

## LATAM

# Sectors with the most potential for capitalising on integration within the Pacific Alliance<sup>1</sup>

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The integration process set in train by the Pacific Alliance (PA) provides opportunities to develop for those sectors which capitalise on closer trade ties among the four countries which it comprises (Mexico, Colombia, Peru and Chile)

This paper sets out and applies a methodology for identifying those sectors with the most potential for capitalising on greater integration within the Pacific Alliance (PA). The methodology takes into account not only the trade ties that have already been forged within the PA, but also the potential to develop them, based on the competitiveness which these sectors have exhibited in world markets.

According to our methodology, in each of the PA countries there are between four and eight intermediate and capital goods sectors (as well as others for final goods) that show potential for capitalising on development of the PA

If we examine this at chapter level (two digits under the HS goods classification, for a total of 97 sectors), in each of the PA countries we find between four and eight intermediate and capital goods sectors (as well as others for final goods) with potential for capitalising on development of the PA through the establishment of value chains, strengthening of exports or cross-border M&A processes within the PA (see table 6).

There are sectors which are particularly notable for their significance in several countries

Our exercise reveals that there is a high level of coincidence among the sectors identified in the various countries. With respect to the sectors producing intermediate and capital goods, plastics and articles thereof has been identified in four of the PA countries, while paper and paperboard and machinery and mechanical appliances emerge as significant sectors in two countries that are party to the free trade agreement. With regard to sectors producing consumer goods, three feature prominently as important within three PA countries: i) perfumery and cosmetics; ii) cereals, pasta, pastry-cooks' products and flour; and iii) prepared foodstuffs, including coffee and sauces. Finally, there are two sectors which coincide to a great degree, both among the intermediate and capital goods sectors, and consumer goods sectors: i) plastics and articles thereof, and ii) paper and paperboard and articles thereof.

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1: This report is based on the [Working Paper "What are the sectors with most potential for capitalising on the Pacific Alliance?"](#) by BBVA Research.

2: SAI Derecho y Economía

3: BBVA Research

## The Pacific Alliance (comprising Chile, Colombia, Mexico and Peru) has embarked on a process of far-reaching integration with the potential to develop many sectors

The Pacific Alliance (PA) was conceived as an initiative by Chile, Colombia, Mexico and Peru to achieve deeper regional integration, first among themselves although also with a view to the global economy, particularly Asia. The PA is based on the commitments which these countries had already accomplished in their respective bilateral trade agreements, but it takes them further with a view to progressively advancing towards greater free circulation of goods, services, capital and people. It likewise embraces disciplines and issues hitherto unseen in previous free trade treaties.

The PA is not merely a free trade agreement (FTA), but also an area which enhances integration by combining agreements with high levels of ambition in economic, financial and social aspects.

Integration processes such as that embarked on by the PA have the potential to accelerate the economic growth of the countries involved, among other benefits, as is borne out by empirical evidence and the literature on the subject. It is therefore likely that growth in Chile, Colombia, Mexico and Peru will be boosted as their integration increases within the context of the PA.

The aim of this study is to analyse one of the many facets of the increased potential growth associated with greater integration among the PA countries. The paper's specific goal is to identify the sectors of economic activity which stand to benefit most from enlargement of the key markets, for companies located in the four countries that have signed the regional integration agreement.

## Identifying those sectors with potential for capitalising on the Pacific Alliance involves using world trade data to reveal both bilateral links, that have already been formed within the PA, and others that might potentially be established

