


## Chapter 20


# The Pacific Alliance: An Opportunity of Internationalization for MSMEs

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### ABSTRACT

*The Pacific Alliance is a regional trade agreement (RTA) between Chile, Colombia, Mexico, and Peru. It is generally expected that the implementation of this RTA will provides benefits to all micro, small, and medium enterprises (MSMEs) in the forms of greater internationalization opportunities. However, there are concerns over the extent to which MSMEs have benefited from this commercial agreement. Thus, this chapter analyzes the internationalization process of 23 MSMEs from Colombia that exported to member countries of the Pacific Alliance. The authors, using case study methodology analyzed the internationalization process of these firms and aimed to identify their unique behavior. Results shows that the process began by the creation of networks, the identification of opportunities abroad, and the definition of the internationalization path for each firm. In general, the firms used the institutional resources available in the Pacific Alliance framework to achieve their internationalization strategies.*

### INTRODUCTION

Globalization efforts via multilateral channels are demonstrating that reaching a satisfactory agreement may take longer than previously thought. Case in point the failure of the negotiations of the Doha Development Round of the World Trade Organization (Khor, 2008). The diversity of interests, economic size, development stage and other factors, some incidental, has made the multilateral approach to trade

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## ***The Pacific Alliance***

liberalization particularly hard to reach (Wolfe, 2015). In this sense, Regional Trade Agreements (RTAs) have become a path in which countries have pursued their integration agendas to reach out to neighbors and their markets (Bao & Wang, 2019). Vicard (2011) found that countries that are of significant size, similar and geographically close tend to benefit from joining RTAs.

In addition, RTAs include institutional frameworks such as Export Promotion Agencies and access to Public Procurement schemes that may facilitate the outbound efforts of (MSMEs) Micro, Small and Medium Enterprises (Lederman, Olarreaga, & Payton, 2010; Monteiro, 2016). The roles of institutions and the identification of factors that influence the internationalization of MSMEs has been considered crucial and of relevant research interest (Ahmed & Brennan, 2019; Steinhäuser, Paula, & de Macedo-Soares, 2020)

One of the recently implemented RTAs in Latin America is the Pacific Alliance (PA), and in few years have demonstrated important milestones in terms of trade liberalization and trade volume but additionally, achieving significant institutional coordination. Conceived in 2011 and officially launched in 2014, the Pacific Alliance has as members the following countries: Chile, Colombia, Mexico, and Peru. A relevant aspect of the Pacific Alliance is the importance given in their institutional framework to Micro, Small and Medium Enterprises (Alianza del Pacífico, 2012). According to the World Bank (2020), it is estimated that around 90% of companies in the world are MSMEs and account for nearly 50% of employment. Following this trend, around 95% of the firms in the Pacific Alliance are MSMEs. However, intra-regional trade between the Alliance countries is dominated by large corporations (OECD, 2015). In fact, 1% of companies represent 70% of exports within the PA (OECD, 2015, pp 7).

Given this prevalence of MSMEs as proportion of world firms, recent decades have witnessed tremendous attention to the expansion of MSMEs globally (Chetty & Holm, 2000; Crick & Crick, 2014; Evers & O’Gorman, 2011; Felzensztein, 2016; Johanson & Vahlne, 1977; Karami et al., 2019; Oviatt & McDougall, 2005). However, there is little empirical research on the internationalization process of MSMEs in trade agreements (Dimitratos et al., 2014). Therefore, the increased importance of RTAs in shaping trade changing aspects, in addition to the institutional frameworks to promote the operations of small businesses, it is pertinent and timely to foster research delving into the dynamics of MSMEs from a networking perspective (Hånell & Ghauri, 2016).

This chapter analyzes the internationalization process of 23 Colombian MSMEs that exported to member countries of the Pacific Alliance. The case study methodology allows to analyze the internationalization path of the sample of firms and their unique behavior (Dubois & Gadde, 2002). A qualitative approach with exploratory focus via interviews to employees was conducted then analyzed using QDA Miner. From the selected firms, 76% of respondents were managers, 19% were international trade specialists and the remaining 5% had a role like a procurement specialist.

The results of this analysis show that the internationalization process by the companies in the sample begin by the creation of networks through the participation in international trade fairs and business conferences. These activities lead to the identification of opportunities abroad and the definition of the path toward the internationalization of their operations. Additionally, it was found crucial the role played by the institutional framework available (i.e. Export Promotion Agencies or Local Chamber of Commerce, Fletcher & Harris, 2012).

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