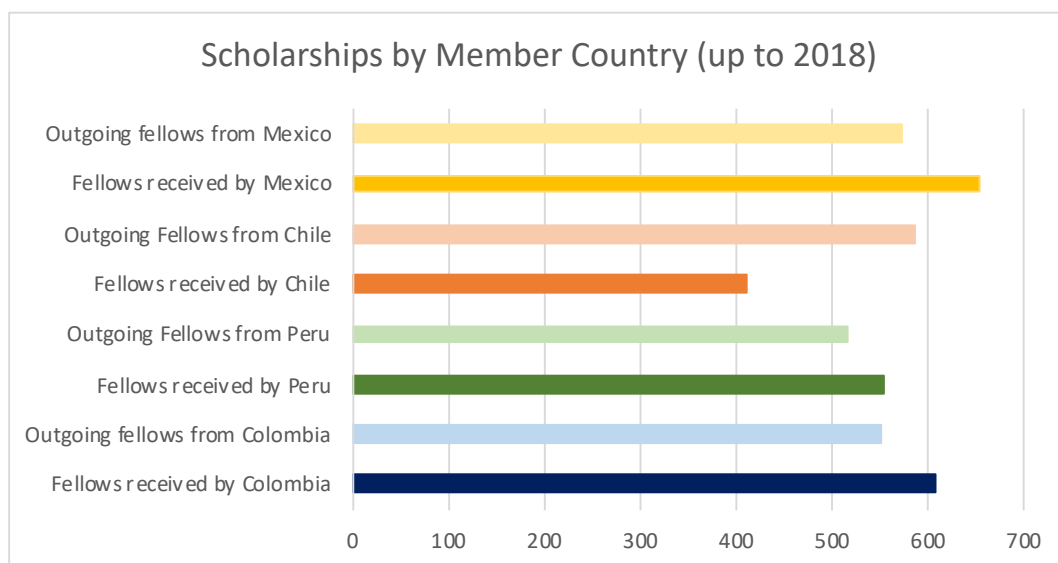


Figure 9. Pacific Alliance Student and Academic Mobility Platform Scholarships by Member Country through 2018

Source: own elaboration with data from the platform of student and academic mobility (2020), taken from: <https://n9.cl/i8qd>

Going into detail, according to data from the student and academic mobility platform, 2,228 scholarships have been awarded throughout 2018, which are detailed by country in Figure 9; according to this, speaking in terms of outgoing fellows, i.e. students accessing the scholarship to study in one of the Pacific Alliance member countries, Colombia has registered 608 grant holders and Peru 555, that is to say 27,3 % and 24,9 % of the total scholarships, respectively, indicating that both countries represent a little more than half of the total scholarships granted to students inside the Alliance. This could be interpreted as a positive indicator, since at the moment the student performs his or her academic mobility, he or she begins to acquire new skills, knowledge and experiences, in other words, this exchange allows the enrichment of human talent, whether it be undergraduate students, teachers, researchers, or professionals; allowing the improvement of the human capital of each of the countries, since after the return of these people to their places of origin, they will share these knowledge with different companies, universities, entities or natural persons, allowing an exchange of knowledge that directly benefits both Colombian and Peruvian population.

However, in terms of fellows received by the countries that signed the agreement, i.e. students who arrive in the countries for their studies, Colombia has registered 552 fellows received, and Peru 517, that is to say 24,8% and 23,2% of the total respectively. It can be observed that these are lower values than those of outgoing fellows, this may be due in first instance that students may choose to go to Mexico as the first option, since it's the country that has received the most fellows. Nevertheless, the numbers presented by Colombia and Peru, demonstrate that 48 % of the grant holders decide to realize its exchange in one of these countries, this allows the nationals to interact with these people who possess new ideas and knowledge which can be applied within the country, allowing an exchange not only of knowledge, but also of culture with the people and institutions of higher education of that country, from another point of view, it allows the knowledge acquired by these students to take it to their country of origin, generating a direct link to exchange experiences and knowledge. In addition, these students stimulate the economy of the country where they are going to settle temporarily, since they are going to be consuming the goods and services offered by the domestic enterprises of this place.

Also, within the context of the Pacific Alliance Technical Cooperation Group, volunteers are developed, these are programs of maximum duration of one month, in which participants develop projects focused on different areas, both social and environmental, contributing and working together with communities in these countries or promoting environmental programs based on awareness raising and preservation of the environment and resources, while strengthening skills and knowledge not only of the young people who are participating, but of local societies, thanks to the impact this project generates on them with the exchange of experiences, culture and ideas.

