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The UK's relationship with the Pacific Alliance

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Evidence is published online at <https://www.parliament.uk/pacific-alliance/publications> and available for inspection at the Parliamentary Archives (020 7219 3074).

Q in footnotes refers to a question in oral evidence and the roundtable.

The UK's relationship with the Pacific Alliance

CHAPTER 1: THE PACIFIC ALLIANCE

1. In 2010, Lord Hague of Richmond, then Secretary of State for Foreign and Commonwealth Affairs, said that the UK had “a track record of underestimating Latin America and neglecting its opportunities”. He called for the UK to “think afresh about Latin America and the opportunities it presents for political cooperation and trade and investment that will benefit all our citizens”.¹
2. A number of countries in Latin America share the UK's approach to free markets, democracy and the rule of law. The UK is already, through its membership of the EU, party to free trade agreements with Chile, Colombia, Ecuador, Mexico and Peru, and a far-reaching agreement between the EU and Mercosur (a group which contains two of the three largest economies in Latin America—Brazil and Argentina) is at an advanced stage of negotiation.² As Latin American countries develop and look beyond the United States and their region for links and alliances, there will be opportunities for the UK. Enhanced engagement with Latin America will necessarily be part of the Government's Global Britain strategy,³ and the Foreign Secretary's vision of the UK acting as “an invisible chain that links the world's democracies”.⁴
3. In our report, *UK foreign policy in a shifting world order*, we identified the need for the UK to engage with new networks and regional groupings, as part of a more active and entrepreneurial approach to foreign policy.⁵ The Pacific Alliance, established in 2011 by Chile, Colombia, Mexico and Peru, is a case study of a regional grouping in Latin America through which the UK could potentially strengthen its existing relationships with these four countries and the region.

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- 1 The Rt Hon William Hague, Speech on Britain and Latin America: historic friends, future partners, 9 November 2010: <https://www.gov.uk/government/speeches/britain-and-latin-america-historic-friends-future-partners> [accessed 18 June 2019]
 - 2 The EU has trade agreements with Chile, Colombia, Peru, Ecuador and Mexico and an Economic Partnership Agreement with the CARIFORUM states, and agreements incorporating trade elements with Panama, Nicaragua Honduras, Costa Rica and El Salvador. The EU is currently in negotiations to update its trade agreements with Chile and Mexico. European Commission, ‘Negotiations and agreements—In place’: http://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/#_in-place [accessed 18 June 2019]; European Commission, ‘Negotiations and agreements—Agreements partly in place’: http://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/#_partly-in-place [accessed 18 June 2019]; European Commission, ‘Negotiations and agreements—Being negotiated’: http://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/#_being-negotiated [accessed 19 June 2019] and European Commission, ‘Negotiations and agreements—Being updated’: http://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/#_being-updated [accessed 19 June 2019]
 - 3 Foreign and Commonwealth Office, Cabinet Office, and Prime Minister's Office, ‘Collection—Global Britain: delivering on our international ambition’: <https://www.gov.uk/government/collections/global-britain-delivering-on-our-international-ambition> [accessed 18 June 2019]
 - 4 The Rt Hon Jeremy Hunt MP, Speech on An invisible chain, 31 October 2018: <https://www.gov.uk/government/speeches/an-invisible-chain-speech-by-the-foreign-secretary> [accessed 18 June 2019]
 - 5 International Relations Committee, *UK foreign policy in a shifting world order* (5th Report, Session 2017-19, HL Paper 250)

4. We undertook a short, focused inquiry into the Pacific Alliance in May 2019, ahead of the Pacific Alliance Summit in July 2019, with two oral evidence sessions and a roundtable discussion which included representatives from each of the four member countries. We invited the Trade Envoy for Chile, Colombia and Peru and the Trade Envoy for Mexico to give evidence, but this was not permitted. This report considers the role of the Pacific Alliance, the UK's engagement with the group and its four members, and recommends how these relationships and the UK's broader engagement with the countries of Latin America could be strengthened.
5. The House of Commons Foreign Affairs Committee is undertaking an inquiry into the UK's relationship with South America as a whole, and plans to report later in the year.⁶

Countries of the Pacific Alliance

6. The four countries of the Pacific Alliance are of considerable economic significance. Together, they are equivalent to “the seventh biggest economy in the world”. The Pacific Alliance countries account for \$1.1 trillion in trade, a figure that has increased by an average of 6.7% annually for the last decade.⁷
7. His Excellency Juan Carlos Gamarra, Ambassador of Peru to the United Kingdom, said the Pacific Alliance accounted for “over 39% of the GDP of Latin America and the Caribbean”, and had a combined population of more than 225 million.⁸ The total exports of the four countries “cover more than 56% of the exports and 58% of the imports of Latin America and the Caribbean”.⁹ His Excellency Antonio José Ardila, Ambassador of Colombia to the United Kingdom, said the four countries' combined capital markets represented “the second largest stock market among emerging countries in market capitalisation of shares”.¹⁰ His Excellency David Gallagher, Ambassador of Chile to the United Kingdom, said the Pacific Alliance was therefore “a very big market” for external partners.¹¹

6 House of Commons Foreign Affairs Committee, ‘Committee launch inquiry on Global Britain and South America’ (26 October 2018): <https://www.parliament.uk/business/committees/committees-a-z/commons-select/foreign-affairs-committee/inquiries1/parliament-2017/global-britain-south-america-17-19/> [accessed 18 June 2019]

7 [Q 30](#) (Ambassador Gallagher)

8 The combined GDP of the four Pacific Alliance countries was \$1,953.82 billion in 2017; in comparison, the UK's GDP was \$2,637.87 billion in 2017. World Bank, Country profile—Chile: https://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=CHL; World Bank, Country profile—Colombia: https://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=COL; World Bank, Country profile—Peru: https://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=PER; World Bank, Country profile—Mexico: https://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=MEX; World Bank, country profile—UK: https://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=GBR [accessed 18 June 2019]

9 [Q 29](#)

10 [Q 31](#)

11 [Q 30](#)

8. Reflecting the increasing significance of China¹² and other Asian countries to global growth, Ambassador Gamarra said the members of the Pacific Alliance shared a “strong projection to the Asia-Pacific region”.¹³ In addition to their work towards this goal through the Pacific Alliance (discussed below), Chile, Mexico and Peru have signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership,¹⁴ and Colombia gave formal notification of its interest in joining the agreement in June 2018.¹⁵ The UK Government has expressed interest in joining the CPTPP after Brexit.¹⁶
9. Figure 1 provides economic data on the Pacific Alliance countries.

