Canning House

Canning Paper

The Canning Agenda – 10 Years On

Where the UK meets Latin American & Iberia

Canning House

Today's Topics

Executive summary

Since 2010, the UK government has made a concerted effort to increase the UK's engagement with Latin America and the Caribbean (LAC) after many years of decline and neglect. The effort is not in doubt, but the results have been mixed. Key findings in this paper include:

- The UK's commitment to the Canning Agenda is continuing and was reaffirmed in April 2018 with the appointment of a special Trade Commissioner for Latin America and the Caribbean.
- However, in terms of UK exports to the region, the results have been poor (and flattered by the decline in sterling against the US dollar). According to the ONS, UK exports of goods to Latin America & the Caribbean were £6.029bn in 2010 and £6.709bn in 2018 – an 11.2% increase over the period against an increase of 39.9% for exports to all regions.
- Exports of services to the main Latin American markets have performed better. In sterling terms, they have risen from £2.666bn in 2010 to £3.812bn in 2018 – a 43% increase.
- Conversations with key officials and business executives in Latin America for this paper found a very positive image of the UK and its companies, although many said UK products and services are expensive, albeit of high quality; that the services sector should be doing better given its global reputation; and that more help needed to be given to SMEs.
- There is also much praise for initiatives such as the Chevening Scholarships, which are intended to have a long-term impact. Travel linkages are continuing to improve, with the number of visitors to the UK from Latin America up 75% since 2010.
- Looking forward, Brexit was not generally seen as a difficulty for the UK's relations with Latin America although some did express the fear that the region could once again slip down the UK's priority list.

Part 1: Latin America in context

Under the Canning Agenda, launched by Foreign Secretary William Hague in 2010, Britain aimed to boost relationships with the continent, increasing trade, investment, and engagement - and since then British politicians have continued to speak in these terms. The purpose of this paper is to assess progress 10 years on from the launch. First, however, it is worth looking at what has happened in Latin America in the decade since William Hague's speech.

The graph below shows GDP per capita growth for all of Latin America and for its two largest economies, Brazil and Mexico. For the 2010-2014 period, the region delivered positive, if falling rates of growth. However, the red line for Latin America as a whole dipped into negative territory in 2014 and has remained there ever since.

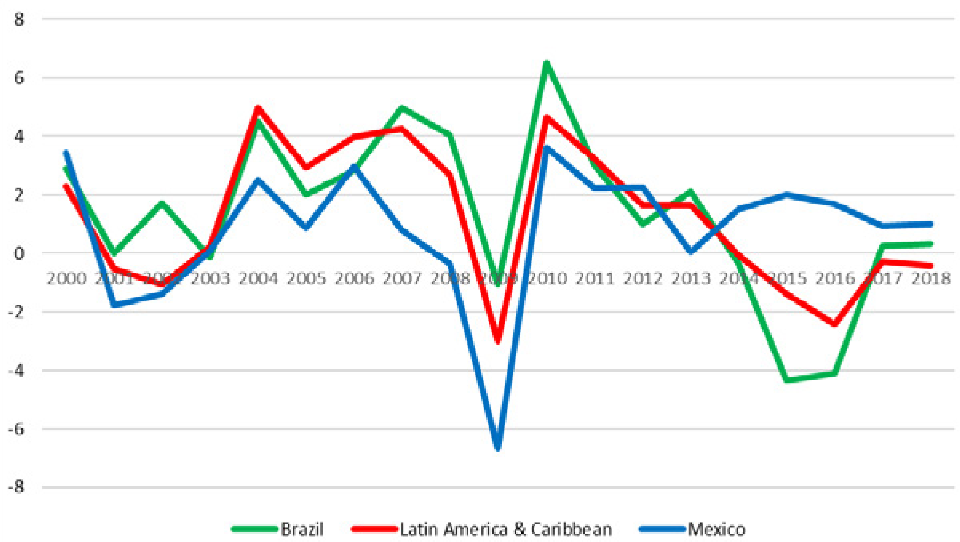
The differing performances of Mexico (blue line) and Brazil (green) are also worthy of note. Mexico benefitted from economic reforms and from the close integration of its manufacturing sector with the US economy. However, after the bounce-back from the 2008 global crisis, growth began to fall from 2010 as uncertainty over crime, corruption, and then the US shift to protectionist policies took their toll. For Brazil, the very poor performance in the second half of the decade reflects the effect of lower commodity prices, but also the intensity of a home-grown political and corruption crisis, particularly in 2015 and 2016.

In Mexico, a centre-left government led by Andrés Manuel López Obrador took office in December 2018, but it has so far failed to get the economy moving. In Brazil, meanwhile, the far-right Jair Bolsonaro, who took office in January 2019, has equally struggled to get the economy moving. So it is striking that, as we go into the 2020s, two governments of radically contrasting political outlooks in the two largest Latin American economies are facing the same problem: stubbornly low growth rates – now to be compounded by the effects of the Covid-19 crisis.

The UN's Economic Commission for Latin America and the Caribbean (Eclac) has estimated that the regional economy grew only 0.1% in 2019 and (before the Covid-19 crisis) was predicting growth of 1.3% in 2020. So, even before the Covid-19 pandemic, it seemed likely that the 2014-2020 period would register the lowest growth rate in Latin America in the last seven decades. It is now certain to do so.