Similarly, these activities are within the same trend of social and economic development, together with the concept of deep integration in the region, because this program provides for a cultural and experience exchange between the young participants and the communities in which they will develop.

To date, 4 calls have been made, in which 232 young people from the four countries of the Alliance have participated, a relatively low number, since on average only 12 young people are selected per call per country. This indicates that only 48 young people have participated in these 4 calls per nation. This indicates that to date, both Colombia and Peru have developed volunteer plans, in which they only impact on average 12 national members from each country.

It is notorious that these volunteer programs since 2016 that was the first call, are very closed and with very small places, however, for the one carried out in 2018 the scope of the call was quite high compared to the people selected, since the number of applicants was 1,084 young people, of whom only 48 were selected. Although the selection rate is very low, it is an initiative that has managed to connect more than 1.000 students in 2018 alone, it generates an interest for the young people belonging to this commercial bloc, making the development of countries a much more feasible issue, since these are key actors in the region.

According to the volunteer web portal of the Pacific Alliance (n.f.) In the last call made in 2019, Colombia accepted 4 Peruvians within its volunteer program related to Colombia young in scenarios recognized by young people who develop audiovisual, gastronomic and fashion activities; and Peru selected 4 Colombians for its "A-People of Change for Social Development: Prevention of Gender-Based Violence in Vulnerable Adolescents" program.

This makes it clear that they are too limited programs, because they impact very few young people, in this case both Peruvians and Colombians; however, these bring many benefits to the projects proposed by each country, since they have different ideas, ways of seeing and thinking the world totally different from those of the national people where the project will be developed, enriching each of these initiatives by adding the multicultural touch that seeks alliance of these volunteers, allowing growth and development not only at the level of the young people who live the experience, but in the society of the country in which the projects are developed.

Finally, within this Technical Cooperation Group, there are different projects that mostly seek the preservation and conservation of the environment in general of the Pacific Alliance member countries, within this context is the Scientific Research Network on Climate Change (RICCC), and other committees that look to support these development and cooperation initiatives in the field of environmental care and climate change monitoring of member nations.

Within these initiatives, the parties work together to analyze common environmental problems, and guidelines are developed to control these factors. Some of these scientific cooperation projects have been on sustainable production and consumption; planning for forest ecosystem restructuring; or biodiversity monitoring projects to support climate change adaptation and mitigation processes, in this, each country raised different strategies such as courses, workshops, webinars and other tools, with the aim of raising awareness publicizing the main factors affecting the issue of biodiversity, and within these platforms, different committees were incorporated that seek to contribute to the mitigation of critical factors affecting the environment of the four countries.

On the other hand, within the cooperation policies set out in the Pacific Alliance, there are different initiatives to ensure that one of the objectives set out in the framework agreement is met, thus referring to the free movement of goods, services, people and capital. For this purpose, different strategies are proposed that aim at facilitating trade in goods and services through customs cooperation between the four signatory countries, the removal of technical barriers to trade and other initiatives.

Within this context, the **Technical Group on Trade Facilitation and Customs Cooperation** (n.f.) whose main objective is to facilitate the trade relationship of the member countries, based on the principles of transparency, predictability and cooperation between customs, is consolidated. To provide agility to the processes of dispatch of goods and authorization of the processes related to all these activities of import and export of goods. Among the most relevant approaches within this group are the policies for OAS (Authorized Economic Operator), and the integration of the Single Foreign Trade Windows (VUCE).

This is one of the most important points within the Alliance agreement, since trade facilitation is the key action that will allow, on first instance, the increase trade between members which leads to an increase in economic development of each of the states that signed up to these customs cooperation policies, this in turn allows a trade block of economic and trade integration to be consolidated by growing individually, improving the GDP levels of the 4 countries, stimulating trade, consumption and foreign direct investment, while facilitating negotiations with countries such as Asia Pacific.

Table 5. Net increase in trade between Colombia and Peru (in thousands of USD)

Peru	2006-2011	2012-2018
Exports	4.319.078	6.008.553
Imports	6.959.510	9.813.788
	11.278.588	15.822.341
Colombia		
Exports	5.669.463	8.520.352
Imports	4.290.707	6.019.669
	9.960.170	14.540.021

Source: own elaboration with data from TradeMap (2017), taken from: <https://n9.cl/e9ms>

As shown in Table 5, within the bilateral relationship, it can be noted how trade between the two countries has increased after the signing of the Pacific Alliance framework agreement, in both cases the increase of this exchange is significant, since in the Colombian case there was an increase of 31.5% and in Peru by 40.3%. With this result, it is evident how management in customs cooperation within this commercial bloc, generates a benefit for countries, since their trade movements are enhanced, possibly thanks to the policies implemented within this Technical Group.