12 Mr Shorter said that “China’s influence and impact in the region has grown exponentially in the last 15 years”. It was now Chile and Peru’s largest single trade partner, trading in raw materials, commodities and food, and was investing in infrastructure. Mr Perrin said that there had also been “multiple visits by Chinese officials on an annual basis to Latin America ... and a stream of loans and investment initiatives”. Professor Gardini said China was extending its cultural diplomacy in Latin America by establishing Confucius centres, and Mr Shorter said it was “developing people-to-people links, media links and so on to bolster its commercial position and its political influence”. [Q 28](#), written evidence from Ian Perrin ([TPA0001](#)), and [Q 11](#)

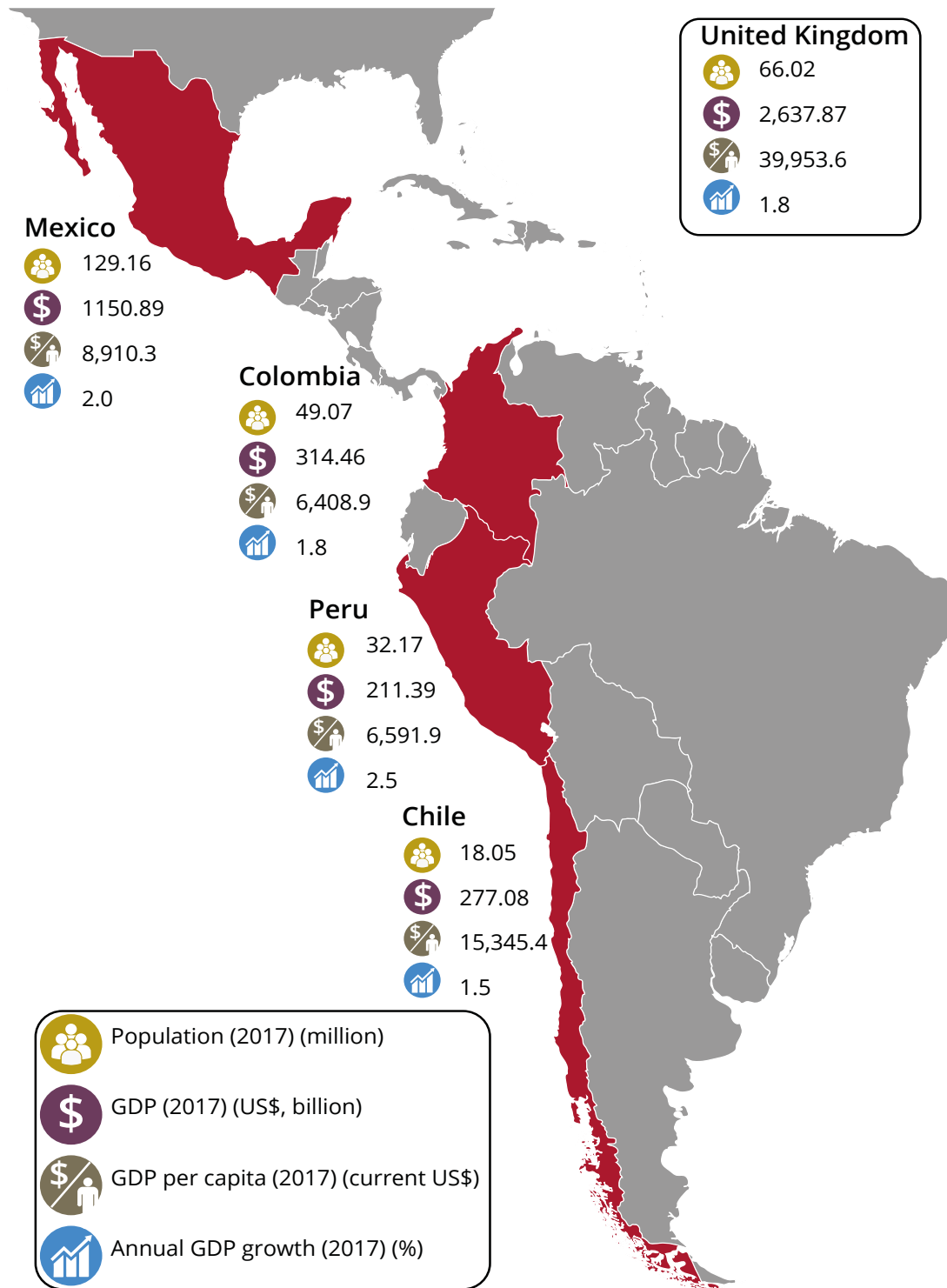
13 [Q 29](#)

14 The CPTPP is a ‘next-generation’ trade agreement, which builds on existing World Trade Organisation agreements and existing bilateral free trade agreements, while extending provisions in areas including digital trade and electronic commerce, intellectual property and state-owned enterprises. It is based on the Trans-Pacific Partnership, from which President Trump withdrew the US in 2017. White and Case, ‘The CPTPP Enters into Force: What Does it Mean for Global Trade?’ (21 January 2019): <https://www.whitecase.com/publications/alert/cptpp-enters-force-what-does-it-mean-global-trade> [accessed 18 June 2019]

15 Mexico ratified the CPTPP in June 2018 and it came into force on 30 December 2018. Chile and Peru are yet to ratify the CPTPP. White and Case, ‘The CPTPP Enters into Force: What Does it Mean for Global Trade?’ (21 January 2019): <https://www.whitecase.com/publications/alert/cptpp-enters-force-what-does-it-mean-global-trade> [accessed 18 June 2019]

16 Department for International Trade, ‘Closed consultation—Trade with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership’: <https://www.gov.uk/government/consultations/trade-with-the-comprehensive-and-progressive-agreement-for-trans-pacific-partnershipcptpp> [accessed 18 June 2019]

Figure 1: Data on the Pacific Alliance countries (2017)



Source: World Bank, Country profile—Chile: https://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=CHL; World Bank, Country profile—Colombia: https://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=COL; World Bank, Country profile—Peru: https://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=PER; World Bank, Country profile—Mexico: https://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=MEX; World Bank—GDP per capita (current US\$): <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=PE>; World Bank, country profile—UK: https://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=GBR [accessed 19 June 2019]

