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Lord Howell opens a debate on Latin America, CPTPP and UK Trade policy in the Pacific.

My Lords, The Pacific Alliance currently brings together Chile, Colombia, Mexico and Peru. It was founded in 2011 and covers trade and a whole range of wider issues as well. It is one of a number of trade associations and organisations in the Latin America region. In global terms it is relatively small, with a total population of 210 million people, compared with the giant new networks that have sprung up in Asia and are now reshaping the whole of world trade and commerce, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership—CPTPP—which I will talk a bit more about in a moment, or the Regional Comprehensive Economic Partnership, or RCEP, which, with a market of 2.2 billion people, dwarfs even the European Union.

The Pacific Alliance is certainly thriving, although it has had to survive quite a few political bumps and changes along the way, including several since we wrote this report. As the *Financial Times* rightly warns, all these will certainly continue. Also, British trade relations with the region have been pretty modest in recent decades, involving in fact only about 0.7% of our total exports and 0.6% of our imports for the four countries in the alliance, and indeed with only 1.5% of our total exports going to the whole of Latin America. Of course, in the distant past things were quite different, and Britain had a far larger and deeper connection with South America. So it may be thought a little strange that your Lordships' International Relations Committee chose back then to undertake even a short inquiry—as this one is—on these four specific countries, when most of our inquiries tend to be on major and overarching foreign policy issues rather than bilateral single-country relationships.

But there were at least two reasons why we did this. First, the Pacific Alliance is a classic example of the way that world trade is changing. We are not looking at a static picture at all, but at a very fast-evolving one. Saplings grow, sometimes very rapidly, into big trees with wide-spreading branches. The PA is not a customs union; it is something much more modern. I would say it is more of a product of the digital age, when data and services start to form the bulk of international exchange.

If we look at the new world trade pattern as a complex new jigsaw, which it is, the Pacific Alliance is certainly one of the pieces without which the picture is not complete, and to which the time has come to give renewed and close attention. Linkages between the Pacific Alliance and another major Latin American trading group, Mercosur, could well develop soon. Ecuador could join before long. There are co-operation agreements with the Eurasian Economic Union—not much talked about here in the UK—and with the OECD. Partly this is just what happens in the digital age between networks as they weave together, and partly it is because forward-looking states that want open trade and to be champions of liberalisation, as these four countries do, now seek combined defences against the rather ugly modes of protection which are very much around.

Secondly, when it comes to why we looked at this issue and this region, the word “Pacific” tells the story. The four countries involved face the Pacific and are clearly looking to Pacific trade as a key to their future. Three of the four are already members of the CPTPP I mentioned, and, of course, Singapore, Australia and New Zealand are now associates in return, as it were, with the alliance.

This is an area of acute interest to our own future trade policy as we too seek—and, in fact, officially apply for tomorrow—membership of the CPTPP. We will join its existing 11 members, of which six are members of the Commonwealth—a fact which seems to have escaped the notice of Ministers so far. It is located in the region where almost all the growth in trade, consumer markets, world GDP and innovation over the next 10 years and beyond is most likely, and has been predicted, to occur.

The International Trade Secretary used a good phrase the other day in commenting on the UK’s very interesting new comprehensive partnership agreement with Japan. She said we needed a “Pacific mindset” in developing our global trade policy, to which I would add that we need a Commonwealth mindset, since we have the good fortune to be a member of that vast worldwide network and since all these networks are increasingly interconnected with and reinforcing each other. This is the new emerging pattern in which our intense engagement is essential for our future prosperity, as well as our security.

The government response to our short report was broadly positive and helpful but a little prickly about our urgings that the UK needed to do a lot more and have a clearer overall approach to the region and generally to engage more strongly. But I am sure that the august minds in the now FCDO are fully used to this sort of parliamentary nudging, which may have its critical elements, I concede, but which I hope reinforces the efforts of those in Whitehall who are beavering away at these sometimes

unfashionable but potentially—and in due course—crucial areas of trade, investment and broader politics.

These countries are far from being the lowest-income states but some of them undoubtedly have severe problems of poverty and need to develop much faster. Like almost every other region, the pandemic has, of course, set them back very grievously indeed.

The UK provides ODA funds of about £180 million in all for Latin America and £600 million in bilateral programmes. But by far the best way nowadays to build lasting links, which we discussed in our inquiry, is through providing well-focused, technology-based solutions to specific areas and concentrating on the mechanisms—which are different in each country—which unlock faster and fairer growth. Old and facile ideas about development funds, with the measure being simply the amount of cash being handed out, are, in my view, now hopelessly out of date and misleading.

The nations of Latin America are experiencing varying fortunes, with once-rich Venezuela the outstanding problem area, obviously in the grip of a very regrettable pattern of tyrannical government, and bogged down in an outdated economic doctrine that is causing huge suffering and the exile of large numbers of the population. For most other parts of the Latin American continent, despite the political ructions and the comings and goings and changes at the top, there is plenty of promise in the new era ahead. These nations see themselves no longer as America's backyard or in the so-called American pond. The pond—if one can call it that—to which British attention, commercial thrust and our substantial soft-power influence should be turned, and where major issues affecting our security and prosperity now lie, is the Pacific Ocean. That means having a Pacific mindset and engaging energetically with all groupings heading in the same direction, as the Pacific Alliance is clearly now doing. The hope must be that this short report gives a small further push towards that important goal. I beg to move.

2.41pm

Summing up.

My Lords, I thank all those who have taken part in this debate and thank the Minister for his comments and reassurances, as well as for all the kind words about the work of the International Relations Committee. I always feel that these debates are a bit like opening the door to a treasure trove of vast experience and wisdom about all parts of the world, including the one that we are discussing. In a way, your Lordships' House has become the last bastion of collective memory about how things have developed and

what has gone on in the past—one of the threads binding our society together, which we break at our peril.

Here we have been talking about “partnerships for the future”, in the phrase of the noble Lord, Lord Bilimoria. I hope that with the noble Baroness, Lady Anelay, my brilliant successor in the committee, these messages get through to the integrated review, which I gather is brewing up for publication in March. I shall recognise it when I see it, but I hope that those messages get through.

The main focus has been on the application to join the CPTPP. That is obviously the excitement of the moment, but, as the noble Lord, Lord Wallace, wisely reminded us, all trade agreements place restrictions and restraints on how we proceed and what we can do domestically and internationally. No responsible great trading nation like ours can do exactly what it wants; the world is not like that in an interdependent age.

Having put those remarks at the end of our excellent debate, it remains for me simply to move the Motion on the Order Paper.