Comparing the two periods, it is possible to identify the impact these policies have had on the economy of both countries and in general on their bilateral relationship, as this cooperation and joint customs work "...seeks to strike a proper balance between the facilitation and control that modern Customs must exercise in the process of their duties." (Technical Group Trade Facilitation and Customs Cooperation, n.f.) Directly benefiting the entrepreneurs of each country, as both import and export procedures are facilitated, boosting these trade activities, and increasing the trade balance of each nation.

Also, deregulation in customs matters such as digitization and agility in the formalities thanks to the connectivity of the customs agencies of the 4 countries, the reduction of 92% of goods, the elimination of technical barriers to trade, WTO agreement, framed as a subgroup of the **Technical Group OTC-Regulatory Cooperation**, and other measures taken to eliminate unnecessary barriers to trade that may be generated by the standards, regulations or different conformity assessment processes of the parties, allow said increase in trade activities between countries by promoting cooperation and mutual development.

Additionally, thanks to these policies, both countries have improved their unique foreign trade windows, this implies a systematic improvement of the customs of each of the parties, generating growth and evolution. In the case of Peru, in 2015 this foreign trade platform was improved, as the plan to integrate the VUCEs of the Pacific Alliance member countries was being developed, resulting in automation and simplification of Peruvian customs processes.

This modernization promoted by this agreement project represents for Peruvian trade "[...] 25 per cent reduction in the number of days associated with the processes and procedures being processed, and the logistical costs associated with foreign trade operations by 5 percent." (BID, 2015) Clearly a benefit is generated not only for the exporting or importing entrepreneurs of this country who are going to make foreign trade activities easier and 5% cheaper; it also encourages an improvement in the structure of the electronic customs system, making Peru a more competitive country in trade matters, as streamlining procedures leads to a reduction in logistical costs, making it more attractive for future negotiations.

In the Colombian case, the benefits of the VUCE integration are also noteworthy, according to data from the Colombian Ministry of Trade, Industry and Tourism (2019) since 2016, 15.353 phytosanitary certificates have been exchanged with the member countries of the Pacific Alliance; as the Deputy Minister of Foreign Trade, Laura Valdivieso Jiménez explains, this exchange of certificates brings various benefits for Colombian foreign trade such as “time, paper and resource savings for entrepreneurs, as well as agility and ease in the process.” (MINCOMERCIO, 2019) Factors that generate an optimization of Colombian foreign trade, which, as in the case of Peru, is likely to generate a reduction in logistical or operating costs.

It is clearly appreciated that cooperation, in this case specifically in customs within the Pacific Alliance, benefits each member internally, because, in order to reach achievements together, individual adjustments of the processes must be made in order to be able to cooperate with each other, this is how progress has been made on these issues, making the objectives set out in the framework agreement achieved, such as being a trading bloc of economic integration, allowing the union with Pacific Asian countries, a region with which "in 2015, exports (...) grew USD \$57 billion, meaning 11 percent of the total." (BID, 2016); at the same time that systems and processes are modernized within the customs activities of each member, generating common growth or development, making them more interesting internationally for future investors or negotiations with different countries.

On the other hand, in matters of cooperation for people mobility, progress has also been made within the framework of the **Technical Group Movement of People**, which is responsible for facilitating the migratory transit, especially of these people who are in the migratory businesses capacity, thanks to the joint work of the migration and consular authority of each country. The relevance of this aspect is reaffirmed by the denomination of this activity by the Pacific Alliance framework agreement "...as a mechanism that helps create better conditions of competitiveness and economic development" (Pacific Alliance, 2018) it will facilitate the transit of people seeking to develop or establish business with companies of this country.

Among the achievements of this Technical Group is the exemption by Peru of temporary Visa for business migrants with Chilean nationality, Colombians and Mexicans until 183 days. This allows a freer flow of people within these countries, since it eliminates the Visa procedure, which is represented in a saving of money and time for entrepreneurs who decide to travel to Peru for various activities and this way promote trade ties between the bilateral relationship.

In an effort to strengthen the relationship with the Republic of Peru, Colombia decides to adopt the same measures for Peruvian nationals entering the country with business immigration status. According to this memorandum of understanding (2013), Colombia, by taking reciprocal advantage of this memorandum, allows the nationals of Peru to carry out different activities within the Colombian territory such as holding various businesses with entrepreneurs of this country or creating strategic alliances and integrations with national companies; Participate in meetings, events, fairs, among others held in Colombia; perform notarial procedures or establish a company before a chamber of commerce; even receive short-term medical treatments; among other activities allowed within the exemption of this Visa for the Peruvian population.

