



Select Committee on International Relations

Uncorrected oral evidence: The Pacific Alliance

Wednesday 8 May 2019

10.40 am

Watch the meeting

Members present: Lord Howell of Guildford (The Chairman); Baroness Anelay of St Johns; Baroness Coussins; Lord Hannay of Chiswick; Baroness Helic; Baroness Hilton of Eggardon; Lord Purvis of Tweed; Baroness Smith of Newnham.

Evidence Session No. 2

Heard in Public

Questions 12 - 28

Witnesses

I: Hugo Shorter, Director, the Americas, Foreign and Commonwealth Office; Chris Barton, Director, Multilateral and EU Negotiations Directorate, and Interim Director, Geographic Trade Policy, Department for International Trade.

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Examination of witnesses

Hugo Shorter and Chris Barton.

Q12 The Chairman: Welcome, and good morning to our two witnesses, Hugo Shorter, director of the Americas at the Foreign and Commonwealth Office and former ambassador to several places, including Lebanon, and Chris Barton, director of the Multilateral and EU Negotiations Directorate at the Department for International Trade. Thank you both very much for coming. I am obliged to remind you that this is all on the record. There will be a transcript that you can alter and adjust afterwards if you do not think it is correct. I remind everybody concerned to declare interests when they speak.

Gentlemen, in this Committee we are trying to get a feel from the Foreign and Commonwealth Office and our foreign policy strategists generally about our degree of commitment to the whole Latin American scene. That is slightly broader than our focus today, which is much more on the Pacific Alliance. At present, that is just four countries, but there is obviously a crowd of observers, other interested parties and would-be joiners.

I begin by asking each of you how the Foreign Office is engaging in this matter now. What is different? How are we carrying through the Canning Agenda of 2010? What are the prospects? Those are rather general questions, but give us a feel of how you see things from your offices.

Hugo Shorter: Thank you, Lord Howell, and thank you for inviting us to give evidence. As you know, we have strong and close relationships with the Pacific Alliance group of four countries, both separately and collectively. Those relationships come relatively naturally, because we have shared values. For example, we believe in, support and operate within the international rules-based system. We have democratic systems and the long-term objective of efficient states that apply the rule of law—

The Chairman: I will have to ask you to speak up a fraction.

Hugo Shorter: Sorry. I was saying that our 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.

The Pacific Alliance has also been a successful regional project for free trade in particular, which is its core agenda. It has reduced tariff barriers between its members across 92% of trade. It has established an integrated stock exchange. It also has a number of long-term objectives which we are very keen to engage with and support.

At a later point, I can talk you through some of the many projects that we do with the Pacific Alliance and its members. We have engaged with those countries consistently since the creation of the group in 2011. Last year, my predecessor was at the Pacific Alliance Summit. This year, my

boss, the Director-General of Economic and Global Issues, will attend the summit in Lima in July. I will leave it there and ask DIT to add something.

Lord Hannay of Chiswick: You said that you could give us details of all the things you do with the Pacific Alliance. It would be useful to have those details, but could we have them in writing so we do not have to clutter up this meeting too much with them?

Hugo Shorter: Certainly.

The Chairman: That would be helpful. Chris Barton, could you just give us an overview?

Chris Barton: Thank you, and thank you for inviting me to this Committee.

First, to put the Pacific Alliance into context, at the moment our exports to the four countries are approximately £4 billion a year, compared to 13 billion to Latin America as a whole and global exports of about £630 billion. That gives you the scale of magnitude.

We are certainly interested in developing this and are working with all the countries in the Pacific Alliance to build on our existing trade relations. We think there is potential to grow them from their current levels. We will come on to the range of ways in which we are doing that, but I will emphasise two in particular. One is by looking to ensure the rollover of existing EU trade agreements with the countries so that we retain the preferential trade arrangements we have with them as we leave the European Union. That is important. We also have a range of work to address specific market-access barriers in those countries to allow UK business to exploit more of the opportunities.

Those are the two key things on trade policy. On the trade promotion side, we have an extensive network in the region that is supporting and helping UK business to win contracts in those countries.

Q13 **The Chairman:** In your opening remarks, you have understandably focused on trade and business; we are a trading nation and survive that way. We have to develop new markets around the world as quickly as possible. The excellent paper that you put before the Foreign Affairs Committee in the Commons ended by saying that South America is "a necessary and natural strategic partner". Those are big words. We will come to trade, but what about our strategic and security objectives? Are they also involved? Britain has not really been big in this area for 180 years or so. Are we on a path towards re-engagement not just on trade but on a whole range of issues?

Hugo Shorter: As you know, when Lord Hague was Foreign Secretary he developed the Canning Agenda. Since then, we have been working to increase our engagement with Latin America generally. The four countries of the Pacific Alliance are important partners for us. Of course, our relationship with each country is a bit different because of the history,

their own nature and the varying nature of our interests there. But it is fair to say that they are strategic partners.

I will give a couple of examples if I may. Chile is a long-standing defence partner of ours. That goes back 200 years to when we helped Chile to found its navy, and we have just celebrated those 200 years of relationship. We have a very close defence relationship with Chile.