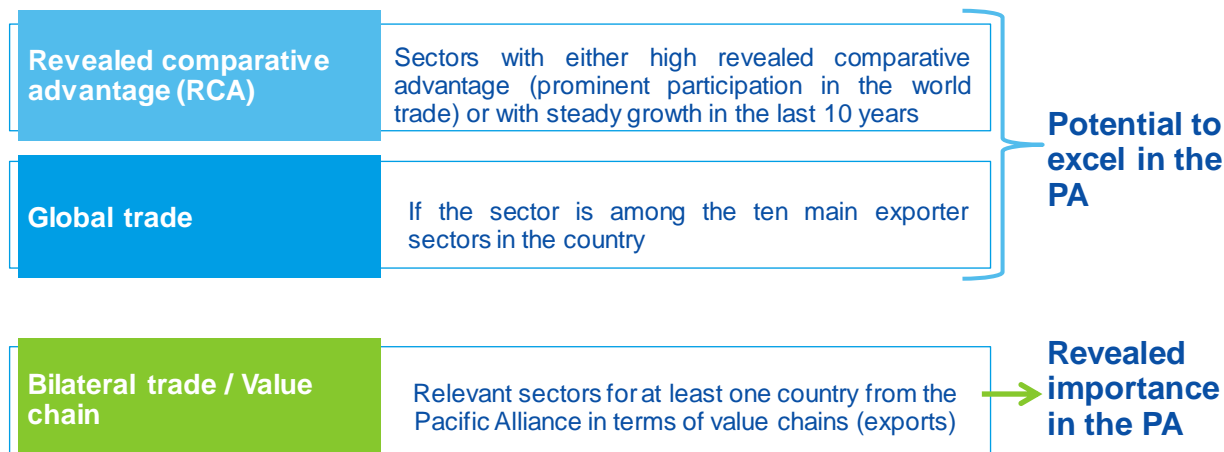
To conduct this analysis we mainly use world trade data, in the main those which have been provided by the World Bank and UNCTAD on the World Integrated Trade Solution (WITS) website<sup>4</sup>.

Analysis is based on two types of international trade indicators: i) a revealed indicator based on bilateral trade flows within the PA, and ii) a latent indicator, based on trade flows between each of the PA countries and the rest of the world. This latent indicator in turn takes into account two factors: the key export sectors and the most competitive sectors according to the revealed comparative advantage (RCA) index. While the bilateral flows among the PA countries help to identify important sectors based on already revealed intra-regional trade, the data on trade with the rest of the world helps to identify sectors with untapped potential, which could benefit from the PA, even if bilateral flows are not currently significant (Figure 1).

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4: There are at least three reasons for using this kind of information. First, a substantial part of the gains from greater economic integration will come from expanded trade flows, so emphasising this kind of information should be natural. Second, the economic literature has shown that, in general, the sectors and companies which become most involved in international trade activities are also the most productive and competitive, which means that there is a limited risk of not identifying any key sector when principally using international trade data. Finally, unlike the bulk of economic data available on a sector level, the international trade data are updated and easy to compare among the various countries.

Figure 1  
**Indicators used in the analysis**



Source: BBVA Research

This study splits out its analysis into the separate manufacturing sectors for intermediate and capital goods, as well as those for final goods, according to their different characteristics. The study of the manufacturing sectors for intermediate goods enables, among other aspects, identification of those sectors with the greatest potential for forming a production chain within the PA (which we do by studying the bilateral flows mentioned previously). On the other hand, analysing final goods makes it possible to identify sectors in which economic integration will not necessarily be achieved via production chains but rather, for example, through mergers and acquisitions or intensifying existing trade flows.

## An analysis of the intermediate and capital goods manufacturing sectors

We initially analyse bilateral trade flows (the indicators revealed according to the terminology used in this study) for each PA country with its three fellow members for each sector (i.e. each of the 97 HS 2002 product classification chapters), so as to identify the intermediate and capital goods sectors<sup>5</sup> which would be most apt for developing global value chains (GVC) and benefiting from the process of integration enhanced by the PA.

This initial analysis considers how representative (out of total exports) flows of intermediate and capital goods to the other PA countries are for an Alliance country. It identifies the major products within intermediate and capital goods. On the one hand, there are intermediate goods which are used as inputs in the manufacture of a finished article and, on the other hand, the capital goods which are exported to be incorporated within the production process for other goods, and are therefore part of the GVCs.

The methodology employed follows these steps:

- i) Integration of the WITS database for 2013, in which international trade flows are reported

5 The definition of goods as intermediate or capital is done at HS 2002 item classification level, i.e. for each six-digit product. Each sector, i.e. each of the 97 HS 2002 classification chapters, contains products, i.e. six-digit items under the HS classification, which are intermediate and capital, as well as final goods. In this section we will examine only the first ones in the statistics for each sector.

- ii) Identification of intermediate and capital goods traded by countries within the block with the other Pacific Alliance countries, for the 97 chapters of the WITS HS classification seen in point i)
- iii) All the significant chapters are obtained. A trade chapter is significant if, within it, exports of intermediate and capital goods to any other PA country represent at least 5% of total exports in that chapter (i.e. primary, intermediate, capital and consumer) to the whole world
- iv) For the chapters which proved significant in the previous exercise, identification is made of the intermediate and capital goods exported by that Alliance country with the other Pacific Alliance countries (using the same criterion), for the 1,224 items
- v) A trade item is selected (and counted as a “significant item”) if, in connection with it, exports of intermediate and capital goods to another fellow member within the Pacific Alliance represent at least 5% of total exports of said item (i.e. primary, intermediate, capital and consumer) by that Alliance country to the whole world
- vi) All the significant items are gathered.