From the point of view of the Canning Agenda, Latin America's low growth and political uncertainty are clearly negatives for UK trade and investment in the region. But there will continue to be opportunities as well (the drive to close the infrastructure deficit is an obvious example), and with the UK still securing only a very low share of Latin America's total trade even marginal increases in market share could be significant.

Figure 1:
Latin America GDP per capita % annual change



Source: *World Bank*

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Part 2: UK government inputs

So how is the UK government continuing to respond to the original 2010 policy directive to re-engage with Latin America?

Responsibility for UK government trade and investment strategy is shared between the Foreign & Commonwealth Office (FCO) and the Department for International Trade (DIT), which was created in July 2016 after Britain had voted to leave the European Union. In April 2018, engagement with Latin America stepped up a gear with the appointment of Joanna Crellin as Her Majesty's Trade Commissioner for Latin America and the Caribbean. Crellin, who is also Director-General for the DIT for Latin America, has overseen initiatives such as two Latin America and the Caribbean roadshows, the first in March 2019 and a second (curtailed) one in March 2020.

Another signal of increased interest in Latin America came in autumn 2018, when the UK Foreign Affairs Select Committee launched its 'Global Britain and South America' inquiry, chaired by Tom Tugendhat MP, which looked into the government's approach to the continent. Investigators gathered evidence from diplomats, academics, and other regional experts, including Canning House, before publishing a report in September 2019.

According to the report, the FCO has had an embassy in all 10 South American nations since reopening the embassy in Paraguay in 2013, and it "identifies priority country relationships with Argentina, Brazil, Chile, Colombia and Peru," with two trade envoys active in developing ties with these countries. In Central America there are embassies in every country apart from Belize, where there is a High Commission, and Honduras, where there is no UK diplomatic facility. There is also a British Embassy in Mexico City and a consulate in Cancun.

Key diplomatic actions in recent years include support for the peace plan in Colombia, both as 'penholder' for Colombia at the UN Security Council and with in-country work through the Conflict, Stability and Security Fund. From 2015-18 the FCO paid £33m through the fund for a programme supporting peace in Colombia and another focusing on serious organized crime in Peru.

In terms of trade and export promotion, efforts focus on energy, mining, and financial services in Brazil, Chile, and Colombia, according to the report, while UK Export Finance (UKEF), the UK's Export Credit Agency, is also active in Peru and Uruguay. In February 2018, UKEF signed a memorandum of understanding with the Brazilian Development Bank (BNDES) to finance infrastructure projects, following it up with a similar agreement with the Development Bank of Latin America (CAF) in October 2018.

Putting ministers to work

Ministerial trips also provide a useful measure of government interest in the region. Since June 2017 there have been 33 ministerial and PM trade envoy visits to South America, according to the FCO, with several key trips standing out. In August 2017, Philip Hammond, then Chancellor of the Exchequer, flew to Brazil and Argentina. Hammond was accompanied by representatives of the Bank of England and the London Stock Exchange in a trade delegation that attended the second UK-Brazil Economic and Financial Dialogue (EFD) in Brasilia, an event that was first held in October 2015.

British Embassy, Brasilia

British Embassy, Buenos Aires

Boris Johnson in Argentina as Foreign Secretary, 2018

After the trip, a new UK-Brazil Partnership on Green Finance was announced, along with the doubling of British government support for UK companies exporting to Brazil and for Brazilian buyers of UK goods and services, from £1.5bn to £3bn, under the UKEF support agency. Hammond also travelled to meet Argentina's pro-business President Mauricio Macri (2015-19), becoming the first cabinet minister to visit Argentina since Tony Blair in 2001.

Almost a year later, Foreign Secretary Boris Johnson flew to Buenos Aires to attend the G20 summit in May 2018, becoming the first foreign secretary to visit the country in 25 years. Johnson laid a wreath in memory of those who lost their lives in the Falklands War, the 1980s conflict that continues to hinder relations between the two nations, and then went on to visit Chile and Peru, the latter of which had not received a British foreign secretary for 50 years. Upon his return, Johnson wrote of the opportunities he felt Britain was missing out on and called on Britain to rediscover its global spirit.

Following Johnson's visit, Chile and the UK released a joint statement looking forward to Chile Day in London in September that year, to be attended by a delegation led by Finance Minister Felipe Larraín (2018-2019). Officials agreed in particular to improve mining sector links. Deals were also struck in Peru, including creating an infrastructure taskforce that led to the UK being named lead contractor for the 2019 PanAmerican Games. Other recent developments in the Andean nation include a DIT-led Sports Economy Delegation.

Then, in August 2019, Johnson's successor as foreign secretary, Dominic Raab, flew to Mexico where he signed a deal aimed at boosting sustainable and inclusive growth. The Partnership Agreement will allow greater cooperation on climate change and promote investment and trade, according to a UK government statement. It was announced that £60m from the UK Prosperity Fund, a programme designed to promote economic reforms and remove barriers to trade, would be released over four years to support these goals, creating opportunities for UK businesses worth an estimated £450m by 2026.

These trips were backed by a number of initiatives aimed at improving ties with these countries and others in Latin America. There has been much effort put into relations with Brazil, such as the aforementioned UK-Brazil Economic and Financial Dialogue support from UKEF, and UK support for Brazil's campaign for a permanent seat on the UN Security Council. Brazil has also received money from the Prosperity Fund, including a £20m programme to support Brazilian exporters in August 2019.