Colombia is a country in which we have invested hugely over the years in trying to help it address the 50 year-old conflict between the FARC,¹ the ELN² and the Government and because of the threat from cocaine on UK crime levels. These are relationships that we have invested in a great deal over the years. In this spending round with Colombia, for example, we are spending £190 million on projects across a whole range of areas that advance the Colombian government's objectives and our own interests.

With Mexico, we are doing even more. It is obviously a larger country, but we are spending £250 million on projects in areas ranging from human rights to trade to climate change to financial services. These are things that we have been pushing forward since the Canning agenda was announced.

On the question of the international aspect of the strategic partnership, it is important to remember that the Pacific Alliance was set up ostensibly as an apolitical body, in contrast to some other subregional groupings in South America, so it does not have the ambition to build cohesion beyond the mainly economic, and perhaps to a degree social, sphere. We must not overburden our relationship with the Pacific Alliance with ambitions in the defence field, such as security.

However, we have worked with the members in areas of interest to us in the rules-based international system. For example, in the OPCW decisions last year upholding the chemical weapons ban, we were able to get the support of all four members of the Pacific Alliance for our position, sometimes beyond their traditional comfort zone. For our priority of election to the International Telecommunication Union, where our candidate was selected, we were promised the vote of those four Pacific Alliance members. That relationship has a wider significance for us.

Q14 Lord Hannay of Chiswick: Could you help us a little more on the way in which the Government look at the alphabet soup of international organisations in Latin America? How do you rate them? Which ones do you see as more important for, let us say, foreign and security policy, which ones for trade policy and which ones for cultural policy? It is rather as if you were a representative of a Latin American foreign ministry and you were asked to rate the alphabet soup of European organisations and to explain what your country thought about the European Union, EFTA,³

¹ The Revolutionary Armed Forces of Colombia

² The National Liberation Army

³ The European Free Trade Association

the OECD⁴ and the OSCE.⁵ You would not have too much difficulty doing that if you were in the Latin American foreign ministry, so could you perhaps help us with our view of their organisations?

Hugo Shorter: I hesitate to stand in judgment over the relative merits of the different organisations. I am sure that is not what you want me to do, but that is the trap I will try to avoid now.

As an observer of Latin American groupings of countries, it is fair to say that they go through cycles. Some 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. MERCOSUR,⁶ for example, was a very ambitious project that was launched in the early 1990s with the aim of creating a customs union and having a single foreign trade policy. The customs union has never been fully implemented, and MERCOSUR has found it very difficult to agree free trade agreements with third parties—not least the European Union, with which it launched FTA negotiations about 20 years ago. Nevertheless, MERCOSUR is important because of the sheer economic weight of its members. Once we have left the European Union we will continue to engage with it because of the huge potential of a free trade agreement between the United Kingdom and its member countries. I apologise, I am trespassing on Chris's area, but correct me if I am wrong.

Perhaps I should mention one grouping that is particularly relevant to our current concerns in the region: the Lima Group. The Lima Group of countries has taken a very close interest, as you will know, Lord Hannay, in the situation in Venezuela and has very similar concerns about and objectives for Venezuela as we do: that is, a peaceful transition towards a credible democracy, and new presidential elections in particular. We have found with the Lima Group that that like-mindedness has been very clear. Sir Alan Duncan attended a meeting of the Lima Group in Ottawa at the beginning of February where the Venezuelan crisis was discussed and the UK's position was very clearly set out and supported by members of the group.

Other groupings, let us be honest, are less aligned with the UK's vision for the region. I am thinking in particular of ALBA,⁷ a grouping that was created by the late Hugo Chávez, President of Venezuela, and includes Bolivia, Nicaragua, Cuba and Venezuela. This is a grouping whose objectives and interests are at variance with our own, and we do not have a great deal of engagement with it collectively. We of course have relations with each of those countries where we discuss our differences and work on our common areas of interest.

Perhaps I should mention one further grouping, the youngest of the batch, Prosur,⁸ which was set up in March this year. It is an ambitious

⁴ The Organisation for Economic Co-operation and Development

⁵ The Organisation for Security and Co-operation in Europe

⁶ The Southern Common Market

⁷ The Bolivarian Alliance for the Peoples of Our America

grouping with whose objectives we can sympathise. It includes Chile, Colombia, Brazil, Peru, Ecuador, Argentina, Paraguay and Guyana. Its aim is to be an organisation without ideologies or bureaucracy—which sounds excellent—that will strengthen economic integration and build strong relationships between countries in the region. There is nothing to disagree with in those objectives, and we will certainly engage as opportunities arise with that grouping. I believe that we have written to the President of Chile to congratulate him on the creation of this group, and we will follow its development with interest.

Lord Hannay of Chiswick: Thank you very much. That is very helpful.

Q15 The Chairman: Finally on these general points, is there something much bigger going on here? Is our renewed interest, and indeed the increased interest of our European neighbours, in Latin America reflected in the declining influence of the Americans and the OAS⁹ structure? Is there even anti-American influence growing in this region, with these four countries in particular?

Hugo Shorter: It is difficult to generalise. It is an important question. The United States will always have major interests in the Latin American region; they repeat that regularly. We understand that they have those interests, whether in security, the economy, migration or serious organised crime. All those issues in Latin America affect the United States, and the United States has a huge, long-standing relationship with the countries of that region. Is that influence in decline? Again, it is difficult to generalise. If you were to look at Brazil, you would say that the recent visit to Washington by President Bolsonaro has strengthened those ties to a level that is perhaps unprecedented, at least in recent decades.