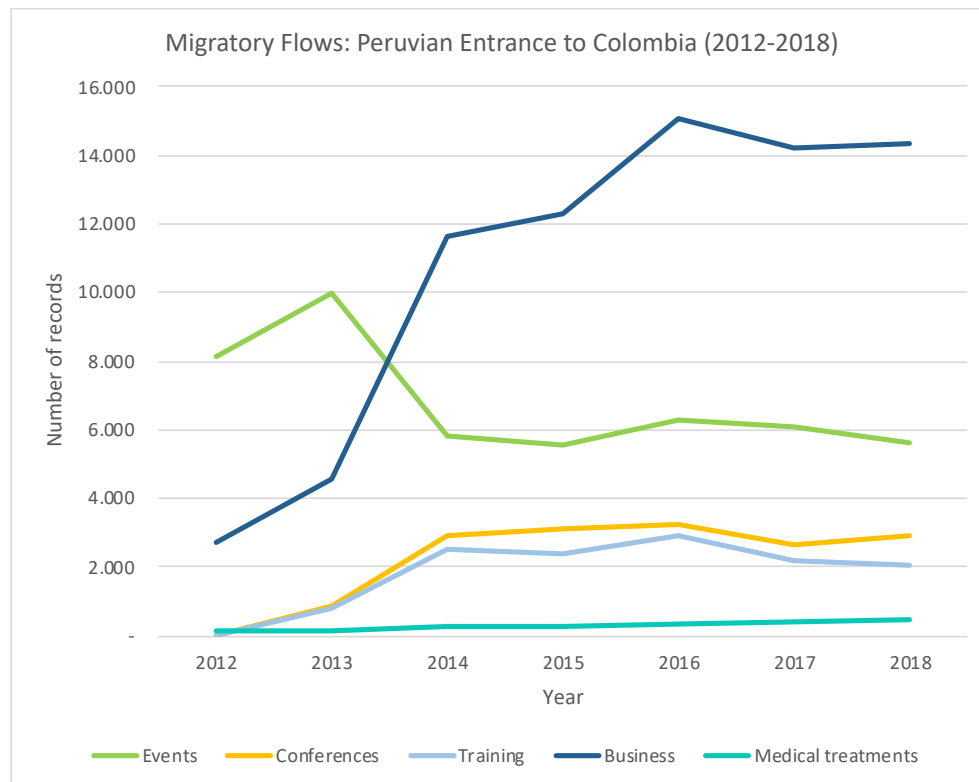


Figure 10. Migratory Flows: Peruvian Entrance to Colombia (2012-2018)

Source: own elaboration with data from Migration Colombia (n.f.), taken from: <https://n9.cl/g6gt>

Figure 10 shows that, possibly, thanks to the implementation of this memorandum in 2013, the mobility of people passing from Peru to Colombia was enhanced in order to carry out some of the business activities included in this document. It is identified that the “business” curve has a high increase since 2013, that is, that the intention of the memorandum was actually achieved, which was to facilitate the mobilization of these people who were on business.

For the year 2014, there was an increase of 7,051 people, that is to say that by the year following the entry into force of this document, the transit of Peruvians who are interested in doing business in Colombia increased by 60,53%. This is a rather interesting analysis, since it implies that trade within the country is enhanced, the creation of strategic links or alliances with Colombian companies and many more actions, which make the state more competitive, even can boost foreign direct investment.

Although the “events” curve shows a decline in migratory records, it can be identified that the reasons for traveling for “conferences” or “trainings” also led to an increase in their migratory movements, this implies that the Colombian business sector benefits, as exports of services are increased in the mode of “cross-border trade” since Peruvians go to Colombia to acquire some training service, in this case training or conferences, helping business economic development and knowledge sharing.

Similarly, the health area has had a slight increase in the last 6 years, since within the activities that Peruvians can perform in Colombia as temporary visitors are short-term medical treatments, therefore, the curve of “medical treatments” it is possible to identify its evolution after going from 174 migratory records in 2012 to 500 in 2018. This clearly helps the Colombian services sector, because, as with training services or conferences, the exports of consumer services abroad are enhanced, thus improving trade and competitiveness of the sector in Colombia.