In addition to Brazil, the Prosperity Fund has also benefited Mexico, Colombia, and Peru since its launch in 2016. From 2017-22 the fund will pay out £25.5m to projects in Colombia, focusing on women and girls in the country's most deprived regions, and it is expected to result in £1.99bn in benefits to Colombia over 10 years as well as £265m in secondary benefits to the UK.

Other initiatives include the UK government's first-ever Latin America and Caribbean Investor Club, which will work to support LAC businesses with investments in the UK. Launched by the UK Department for International Trade in April 2019, the club "forms part of the department's increasing focus on UK trade and investment with Latin America," according to a government statement. The launch of the club came shortly after the launch of the DIT-supported Latin America and Caribbean Roadshow, mentioned above, which encouraged UK businesses to look into export opportunities in the region.

Royal visits can also help to cement new links, and in March 2019 Prince Charles and the Duchess of Cornwall made history by becoming the first members of the British royal family to make an official visit to Cuba. They were accompanied by Commonwealth minister Lord Ahmad, and the trip was regarded as an opportunity to develop closer links with Cuba at a time when the nation was opening up. However, renewed pressure on Cuba from US President Donald Trump has made relations with Havana more complicated. Other than this visit there has been little uptick in the traditionally low number of royal visits to Latin America, which is in part explained by the relative lack of former British imperial possessions in the region.

Identifying future leaders

Another way in which the UK government builds ties with other nations is through the Chevening Scholarships programme. Set up in 1983, the programme brings "exceptional professionals from around the world to study in the UK through scholarships and fellowships funded by the UK government," according to its website. Run by the FCO, Chevening has awarded more than 1,700 scholarships to future leaders from Latin America since 2015, and more than 7,000 students from the region have benefitted from the program over the course of its lifetime.

Scholars must return to their home country for at least two years after graduating, in order to use their new skills and connections. It appears to be a valuable way for the UK to exert soft power in the region and forge connections with a new generation of leaders. One notable alumnus is Costa Rica's President Carlos Alvarado Quesada (2018-present), who graduated with an MSC in development studies from the University of Sussex in 2008, while Colombia's former President Alvaro Uribe Vélez also received a grant from the Chevening programme.


Chevening beneficiary President Carlos Alvarado Quesada of Costa Rica

Another UK government initiative is the Newton Fund, which builds research and innovation partnerships to support development. In 2019, active partnerships in Latin America included a £12m per year programme in Brazil, £5m in Colombia, and £4m in Peru. Work includes development of innovation capacity in Pacific Alliance nations (Chile, Colombia, Mexico, and Peru), as well as biodiversity research in Colombia, Brazil, and Peru.

The language resource

More resources have been dedicated to improving standards in the teaching and learning of English in Latin America, according to the British Council. Funding for activities in the region has increased from £9.7m in 2015 to £12.0m in 2020, and the British Council aimed to teach around 17,500 students at Teaching Centres in Bogota, Mexico City, Caracas, and Santiago de Chile in 2019.

Key projects include Plan Ceibal, which has reached some 77,000 underprivileged children in Uruguay, who would not normally be able to learn English, through lessons given via video conferencing; Code Fest, an education programme in computer programming aimed at women and young girls in the Pacific Alliance countries; and Minefield, a theatre project that worked with UK and Argentinian veterans from the Falklands War to develop a play that has since been performed in both nations.

Alongside these projects the British Council has been negotiating with the national governments of Argentina, Chile, Colombia, Mexico, and Peru towards the mutual recognition of university degrees in order to improve mobility and collaboration between higher education institutions.

The BBC plays its part, too. BBC Mundo, the Latin America arm of the BBC World Service, has offices in Mexico City and Buenos Aires as well as reporters in Caracas, Bogotá, Santiago, Quito, and Lima.

Part 3: UK trade & investment with Latin America

All of the above shows commendable commitment, but is it working? Trade figures provide one obvious indicator as to whether the UK has managed to strengthen ties with Latin America since 2010. Although these numbers are affected by circumstances outside UK government or exporters' control, such as global economic activity and trade tensions, they are informative.

Trade in goods

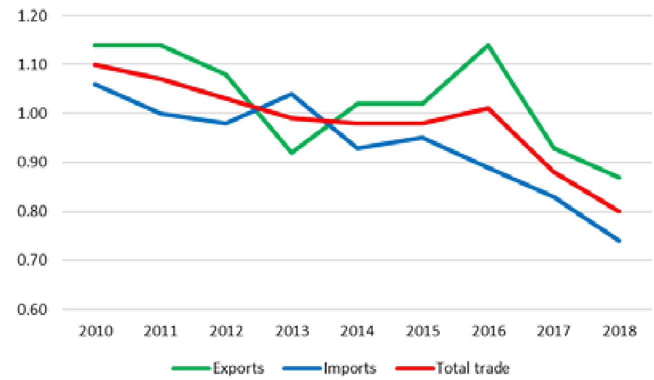
An official in the international commerce and integration division at Eclac to whom we spoke for this report, pointed out: "The key trend observed in recent years is the diminishing importance of the UK in LAC international trade, in terms of both imports and exports." He also noted, as Figure 2 illustrates, that the decline has been from levels "that were already low".

In 2010, the UK represented 1.14% of LAC total goods exports and 1.06% of imports. By 2018 these percentages had declined to 0.88% and 0.75% respectively. Part of the reason, however, has been the decline in the relative importance of Europe as a trade partner for LAC as China has risen in importance. China is now the region's second-largest partner after the US.