On the four countries of the Pacific Alliance, again it is variable. It is dependent partly on where each country is in its political cycle. Colombia has an extremely long-standing relationship with the United States, as it does with us. I would venture to say that the United States is Colombia's most important foreign partner.

Mexico is going through a different phase in its cycle with the election of Andrés Manuel López Obrador as President last year. There are a range of issues in the bilateral relationship between Mexico and the United States, which are for them to address. I think everyone on this Committee will be familiar with those issues. We hope that they can address them in a way that is satisfactory for both sides. The fact is that the United States is Mexico's largest trading partner by far, and as it is its next-door neighbour that relationship will always be central to Mexico's international posture.

The Chairman: Thank you. I appreciate that it is a general question. There are huge world shifts going on and I was trying to divine whether

⁸ The Forum for the Progress of South America

⁹ Organisation of American States

this is one of them. Let us move on.

- Q16 Baroness Coussins:** I declare an interest as president of the Peru Support Group. Bearing in mind the context of Brexit, what additional resources, if any, are being allocated in both departments to strengthening the UK's relationship with the Pacific Alliance and its members? I am aware that a continuity agreement has been negotiated between the UK and Chile. Is the plan to negotiate bilateral agreements with the other three Pacific Alliance members, or to go for a deal with the Pacific Alliance as a whole? I would like you to comment on that.

I also have a question for Mr Barton. How is the DIT helping UK businesses to increase their footprint in the region? I am interested in that in general, but one specific angle I am interested in is language skills. Under the old UKTI, businesses, especially SMEs, used to be able to get one-to-one advice on language skills, courtesy of HMG, to help them break into emerging markets. Now, that one-to-one service, as far as I understand it, has been scrapped. If you look at the GREAT website, it is quite hard to find any references at all to languages or cultural understanding. The export strategy does not mention language skills at all, which I find really surprising, or verging on shocking.

Given that this is such an important market that is potentially developing opportunities for British business, could you comment on how that gap will be plugged and how you are helping UK businesses to flourish in the region?

Chris Barton: There are a few different aspects to pick up there. First, I will talk about the trade agreement and continuity. As I alluded to briefly earlier, as a starting point we are looking to agree replica trade agreements for the UK as we leave the European Union. We have done that already with Chile. That was agreed at the beginning of this year. We are in the process of doing so with an Andean agreement that includes Colombia, Ecuador and Peru. That is a second agreement. We are also looking to do the same with Mexico. In those areas, we are looking to agree UK-specific versions of existing EU agreements. That is a first step towards trade agreement continuity, which would allow us to maintain existing preferential access to those three markets.

On resourcing, in a sense the whole of DIT is a response to Brexit, having been set up after the referendum. On our current in-region resource, we now have 54 members of staff in the four Pacific Alliance countries and just over 130 staff in the Latin American region as a whole. We have a substantial presence there.

We also have Jo Crellin, who was appointed as Her Majesty's Trade Commissioner for Latin America and the Caribbean last year. She is responsible for overseeing our combined trade efforts in the whole of Latin America, from both a trade policy and a trade promotion perspective. That is a significant new development in the resourcing that we have there.

Turning to the nature of the support that we give, some of the support is through the trade policy aspects that I have already alluded to, but there are a range of other ways in which we help. Some of the support is about raising awareness of the opportunities. Jo Crellin recently ran a series of Latin America workshops in cities across the UK, which engaged with over 600 businesses and highlighted the opportunities in the region. Then there is advice that we give in situ on some of the opportunities, as well as the challenges and how to get around them. There is government-to-government engagement to address barriers where they arise, including through government dialogues. Through UK Export Finance, we can sometimes provide financial help to aid businesses. There are a variety of ways in which we help.

I confess that I do not know the specific answer to the language question. I am not aware that we give any specific language support, but I can check that. I am not aware that we give language help, except indirectly through people in post, as they are speakers of those languages and so can help in that way.

Baroness Coussins: Mr Shorter, would you like to come in on language issues?

Hugo Shorter: I can come in on that. I wanted to say briefly that we are uplifting our diplomatic staff in Pacific Alliance posts, particularly in Mexico City, Lima and Santiago. Bogotá is already quite a large and well-resourced embassy, but we are increasing our presence in the other three capitals.

I do not know whether Chris gave the aggregate number, but there have been 25 ministerial and trade envoy visits to Pacific Alliance countries since July 2017. The previous Foreign Secretary, Boris Johnson, visited Peru and Chile in May last year. Indeed, the Foreign Secretary wrote to the current presidency of the Pacific Alliance, Peru, in August last year, reaffirming the UK's commitment to the Pacific Alliance as a group.

While I am on the subject of letters, I should correct what I said a moment ago about writing to the President of Chile with congratulations on the creation of Prosur. In fact, the Foreign Secretary wrote to the Chilean Foreign Minister with those congratulations, not to the President.