10. Witnesses described the four countries as sharing a common approach to economic management and trade.¹⁷ Ambassador Gamarra said they were “stable democracies” with “dynamic economic growth, an open trade policy ... and the aspiration to take a greater role in the global economy”.¹⁸
11. Ambassador Ardila said their economies were “the most competitive in the region”, with “sustained growth and exporting experience”. All four countries had “clear rules of the game, with the highest levels of certainty and predictability, and in its geographical location and competitive factors of production.”¹⁹ The World Bank’s *Doing Business* report 2019 ranked them as the most competitive economies in the region.²⁰ It was “a commercial and political alliance between very like-minded countries”.²¹

About the Pacific Alliance

12. Ambassador Gamarra said the idea behind the Pacific Alliance “was to form a core group of like-minded countries that believe in the benefits of free trade”. It “was built on shared views on economic development and a strong democratic commitment, rather than on geographical vicinity.”²²
13. Professor Gian Luca Gardini, Professor of International Relations and Latin American Politics, Friedrich-Alexander Universität Erlangen-Nürnberg, said:

“when it was created in 2011 the predominant mood [in Latin America] was slightly anti-capitalist, anti-free trade and anti-open economies. When the countries that pursued open economies and free trade, such as Chile, Mexico and, to an extent, Peru and Colombia, decided to create this alliance, it was seen as new, a bit strange and different from what we were used to.”²³
14. Ambassador Gamarra said the Pacific Alliance had three objectives. First, it was “an area of integration that progressively moves towards free movement of goods, services, capital and people”.²⁴ The Pacific Alliance is not a customs union: “each country has its own trade policy and its own views”. However, “there is a very clear convergence in those policies”.²⁵ Professor Gardini said there was considerable scope for increasing trade between the four countries: only around 3% of the countries’ global foreign trade is with other Pacific Alliance members.²⁶
15. Second, it aimed “to promote greater growth, development and competitiveness among the alliance’s economies in order to achieve greater well-being for its people, overcome socioeconomic inequality and work towards social inclusion”.²⁷

17 [Q 9](#) (Professor Gardini) and written evidence from Ian Perrin ([TPA0001](#))

18 [Q 29](#)

19 [Q 31](#)

20 [Q 29](#) (Ambassador Gamarra); World Bank, *Doing Business 2019*: http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf [accessed online 18 June 2019]

21 [Q 30](#) (Ambassador Gallagher)

22 [Q 29](#)

23 [Q 1](#)

24 [Q 29](#)

25 [Q 3](#) (Professor Gardini)

26 [Q 9](#)

27 [Q 29](#) (Ambassador Gamarra)

16. Third, it aimed “to become a platform for political articulation and economic and commercial integration in the world, with special emphasis on the Asia-Pacific region.”²⁸
17. Professor Gardini said that for Chile, Colombia and Peru, “the meaning of the Pacific Alliance is essentially economic”. Mexico was “perhaps the only country that has a clear political view of it”: it saw the Pacific Alliance as “a wonderful tool to reinsert itself into Latin America after years and years of foreign policy that privileged the US and trade policy that largely privileged the US market”. He also referred to the potential for Mexico to use the Pacific Alliance to counterbalance the regional power of Brazil.²⁹
18. Over the years, numerous regional organisations have been established in Latin America. These are set out in Box 1.³⁰

Box 1: Regional organisations in Latin America

The Latin-American Integration Association (ALADI)

ALADI was established in 1980³¹ as an intergovernmental organisation that promotes regional integration, to enhance economic and social development. Its final goal is the establishment of a Latin-American common market. It “continues the process started by the Latin-American Free Trade Association (ALALC) in 1960”.³² Members of ALADI are signatories to a range of agreements on trade facilitation.³³ Members are Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela.³⁴

The Andean Community

The Andean Community was founded in 1969 with the objective of creating a customs union between Bolivia, Colombia, Ecuador, Peru and Venezuela (which withdrew in 2006).³⁵

28 Q 29 (Ambassador Gamarra)

29 Q 8

30 In addition to these organisations for regional co-operation, in 2017 a number of countries in the Americas formed the Lima Group in response to the crisis in Venezuela. It aims “to address the critical situation in Venezuela and to explore ways to contribute to the restoration of democracy in that country, through peaceful and negotiated means”. Members are Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Honduras, Mexico, Panama, Paraguay and Peru. Government of Canada, ‘Lima Declaration’ (8 August 2017): <https://www.international.gc.ca/world-monde/international-relations-relations-internationales/latin-america-amerique-latine/2017-08-08-lima-group-groupe-lima.aspx?lang=eng> [accessed 19 June 2019]

31 The Latin American Integration Association, ‘FAQ—When was it created?’: <http://www.aladi.org/nsfaladi/preguntasfrecuentes.nsf/5094e65262960d6d03256ebe00601b70/6228c14a2146985a03256edf006da9da?OpenDocument> [accessed 19 June 2019]

32 The Latin American Integration Association, ‘FAQ—What is ALADI’: <http://www.aladi.org/nsfaladi/preguntasfrecuentes.nsf/5094e65262960d6d03256ebe00601b70/166446ee3e9e027c03256edf006d62ca?OpenDocument> [accessed 18 June 2019]

33 Agencia EFE, ‘La Aladi anima al Mercosur y a la Alianza del Pacífico a buscar más integración’: <https://www.efe.com/efe/america/economia/la-aladi-anima-al-mercosur-y-a-alianza-del-pacifico-buscar-mas-integracion/20000011-3639400> [accessed 18 June 2019]

34 The Latin American Integration Association, ‘FAQ—What is ALADI’

35 European Union External Action Service, ‘Andean Community’: https://eeas.europa.eu/diplomatic-network/andean-community/2049/andean-community_en [accessed 18 June 2019]

The Southern Common Market (Mercosur)

Mercosur is a trade bloc founded in 1991, whose members are in a customs union. Members are Argentina, Brazil, Paraguay, Uruguay and Venezuela (currently suspended). Bolivia is going through the process to ratify membership. Chile, Colombia, Ecuador, Guyana, Peru and Suriname are associate members. Mexico is an observer.³⁶ The Pacific Alliance and Mercosur held a joint summit in July 2018 and pledged to increase co-operation between the two groups.³⁷

The Organisation of American States (OAS)

The OAS was founded in 1948. It was established to achieve among its members “an order of peace and justice, to promote their solidarity, to strengthen their collaboration, and to defend their sovereignty, their territorial integrity, and their independence.”³⁸ It has a permanent secretariat in Washington DC and includes all 35 independent states of the Americas. Cuba has been excluded since 1962, and Venezuela has applied to leave.³⁹