The results in the case of the chapters (of two digits under the HS classification) selected for each country are given in tables 2.1 to 2.4 in the [Working Paper “What are the sectors with most potential for capitalising on the Pacific Alliance?” by BBVA Research](#)<sup>6</sup>. As Table 1 indicates, there are several sectors (chapters) which emerge as significant for more than one country. Notable among these, on account of their significance for the four PA countries, are man-made filaments and man-made staple fibres.

Table 1  
**Coincidence of significant sectors in analysis of the value chain\***

Relevant Chapters	Chile	Colombia	México	Perú
Man-made filaments	x	xx	x	xx
Man-made staple fibres	x	xx	x	xx
Electrical machinery and equipment, television and sound recorders and reproducers	x	xx		xx
Machinery and mechanical appliances	xx	xx		xx
Special woven fabrics	xx	xx		x
Fertilisers	xx	xx		
Paper and paperboard; articles of paper pulp, of paper or of paperboard	xxx	xx		x
Cotton		xx	x	x
Precision, medical or surgical instruments	x	xx		xx
Plastics and articles thereof	x	xx		xx

\* The number of crosses indicates the number of PA countries regarding which this sector appears as significant in terms of exports. For example three crosses means that the sector is significant in exports to the other three PA members  
Source: BBVA Research and Análisis SAI Derecho & Economía, using WITS information

The analysis of bilateral trade flows, which is key to identifying potential production chains, has one clear shortcoming. The fact that it is based on observed flows excludes the possibility of identifying high-potential sectors where bilateral trade flows are nonetheless not very significant.

Therefore, to minimise this problem and enhance the robustness of the analysis, we also examine latent indicators based on the total trade flows for each of the PA countries with the rest of the world. Specifically,

<sup>6</sup> On the other hand, the results of the research at item level (four-digit HS, for a total of 1224 items) are included in the analysis given in the annex to this report.

in Table 2 we identify the 10 most significant sectors for intermediate and capital goods exports for each country, and in Table 3 those sectors showing the most competitiveness according to the Revealed Comparative Advantage (RCA) index<sup>7</sup>.

With respect to the RCA index it should be noted that, unlike with observed flows, this is not available on a separate basis for the intermediate and capital goods and consumer goods manufacturing sectors. The data given below therefore refers to total sector exports, without distinguishing among the two sets of products.

Table 2

**Pacific Alliance: the 10 intermediate and capital goods sectors with most exports for each country**

	Chile	Colombia	Mexico	Peru
Fish and crustaceans, molluscs and other aquatic invertebrates				X
Fats and oils				X
Fish flour and residues and waste from the food	X			X
Mineral fuels, mineral oils and distillates		X		
Inorganic chemicals	X			X
Organic chemicals		X	X	
Fertilisers	X			
Miscellaneous chemical products		X		
Plastics and articles thereof		X	X	X
Wood and wooden articles	X			
Wood pulp or of other fibrous cellulosic material	X			
Paper and paperboard; articles of paper pulp	X	X		
Gold and silver and articles of them	X	X	X	X
Iron and steel		X	X	
Articles of iron or steel			X	
Copper and articles thereof	X			X
Zinc and articles thereof				X
Tin and articles thereof				X
Machinery and mechanical appliances	X	X	X	X
Electrical machinery and equipment, television and sound recorders and reproducers		X	X	
Vehicles and accessories	X	X	X	
Medical or surgical instruments and apparatus			X	
Furniture and fabricated buildings, lamps			X	

Source: BBVA Research and Análisis SAI Derecho & Economía, using WITS information

<sup>7</sup> The RCA competitiveness index is calculated as the proportion between a sector's share in a country's exports and the share of this sector in world exports. Thus an RCA greater than 1.0 would indicate that the country has a relative advantage in the sector, given that the weight of that sector in the country's exports is greater than the global weight of the sector in world exports.