On the question of languages, I have some data here for the FCO. At the moment, we have the highest number of Spanish-speaker slots that we have ever had: there are 88 Spanish-speaker slots, of which 75 are in Latin America. The other 13 are in Spain. Of those Spanish-speaker slots, 74% are currently occupied by people who have a valid C1 exam pass. That is one level below the topmost level of language attainment. Therefore, 74% of those 88 slots are occupied by people who have a C1-or-above pass. Spanish is one of our five priority 1 languages, reflecting its strategic importance. The others are Arabic, Mandarin, Russian and French. That is where we stand in the Foreign Office on Spanish language ability.

As a speaker of Brazilian Portuguese, I realise that I do not have data for that language, but I can assure you that the ambassador in Brazil has just passed his C2 exam, which is the highest level, and I have passed it more than once myself.

- Q17 **Lord Hannay of Chiswick:** I have a couple of questions on DIT. You gave figures for the number of DIT staff in Latin America. Could you give comparable figures for UKTI staff in the same area a few years ago, before UKTI was summarily dispatched into oblivion?

Could you also confirm about the continuity agreements? If I am correct, the continuity agreements simply leave us in exactly the same position that we are already in, or as close to that as we can get. Secondly, they do not actually exist at the moment because we are still in the European Union. Could you confirm whether they will come into effect only if we leave without an agreement at the end of October, at the end of the transitional period in December 2020, or later than that if the transitional period is extended? Are those the only circumstances in which they will come into effect?

Chris Barton: If I may, I will share a slightly different perspective on whether UKTI becoming part of DIT was a move to oblivion. From my perspective, it was a move to a new, dynamic, expanded department rather than to oblivion, but I take your point that UKTI has changed into a new organisation. I do not have the numbers to hand on the UK staffing in the region before DIT was created, but I can come back to you on that.

The continuity agreements look to replicate the existing arrangements, and as you say they would come into effect either on leaving the EU with no deal or after an implementation period. They are about ensuring continuity. Part of the reason for that focus on continuity is because, while we are still members of the EU, we are not allowed to negotiate new agreements. Also, as a practicality point, in order to get about 40 of these trade agreements in place within a limited time period, we wanted to focus on replication first, leaving open the possibility for later improvements. But yes, they will look to mirror what is already in the EU agreements.

- Q18 **Lord Purvis of Tweed:** On that point, we debated the Chile agreement earlier this year in the Lords. It was on my Motion actually, as the Government were not willing to bring a debate on it forward.

I know that that was primarily about ensuring that tariffs on wine imports would not be in place. That is very valuable, but it is fairly limited. What are the obstacles that prevented the comprehensive free trade agreements with Colombia and Peru being agreed in the same timescale as the Chile one? Why was Chile able to be agreed but not the others?

Chris Barton: First, I do not know whether you have heard, but good progress has been made on those other agreements. It is not that there is a major issue, it is just taking longer, in sum.

I am not close to the detail of those negotiations, but there are issues that come up in a number of continuity agreements when things get

more complex. In a lot of the negotiation and discussions there is little to talk about because you can literally copy and paste. Where it can sometimes get more complicated is on the rules-of-origin provisions and the extent to which you can accumulate: namely, take into account the supply from other countries, particularly the European Union. Sometimes, when there are tariff-rate-quota elements, it is not so obvious what a direct replication of the EU agreement would mean.

Those are two common themes. I can check and come back to you on whether they are the specific ones in these particular agreements, but those are the two areas that have sometimes been more complex than others.

Hugo Shorter: There is a general point to be made on the question of trade-negotiating capacity on the side of our partners, and political will. The members of the Pacific Alliance have a lot of trade-negotiating experience, particularly Chile and Mexico. If I am not wrong, Chile is the country in the world with the largest number of free trade agreements. It made a particular point of being the first country in the world to transition an EU agreement to a UK agreement. Indeed, it achieved that.

These are negotiations that take capacity, political will and bandwidth, if you like, on both sides to bring things to fruition. Chile made a particular point of wanting to be the first, which of course we welcome.

Lord Purvis of Tweed: I completely understand that, but two years ago I was in Peru on a delegation led by the Prime Minister's trade envoy. All the language on the Peruvian and British sides was about how progress could be made very quickly. That was two years ago. For two years I have been hearing that exact argument about complexities and the capacity issue, but that can last for five years or seven years, so more information from the department would be helpful.

One thing that we are losing in the Chile agreement, and which we will lose in the others, is the joint consultative committees in the European Parliament. They have been proven to be a very effective tool for parliamentary links with the European Parliament, supported by information from the Commission. What is the Government's view about those kinds of consultative committees?

The Chile agreement goes beyond trade and looks at illegal migration, organised crime and other areas on which it would be very important to have a wider dialogue that goes beyond tariff arrangements and rules-of-origin provisions. At the moment, there is no information about how those other elements of the relationships will be taken forward. Has there been further thought on that? What is the Foreign Office view of how effective they can be if they are to be designed?

Chris Barton: There are a couple of things from our perspective. The overall question about the mechanisms through which we engage with Parliament is a live issue. We are very clear that the implementation of

free trade agreements, including through committees such as the ones you mentioned, is of fundamental importance.

If we just agree the free trade agreement and leave it there, in a sense that is phase 1 and there needs to be an active implementation period or process to make sure it is enforced. As I say, the details of how exactly that would work are still to be worked through, but we are very cognisant of the importance of ensuring that there is an effective implementation process. It is important to engage Parliament across our trade agenda, but how exactly that would work is a live issue.