The Community of Latin American and Caribbean States (CELAC)

CELAC was announced in 2012. It is “an intergovernmental mechanism for dialogue and political agreement”, with “a commitment to advance the gradual process of regional integration, unity and carefully balancing political, economic, social and cultural diversity”.⁴⁰ It includes all independent countries in the Americas except Canada and the United States. Within the United Nations these countries form the Latin American and Caribbean Group (GRULAC).⁴¹

The Union of South American Nations (UNASUR)

UNASUR came into force in 2011, building on the previous South American Community of Nations. Members are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela.⁴² Its purpose is “to develop a South American forum for addressing political, social, economic, environmental and infrastructure issues”.⁴³

36 Australian Department of Foreign Affairs and Trade, ‘Latin American regional organisations’: <https://dfat.gov.au/international-relations/regional-architecture/Pages/latin-american-regional-organisations.aspx> [accessed 18 June 2019]

37 Cecilia Tornaghi, ‘Pacific Alliance and Mercosur start plans for free trade agreement’, LatinFinance (24 July 2018): <https://www.latinfinance.com/web-articles/2018/7/pacific-alliance-and-mercotur-start-plans-for-free-trade-agreement> [accessed 18 June 2019]

38 Organisation of American States, ‘Who we are’: http://www.oas.org/en/about/who_we_are.asp [accessed on 19 June 2019]

39 Australian Department of Foreign Affairs and Trade, ‘Latin American regional organisations’

40 The Community of Latin American and Caribbean States, ‘CELAC’: <http://celacinternational.org/celac-2-2/> [accessed 19 June 2019]

41 Australian Department of Foreign Affairs and Trade, ‘Latin American regional organisations’

42 Union of South American Nations (UNASUR), ‘History’: <https://www.unasursg.org/en/node/179> and Union of South American Nations (UNASUR), ‘Member States’: <https://www.unasursg.org/en/node/194> [accessed 18 June 2019]

43 Government of Colombia, ‘Union of South American Nations (UNASUR)’: <https://www.cancilleria.gov.co/en/content/union-south-american-nations-unasur> [accessed 19 June 2019]

Forum for Progress (PROSUR)

In March 2019, Argentina, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay and Peru signed a joint declaration to create “a regional space of coordination and cooperation, without exclusion of ideologies”. It aims to strengthen regional ties and replace UNASUR.⁴⁴

The Bolivarian Alliance for the Peoples of Our America (ALBA)

ALBA was founded in 2004 by Cuba and Venezuela. Other members are Antigua and Barbuda, Bolivia, Dominica, Ecuador, Grenada, Nicaragua, St Kitts and Nevis, St Lucia, and St Vincent and the Grenadines.⁴⁵ It was established as a “political, economic, and social alliance” to defend the “independence, self-determination and the identity of peoples comprising it”.⁴⁶

The Central American Integration System (SICA)

SICA was established in 1991. Members are Belize, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama. It was established with “the fundamental objective of realizing the integration of Central America in order to transform the area into a region of peace, liberty, democracy and development, based firmly on the respect, tutelage and promotion of human rights”.⁴⁷

The Pacific Alliance

The Pacific Alliance was established in 2011. It is “an initiative of regional integration”. Its members are Chile, Colombia, Mexico and Peru.⁴⁸

19. Witnesses noted the problems that have beset previous attempts at regional integration in Latin America. Professor Gardini said that Latin American regionalism was “extremely complex” and “quite fragmented” (as shown in Box 1).⁴⁸ Hugo Shorter, Director, the Americas, Foreign and Commonwealth Office, said that “Latin American groupings of countries ... go through phases of great ambition and then there are changes of government in some of the members; the ambition and activism seem to drop away and focus moves to another grouping.”⁴⁹
20. Ambassador Ardila said that the Pacific Alliance was “a reaction to that, starting very discreetly and doing the important things, which are integrating markets and bringing as many benefits as possible to the economies, while simplifying regulations in each country, standardising them and bringing them together. The idea is to create markets that companies can flow in and financial markets that can move from one country to the other with ease”.⁵⁰ Ambassador Gallagher said the Pacific Alliance was “a work in progress”: the countries had “deliberately tried not to be too ambitious”.⁵¹

44 Australian Department of Foreign Affairs and Trade, ‘[Latin American regional organisations](#)’

45 ALBA info, ‘About ALBA info’: <https://albainfo.org/> [accessed 19 June 2019]

46 Central American Integration System, ‘SICA in Brief’: https://www.sica.int/sica/sica_breve_en.aspx [accessed on 19 June 2019]

47 The Pacific Alliance, ‘What is the Pacific Alliance?’: <https://alianzapacifico.net/en/what-is-the-pacific-alliance/> [accessed 19 June 2019]

48 [Q 9](#)

49 [Q 14](#)

50 [Q 32](#)

51 *Ibid.*

Pacific Alliance institutions

21. Professor Gardini described the Pacific Alliance as having a “minimalist approach to integration”.⁵² There was “no supranationality whatever”.⁵³
- “the Presidents take most of the decisions and determine the political directions. Then there is the Council of Ministers—Ministers of Foreign Affairs and of Foreign Trade—who decide how to implement those political directions. Then there is a High-Level Group composed of other Ministers and Vice-Ministers who implement the technical provisions. They are helped in this respect by a number of technical groups, in which high officials of the specific ministries in the four member countries elaborate proposals, rules and plans to pursue the Pacific Alliance objectives.”⁵⁴
22. The Pacific Alliance also has a Business Council with business leaders from member states and an Inter-Parliamentary Commission.⁵⁵
23. The Pacific Alliance has agreed a 2030 strategic vision. Minister Anibal Gomez, Chargé d’Affaires a.i. of Mexico to the United Kingdom, said this had four parts:
- first, to pursue further integration;
 - second, “to become the main commercial integration platform in Latin America and increase to 10 the number of associate states”, and to “strengthen economic and commercial co-operation links with other blocs and organisations”;
 - third, to improve communication with citizens of the Pacific Alliance; and
 - fourth, to develop broader connectivity.⁵⁶