The raw numbers are hardly encouraging either. According to the Office for National Statistics (ONS), UK goods exports to Latin America were £6.029bn in 2010, increasing to £7.733bn in 2013 before falling back to £6.709bn by 2018 (see Table 1 below). However, this 11.2% increase over eight years is flattered by the fall in the value of sterling from $1.55 to $1.31, particularly as many goods will have been priced in US dollars. In dollar terms, the 2010 figure converts to $9.345bn and the 2018 figure to $8.789bn.

To put these figures into context, between 2010 and 2019, the UK's total goods exports increased by 39.9% [Source: ONS UK Trade: December 2019].

Figure 2: UK participation in total goods trade of Latin America & the Caribbean, 2010-18 (%)



Source: *Economic Commission for Latin America and the Caribbean*

According to World Bank figures LAC came second-to-last in the ranking of UK export partners in 2018. Representing 1.68% of UK total exports and beating only Sub-Saharan Africa (1.60%).

The most important UK goods exported to LAC in 2018 were: machinery, appliances and parts; vehicles and parts; pharmaceutical products; and beverages. These four categories accounted for 44.5% of the total in 2018. Going the other way, the most important LAC exports to the UK in 2018 were pearls, precious stones and precious metals; fruit and nuts; machinery, appliances and parts; and food waste or animal fodder. Together these goods make up 46.6% of total LAC exports to the UK.

In 2010 LAC exports to the UK were worth £6.836bn. By 2017, this figure had fallen to £5.668bn before rising again to £5.967bn in 2018. This was still below the 2010 figure, and in dollar terms the decline would have been greater still.

Table 1: UK exports of goods to LAC (UK£m)

	2010	2013	2017	2018
Argentina	351	376	374	385
Brazil	2,231	2,699	1,957	2,025
Chile	616	1,139	647	598
Colombia	231	351	510	449
Mexico	959	1,152	1,657	1,587
Uruguay	81	170	195	141
Venezuela	277	314	75	61
Central America & Caribbean	915	887	1,063	1,010
Other	368	645	448	453
TOTAL	6,029	7,733	6,926	6,709

Source: *ONS*


In dollar terms, UK goods exports to LAC have declined since 2010

Services

Trade in services, the UK's main strength, shows a better picture. To analyse this, we have used ONS data for UK exports of services to Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, and Other. We have excluded 'Central America & the Caribbean' as this includes a number of special cases in the Caribbean.

As Table 2 below shows, total UK exports of services to the selected countries saw an increase of 42%, from £2.666bn in 2010 to £3.812bn in 2018. However, the 2018 figure is down from the peak of £4.239bn reached in 2013. Exports of services to the largest market in the region, Brazil, increased by 20% for the period, while exports to the second-largest market, Mexico, increased by 84%, and those to Argentina by 84.5%. Services exports to Chile have increased by 2.43 times over the period. However, services exports to Colombia and Venezuela have decreased.

Of course, trade in services, like that in goods, is a two-way street, and UK imports of services from the selected Latin American countries have increased in line with exports, from £1.791bn in 2010 to £3.493bn in 2018. Thus the UK's surplus in services with these selected countries narrowed from £875m in 2010 to £319m in 2018.

Table 2: UK exports of services to selected LAC countries (UK£m)

	2010	2013	2017	2018
Argentina	233	261	459	430
Brazil	1,088	1,229	1,303	1,308
Chile	165	344	334	401
Colombia	232	211	318	158
Mexico	532	830	751	979
Venezuela	121	136	82	72
Other	295	1,228	425	464
TOTAL	2,666	4,239	3,672	3,812

Lloyds of London has seen an increase in Latin American insurance premiums

Table 3 below shows exports by type of service in 2018 so we can start to see how different sectors are performing. This is best illustrated by comparing the percentage of exports each sector represents in the Selected Latin American (SLA) countries – Argentina, Brazil, Chile, and Mexico – and its percentage of total UK exports of services.

There are some clear discrepancies, including significant underperformance by financial services (4.7% in SLA compared to 20.6% overall) and intellectual property (2.5% SLA compared to 6.4% overall). This can be explained by negligible returns in both sectors in Chile and Mexico.

UK banks have been reducing their activities in Latin America since the 2008 financial crash and have a relatively small presence. Activities are generally focused on investment banking and commercial lending, with the exception of HSBC's operations in Mexico, where the bank offers a full service.

'Other business services' is another sector that is underperforming in Latin America (18.9% versus 32.2% overall) as is construction to a lesser extent (0.2% versus 0.9%). This situation has not changed since the 2013 figures analysed in the previous Canning House paper on the Canning Agenda.

On the other hand, the UK is overperforming in Latin America in transport (11.4% versus 9.6%), travel (21.1% versus 11.9%), telecommunications (7.9% versus 2.4%), government (5.6% versus 0.9%), and insurance & pension (12.5% versus 6.3%).