Q19 Baroness Anelay of St Johns: I would like to follow up with some questions on how directly the activities you described in the countries of the Pacific Alliance are linked to our observer status. The question arises out of something in the written submission to the Foreign Affairs Committee in the House of Commons. It is a very helpful paper overall.

On page 10 it says that, "We are already an active observer of the Pacific Alliance", and goes on to talk about some of the projects that have been funded. How much of the activity and our relationship with the four Pacific Alliance countries is due to wanting to be an active observer and developing that status, and how much would be happening anyway on a bilateral basis, given that we will leave the European Union at some stage?

Hugo Shorter: That is a difficult question to answer. Undoubtedly some of it would be happening anyway as part of our bilateral relationships, but other areas are related to the existence of the Pacific Alliance and our desire to engage with its members. For example, when the Pacific Alliance focused on the question of dealing with innovation policy and innovation frameworks across the alliance, we engaged with a range of programmes—I will put details of those in the letter I promised—to help senior officials develop innovation policy frameworks. The British Council has been engaged in workshops on innovation policy, and we have worked with the UK Satellite Applications Catapult to develop a report on a Pacific Alliance-wide innovation ecosystem. That is one area.

Another area is green finance. We funded a conference in Mexico City to explore Pacific Alliance-wide collaboration on green finance. We have taken the London Stock Exchange to Lima to participate in a conference there on a similar subject.

We have also engaged with the Pacific Alliance on girls' education, particularly on a project supporting the study of STEM subjects and the pursuit of STEM-related careers among girls and women in the Pacific Alliance. In Colombia, for example, that has reached around 15,000 students. That gives you an example of the kind of things we are doing.

Taking a step back, the gold standard for our programmes in regions such as Latin America is to use the synergies across different countries. When you have countries, particularly neighbouring countries, with strong political relationships that share objectives such as developing an innovation policy or green finance, et cetera, we try to develop

programmes that will have a regional reach. That is a better use of our money and means that we develop relationships across a wider range of interlocutors.

Because of that desire from a programming point of view, an organisation such as the Pacific Alliance, which has its own set of objectives in areas of interest to us, is a natural place for us to do regional programming. That is, if you like, the explanation that lies behind our desire, from both a programming and a policy point of view, to run programmes that reach all members of the Pacific Alliance.

Q20 Baroness Coussins: Does the UK's status as an observer at the Pacific Alliance entitle us to sit in on and observe the meetings of the Alliance's Business Council? If it does, do you know, or could you find out, whether the Business Council has ever discussed issues related to business and human rights, as per the Ruggie Principles, which the UK played a leading part in developing at the UN?

In particular, I am thinking about the relevance of the Ruggie Principles to the indigenous communities in Peru and Colombia. The Pacific Alliance might well think it important to take these into account. It is something that the UK, as an observer, would be in a good position to promote. Could you comment on that?

Hugo Shorter: I do not have an answer to the question about being part of the Business Council, but we can come back to that.

On the question of human rights, I would go back to the Pacific Alliance's own definition of what it is set up to do and what it aims to achieve. Although human rights are relevant to some of the things that it wants to achieve, such as free movement of people, digitally connected populations and so on, human rights as such do not feature as a Pacific Alliance priority. Of course, each member of the Pacific Alliance has its own human rights policy and objectives, with which we engage. However, my understanding is that the Pacific Alliance as a group is not prioritising human rights issues.

Baroness Coussins: I accept that. That is why I asked specifically about the Ruggie Principles, which are about business and human rights. I would have thought that they would be relevant to the Pacific Alliance as a trade bloc.

Hugo Shorter: I will come back on that.

Q21 Baroness Anelay of St Johns: Could I follow up on that briefly with Mr Barton? What kind of dialogue is there between the Trade Commissioner and those she has visited since her appointment? What kind of conversation is there between DIT personnel and members of the Pacific Alliance on the Ruggie Principles? Clearly there are concerns, both nationally and internationally, with regard to mining in particular and related abuses. As we said, we are an active observer of the Pacific Alliance, so I would assume that we have a keen interest in ensuring that our own reputation will be protected.

Chris Barton: I have two comments on that. I will need to come back to you, if I may, on the specific question about the Ruggie Principles. I am not aware of the extent to which we have engaged on those.

To go back a bit and talk about the extent to which we engage with the Pacific Alliance as a group more generally, from a DIT perspective our key focus with countries in the Pacific Alliance at this stage has been on the continuity agreements I mentioned, which have a slightly different formulation and do not relate to the Pacific Alliance as a whole. The bilateral engagement on addressing market access issues and promoting UK business has been more of a focus than engaging with the Pacific Alliance as a group.

We do not see those two as being in conflict. The Pacific Alliance can be a useful supporting element of our overall engagement, but it has not been the prime focus so far.

Q22 **Lord Hannay of Chiswick:** We are having slight difficulty nailing jelly to the wall in relation to what the Pacific Alliance actually collectively does, given that it does not have a trade policy. Indeed, it does not have a common policy towards the rest of the world on the other activities it conducts, although it has a common policy between its members, if I understand rightly.

If the British Government want to press forward certain ideas with the Pacific Alliance, how do we do that? Is there a forum in Lima that meets regularly where we raise them, or do we simply have to talk to each of the four members in their capitals and hope that some sort of osmosis will occur?