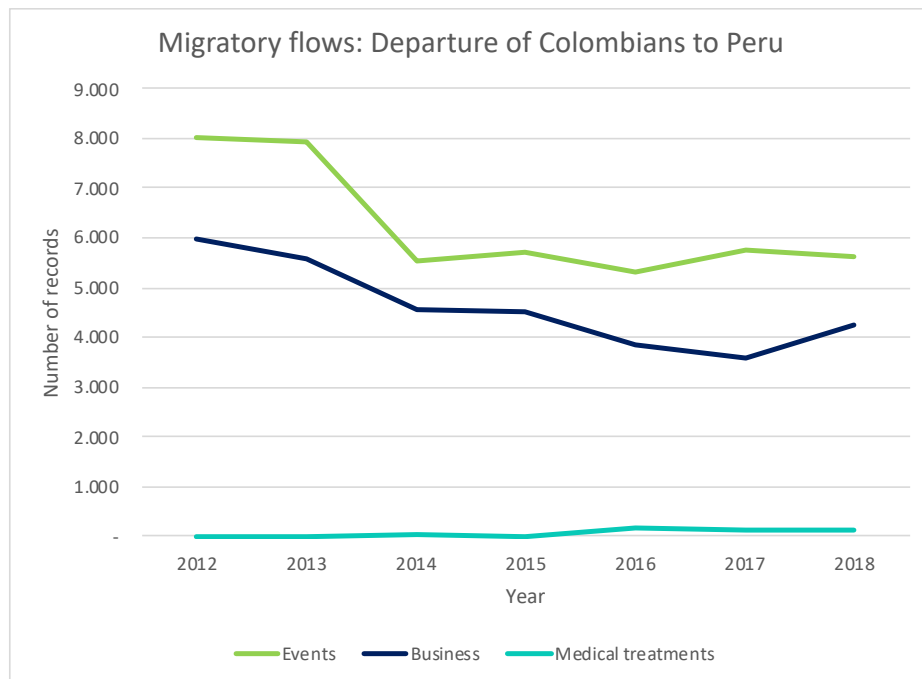


Figure 11. Migratory flows: departure of Colombians to Peru (2012-2018)

Source: own elaboration with data from Migration Colombia (n.f.), taken from: <https://n9.cl/g6gt>

Unlike Colombia, Peru has not obtained clear benefits from this international cooperation for facilitating people mobility. Although it was the country with the initiative of Visa

exemption as a business migration, it has had a decrease in Colombians movements that are heading toward the Peruvian nation to perform an unpaid activity described within the memorandum.

As shown in Figure 11, among these activities the most varied within the last 6 years is the “business” curve, having a decreasing trend since 2012, reaching the lowest number of migratory records of 3.571 in 2017. This indicates that each year, fewer Colombians are heading to the Peruvian country to carry out business or similar activities, this trend is not good from Peru’s point of view, as it indicates that perhaps the memorandum did not fulfill its main function, which was to facilitate Colombians mobility and to strengthen such commercial relations between the companies of both countries.

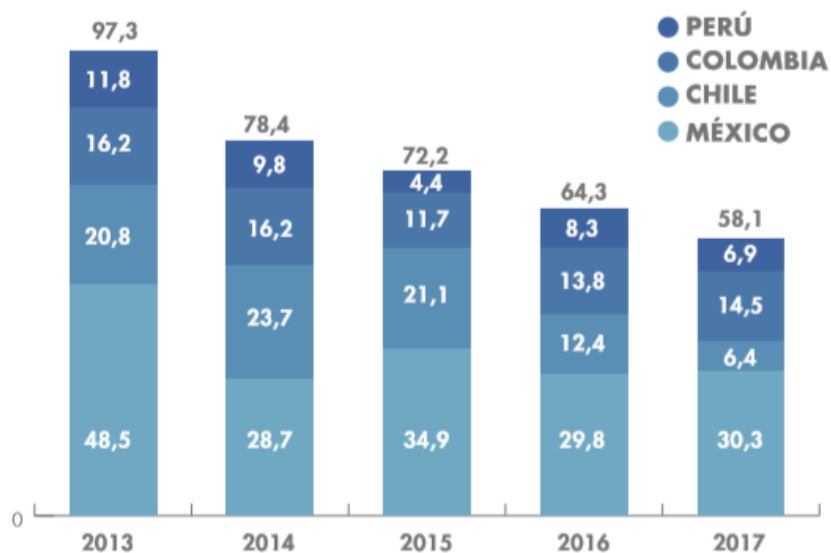
Also, the reasons for travel “events” did not increase, on the contrary it showed a decreasing behavior, and unlike the Peruvians who entered Colombia, there were no movements for conferences or trainings presented in Peru, this makes this country possibly lose competitiveness in comparison to Colombia. And it could even present a loss of foreign investment.

On the other hand, in terms of investment, the Pacific Alliance includes this area within the **Technical Group on Services and Capital**, which seeks to position the block as an attractive investment destination, as well as encouraging the investment of member countries with each other and with countries around the world. Under this context, different initiatives have been achieved that have enhanced the uptake of foreign direct investment (FDI) within member countries.