Table 3: UK services exports by sector 2018 (% of total)

	Selected LatAm*	World
Transport	11.4	9.6
Travel	21.1	11.9
Construction	0.2	0.9
Insurance & Pension	12.5	6.3
Financial	4.7	20.6
Intellectual Property	2.5	6.4
Telecommunications, computer & information services	7.9	2.4
Other business services	18.9	32.2
Personal, cultural and recreational	1.3	1.5
Government services	5.6	0.9
*Argentina, Brazil, Chile and Mexico		

Insurance

In its annual reports Lloyds of London provides figures on its Latin America activities which explain more about how the UK is overperforming in insurance. While the region's share of Lloyds' overall premiums has remained steady at around 7%, the value of this share has increased from £1.76bn in 2015 to £2.49bn in 2018 as Lloyds' total premiums have seen strong growth. This compares favourably with the £1.36bn in premiums recorded in 2010.

Table 4: Coverage of "Other Americas" risks at Lloyds

	2015	2016	2017	2018
Total premiums (£bn)	25.1	29.86	33.59	35.53
Other Americas share (%)	7	7	6	7
£bn	1.76	2.09	2.35	2.49
of which (%):				
Reinsurance	70	70	70	67
Property	7	8	8	9
Casualty	12	10	10	14
Marine	5	7	7	7
Energy	3	2	2	1
Motor	1	1	1	1

Foreign direct investment

Table 5 below shows figures for UK net investment to five Latin American nations (Brazil, Chile, Colombia, Mexico, and Panama) from 2009-2018. The figures reveal peaks in 2011 (£3.417bn), 2014 (£2.399bn), and 2018 (£2.052bn). However, while FDI to Brazil was hit by the economic crisis from mid-2014 to 2016, Mexico performed well (£965m in 2011, £698m in 2015, £1.412bn in 2018.) At the same time, UK FDI to Panama has dried up, last recording a positive net figure in 2013 (£59m).

Table 5: Net foreign direct investment flows abroad analysed by area and main country (£m)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Brazil	390	1,687	2,283	321	-115	1,646	950	429	75	529
Chile	..	211	805	160	111	200	-532	166	135	82
Colombia	188	..	-694	-486	115	-15	-120	-150	45	29
Mexico	29	501	965	654	279	601	698	410	1,029	1,412
Panama	59	29	58	10	59	-33	..	-54	..	..
TOTAL	666	2,428	3,417	659	449	2,399	996	801	1,284	2,052

UK firm Actis LLP was involved in one of the largest cross-border merger and acquisitions deals in 2018, investing US$1.256bn in InterGen Assets in Mexico. Other stand-out deals include:

- In 2017, Unilever acquired the beauty & personal care and home care brands of Colombia-based consumer goods company Quala for an undisclosed sum.
- In 2018, BHP commissioned a $3.4bn desalination plant in Chile, one of the largest in the world.

Outside the ONS' basket of nations, Peru has seen great success in recent years. Anglo-American's £4bn investment in the Quellaveco copper project made the UK the largest foreign investor in the country.

Other companies such as JCB, De La Rue, BP, and Shell have benefited from government support in the region, according to the FCO. For example, JCB announced a US$25m investment in Brazil in July 2019.

Increased UK FDI from 2015-18 fits with the regional trends detailed by Eclac in its August 2019 report. FDI to LAC countries increased 13.2% from 2017 to 2018, reaching US$184.3bn that year, arresting five years of decline but still falling short of the figures recorded when commodities prices were booming.

UK comparison with rivals

Comparing the UK to selected other countries gives an idea of just how much more the UK could do, and the 2018 Foreign Affairs Select Committee inquiry mentioned above concluded: "Other European countries outperform the UK in trade with the region consistently and evidence submitted to the inquiry suggests that the UK is simply failing to maximise existing opportunities."

During its inquiry, the select committee heard that "perceived barriers and difficulties are stymying UK trade and investment with the region", including "language, corruption and poor adherence to the rule of law, a perception of the complexity of local legislation, high tariffs and protectionist policy". However, the subsequent report notes that the scale of these barriers was "exaggerated" – and, it was pointed out, similar barriers have not hindered UK business in other parts of the world such as India and China.

According to data from the World Integrated Trade Solution (WITS), see Table 6 below, the UK accounted for just 0.75% of Latin American imports in 2018, while France came in at 1.36%, Canada at 1.70%, and Germany at 4.08%.

In terms of Latin American exports, the UK (0.88%) imported more than France (0.69%) but was a less significant partner than both Germany (1.71%) and Canada (2.27%).

In terms of foreign direct investment, Germany (US$2.911bn) and Canada ($3.685bn) both made sizeable investments in Mexico in 2018. Canada also directed a huge US$2.159bn in FDI to Panama in 2017, and it was the second-largest investor in both Ecuador (US$197m) and the Dominican Republic (US$329m) in 2018.

Table 6: Latin America import/export of goods by partner 2018

Partner Name	Trade Balance (US$ Thousand)	Export (US$ Thousand)	Import (US$ Thousand)	Import Partner Share (%)	Export Partner Share
United States	112,256,257.99	426,311,234.28	314,054,976.29	32.02	
United Kingdom	1,323,443.11	8,676,477.94	7,353,034.82	0.75	
Germany	-23,069,930.68	16,912,826.63	39,982,757.31	4.08	
France	-6,432,604.01	6,880,332.10	13,312,936.10	1.36	
China	-63,738,648.21	122,068,696.71	185,807,344.92	18.94	
Canada	5,763,388.32	22,441,721.10	16,678,332.77	1.70	

LAC has proved a resilient market for UK tourism

Part 4: Trade isn't everything

The volume of trade between the UK and Latin America is not the full story of Latin American-UK interaction - and the importance of tourism, for instance, goes beyond its contribution to trade in services. Figures provided by UK national tourism agency Visit Britain show that the number of visitors from Latin America has generally gone up from 2010-18. Taking data for Mexico, Central America, and South America together, visitor numbers increased from 443,270 in 2010 to 756,867 in 2015 and 778,858 in 2018.