Assessing the Pacific Alliance

24. Professor Andrés Velasco, Dean, School of Public Policy, London School of Economics, said Latin America had “a long history of signing agreements about trade that produce no trade”. The Pacific Alliance had “produced a fair bit of trade in both goods and services” which was “no minor achievement”.⁵⁷ Professor Gardini considered the Pacific Alliance to be “possibly the most effective regional integration scheme in Latin America”.⁵⁸
25. Witnesses and panellists at the roundtable highlighted some of its achievements:
- a free trade area was established in 2016. About 92% of goods had been liberalised, and there was a clear plan for the liberalisation of the remaining 8%;⁵⁹

52 [Q 1](#)

53 [Q 2](#)

54 [Q 1](#)

55 Written evidence from Ian Perrin ([TPA0001](#))

56 [Q 32](#)

57 [Q 40](#)

58 [Q 1](#)

59 [Q 1](#) (Professor Gardini)

- financial integration was “one of the alliance’s main goals”,⁶⁰ and the Latin American Integrated Market—“a common platform for stock exchange markets where you can trade equities and titles from any of the four stock exchanges of the member countries in any other country using local currency”—has been established;⁶¹
- tourist and business visas are no longer required among the four countries;⁶²
- work is under way on trade facilitation, patent simplification, e-commerce and digitisation;⁶³ and
- a student mobility platform has been established and each year “400 scholarships are given and 2,400 have been granted since 2012”.⁶⁴

Relations with other Latin American regional organisations

26. Ian Perrin, Policy Forum Manager, Canning House, said that because Latin America was “not one homogenous region”, “attempts to form closer political and economic regional alliances” were challenging. For example, the presidents of Argentina and Brazil have welcomed closer collaboration between the Pacific Alliance and Mercosur, but this “may take longer than expected owing to the many differences between countries, and the fact that the region remains vulnerable to political swings at future elections”.⁶⁵

Significance of the Pacific Alliance and its members to the UK

27. Witnesses identified a number of reasons for the UK to engage with the Pacific Alliance and its members. First, Mr Perrin said leaving the EU “could act as a spur for the UK to increase engagement with the Pacific Alliance”, which “could help the UK to achieve the objectives of its ‘Global Britain’ strategy”. He cautioned that this would depend on “continuity regarding existing [trade] agreements with the Pacific Alliance when it exits the EU”.⁶⁶ The UK has signed continuity agreements with Chile, Colombia and Peru, but has yet to conclude one with Mexico.
28. Professor Gardini said that if the UK was “looking into new trade strategy in a post-Brexit scenario”, Latin America provided an opportunity “not only in itself but in terms of UK insertion into regional and global value chains aiming at the Asian market.”⁶⁷
29. Table 1 shows the level of UK exports to, and imports from, Latin American countries in 2017.

60 [Q 31](#) (Ambassador Ardila)

61 [Q 1](#) (Professor Gardini)

62 [Q 1](#) (Professor Gardini)

63 *Ibid.*

64 [Q 31](#) (Mr Gomez)

65 Written evidence from Ian Perrin ([TPA0001](#))

66 *Ibid.*

67 [Q 7](#)

Table 1: UK trade in goods and services with Latin America, 2017⁶⁸

Country	UK exports £ million	UK imports £ million
Argentina	632	899
Belize	29	56
Bolivia	35	18
Brazil	3,139	2,406
Chile	907	852
Colombia	779	502
Costa Rica	58	301
Cuba	45	275
Dominican Republic	77	129
Ecuador	111	171
El Salvador	17	12
Guatemala	26	103
Guyana	83	60
Haiti	12	6
Honduras	6	138
Mexico	2,263	2,106
Nicaragua	6	50
Panama	190	57
Paraguay	25	5
Peru	212	372
Suriname	11	0
Uruguay	177	56
Venezuela	157	142
Pacific Alliance combined total	4,161	3,832
Pacific Alliance as a percentage of UK total exports/imports	0.7%	0.6%
Latin America combined total	8,997	8,716
Latin America combined total as a percentage of UK total exports/imports	1.5%	1.3%

Source: Office for National Statistics, 'Dataset: 09 Geographical breakdown of the current account, The Pink Book 31 July 2018': <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/9geographicalbreakdownofthecurrentaccountthepinkbook2016> [accessed 18 June 2019]

68 Other Caribbean countries and French Guiana, Guadeloupe, Martinique, Puerto Rico, Saint-Barthélemy and Saint-Martin are not included.

30. Second, Mr Shorter identified similarities in outlook: the UK's "relationship with the members of the Pacific Alliance and with the Pacific Alliance as a whole comes naturally to the United Kingdom because we have a set of shared values, whether on democracy, or the way we want to see the international system working, based on rules".⁶⁹
31. Professor Gardini identified a further "potential political advantage" for the UK: as well as "a preference for free trade and open economies ... those countries are also quite wary of supranational commitments and the burden that an excessively bureaucratic structure may imply". He thought "the UK could find in the Pacific Alliance countries a significant political partner in global forums and issues".⁷⁰

Mechanisms for UK co-operation with the Pacific Alliance

32. The Pacific Alliance offers observer and associate member status. There are 55 observers, including the UK.⁷¹ Associate members must commit to entering into negotiations for a comprehensive free trade agreement with the Pacific Alliance members; Australia, Canada, New Zealand and Singapore are negotiating associate membership.⁷²
33. The Pacific Alliance has been developing its offer for observer states. The members have identified areas where they would welcome observers to engage, including consumer protection, infrastructure and investment, culture, education and trade facilitation.⁷³ Ambassador Gamarra said the first Technical Co-operation Forum was held in April 2019: "46 countries, including the UK, took part in discussions on a portfolio of projects, which were the result of a consensus-building process among the technical groups of the alliance."⁷⁴

UK engagement to date

34. Mr Shorter said the UK had engaged with Chile, Colombia, Mexico and Peru "consistently since the creation of the group in 2011".⁷⁵ The Government's approach was "an overlapping mix of Pacific Alliance focus and bilateral focus".⁷⁶

Pacific Alliance engagement

35. Mr Shorter said the Pacific Alliance provided a framework for further UK co-operation:⁷⁷ "Looking at the current presidency's priorities gives us quite

69 [Q 12](#)

70 [Q 7](#)

71 These include China, Egypt, France, Germany, India, Japan, South Korea, the United Arab Emirates and the US. The Pacific Alliance, '57 observer states—the Pacific Alliance': <https://alianzapacifico.net/en/observant-countries/> [accessed 19 June 2019]

72 'Pacific Alliance: Associate members' integration to be addressed in Nov', *Andina* (25 September 2018): <https://andina.pe/ingles/noticia-pacific-alliance-associate-members-integration-to-be-addressed-in-nov-726385.aspx> [accessed 18 June 2019]