Hugo Shorter: Well, it is a mix of both. The Pacific Alliance does not have a strong central and permanent structure; it has an annual summit where it discusses policies and where each annual presidency sets out its priorities for the year ahead. Looking at the current presidency's priorities gives us quite a good idea of what the members of the Pacific Alliance do and do not want to do.

I can elaborate a bit on the current presidency's objectives, but in addition to those it agreed a 2030 strategy last year that gives a bit of a long-term direction. In that it had four priorities. First was a more sustainable commercial bloc depending less on commodities and with a more competitive, efficient and fully integrated market. It also set the objective of fiscal, financial and tax regulatory framework harmonisation. As a comment on that objective, these areas are of interest to us because they relate to the business environment, and whatever we can do to improve the business environment is to the UK's advantage as well that of those countries.

I will mention the other three areas. Secondly, it wants to consolidate its integration model in two ways: by better co-ordination in international fora such as APEC¹⁰ and the OECD and by further economic and regional

¹⁰ Asia-Pacific Economic Co-operation

integration. Its third 2030 strategy priority is digital connection of the populations. The fourth is free movement of people, particularly by providing employment, academic, cultural and business opportunities for their peoples. This gives a good idea of the range of areas in which there is potential for the UK to get engaged, but it is clearly dependent on how quickly the Pacific Alliance is prepared to move on those issues.

Q23 Baroness Anelay of St Johns: I would like to get a clearer picture of how the Foreign Office, the DIT and other government departments can work together to promote our interests with Latin America, focusing on the Pacific Alliance for this particular inquiry.

I notice that in the paper given to the Foreign Affairs Committee in the Commons, to which I have already referred, there is a passage on page 9 explaining Her Majesty's Government's footprint, governance structure and the way in which work is co-ordinated. It is helpful, but it also shows how complicated your work is in working together. It also makes our life more difficult—nailing jelly to the wall, as Lord Hannay so eloquently put it—in getting a better picture of who actually drives what part of the machinery and who, literally, is the ultimate person deciding on the strategy and approach.

We know that there is a Trade Commissioner, we know that there are Trade envoys, and we have ambassadors; when I was a Minister, I was certainly very impressed with the work that our ambassadors do on business year in, year out. It is a case of how all those moving parts of the UK regime actually work effectively together, given that some, such as the trade envoys, are not appointed by Ministers. They are accountable to the Prime Minister and clearly not accountable to the ambassador whose country they are visiting.

It looks like a machine with many moving parts not necessarily moving in the same direction. Are they moving in the same direction?

Chris Barton: I will start from the trade perspective. First, it is worth underlining that this is very much a shared effort. The DIT is responsible for trade issues. Trade is integral to our foreign relations as well, and we work very closely together both at the London end in agreeing overall approaches and in action on the ground. It is rightly closely integrated.

Trade is one aspect of a bigger relationship. The overall general relationship is for the Foreign Office to lead, and we in the DIT focus on the trade aspects, but the two interlink. That is why there is a lot of close work.

To give a flavour of how that works in practice, at the London end we agree our overall policy on a trade issue. That will then ultimately go through the normal governance and Cabinet committee structures to agree an approach, and there will be an integration there. On a more day-to-day level in terms of agreeing how we are going to handle trade issues, there is regular discussion between the DIT and the Foreign Office. There is lots of linkage, including an Americas Regional Board that is co-chaired by Hugo and by Joanna Crellin as the HMTc.¹¹ There are lots

of mechanisms to make sure that we are interlinked in our overall policy and strategy.

In post, the different ways of engaging are focused in complementary ways. The trade envoys, who, as you will know, are parliamentarians and appointed by No. 10, play a key role in supporting and promoting UK business in a particular market. That can be very helpful in helping UK business to win particular contracts. Then we have the HMTC, Jo Crellin, who as a civil servant looks after our overall trade interests in the region as a whole. That is done in close collaboration with the ambassadors in each of the countries. She is, if you like, taking a horizontal look at trade issues while ambassadors are focusing on all our country's interests there. The two interlink and work together.

Finally, from the customer perspective of someone in London, and having worked in trade in a number of different areas, the departmental branding of people working in post is not the key issue. The key is that we have an integrated team. Some people will looking at the overall business environment, which tends to be more Foreign Office-focused; some will be working specifically on the trade policy aspect, which tends to be more DIT-focused; some will be working on trade promotion and helping individual UK businesses win, which is also core DIT work. However, very often the ambassador can play a key role in helping too. It is rightly a mixed-matrix approach to managing it. I realise that it does not lend itself to a very neat chart that shows that everything is in boxes, but it would be wrong if it did because this is about a combined, integrated effort.

Q24 Baroness Anelay of St Johns: Turning to Mr Shorter, we have just heard that you co-chair one of the committees. When co-chairing, who actually sends out agendas? How is that responsibility shared? Where does Mexico fit into this in terms of personnel? The paper that was sent to the Commons clearly did not have to refer to Mexico, but it refers to the ARB as, "the cross-Whitehall group that considers broad Latin American and Caribbean issues". How does Mexico fit in, as part of the Pacific Alliance?