Key markets include Argentina (138,017 visitors in 2018, up from 129,000 in 2015, and 63,419 in 2010), Brazil (239,835 in 2018, 324,172 in 2015 and 177,449 in 2010) and Mexico (153,361 in 2018, 102,499 in 2015, and 67,364 in 2010). A large majority of visitors from all three nations travel for pleasure rather than business.

Going the other way, the Latin American travel market is still dominated by arrivals from North America and other countries in LAC, and the UK share of the market has gone down. Air reservation data for 30 September 2018 to 30 September 2019 reveals that arrivals from the UK decreased 1.2% compared to the same period the previous year, according to figures from the Latin American Travel Association (LATA). However, it should be noted that UK arrivals to the rest of the world decreased 1.6% for the period, so Latin America has proved a resilient market.

LATA chairman Colin Stewart pointed out a couple of key developments in recent years. "A major trend influencing travellers is the excellent value for money that Argentina provides following a decline in the value of the Argentine peso," Stewart told Canning House. "Favourable exchange rates coupled with value-focused airlines entering the market mean Argentina has become a priority for UK travellers looking at long-haul destinations."

Nicaragua is another country that has seen major visitor growth, added Stewart, despite serious social unrest in 2018. "Many of its main markets implemented strict travel advice, however a recovery is now underway with arrivals and bookings up considerably between May 2019 and January 2020," he said.

The English Premier League also helps to maintain positive perceptions of the UK, according to Francisco Panizza, professor in Latin American and Comparative Politics at the London School of Economics, thanks to a large following in the region.

Other initiatives help to create cultural bridges too, such as the Law Society's Latin American Young Lawyers Exchange Programme. Launched in 2014, the programme brings lawyers from Brazil, Colombia, and Mexico to London for a four-week placement which "aims to raise Latin American lawyers' understanding of the English legal system, and to improve business connections between lawyers and law firms in the UK and throughout Latin America".

BA has led the way in improving UK-LAC flight connections

Of course it is easier to create strong links with a region that is well connected to the UK, and in terms of flights the links between the UK and Latin America have historically been poor, but British Airways has led the move in improving connections.

The British flag carrier has launched new routes to various Latin American destinations in the past few years, including direct flights from London Gatwick to Lima (Peru) and San Jose (Costa Rica) in May 2016. This was followed by a direct service to Santiago, Chile, in January 2017, the carrier's longest route, at 14 hours 40 minutes' flight time, and the first ever non-stop flight between the UK and Chile.

Alex Cruz, chairman and CEO of British Airways at the time of the launch of the direct service to Santiago, said: "In recent years, we have been increasing our services to South and Central America, reflecting the area's continued growth in both business and tourism."

The new BA direct flights join existing destinations Buenos Aires, São Paulo, Rio de Janeiro, Mexico City, and Cancun in connecting the UK and Latin America. Sister airline Iberia, which is part of a joint enterprise with BA, also serves Bogota, Medellin, Montevideo, and Guayaquil from the UK, according to a BA spokesperson. The spokesperson was not able to provide passenger numbers for these routes, but he did say that both consumer and business customers have been able to take advantage of growing capacity over the past 4-5 years.

British Airways is not alone in adding routes to Latin America. Low cost carrier Norwegian launched a London Gatwick to Buenos Aires route in February 2018, followed by flights to Rio de Janeiro in November that year. This was the first time a low-cost airline had flown direct from the UK to Brazil.

Prior to the Covid-19 crisis, Virgin Atlantic was also set to launch a daily service from London Heathrow to São Paulo in March 2020 under a new codeshare agreement with Brazilian airline GOL. It was to be the airline's first direct flight from the UK to South America, and there were plans to expand the agreement in the future to cover flights to Argentina, Chile, and Uruguay.

Part 5: The view from Latin America

In order to assess as fully as possible the effect of the UK government's more active engagement with Latin America, we talked to officials and senior business people throughout Latin America – and, almost without exception, the feedback was positive although with quite consistent comments on areas where improvement was thought necessary. The officials and business people we spoke to were either based in, or travelled regularly on business to Argentina, Bolivia, Brazil, Colombia, Mexico, Paraguay, Peru, and Venezuela.

The most striking finding was that almost all respondents said that the UK had a positive image in the countries in which the respondents were active – and, they felt, in the region generally. Further than that, a significant number of our interlocutors said that the UK in general had a better reputation than many other European countries.

One respondent told us: "UK companies tend to have a better reputation than those from Spain or France." Another said, quite simply: "People like the UK. It's positive." Another respondent, a former trade official for a major Latin American economy, said: "There is a lot of competition in the region from US, Canada, and continental Europe, but there is a very good perception of UK companies. They are considered to be very professional."

The same source added: "The UK government is very active and effective." He gave particular praise to the Chevening programme. But he had his (constructive) criticisms. For instance, he told us: "There has been specific and well-executed support for UK companies, but it is not as strong as that from other countries such as the US, Japan, Spain, France. These countries are more aggressive, more insistent, and have better follow-up procedures."