73 The full list of areas where the Pacific Alliance seeks co-operation are: consumer protection, co-operation, culture, education, fishing and aquaculture, global value chains, government procurement, mobility of people, promotion agencies, services and capital, SMEs, trade facilitation, infrastructure, and investment disaster risk management. [Q 31](#) (Mr Gomez) and Pacific Alliance, *Cooperation portfolio of the Pacific Alliance* (April 2019): https://alianzapacifico.net/pdf/Foro%20Tecnico%20Cooperacion_ingles_4abril.pdf [accessed 19 June 2019]

74 [Q 29](#)

75 [Q 12](#)

76 [Q 26](#)

77 [Q 19](#)

a good idea of what the members of the Pacific Alliance do and do not want to do".⁷⁸

36. The Pacific Alliance was "a natural place for us to do regional programming." He said that "the gold standard for our programmes in regions such as Latin America" was "to use the synergies across different countries". Where countries have "strong political relationships" and shared objectives, the FCO tried "to develop programmes that ... have a regional reach". This was "a better use of our money and means that we develop relationships across a wider range of interlocutors".⁷⁹
37. Areas where the UK has engaged with the Pacific Alliance include:
- Welcoming more than 400 Chevening scholars from Pacific Alliance countries since 2015 and establishing "a new Chevening Pacific Alliance scholars cadre, selected from those 400 scholars, to receive bespoke programmes focused on areas of UK co-operation with their country of origin".⁸⁰ Courses have included human rights, prosperity, justice, energy, climate change, sustainability and international relations.⁸¹
 - Sharing expertise on "innovation policy and innovation frameworks across the alliance",⁸² including "a global innovation programme ... to strengthen economic links and stimulate research and innovation".⁸³
 - Supporting the development of green finance mechanisms, including funding a conference in Mexico City in 2018 "to explore Pacific Alliance wide collaboration on green finance, which was followed up by another conference in Lima in March 2019".⁸⁴
 - Engaging on girls' education, "particularly on a project supporting the study of STEM subjects and the pursuit of STEM-related careers".⁸⁵ In 2018, "the British Council with FCO support organised a Codefest for girls in the four Pacific Alliance countries".⁸⁶
 - Funding an Organisation for Economic Co-operation and Development project supporting member states' competition authorities in 2015.⁸⁷
 - Organising capacity-building visits to the UK for senior Pacific Alliance parliamentarians in 2015 and 2016.⁸⁸
38. Mr Shorter said the Government was watching "how the Pacific Alliance develops", especially given that Mexico and Colombia have elected new presidents in the past year. He was "inclined to see how momentum develops at the summit in July [2019] following those changes of government to decide whether we think that we should develop a single unified strategy towards the Pacific Alliance ... there are multiple subregional organisations and they go

78 [Q 22](#) Peru currently holds the presidency of the Pacific Alliance

79 [Q 19](#) (Mr Shorter)

80 Written evidence from the British Council ([TPA0002](#))

81 [Q 31](#) (Mr Gomez)

82 [Q 19](#) (Mr Shorter)

83 [Q 31](#) (Mr Gomez)

84 Written evidence from the Foreign and Commonwealth Office (FCO) and the Department for International Trade (DIT) ([TPA0004](#)); also see [Q 19](#) (Mr Shorter)

85 [Q 19](#) (Mr Shorter)

86 Written evidence from the FCO and the DIT ([TPA0004](#))

87 *Ibid.*

88 *Ibid.*

through cycles. It feels to us as though the Pacific Alliance is going through a period of change.”⁸⁹

39. He added that “the Pacific Alliance was set up ostensibly as an apolitical body ... We must not overburden our relationship with the Pacific Alliance with ambitions”.⁹⁰

Bilateral relations

40. Witnesses and panellists at the roundtable identified areas where the UK was working bilaterally with Pacific Alliance members. Ambassador Ardila said that the UK had “a very powerful and strong relationship with each individual country ... Each country has its own needs, and with each country the relationship is unique”.⁹¹
41. Mr Shorter said there had been “25 ministerial and trade envoy visits to Pacific Alliance countries since July 2017”. The then Foreign Secretary, the Rt Hon Boris Johnson MP, visited Peru and Chile in May 2018.⁹² Mr Shorter highlighted the ongoing importance of defence co-operation between the UK and Chile, and longstanding support by the UK for the Colombian peace process.⁹³
42. The Government has allocated “significant programmes investment in Mexico and Colombia”,⁹⁴ as well as some funding for Peru and Chile.⁹⁵
43. The British Council highlighted its work to train 18,500 students from Colombia, Mexico and Peru in English each year, and a range of programmes spanning teacher training, the arts, education and society, creative economy, youth and civil society engagement, and social action plans with NGOs and civil society in the four countries.⁹⁶ It highlighted the importance of the mutual recognition of degrees between the UK and Mexico agreed in 2018, and the potential for a UK–Colombia agreement expected in 2019.⁹⁷ Professor Gardini told us that the work of the British Council was much appreciated by the Pacific Alliance.⁹⁸

Bilateral trade

44. Chris Barton, Director, Bilateral Trade Relations, Department of International Trade, outlined the Government’s trade priorities for the region. He said that “our key focus with countries in the Pacific Alliance at this stage” was securing continuity agreements for the existing EU free

89 [Q 26](#)

90 [Q 13](#) (Mr Shorter)

91 [Q 38](#)

92 [Q 16](#) Details of visits in the last three years are in the written evidence from the FCO and the DIT ([TPA0004](#)).