Table 3  
Revealed Comparative Advantage (RCA) index, 2002 and 2012\*

Chapter	Chile		Colombia		Mexico		Peru	
	2002	2012	2002	2012	2002	2012	2002	2012
1	0.3	0.1	0.2	0.8	<b>1.3</b>	<b>1.8</b>	0.3	0.2
2	<b>1.6</b>	<b>2.0</b>	0.0	0.0	0.2	0.5	0.0	0.0
3	<b>11.2</b>	<b>9.6</b>	<b>1.4</b>	0.3	0.4	0.4	<b>2.8</b>	<b>3.5</b>
5	1.0	0.9	<b>2.4</b>	<b>1.6</b>	0.2	0.4	0.9	0.5
6	0.5	0.7	<b>27.4</b>	<b>20.8</b>	0.2	0.2	0.6	0.4
7	<b>1.3</b>	0.6	0.1	0.1	<b>3.5</b>	<b>4.4</b>	<b>8.3</b>	<b>6.1</b>
8	<b>21.4</b>	<b>14.6</b>	<b>13.3</b>	<b>5.8</b>	<b>1.2</b>	<b>2.2</b>	<b>2.5</b>	<b>5.8</b>
9	0.7	0.1	<b>43.0</b>	<b>14.7</b>	1.0	0.8	<b>18.2</b>	<b>12.6</b>
11	<b>1.6</b>	<b>1.6</b>	<b>2.0</b>	0.8	0.1	0.3	0.3	0.3
12	<b>1.7</b>	<b>1.2</b>	0.0	0.1	0.1	0.1	0.4	0.9
13	<b>7.4</b>	<b>2.5</b>	0.1	0.0	0.8	0.5	<b>1.2</b>	<b>1.2</b>
14	<b>2.1</b>	<b>1.8</b>	0.2	0.4	<b>2.5</b>	<b>1.6</b>	<b>43.0</b>	<b>10.4</b>
15	0.3	0.4	<b>1.4</b>	0.8	0.1	0.1	<b>3.4</b>	<b>3.4</b>
16	<b>3.3</b>	<b>1.9</b>	<b>2.2</b>	<b>1.2</b>	0.2	0.2	<b>1.2</b>	<b>3.1</b>
17	0.3	0.2	<b>6.8</b>	<b>3.6</b>	1.0	<b>1.4</b>	<b>1.2</b>	0.5
18	0.5	0.2	0.7	0.4	0.2	0.7	0.9	<b>1.3</b>
19	0.5	0.8	1.0	0.6	0.6	<b>1.1</b>	1.0	0.8
20	<b>3.4</b>	<b>2.8</b>	0.4	0.3	0.7	0.9	<b>5.4</b>	<b>4.5</b>
21	<b>2.1</b>	<b>1.4</b>	<b>2.9</b>	<b>2.1</b>	0.5	0.6	0.3	0.4
22	<b>6.4</b>	<b>4.4</b>	0.3	0.1	<b>1.9</b>	<b>1.7</b>	0.1	0.6
23	<b>5.1</b>	<b>1.6</b>	0.2	0.2	0.1	0.2	<b>33.5</b>	<b>13.3</b>
25	<b>1.6</b>	<b>1.2</b>	<b>2.6</b>	0.7	0.9	<b>1.0</b>	<b>1.7</b>	<b>4.7</b>
26	<b>23.9</b>	<b>15.8</b>	0.2	0.0	0.2	0.8	<b>34.1</b>	<b>21.4</b>
27	0.2	0.0	<b>4.3</b>	<b>3.3</b>	1.0	0.7	0.6	0.6
28	<b>3.2</b>	<b>3.7</b>	0.3	0.2	0.4	0.4	0.9	<b>1.1</b>
31	<b>3.0</b>	<b>3.1</b>	0.2	0.2	0.1	0.3	0.1	0.3
33	0.6	0.2	0.9	<b>1.7</b>	0.3	1.0	0.6	0.6
36	<b>3.0</b>	<b>3.1</b>	0.2	0.1	0.8	<b>1.4</b>	<b>2.4</b>	<b>2.8</b>
41	0.5	0.4	<b>2.6</b>	<b>1.7</b>	0.2	0.4	0.4	0.3
44	<b>6.3</b>	<b>4.7</b>	0.1	0.1	0.2	0.1	<b>1.3</b>	0.5
47	<b>13.4</b>	<b>12.0</b>	0.0	0.0	0.0	0.1	0.0	0.0
51	0.83	0.78	0.11	0.01	0.17	0.16	<b>4.21</b>	<b>4.27</b>
56	0.22	0.18	<b>2.03</b>	<b>1.14</b>	0.66	0.38	0.59	<b>1.1</b>
61	0.04	0.01	0.83	0.43	<b>1.35</b>	0.4	<b>4.33</b>	<b>2.45</b>
69	0.36	0.05	<b>1.86</b>	0.94	<b>1.09</b>	<b>1.2</b>	0.65	<b>1.04</b>
70	0.23	0.15	<b>1.19</b>	0.96	<b>1.2</b>	<b>1.02</b>	0.23	0.32
71	<b>1.22</b>	0.54	<b>1.3</b>	<b>2.18</b>	0.25	<b>1.09</b>	<b>9.53</b>	<b>4.39</b>
74	<b>45.04</b>	<b>35.24</b>	0.24	0.58	0.54	0.65	<b>19.55</b>	<b>7.06</b>
78	0.44	0.62	0.51	0.3	0.13	<b>1.42</b>	<b>30.41</b>	0.6
79	0.46	0.01	0	0.03	<b>1.41</b>	<b>1.43</b>	<b>20.39</b>	<b>21.1</b>
80	0.25	0.25	0.01	0.01	0.06	0.14	<b>92.72</b>	<b>34.5</b>
83	0.14	0.18	0.25	0.17	<b>1.64</b>	<b>1.48</b>	0.09	0.21
84	0.06	0.05	0.06	0.06	1	<b>1.18</b>	0.03	0.04
85	0.01	0.02	0.06	0.06	<b>1.69</b>	<b>1.56</b>	0.02	0.02
87	0.09	0.04	0.17	0.42	<b>1.91</b>	<b>2.78</b>	0.01	0.01
90	0.02	0.03	0.07	0.06	<b>1.22</b>	<b>1.32</b>	0.01	0.01
94	0.26	0.05	0.22	0.23	<b>2.25</b>	<b>2.3</b>	0.14	0.08