A business source, with interests in Brazil, Chile, Colombia, and Peru, echoed this criticism, telling us that the British (companies and trade envoys) are "less pushy than Germans, Italians, and Americans who all appear to be more eager to sell". But while some saw this as a criticism, one British official we spoke to saw it as a positive. He argued: "Latin American governments value the UK's low-profile approach to trade relationships."

Another point raised consistently was that British products and services are generally seen to be expensive. As one source put it: "UK companies have a high quality, but their services are expensive." This point was made many times, and a business consultant based in Argentina we spoke to felt it could be turned into a positive rather than a negative. He said: "British products are considered expensive, so perhaps the focus of marketing should be on the quality of 'Made in Britain' products."

Alexander Dennis bus in Mexico City


The UK has more to offer with financial services in LAC

In addition to the perceived expensiveness of UK products and services, and the lack of assertiveness and follow-up, two other main negatives were raised, the first of which was that the UK does not seem to be making enough in Latin America of its pre-eminence in financial services. As one respondent put it: "Considering London is the world's financial centre, it is strange that southern European players are more dominant than British in this area." The former Latin American trade official we quoted above agreed that the UK was not making the most of its advantages in the services sector.

The other consistent feedback was that small and medium-sized enterprises (SMEs) face particular difficulties in Latin America and could warrant a greater degree of support. The comment by one respondent was echoed by most: "There needs to be more practical advice and support to make foreign markets more accessible to smaller companies."

But this point is recognised by trade diplomats. A British commercial officer we spoke to said: "We know that SMEs find it more difficult to establish themselves. Unlike larger companies, they do not have business-development departments dedicated to expansion, and as such they do need hand-holding throughout the process – much more so than a larger company."

Overall, respondents considered that UK government support was very effective in the cultural sphere (the Chevening programme was singled out by more than one respondent), and that the embassy network was influential and had good intelligence. There was also a general acknowledgement that UK government activity and interest in Latin America had increased in recent years. Certain embassies were noted as being particularly dynamic and helpful to companies, notably those in Argentina, Chile, and Uruguay.

On the other hand, there was an equally general feeling that, despite increased interest, Latin America is not a priority for the UK. Furthermore, even to the extent that there is a focus on Latin America, some respondents mentioned that there is not enough clarity on what the priority areas and sectors are for the UK in each country.

A final point that came through during these conversations was the general view that Britain's exit from the European Union could provide a stimulus. It was a point that was made spontaneously by a number of respondents. For instance, the former Latin American trade official we quoted above said that, in his opinion, the UK's engagement in the region hadn't been as active as it could have been because of a tendency to leave issues "concerning business and international relations to the EU". He added: "Post-Brexit, there is a window of opportunity for the UK government to advance more effectively."


The global economy is entering a period of major change

Part 6: Looking to the future

A first step when looking forward to the future of UK-Latin American relations in a post-Brexit era is to establish where they are now. A rough and ready list of four headlines or bullet points can summarise the current position:

- The Canning Agenda – an attempt to revitalise the UK's trade, diplomatic, and cultural relations with the region – is ten years old. It has achieved some important successes, such as increased official visits and some year-on-year increases in trade and investment. But there has been no real breakthrough. As we have seen, the UK's share of total Latin American imports has fallen below 1% over the last decade.
- Latin American governments do not see Brexit as a negative. Most Latin American governments are either neutral on Brexit or welcome it as an opportunity to reassess and upgrade their relationship with the UK. A number have signed continuity trade deals (CTDs) effectively transferring the terms of their EU trade agreements to bilateral trade with the UK until further notice.
- The UK continues to exert 'soft power' in Latin America. One measurement of this is a set of opinion poll surveys commissioned by the British Council in 2016-2017 which show that the UK is seen in a strongly positive light by 18-to-35-year olds in Argentina, Brazil, and (especially so) Mexico. This attractiveness is not reciprocated by UK 18-to-35-year olds, causing some analysts to describe it as an "attractiveness deficit".
- The global economy is entering a period of major change. The so-called 'fourth industrial revolution' marked by the expansion of digital production systems, the Internet of Things, 5G, and a move away from fossil fuels is gathering pace. Populism, climate change, and contagious diseases (such as Covid-19) are causing concern. Potential job losses to automation may fuel further nationalist and protectionist sentiment. There is no longer a consensus on the desirability of global free trade.


UK sources 1.6% of its agricultural imports from Brazil and Argentina

It is possible to shuffle these four headlines around in various different combinations to produce both optimistic or pessimistic scenarios for the future relationship between the UK and Latin America or, indeed, a scenario in which nothing much changes at all. For optimists the increased diplomatic efforts of the Canning Agenda may, if resolutely sustained, finally begin to push up trade; Brexit and the idea of a 'Global Britain' could re-energise the search for export markets; and a volatile global economy could throw up opportunities as well as risks.

Pessimists will argue that the long and bitter Brexit debate actually distracted and destabilised the UK business community in its pursuit of a strengthened Latin American trade and investment agenda. They may also point to a lack of resources; the trade rivalry of the US, China, and the EU itself which between them take a large share of Latin American trade; and issues such as geographic distance, language difficulties, and high logistics costs.