Thanks to the cooperation on investment issues within the Pacific Alliance, the 4 signatory countries have reached different achievements on this area, in accordance with the PROCOLOMBIA (2018) investment bulletin, positive results have been achieved within the alliance, some of these are to achieve common investment treatment standards in these countries, where a legal framework is shared with transparent and fair rules for the protection of FDI; commitment of the investment promotion agencies of the alliance to employment

generation and investment facilitation in the region; a network of double taxation agreements with 60 countries; Various port structure investment projects from countries such as Singapore, the Philippines, Hong Kong, Saudi Arabia and the United Kingdom. In Colombia, Peru and Mexico, there are also projects of the Netherlands' structuring of genetic improvement centers in Chile.

Clearly, these are conditions that make these countries much more attractive to foreign investors, which positions the Pacific Alliance as the “5th recipient of FDI globally, representing 43,6% of investment in Latin America and the Caribbean.” (PROCOLOMBIA, 2018) This generates competitiveness indices for these member countries not only at regional level but at global level, thanks to the benefits provided by investors, therefore, it causes more and more countries to invest, boosting the economic development of each, consolidating in turn a stronger and more stable trading bloc at the regional level.



¹ Fuente: Banco Central de Chile, Banco de la República de Colombia, Dirección General de Inversión Extranjera de la Secretaría de Economía de México, Banco central de la Reserva de Perú.

Figure 12. Foreign direct investment of the world in the Pacific Alliance

Source: (PROCOLOMBIA, 2018) Taken from: <https://n9.cl/13yt>

One of the most relevant developments within this agreement is the Pacific Alliance Investment Facilitation Initiative (IFIAP) (2018), proposed in 2017, and which, as shown in figure 12, possibly in order to stem the declining trend that had been presenting in the

acquisition of investment within the alliance since 2013. Therefore, with the ideal of improving this situation, this initiative seeks to remove obstacles generated by government regulations, measures or actions that make the expansion of FDI within the trading bloc more complicated.

The inclusion of this project represents a very large step in the processes attracting foreign direct investment within the trading block, as “...it’ll offer foreign investors a channel of direct dialog with the authorities to contribute to the improvement of environmental business in the region.” (DIRECTORATE-GENERAL FOR SOCIAL COMMUNICATION, 2018) Providing security to the investments, as they can have first-hand information on where they’ll be investing, as well as being able to keep track of it.

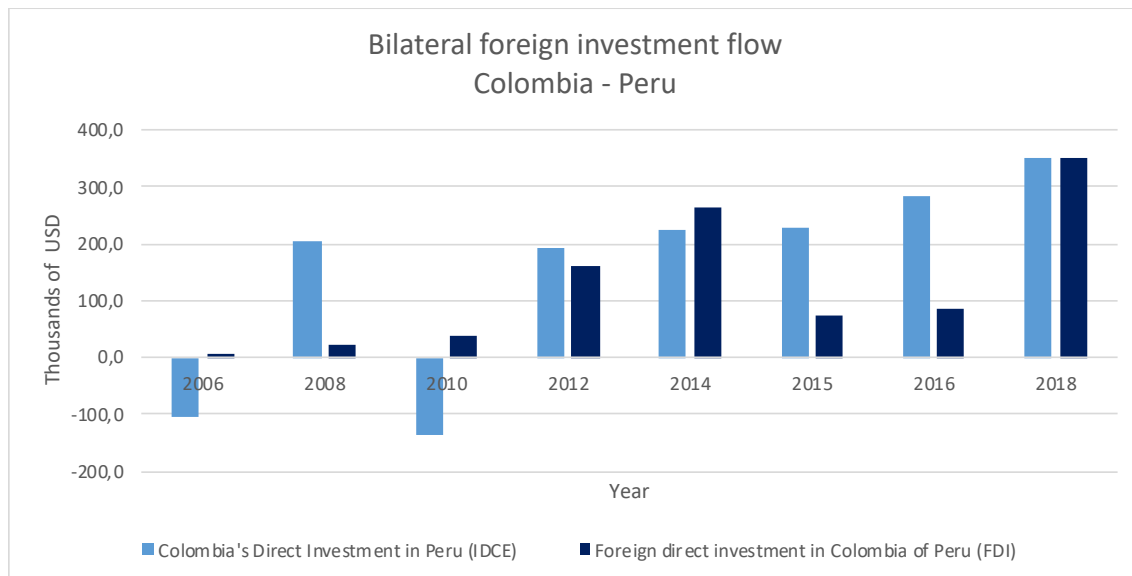


Figure 13. Bilateral foreign investment flow between Colombia and Peru.