\* See Annex 1 for how the chapter codes relate to the respective nomenclature. In bold, RCA>1, for the sectors with the most revealed competitiveness.  
Source: BBVA Research using WITS information

## An analysis of the consumer goods manufacturing sectors

In this section we will examine the manufacturing sectors for consumer goods (final goods) just as we looked at the intermediate and capital goods manufacturing sectors in the previous section: in the first instance we will try to analyse revealed indicators based on the bilateral trade flows among the four PA countries, and then study latent indicators based on the exports of each country to the rest of the world.

Analysis of the revealed indicators based on bilateral flows follows the same six steps described in the value chain analysis presented in the previous section<sup>8</sup>. Table 4 shows that the results of this analysis suggest that there is a set of sectors which stands out in more than one PA country (the full results per country are available in tables 3.1 to 3.4 of the [BBVA Research Working Paper](#)).

To augment the robustness of our analysis, we combine it with the latent indicators, based on total flows with the rest of the world and not just the Alliance countries.

Table 5 shows, for each PA country, the 10 key consumer goods sectors in terms of exports to the rest of the world. As in the case of intermediate and capital goods (Table 3), the degree of coincidence among the products listed as the 10 most exported by the four countries is considerable. There are two sectors on the lists of four countries: fuels, bituminous substances and mineral waxes, and also plastics and articles thereof. There are also two sectors on the lists of the three countries (essential oils and perfumery, and vehicles and parts thereof) and nine on the lists of two countries. The overlaps are greatest between Chile and Mexico (six of the 10 sectors are repeated on both lists) and between Chile and Peru (five) and Colombia and Mexico (five), although they are significant in the other cases.

As in the previous section, another element which is added to the analysis is the Revealed Comparative Advantage (RCA) index by sector, which along with the statistics presented in the previous section, is based on the statistics on trade between a specific country and the rest of the world, for each sector. That said, since the RCA statistics are not available on a separate basis for the intermediate and capital goods manufacturing sectors and the consumer goods manufacturing sectors, we use those given before in Table 2 in relation to total sector exports, without any distinction between the two types of products.

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8: See the [Working Paper "What are the sectors with most potential for capitalising on the Pacific Alliance?"](#) by BBVA Research for further details.