Hugo Shorter: To add to what Chris said about the Americas Regional Board, it is co-chaired by me and Jo Crellin. My team sends out the agenda after having consulted with her. We take turns chairing the committee, which includes not only the FCO and DIT but other government departments; BEIS, for example, is a very important one.

It is an opportunity to look at sectors or issues that have regional relevance. I do not think I am revealing any great secrets by saying that at the moment we are looking, for example, at what a low-carbon strategy might look like across the region and where our priorities there might lie. This is valuable, because it means that our efforts in a sector such as this can be properly co-ordinated and prioritised. Of course, any ambassador, if you ask them individually, will want to jump on a

¹¹ Her Majesty's Trade Commissioner

particular bandwagon, but we have to choose the places where we will have the greatest bang for our buck and the greatest impact for our political effort.

The Americas Regional Board allows us to do that in a genuinely cross-Whitehall way. It has representatives from our posts in the region as well as from Whitehall, which is an extremely positive way of developing our policy and engagement. Was there a further question?

Baroness Anelay of St Johns: Who represents our interests in Mexico in this cross-Whitehall structure? There was no specific mention of Central America or Mexico in the paper.

Hugo Shorter: Mexico is within both my remit and that of Joanna Crellin as Trade Commissioner. We have an extremely significant post in Mexico City that is very active. As I said, in this spending round we have a budget of £250 million for programmes with Mexico. We are extraordinarily active there and are focusing at the moment on ensuring that what we do in Mexico is aligned with the priorities of the new President, and on making sure that we partner with the Administration in a healthy and productive way.

The Chairman: Lord Purvis, I will call you in a moment, but we must push on. We are running out of time. We have heard various remarks related to soft power, but there are those who say that that it is all we have left, and it is the main force of modern international relations.

Q25 **Baroness Smith of Newnham:** In some ways, my questions are a set of follow-up questions. I do not think we intended it to be that way when we put the agenda together, but some of the issues have already been touched on, such as the use of language, which my colleague Baroness Coussins mentioned.

Mr Shorter, you talked about the Spanish linguistic capacity of the Foreign Office. On the other side of the equation, how far does the United Kingdom use the English language as a soft-power tool? One of the reasons for asking this is that I went on a visit to Paris with the British Council just before Easter because it was doing an inquiry into soft power in the context of Brexit. Therefore, it is focusing on European countries at the moment.

What was very clear in Paris was the extent to which the British Council is focused not just on testing English but on training people in it, and how keen France now is for its children and young people to be fluent in English. To what extent is there scope for that in the Pacific Alliance countries? Obviously, they have near neighbours that are anglophone, but if you are in Mexico you might not look to your closest neighbour for English language training. How far are you working with the British Council and others, going beyond pure trade relations, to thicken up soft power?

Finally, declaring an interest as an academic at Cambridge, how far are the Government, the Foreign Office and DIT working to try to encourage

access to higher education in this country? It is clearly an important export, yet from a governmental perspective some departments are more enthusiastic about higher education, and particularly international student visas, than others.

Hugo Shorter: I believe you will receive evidence from the British Council in writing. You will certainly know that there is a review of soft power under way at the moment across the government machine. It is in its final stages, but it is hard for me to anticipate the result of that.

Looking at what we are doing in the four Pacific Alliance countries, the British Council is present in all of them. I am afraid I do not know whether the British Council teaches English in all of them, but whether it does or not will be based on very careful assessment of the market and whether there is an opening for the kind of English teaching that the British Council provides.

The British Council also engages in a range of other areas that are relevant to the UK's soft power. I can give some specific examples on the creative economy. In Chile, for example, it delivered a creative economy course for 300 public officials, in partnership with Goldsmiths. We are working closely with the new government of Colombia. The President is particularly interested in the development of the Colombian creative economy, and this is an opening for us in relation to both soft power and business opportunities.

You mentioned higher education. The British Council, and indeed the Newton Fund programme, is heavily engaged in research and higher education, both directly with students and with education professionals. Finally, I should mention the Foreign Office Chevening scholarships. We have welcomed over 400 Chevening scholars from Pacific Alliance countries since 2015 and have established 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. In the last financial year, there were 124 scholars from Pacific Alliance countries, covering a whole range of areas.

We are very engaged in the areas you mentioned. Soft power is of course much broader than that. I can give you an example from Peru, if you are interested. The ambassador has made gender equality her top public diplomacy objective, which has given her all sorts of openings to harness our soft power to advance that human rights objective, including an extremely successful online campaign on Peru's participation in the football World Cup, which had considerable impact across the country.

I will stop there as it is quite a diffuse subject. I will just say finally that, regardless of countries' proximity or otherwise to the United States, there is always huge interest in our version of English and our higher education institutions. The question of visas is of course part of that picture, and I am not really qualified to comment on that. I am sure the Home Office would say that those decisions are all based on objective criteria and UK interests.

Q26 Lord Purvis of Tweed: Going back to Baroness Anelay's question, Mr Shorter, you referenced the Pacific Alliance strategic vision for 2030. I was wondering why we do not have a single statement on how the UK links with that strategic vision. Why do we not have an equivalent of the partnership agreement that Canada signed with the Pacific Alliance in 2016?

Hugo Shorter: Canada is an associate member of the Pacific Alliance and is in the course of negotiating a free trade agreement with Pacific Alliance members. The UK is an observer, which is a slightly different position.