93 [Q 13](#)

94 From the Prosperity Fund (PF), Conflict Stability and Security Fund (CSSF), and International Climate Finance (ICF).

95 In Peru the UK has “a small CSSF programme (around £2.3m a year) and access to a smaller amount of PF for infrastructure projects”, and in Chile “a small non-ODA (mature market) programme (£50k) focused on developing UK commercial opportunities in the Chilean energy sector”. Written evidence from the FCO and the DIT ([TPA0004](#))

96 Written evidence from the British Council ([TPA0002](#))

97 *Ibid.*

98 [Q 7](#)

trade agreements after Brexit. These “do not relate to the Pacific Alliance as a whole”.⁹⁹

45. A second area of focus was “working with all the countries in the Pacific Alliance to build on our existing trade relations”: there was “potential to grow them from their current levels” and address market access barriers.¹⁰⁰ As shown in Table 1, UK exports to the four countries were worth £4.2 billion in 2017, with UK exports to Latin America as a whole worth £9 billion, equivalent to 1.5% of the UK’s total global exports (£615.9 billion).¹⁰¹ The City of London Corporation highlighted green finance, financial technology, infrastructure and innovation as priorities for UK firms in the four countries.¹⁰²
46. Third, the DIT provides support to UK businesses. Mr Perrin said that UK companies had “neglected these countries as places to do business” for many years,¹⁰³ and Professor Gardini indicated that more could be done to promote the opportunities presented by the existing (EU) trade agreements.¹⁰⁴
47. The UK’s Trade Commissioner for Latin America and the Caribbean, Jo Crellin, had run “a series of Latin America workshops in cities across the UK, which engaged with over 600 businesses and highlighted the opportunities in the region”. DIT also gave “advice ... in situ on some of the opportunities, as well as the challenges and how to get around them”, held “government-to-government engagement to address barriers where they arise”, and could “sometimes provide financial help to aid businesses” via UK Export Finance.¹⁰⁵ It did not provide “direct language support” to businesses, but did provide “advice on business culture”.¹⁰⁶
48. Mr Barton said that “bilateral engagement on addressing market access issues and promoting UK business” had been “more of a focus than engaging with the Pacific Alliance as a group”. It could “be a useful supporting element of our overall engagement, but it has not been the prime focus so far”.¹⁰⁷

99 [Q 21](#)

100 [Q 12](#)

101 Office for National Statistics, ‘Dataset: 09 Geographical breakdown of the current account, The Pink Book 31 July 2018’: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/9geographicalbreakdownofthecurrentaccountthepinkbook2016> [accessed 18 June 2019]

102 Written evidence from the City of London Corporation ([TPA0003](#))

103 Written evidence from Ian Perrin ([TPA0001](#))

104 [Q 7](#)

105 [Q 16](#) (Mr Barton)

106 Written evidence from the DIT and the FCO ([TPA0004](#)) In our report *UK foreign policy in a shifting world order*, we noted that the DIT anticipated that future free-trade agreements would be negotiated in English, using professional interpreters where needed. We concluded: “Language skills are essential for the effective conduct of diplomacy and export growth”, and recommended “that the Government act more effectively to co-ordinate language strategy across government”. International Relations Committee, *UK foreign policy in a shifting world order*

107 [Q 21](#)

*UK Government co-ordination***Box 2: UK Government resourcing in Latin America**

The Government has 153 positions (including staff in joint-FCO slots and interns) working to Department for International Trade (DIT) priorities in some capacity across the Latin America and the Caribbean. The majority of staff are based in 19 priority countries (the largest staff presence is in Mexico and Brazil).

There are 10 UK-based staff positions, 112 locally engaged staff positions, 15 intern positions and some slots under recruitment. Additionally, some Foreign and Commonwealth Office (FCO) staff work on prosperity objectives in the region.

There are 75 Spanish-language positions in Latin America, of which 74% are occupied by people who have a valid C1 (advanced level) exam pass.

DIT staff

The DIT has 54 members of staff in the four Pacific Alliance countries, and just over 130 staff in the Latin American region as a whole.

Compared to the number of UKTI staff in its last year of operation, there has been an increase of around 25% in the number of DIT staff across the whole of the Latin America and Caribbean region. The majority of this increase in headcount has been in the Pacific Alliance countries, with an increase of around 55%.

A Trade Commissioner for Latin America and the Caribbean was appointed in April 2018; the incumbent is also the British Consul-General in São Paulo.

In addition there are two Trade Envoys for the region, appointed by the Prime Minister: Baroness Bonham-Carter of Yarnbury (Mexico) and Mark Menzies MP (Argentina, Chile, Colombia and Peru).

Source: Written evidence from the Foreign and Commonwealth Office and the Department for International Trade (TPA0004), Q 16 (Mr Barton), Gov.uk, 'Trade Envoys': <https://www.gov.uk/government/groups/trade-envoys> and Gov.uk, 'British Consul General, Sao Paulo and HM Trade Commissioner for Latin America and the Caribbean—Joanna Crellin': <https://www.gov.uk/government/people/joana-crellin> [accessed 19 June 2019]

49. In our report, *UK foreign policy in a shifting world order*, we concluded that the establishment of the Department for International Trade and the appointment of HM Trade Commissioners had “further fragmented international policy and undermined the role of the FCO”.¹⁰⁸
50. Mr Barton said that the Government’s engagement in Latin America was “very much a shared effort”. Trade was “integral to ... foreign relations ... and we work very closely together both at the London end in agreeing overall approaches and in action on the ground.” He said that the FCO led on the “overall ... relationship”, “and we in the DIT focus on the trade aspects, but the two interlink.”¹⁰⁹
51. The principal mechanism for co-ordination is the Americas Regional Board, which brings together the FCO, the DIT (including the Trade Commissioner), and the Department for Business, Energy and Industrial Strategy.¹¹⁰

108 International Relations Committee, *UK foreign policy in a shifting world order*

109 Q 24

110 Q 24 (Mr Shorter)

Further opportunities for the UK to engage in the region

52. Witnesses identified areas for further engagement by the UK. Professor Gardini said that “First, the UK should decide whether it wants to engage more with these countries. That implies a significant political will and a significant display of resources.” Sending “higher-level representatives from the UK to all or a majority of Pacific Alliance meetings” would be helpful: “Status is still a key concept if you want good relations or to do business with Latin America.”¹¹¹
53. The UK was represented at the Pacific Alliance Summit by the FCO’s Deputy Director Americas in 2016 and 2017, by the Director Americas in 2018. It will be represented by the Director General Economic and Global Issues in July 2019.¹¹²
54. Second, Ambassador Gamarra said that “It would be very positive if the UK could evaluate the possibility of doing as the European Union, or the Schengen group, did a few years back” and allowing visa-free access for short-term visitors from Colombia and Peru. This “would make the coming and going of businessmen much easier for us.”¹¹³
55. We considered visa policy in our report *UK foreign policy in a shifting world order*, and recommended that “the Government should consider the concerns of its international partners when developing its new immigration policy, and take account of the impact of its approach to visas on the pursuit of its foreign policy goals”.¹¹⁴
56. Third, Ambassador Gallagher said that “in future, depending on how Brexit is structured, we would want a state-of-the-art agreement with the UK. I am talking certainly for Chile and, I imagine, for the other countries, but the next stage after that could be that the UK moves from observer country status to associate country status.”¹¹⁵ Pursuing new trade agreements with the Pacific Alliance countries would involve negotiations on complex and sensitive issues such as intellectual property rights and rules of origin, and would be likely to take some years to agree.¹¹⁶
57. Fourth, there is currently no interaction between the Pacific Alliance and the Commonwealth, although four members of the Commonwealth are negotiating associate membership status (Australia, Canada, New Zealand and Singapore). Ambassador Gallagher said “It would be great to have better relations and more relations with the Commonwealth.” The UK could “bring the Commonwealth to the table for us”, which “would be very welcome”.¹¹⁷