Table 4

**Coincidence of significant sectors in the analysis of bilateral flows of consumer goods**

Chapter	Chile	Colombia	México	Perú
Coffee, tea, mate and spices	XX			
Sugars and sugar confectionery.		XX		X
Cocoa and cocoa preparations.	XX			
Preparations of cereals, flour, starch or milk; pastrycooks' products.	XX	X	X	XX
Preparations of vegetables, fruit, nuts or other parts of plants.	XX			
Miscellaneous edible preparations.	XX	X		X
Beverages, spirits and vinegar.			X	X
Tobacco and manufactured tobacco substitutes.	XX	X		
Pharmaceutical products.	X	XXX	X	X
Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments	X	X		
Essential oils and resinoids; perfumery, cosmetic	X	XX	XX	XX
Soap, organic surface-active agents, washing preparations	X	X	XXX	X
Albuminoidal substances; modified starches; glues; enzymes	XX	X	XX	
Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible	XX	X		XXX
Photographic or cinematographic goods	X	XXX	X	X
Plastics and articles thereof	X			X
Rubber and articles thereof		X		XX
Articles of leather; saddlery and harness; travel goods, handbags and similar	X			XXX
Cork and articles of cork		X	X	X
Manufactures of straw, of esparto or of other plaiting materials				XX
Paper and paperboard; articles of paper pulp		X	X	X
Printed books, newspapers, pictures and other products of the printing industry;	XX	XX	X	X
Wadding, special yarns; twine, cordage, ropes	X	XX	X	XXX
Articles of apparel and clothing accessories, knitted or crocheted.	X	XX		
Articles of apparel and clothing accessories, not knitted or crocheted.	X	XX		
Other made up textile articles; sets; worn clothing and worn textile articles; rags.	XX		X	XXX
Footwear, gaiters and the like; parts of such articles,	X		X	XXX
Headgear and parts thereof	X			X
Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts	X	X		X
Prepared feathers and down and articles made of feathers or of down; artificial	X	X	XX	
Articles of stone, plaster, cement, asbestos, mica or similar materials.	X	X	X	X
Ceramic products.	X	X	XX	XX
Glass and glassware	X	XX		
Articles of iron or steel.	X			X
Zinc and articles thereof.		XX		
Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base	XX	XX	XX	XX
Miscellaneous articles of base metal.	XXX	X		X
Electrical machinery and equipment and parts thereof; sound recorders and	X		X	
Clocks and watches and parts thereof.	X	X		X
Musical instruments; parts and accessories of such articles	X			X
Furniture and fabricated buildings, lamps	XX	X		X
Toys, games and sports requisites; parts and accessories thereof	X	X		XX
Miscellaneous manufactured articles	X	XXX		X

\* The number of crosses indicates the number of PA countries for which this sector appears as significant in terms of exports. For example three crosses indicate that the sector is significant as regards exports to the other three PA members

Source: BBVA Research and Análisis SAI Derecho & Economía, using WITS information



Table 5

**Pacific Alliance: the 10 consumer goods sectors which export the most in each country**

	Chile	Colombia	México	Perú
Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage		X		
Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates.	X			X
Sugars and sugar confectionery.		X		
Preparations of cereals, flour, starch or milk; pastrycooks' products.	X			X
Preparations of vegetables, fruit, nuts or other parts of plants.	X			X
Miscellaneous edible preparations.	X	X		
Beverages, spirits and vinegar.	X		X	
Residues and waste from the food industries; prepared animal fodder.				X
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	X	X	X	X
Pharmaceutical products.		X		
Essential oils and resinoids; perfumery, cosmetic or toilet preparations.		X	X	X
Plastics and articles thereof	X	X	X	X
Rubber and articles thereof	X		X	
Paper and paperboard; articles of paper pulp, of paper or of paperboard.		X		X
Articles of apparel and clothing accessories knitted or crocheted.				X
Articles of apparel and clothing accessories not knitted or crocheted.		X	X	X
Miscellaneous articles of base metal.			X	
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	X		X	
Vehicles and accessories thereof.	X	X	X	
Furniture and fabricated buildings, lamps			X	

Source: BBVA Research and Análisis SAI Derecho & Economía, using WITS information

For the purposes of identifying the sectors with the most potential, we propose a simple methodology that can be applied to several levels of disaggregation. The methodology combines the ties revealed within the PA with the development potential of sectors, according to their relations with the world

Taking into account the findings from the different analyses of revealed and latent indicators, we propose a system of allocating points to each sector (two-digit chapter from the HS classification) in each country, initially for intermediate and capital goods and then for final consumer goods. In more precise terms, we give from zero to three points to each sector that shows as significant in the analysis of revealed indicators, i.e. which is significant in the exports of one country to any of its three PA partners (three points if it is significant in bilateral trade with all three countries). On the other hand, we award from zero to two points to each sector according to its latent indicators, based on the trade flows from each country to the rest of the world: one point for the 10 sectors which export the most and one point to the most competitive or which have increased their competitiveness most in the last decade. After this scoring process, we rate as key those sectors which have obtained at least one point in the value-chain analysis and at least one point from the latent indicators.