In terms of bringing together all these things in a single place, the reality, as will be clear from my evidence today, is that our approach is an overlapping mix of Pacific Alliance focus and bilateral focus. We need to see how the Pacific Alliance develops. After all, two of the four members have had a change in president within the last year. I would be inclined to see how momentum develops at the summit in July following those changes of government to decide whether we think that we should develop a single unified strategy towards the Pacific Alliance. As we were saying earlier, there are multiple subregional organisations and they go through cycles. It feels to us as though the Pacific Alliance is going through a period of change. Let us see how the momentum develops when it next meets.

Q27 The Chairman: I have a couple of quick questions before we come to our final big question. I suspect the answer to this is no, but does the Commonwealth network have any relevance in this region? Guyana, of course, is a Commonwealth member, and it has its problems with Venezuela. Are any of these other countries interesting in joining? Does the issue ever come up?

Hugo Shorter: Not to my knowledge.

The Chairman: Secondly, you have mentioned the low-carbon strategy, green finance and so on. There is a parliamentary Commons committee this morning saying what some of us were saying yesterday in the Chamber: that we are busy promoting assistance in the climate struggle but also busy financing hydrocarbon development. The big areas of contradiction are Brazil and maybe Argentina, but also Mexico, which is one of the four countries we are looking at. What would you say to that apparent contradictory strategy of encouraging both climate change combat and hydrocarbons?

Hugo Shorter: The first thing to say is that our low-carbon strategy is not yet finalised and we have not yet looked at those potential tensions. I guess that this comes your way, Chris.

Chris Barton: To make one general comment, moving to a low-carbon economy, which is absolutely a key goal, takes time. In the meantime, we cannot switch off the hydrocarbons; there needs to be a landing of the plane, if you like, continuing to invest in hydrocarbons while also promoting a low-carbon economy and increasing energy efficiency. There

needs to be a phased transition, because it takes time to move to that world.

The Chairman: It looks like a contradiction to the less observant, but I see the problem. Let us finally turn to a very big issue that may dominate everything we have discussed: the influence of China on the scene.

Q28 **Baroness Hilton of Eggardon:** How do you see the increasing influence of China in the region? It is obviously interested in the extractive industries. Presumably we are too. It obviously has a long tradition of helping people to build their infrastructure. Do you see it as a competitor in the region, or not at all?

Hugo Shorter: Certainly, China's influence and impact in the region has grown exponentially in the last 15 years. The figures are very telling. China has become the largest single trading partner to Pacific Alliance countries, or at least to Chile and Peru.

As you say, China has interests in South America's raw materials, food production and commodities, and Chinese finance has helped to plug important infrastructure gaps, but it is broadening its engagement beyond the purely economic sphere. It too recognises the importance of soft power. There are about 35 Confucius Institutes across Latin America now and the number of Chinese people learning Spanish has multiplied exponentially. It is developing people-to-people links, media links and so on to bolster its commercial position and its political influence, and to counter negative perceptions.

Chinese engagement comes without some of the UK's inclination to engage on issues of values, so it is sometimes politically easier for host or partner countries to deal with China than with us. Is China a competitor? It is certainly an economic competitor. If Chinese companies are winning infrastructure contracts, British ones are not. This is a long-term trend and it will continue, without doubt.

The UK's approach needs to be one that does not try to replicate exactly the package that China has to offer. We do not have that scale, to start with. However, we have our own value added, and we must remember that the populations of these countries are living in democracies and share many of our values. They know that the United Kingdom is concerned with human rights, ranging from gender equality to indigenous rights, that we hold our companies to high standards of corporate social responsibility, and that we have strong laws against corruption in business. All those things are attributes that are and can be presented as positive reasons to engage with the United Kingdom and do business with us.

We should not be despondent. Our offer is of a different quality and chimes with many of the values of the people in these regions.

Chris Barton: I have a couple of things to add from a trade perspective. It is important to recognise that, other things being equal, increased international trade and investment is something to be celebrated, not

feared. We should not assume that it is a problem that other countries are investing in and trading with the region alongside us. That is a positive thing—with two caveats.

First, as Hugo mentioned, the UK competing for business with other countries is a reminder that it is a competitive landscape. While that is good in general, it clearly means that we must make sure that the UK and UK businesses are in a position to compete effectively, which is what we seek to enable through our trade and wider policy.

Secondly, it is very important that the trade and investment is done fairly. That links to our overall rules-based international trading system, which is absolutely fundamental to enabling trade to be effective and a force for good. That is relevant in this region and it is important to think of the ways in which we engage with the Pacific Alliance countries. One way is through the WTO, and, in parallel, particularly with Mexico, through the G20. This means we can work with them to support the rules-based international system to ensure that, when there is increased trade and investment from China or any other country, it is done on a fair and equitable basis.

The Chairman: Do we talk to Chinese trade, investment and development officials on a bilateral basis? Do you talk to them?

Chris Barton: We do, through multilateral frameworks such as the G20, and through bilateral dialogues with the Chinese on trade.

The Chairman: This may be for the future, but what you have told us is very interesting and useful. We have kept you a long time. There are probably more questions to ask, but you have helped us enormously in our focus on the Pacific Alliance. I thank you both very much indeed for your patience and time.