One way of projecting forward is to look at a specific opportunity relating to the agriculture and livestock sector. After 20 years of on-off negotiations the EU and the four Mercosur countries (Argentina, Brazil, Chile, and Uruguay) completed negotiations on a Free Trade Agreement (FTA) in June 2019. The FTA, which has still not been ratified, phases in tariff reductions over 5-15 years.

Broadly speaking it gives Mercosur agricultural and food exports better access to EU markets, in return for greater access to Mercosur for EU automobiles, machinery, and chemicals. A number of EU countries with big farming lobbies (including Ireland, Poland, and France) were reluctant to open up their markets to Mercosur. At their insistence quotas were imposed on certain agricultural and livestock products, to limit the threat to domestic farmers.

This case illustrates a potential trade-off. Latin American countries in general will want to prioritise trade with the EU simply because size matters: with 27 member countries the EU is one of the world's largest single consumer markets. Now outside the EU, the UK may be able to compensate for its smaller size by offering more attractive terms. In this particular case, a post-Brexit UK may be willing to offer better access to its agriculture and food markets, for example by offering quota-free imports of Latin American produce.

Roughly 73% of all the UK's agricultural imports currently come from the EU, while about 1.6% come from Brazil and Argentina. It is conceivable that these proportions may change significantly to Latin America's and the UK's mutual benefit (the UK could get cheaper food). But that would require at least three things. First, greater detail of the UK-EU trading relationship after

UK could capitalise on its expertise in wind and solar power

next January and how it may impact on third parties, since Brussels will want to avoid being "undercut" by UK negotiators in this manner. Second, a willingness and political disposition of UK governments to reduce the market share of some of its own farmers. And, third, agreement on phyto-sanitary standards to avoid food quality and health concerns among UK consumers.

The wider issue is that the relationship between the UK and Latin America will depend in part on the role that the UK wants to (and is able to) play in the world economy. Prime Minister Boris Johnson has outlined the idea of a Global Britain, one that will be "more outward-looking and more engaged with the world than ever before". However, the concept has not been set out in precise detail and there are various and sometimes conflicting views as to what it actually means. A series of reports by the Parliamentary Foreign Affairs Committee concluded that it was in danger of becoming a "slogan" devoid of substance.

One summary of the concept has seen it as consisting of four main pillars: first, a free trade agreement with the EU; second, bilateral trade agreements to replace those the UK was part of through EU membership, with a priority placed on an agreement with the United States; third, far-reaching science and innovation pacts; and fourth, an active global role on security issues such as crime, terrorism, and the actions of hostile states. Others have gone as far as imagining a future Britain as a kind of larger Singapore, an extremely low tariff, hi-tech island economy. While a radically pro-free trade economy might favour increased engagement with Latin America it could also prove politically problematic in domestic terms because of its impact on job security and likely downward pressure on wages.

As in the earlier part of this discussion, it is possible to imagine a particular definition of Global Britain that would favour a successful re-engagement with Latin America. For example, a vibrant UK technology sector would be complementary for bilateral trade. UK start-ups in areas like agritech and fin-tech have already made progress in the region, helping add value to traditional areas of business. There are opportunities to develop further trade in key sectors such as infrastructure, energy and mining, services, technology and cyber-security, and pharmaceuticals. UK expertise in wind and solar power will be highly relevant to the climate change challenges faced in

the region. The UK could be a valued partner in helping Latin America chart a course through the coming technological upheavals.

In all these areas, however, success is far from guaranteed. The Global Britain concept is potentially positive but future UK governments may nevertheless steer their international priorities in the direction of the United States, India, and China, leaving Latin America 'squeezed out' of the top priority areas. For the foreseeable future Latin America's largest trade partners are going to remain the United States, China, and the European Union. To be able to increase its market share the UK will need to differentiate itself and offer something more competitive. That may mean focusing on high value-added niche markets, offering better financing, or less trade bureaucracy. All these will require sustained focus by the government and investment by business.

William Hague delivers his Canning Agenda speech at Canning House, 2010

Conclusion

The UK government's commitment since the launch of the Canning Agenda in 2010 to deepening engagement with Latin America has been consistent. The effects, however, have been mixed. There has been a decrease in the UK's share of Latin America's external trade, and there has been a decrease in the bilateral trade in goods which is only partly offset by the increase in the UK's exports of services to the region.

In sterling terms, total UK exports to the region in goods, plus exports of services to selected Latin American countries (as itemised in Table 2), amounted to £8.695bn in 2010 and £10.521bn in 2018, an increase of 21%. In dollar terms, however, the outcome is essentially flat ($13.78bn in 2018 as against $13.477bn in 2010). Nevertheless, there are many other signs of deeper engagement between the UK and Latin America, such as a 75% increase in the number of visitors from Latin America to the UK since 2010.

Most importantly, as this paper reports, there is generally a very positive view of the UK and its businesses within Latin America. Support from the UK government for the business sector is considered to be good, although there is a consensus that more help is needed for SMEs. There is also a feeling that a sharper focus is needed, highlighting the quality of UK goods and services in general while playing to the UK's strengths in niche areas - and that the services sector, especially financial services, should be doing even better than it is given its global reputation.

It is much too early to assess what the long-term impact of the Covid-19 crisis might be on UK-Latin America relations and trade, but on Brexit at least the view from the region seems to be reasonably optimistic albeit with a concern that the Canning Agenda could lose momentum as post-Brexit UK prioritises relations with major markets such as the US, China, and India. The challenge for the Canning Agenda is to ensure that this does not happen.

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