111 [Q 7](#)

112 Written evidence from the FCO and the DIT ([TPA0004](#))

113 [Q 41](#)

114 International Relations Committee, *UK foreign policy in a shifting world order*

115 [Q 32](#)

116 Ambassador Gallagher said that there have been several rounds of negotiations on associate member status for New Zealand, Australia, Canada and Singapore in the past two years, with delays resulting from disagreements within the Pacific Alliance on issues including intellectual property and rules of origin. [Q 30](#)

117 [Q 41](#)

Conclusions and recommendations

58. **We regret that ministerial visits to Chile, Colombia, Mexico and Peru have declined in recent months, and encourage the Government to restore the earlier level of engagement.**
59. **The increased seniority of UK observers at Pacific Alliance Summits since 2018 demonstrates the UK's willingness to engage constructively with the group, but we believe that engagement at ministerial level is the best way to make an impact at such summit meetings.**
60. **The Government appears to lack a coherent, well thought-through approach to Latin America as a whole, and to its regional and sub-regional organisations. Many of the countries in the region—including the members of the Pacific Alliance—are ones with which the UK shares considerable common ground on policy issues, such as on the global economy, trade, sustaining the rules-based international order, upholding human rights and addressing climate change.**
61. **There are many different regional organisations and groupings in Latin America. It is in the UK's interest to maintain engagement with all of these bodies, seeking to influence their policies and work with each of them.**
62. **The Pacific Alliance is a relatively new regional group, with a consciously inter-governmental and consensus-driven approach to integration. There is significant potential for greater trade and economic integration between the four countries.**
63. **The UK should deepen its engagement with the Pacific Alliance as an active observer state, as well as strengthening bilateral ties with Chile, Colombia, Mexico and Peru. They are like-minded democracies which are committed to free trade, with which there is scope for the UK to work more closely on a range of international issues.**
64. **Strong relations with Pacific Alliance countries will be invaluable should the UK seek to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership after Brexit, to strengthen its trade with the Asia Pacific region. Three of its members—Chile, Mexico and Peru—are signatories and Colombia is in negotiations to join.**
65. **Latin America is an increasingly important part of the global economy. However, the UK's trade with Latin America as a whole (1.5% of total UK exports and 1.3% of imports), and with the four countries of the Pacific Alliance in particular (0.7% of total UK exports and 0.6% of imports) , is extremely modest. We were frankly amazed to see the paucity of commercial activity with a vibrant part of the globe, where the potential is so great. We would welcome further information from the Government about the significance it places on the region in the UK's post-Brexit trade strategy, and what targets it has to increase trade with the Pacific Alliance countries.**
66. **Considerable care will be needed to ensure that the respective roles of the Trade Commissioner for Latin America, of the Trade Envoys, and of the UK's ambassadors in Latin American countries are clearly**

defined. We are not convinced that this is yet the case, and we regret that we were not permitted to take evidence from the Trade Envoys.

67. We are concerned that the Department for International Trade's support to UK businesses is not sufficient to have a significant positive impact on UK trade with Latin America. We were disappointed to hear that the UK Export Strategy does not mention language skills and that, since the disbanding of UK Trade and Investment, there is no one-to-one assistance on language and culture provided to business. We recommend that the Department for International Trade should review its service in this regards.
68. To assist businesses and other interested parties, the Government should set out clearly how it is engaging with the Pacific Alliance, the workstreams and technical groups to which it is contributing, and how UK organisations can engage in this work.
69. We welcome the award of over 400 Chevening scholarships to candidates from Pacific Alliance countries since 2015. We recommend that the Government should maintain, or increase, the number of scholarships in future.
70. The Government should seriously consider removing its short-term visa requirements for citizens of Peru and Colombia visiting the UK. The current visa regime risks inhibiting business, academic exchanges and tourism.
71. In its engagement with the Pacific Alliance as a group, and in its bilateral relations with Chile, Colombia, Mexico and Peru, the Government should raise and promote the UN Guiding Principles on Business and Human Rights (the Ruggie Principles), particularly in the context of UK companies' activities in the region. It should also be mindful of the need for sustainable, inclusive growth which engages with the concerns of indigenous groups. The UK should also continue in its bilateral engagement to support and help to strengthen the rule of law in these countries.
72. There is potential for the Commonwealth and the Pacific Alliance to work together. The UK, as the Chair-in-Office of the Commonwealth and an observer to the Pacific Alliance, should seek opportunities to forge links between these networks.

APPENDIX 1: LIST OF MEMBERS AND DECLARATIONS OF INTEREST

Members

Baroness Anelay of St Johns
 Baroness Coussins
 Lord Grocott
 Lord Hannay of Chiswick
 Baroness Helic
 Baroness Hilton of Eggardon
 Lord Howell of Guildford (Chairman)
 Lord Jopling
 Lord Purvis of Tweed
 Lord Reid of Cardowan
 Baroness Smith of Newnham
 Lord Wood of Anfield

Declarations of interest

Baroness Anelay of St Johns
No relevant interests declared

Baroness Coussins
President, Peru Support Group
Vice-Chair, All-Party Parliamentary Group on Peru
Vice-Chair, All-Party Parliamentary Group on the British Council

Lord Grocott
No relevant interests declared

Lord Hannay of Chiswick
No relevant interests declared

Baroness Helic
No relevant interests declared

Baroness Hilton of Eggardon
No relevant interests declared

Lord Howell of Guildford (Chairman)
No relevant interests declared

Lord Jopling
No relevant interests declared

Lord Purvis of Tweed
No relevant interests declared

Lord Reid of Cardowan
No relevant interests declared

Baroness Smith of Newnham
No relevant interests declared

Lord Wood of Anfield
Chair, United Nations Association - UK

A full list of members' interests can be found in the Register of Lords' Interests:
<https://www.parliament.uk/mps-lords-and-offices/standards-and-interests/register-of-lords-interests/>