The sectors which emerge are arranged in order by total points obtained (maximum 5). This straightforward methodology has the virtue of being able to reproduce the desired level of sector disaggregation<sup>9</sup>.

**In each of the PA countries, there are between four and eight key sectors with high potential for capitalising on integration of the four PA countries**

With the help of the proposed methodology, we have identified the sectors with the greatest potential for capitalising on closer integration with the PA, both within intermediate and capital goods manufacturing sectors and within consumer goods manufacturing. The key sectors (to two digits according to the HS classification) by country and product type are summarised in Table 6.

Table 6  
**Sectors identified as having the most potential**

<b>Intermediary and Capital goods</b>			
<b>Chile</b>	<b>Colombia</b>	<b>México</b>	<b>Peru</b>
Fertilisers	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	Plastics and articles thereof	Fish flour and residues and waste from the food
Paper and paperboard; articles of paper pulp, of paper or of paperboard	Miscellaneous chemical products	Articles of iron or steel	Zinc and articles thereof
Wood and articles of wood; wood charcoal,	Plastics and articles thereof	Iron and steel	Plastics and articles thereof
Machinery and mechanical appliances	Paper and paperboard; articles of paper pulp, of paper or of paperboard	Plastering materials, lime and cement	Fats and oils
Products of the milling industry; malt; starches; inulin; wheat gluten		Glass and glassware	Inorganic chemicals
Plastics and articles thereof		Miscellaneous articles of base metal	machinery and mechanical appliances
			Beverages, spirits and vinegar. Wadding, special yarns; twine, cordage, ropes
<b>Consumer goods</b>			
<b>Chile</b>	<b>Colombia</b>	<b>México</b>	<b>Peru</b>
Preparations of fruits and vegetables, juices	Sugars and sugar confectionery	Perfumery and cosmetic	Wadding, special yarns; twine, cordage, ropes
Edible preparations incl. coffee, sauces	perfumery and cosmetic	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	Explosives, detonator, pyrotechnic products
Cereals, pasta, flour and patisserie	Medicine and other pharmaceutical products	Beverages, spirits and vinegar	perfumery and cosmetic
Explosives, detonator, pyrotechnic products	Articles of apparel and clothing accessories	Cereals, pasta, flour and patisserie	Cereals, pasta, flour and patisserie
Plastics and articles thereof	Edible preparations incl. coffee, sauces	Ceramic products.	Ceramic products
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	Wadding, special yarns; twine, cordage, ropes	Miscellaneous articles of base metal	Paper and paperboard; articles of paper pulp, of paper or of paperboard
	Vehicles and accessories thereof.		Plastics and articles thereof
	Paper and paperboard; articles of paper pulp, of paper or of paperboard.		Beverages, spirits and vinegar.

Source: BBVA Research

9: The results at item level (four digits under the HS classification, for a total of 1,224 items) are reported in the [Working Paper "What are the sectors with most potential for capitalising on the Pacific Alliance?" by BBVA Research](#)

## There are certain especially strategic sectors, due to their significance in several countries

As is illustrated in Table 6, there is a high degree of overlap in the various countries among the sectors identified. With respect to intermediate and capital goods manufacturing sectors, plastics and articles thereof has been identified in all four PA countries, while paper and paperboard, and machinery and mechanical appliances emerge as significant in two countries party to the agreement. With respect to consumer goods manufacturing sectors, three of these have been identified for three countries: i) perfumery and cosmetics; ii) cereals, pasta, pastry-cooks' products and flour, and iii) prepared foodstuffs, including coffee and sauces. Lastly, there are two sectors with a high degree of overlap from among both intermediate and capital goods sectors and consumer goods sectors: i) plastics and articles thereof, and ii) paper and paperboard and articles thereof.

## Conclusions

Based on the analysis of data on international trade between Chile, Colombia, Mexico and Peru, the four PA countries, as well as by each of them with the rest of the world, and using purpose-designed methodology, we have identified the sectors with the greatest growth potential within the PA and observed that there are several sectors which coincide among those which are key in each country.