Source: own elaboration with data from the Bank of the Republic of Colombia (n.f.), taken from: <https://n9.cl/t8aw>

The initiative to facilitate foreign investment acquisition (IFIAP) within the bilateral relationship of Colombia and Peru within the Pacific Alliance, helps the problem of the loss of foreign investors coming from the United States, Spain, Canada, Germany, among others; this was affecting competitiveness individually, as they’re the ones in the last positions in this investment acquisition ranking presented in figure 12, indicating that every year since 2013 they were getting less foreign investment from the world towards the alliance.

However, as shown in figure 13, the flow of investment between the two countries, i.e. without taking into account the other countries of the alliance or the rest of the world, has varied significantly in recent years; It's possible to identify that before 2012, Colombia's direct investment flows in Peru have had a significant fluctuation, It has presented from high levels of USD \$200 million to negative levels of more than USD \$100 million caused by higher levels of direct investment cancellations in Peru than its constitutions. The same way, Peru's foreign direct investment in Colombia doesn't represent significant values, as they didn't even reach USD 50 million.

By comparing this behavior of bilateral investment before and after the signing of the agreement, the difference is clear, since 2012, the growth of both Peru's foreign investment in Colombia and Colombia's growth in Peru is evident; This shows that with the signing of the agreement, investment acquisition among the countries of the alliance was enhanced, especially between Colombia and Peru, generating various benefits, such as industrial growth through the establishment of new business ideas, companies, projects or strategic alliances that contribute to the other country's economy; generating national employment; enabling the expansion of local enterprises into new markets; they also help to increase the competitiveness of both parties, as they become interesting destinations for investment.

It also identifies that in 2018, the highest values of the years illustrated have been achieved, a date that coincides a year later with the creation of IFIAP in 2017, indicating that this initiative for facilitating investment within the Pacific Alliance has shown good results, as it allows investment flows to grow, as this platform "...it generates great value, thanks to a research and diagnostic process that will allow investors to clearly identify the outlook for their investments" (Pacific Alliance, 2018) in order to improve investor decisions, based on the business climate presented on both sides.

According to PROCOLOMBIA (2018), both Colombia and Peru offer a broad portfolio of investment opportunities in various sectors, in the Colombian case in agribusiness in horticultural, in software services and Information Technologies (IT), and in infrastructure and tourism. In the case of Peru, in copper, nickel, lead and zinc mining, telecommunications services, in maritime transport infrastructure and logistics and natural gas piping. This

indicates the diversification by sector that occurs in each country, which makes it an attractive destination to invest, since it has a wide range of sectors in which these companies or countries will be able to make their investments and boost the economy.

Now, regarding international cooperation on financial matters, the Pacific Alliance has also presented great achievements, one of these and the main one is the reaction of the Latin American Integrated Market (MILA), this is an agreement that integrates the stock exchanges and value deposits of the signatory countries of the alliance.

This initiative was created to integrate capital markets, as this "...provides greater exposure to their markets and a greater variety of products and opportunities." (MILA, n.f.) Creating with this, great profits for investors, as it provides various investment opportunities, in addition allows the clearing and settlement of transactions without duplicating or generating an additional cost in the member countries of this market, among others.

This partnership was brought together within the Pacific Alliance in 2014, and by 2016 it already represented great achievements for member nations, since this integration had "705 issuers, 37 interconnected exchange intermediaries and more than 1.000 available securities" (MILA, 2017) by doing so, it has managed to position itself as the region's main market in terms of market capitalization, this allows to offer investors interested in one of the four member countries of the trading bloc attractive market access opportunities, as it allows their actions to be automatically translocated in any of these countries; an opportunity that directly boosts foreign investment, as it allows investors to make these transactions automatically on the stock exchanges of these countries, in this case, those of Colombia or Peru.

Another interesting achievement of MILA, has been the signing of an agreement with S&P Dow Jones Indices, IFC and RobecoSAM for the creation of a new regional ESG index (Environmental, Social and Governance), This integration will seek to "increase awareness among companies in the MILA region on financially relevant ESG issues" (MILA, 2017) so that the companies listed on these exchanges have broader information on good practices at the local and regional level, which represents a major step not only at the stock level, but

firstly the partnership of MILA with firms recognized for their popularity in this area of stock indices worldwide, and secondly, for the inclusion of Corporate Social Responsibility from the financial point of view, creating better conditions for investors that transtrate within this integration of Latin American markets.

In this context, in 2016 “Peru and Colombia (...) increased their capitalization by 36,3% and 18% respectively.” (MILA, 2017) This demonstrates the benefit of this integration of these countries' stock exchanges, improving their competitiveness levels, as an increase in transactions within this platform is achieved, Growing USD \$357 million for Peru and USD \$5 million for Colombia.

Also, according to the information of the web portal MILA (2018) Colombia achieved a total of 69 issuers by 2018, i.e. companies that are trading or giving for sale their shares within the Colombian stock exchange listed in the MILA system, Some of these were Bancolombia S.A., Ecopetrol S.A., Grupo Nutresa S.A., Avianca Holdings S.A., among others, Achieving a value of USD \$141 billion in market capitalization. In the Peruvian case, 232 issuers were registered with a market capitalization of USD \$102 billion, some companies were Alicorp S.A.A, Gloria S.A, BNP Paribas Cardif S.A, among others.

This market "has been enhanced as a relevant brand of representation of the Latin American stock market globally." (MILA, 2017) Clearly the Pacific Alliance has entered this area, in such a way that they are a benchmark of cooperation and capitalization for the countries of the region, this allows members to achieve a better position at the national level, this demonstrates how international cooperation has enabled this integration and improved competitiveness of the trade bloc at regional and global levels.

In this order of ideas, important initiatives are also highlighted such as:

- Creation of the Venture Capital Fund of the Pacific Alliance
- Cooperation Council - if important - composed of the cooperation agencies of the four countries to promote and materialize concrete initiatives with the observer states.”

2.2.2. Cooperation advances - outside the alliance

Achievements between APCI and ACP

Col – Peru: Cooperation program:

<http://portal.apci.gob.pe/index.php/noticia/item/2743-peru-y-colombia-aprobaron-su-mayor-programa-bilateral-de-cooperacion-sur-sur>

CONCLUSIONS

This report proceeded from the research question "how the implementation and development of trade, investment, mobility and cooperation between Colombia and Peru has been like before and after the agreement was signed, i.e. how these factors have impacted economies or not, and how the relationship is given between them." According to the research carried out, an answer to the initial question could be established, since the Pacific Alliance has been a potential tool for the trade and economy of the member countries, especially Colombia and Peru, as it has generated that these economies grow thanks to the tools applied for the development of the different objectives set out by the framework agreement.

It is clear that since the signing and entry into force of the agreement, there has been a significant increase in all aspects described in the research question, which has allowed both Colombia and Peru to grow not only in the areas of trade in goods and services, but also on social and environmental issues, thanks to student volunteer and exchange programs; the acquisition of foreign direct investment, through the generation of national employment and improvement of people's living conditions; MILA's initiative to generate a stock indicator that makes the companies take into account the topic of Corporate Social Responsibility; the increase in migratory flows thanks to the elimination of a business visa; and the other benefits that this integration has represented for the bilateral relationship, opening the door to greater international business opportunities and much deeper integration. Therefore, all of the above was due to the cooperation of the alliance member countries, because without this aspect it would not have been possible to raise all the policies aimed at achieving different benefits or joint goals, because it will be easier to grow in the company of trading partners than individually.

In detail, it is evident that by comparing the evolution of trade in goods and services between Colombia and Peru, from before the agreement was signed until 2018, it is possible to verify that there was not only an increase in the value exported and imported from both countries, but a diversification in time of goods traded, that is, that both countries do not base their exports on a single product or sector; this thanks to the 92% reduction in the tariff universe, it has been possible to engage in the commercialization of new products and even

increase the value of the commercial activities carried out thanks to the tariff benefits granted. The same goes for services, which since the signing of the agreement, their volumes increased significantly, and ventured into new ways of exporting these activities and in the innovation of the services offered and demanded.

On the other hand, it was identified that, thanks to the policies on international cooperation issues raised by the Pacific Alliance, great progress has been made, not only at the level of the trade bloc, but within the bilateral relationship studied in the present research. The initiative to create technical groups as a mechanism for implementing policies and projects that seek to improve relevant aspects within integration, within the framework of the Alliance's guidelines and objectives, has enabled trade facilitation initiatives to be created, the mobility of people and the acquisition of foreign direct investment, thanks to the joint union and work of customs authorities, such as the integration of VUCE; the elimination of technical barriers to trade; the implementation of the Visa removal memorandum for business persons; different projects for students and volunteers exchange; the creation of an integrated Latin American market for the facilitation of stock exchange transactions; The creation of initiatives like IFIAP to increase the uptake of foreign direct investment within the bloc; and many more projects, generating an increase in flows of trade, people and investment, positively impacting the economies of the member countries and in particular the Colombian-Peruvian bilateral relationship, increasing their degree of competitiveness and giving them renown, while growing together as a trading bloc, positioning it as a reference of integration within the region.

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