In closing, it is worth highlighting one or two factors to bear in mind in future development of the process of identifying sectors in line with the methodology set out in this study. First, in this paper services have not been included, due to the paucity of detailed information by sector and destination country, and the analysis has been confined to the goods manufacturing sectors. Second, unprocessed commodities have not been included in the study because they fall within a goods class for which the sectors with the biggest potential have already been identified to a greater extent (Chile: salmon, fruits, copper; Colombia: oil, iron, steel, zinc; Mexico: oil; Peru: metals). Moreover, the trade flows here have already been largely established, which indicates that there is likely to be reduced margin to carve out extra gains, while this is also a sector with relatively little value added. Finally, one last factor to bear in mind is that, owing to a lack of comparable data between the countries, this study has not featured other important aspects in the sector analysis, such as domestic demand, the level of concentration in the sector, complexity and gap relative to cutting edge technology, or flows of foreign direct investment.

# Annex 1 Nomenclature for the sectors (chapters)

ProductCode	Description
1	Live animals
2	Meat and edible meat offal
3	Fish and crustaceans, molluscs and other aquatic invertebrates
4	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsew here specified or included
5	Products of animal origin, not elsew here specified or included
6	Live trees and other plants; bulbs, roots and the like; cut flow ers and ornamental foliage
7	Edible vegetables and certain roots and tubers
8	Edible fruit and nuts; peel of citrus fruit or melons
9	Coffee, tea, mate and spices
10	Cereals
11	Products of the milling industry; malt; starches; inulin; w heat gluten
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder
13	Lac; gums, resins and other vegetable saps and extracts.
14	Vegetable plaiting materials; vegetable products not elsew here specified or included
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable w axes
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates.
17	Sugars and sugar confectionery.
18	Cocoa and cocoa preparations.
19	Preparations of cereals, flour, starch or milk; pastrycooks' products.
20	Preparations of vegetables, fruit, nuts or other parts of plants.
21	Miscellaneous edible preparations.
22	Beverages, spirits and vinegar.
23	Residues and w aste from the food industries; prepared animal fodder.
24	Tobacco and manufactured tobacco substitutes.
25	Salt; sulphur; earths and stone; plastering materials, lime and cement.
26	Ores, slag and ash.
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral w axes.
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes.
29	Organic chemicals.
30	Pharmaceutical products.
31	Fertilisers.
32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks.
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations.
34	Soap, organic surface-active agents, w ashing preparations, lubricating preparations, artificial w axes, prepared w axes, polishing or scouring preparations, candles and similar articles, modelling pastes, "dental w axes" and dental preparations w ith a basis of plaster.
35	Albuminoidal substances; modified starches; glues; enzymes.
36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations.
37	hotographic or cinematographic goods.
38	Miscellaneous chemical products.
39	Plastics and articles thereof
40	Rubber and articles thereof
41	Raw hides and skins (other than furskins) and leather.
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-w orm gut).
43	Furskins and artificial fur; manufactures thereof
44	Wood and articles of w ood; w ood charcoal,
45	Cork and articles of cork.

ProductCode	Description
46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork.
47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard.
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard.
49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans
50	Silk.
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric.
52	Cotton.
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn.
54	Man-made filaments.
55	Man-made staple fibres.
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof
57	Carpets and other textile floor coverings.
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery.
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use.
60	Knitted or crocheted fabrics.
61	Articles of apparel and clothing accessories, knitted or crocheted.
62	Articles of apparel and clothing accessories, not knitted or crocheted.
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags.
64	Footwear, gaiters and the like; parts of such articles,
65	Headgear and parts thereof
66	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof
67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair.
68	Articles of stone, plaster, cement, asbestos, mica or similar materials.
69	Ceramic products.
70	Glass and glassware
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation, jewellery; coin
72	Iron and steel.
73	Articles of iron or steel.
74	Copper and articles thereof
75	Nickel and articles thereof.
76	Aluminium and articles thereof
78	Lead and articles thereof
79	Zinc and articles thereof.
80	Tin and articles thereof.
81	Other base metals; cermets; articles thereof.
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal.
83	Miscellaneous articles of base metal.
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles
86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds.
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof.
88	Aircraft, spacecraft, and parts thereof.
89	Ships, boats and floating structures.
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
91	Clocks and watches and parts thereof.
92	Musical instruments; parts and accessories of such articles
93	Arms and ammunition; parts and accessories thereof.
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings.
95	Toys, games and sports requisites; parts and accessories thereof
96	Miscellaneous manufactured articles
97	Works of art, collectors' pieces and antiques

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