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Foreign Affairs Committee

Global Britain and South America: Government Response to Committee's Twentieth Report of Session 2017–19

Fourth Special Report of Session 2019–21

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The Foreign Affairs Committee

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Fourth Special Report

On 9 September 2019, the Foreign Affairs Committee published its Twentieth Report of Session 2017–19, *Global Britain and South America* (HC 1617). The Government's response was received on 21 July 2020 and is appended to this report.

In the Government's Response the Committee's recommendations are shown in **bold** type, and the Government's responses are shown in plain type.

Appendix: Government Response

Regional Policy and Security

1. **Although democracy remains resilient in almost every country across the continent, we are concerned that corruption remains a significant threat to effective governance across South America.**

We agree that corruption remains a significant threat to effective governance in the region. It undermines the cohesion of the state and the rule of law, and is a disincentive to doing business in the region. We are supporting governments in developing the capabilities needed to tackle corruption and promoting the rule of law, justice and good governance through projects and programmes across the region.

The Prosperity Fund's Global Programme on Anti-Corruption includes projects on greater transparency in public procurement in Colombia and support to the OECD Anti-Corruption and Integrity Forum, which included a network governance conference for Latin American State Owned Enterprises involving 200+ participants from 11 countries in the region.

In April 2019, Argentina launched its first ever National Anti-Corruption Plan (2019–2023), which draws inspiration from the UK's Anti-Corruption Strategy. Through the British Embassy's programme funds, the UK is sharing best practice and building capacity in: open government; access to information; anti-bribery; tackling economic crime and money laundering; and improving government control mechanisms.

2. **Countries neighbouring Venezuela, such as Colombia, have taken in large numbers of migrants and refugees fleeing the crisis, placing a strain upon local services. *The UK Government should continue financial support to Colombia, through mechanisms such as the World Bank's Global Concessional Financing Fund, to ensure essential support to migrants and refugees fleeing Venezuela. The FCO should continue to support international efforts to find a solution to the crisis in Venezuela, which represents the best opportunity to bring about a successful resolution.***

The humanitarian situation in Venezuela continues to deteriorate, and large-scale migration risks destabilising the region. The UK is at the forefront of the humanitarian effort. The Department for International Development (DFID) announced at the United Nations General Assembly in September 2019 further funding for Venezuela and the region in addition to the £14.5 million announced earlier in 2019, taking the UK's total response to £44.5 million.

UK assistance includes £8 million contributed to the World Bank's Global Concessional Financing Facility for Colombia to unlock concessional loans for the Government of Colombia to assist its efforts to integrate Venezuelan refugees and migrants whilst helping to maintain its fiscal sustainability and further strengthen the foundations for economic growth. The UK is looking at how the World Bank's Global Concessional Financing Facility can be used to help countries elsewhere in the region affected by the migration of Venezuelan refugees.

A small Venezuela Reconstruction Unit in the FCO has coordinated a project to outline a UK cross-government approach to the international effort on Venezuela's post-transition reconstruction and recovery. Once the implications of COVID-19 for FY 2020/21 programme budgets are clearer, ideas the Unit has elicited for a niche package of assistance to support civil society, while the regime remains in power, will be taken forward.

The UK continues to engage actively internationally on Venezuela. FCO ministers have discussed Venezuela during calls with a number of their Lima Group counterparts including from Argentina, Brazil, Chile, Colombia and Peru. We believe that any solution to the Venezuela crisis will need strong support from countries in the region. We will continue to engage actively with key international partners, including through our membership of the International Contact Group, and Venezuela Core Group.

3. **Instability in Venezuela is driving the growth in serious and organised crime emanating from the continent, ultimately increasing the flow of illegal narcotics to the UK.** ***The Government should seek to use its diplomatic and programming presence, under the Conflict, Stability and Security Fund where applicable, to understand and anticipate the rapidly evolving challenges posed by serious and organised crime groups in the region, including in Venezuela. It should also alert us, in confidence if necessary, to any future changes in levels of resourcing dedicated to countering serious and organised crime across the continent.***

We agree that the ongoing crisis in Venezuela represents a serious threat to regional stability, and is driving the growth of serious and organised crime (SOC). The presence of Colombian armed groups such as dissident FARC and ELN members in the border regions of Venezuela is negatively affecting stability and the Colombian peace process. Planning is underway to develop a Venezuela specific programme using the CSSF. Initial activity will establish an evidence base for future interventions in order to enhance our ability to respond quickly in the event of political transition.

HMG is working to realign resources and activity in light of recent adjustments by the National Crime Agency to its footprint in the region. This includes increased activity by other government departments, SOC related work through programmes and projects in the region, and through increased joint working with like-minded international partners. At a regional level, a Serious and Organised Crime Joint Analysis has been produced to detail and anticipate the evolving challenges posed by SOC in the region. HMG's Serious and Organised Crime Strategy for Latin America will inform the scope of future CSSF interventions. A regional CSSF SOC programme focusing on illicit economies is a current example of programme activity designed to combat transnational SOC threats, delivering interrelated but distinct assistance in Colombia, Panama, Peru and Venezuela.

4. **The UK Government is to be commended for its long-term efforts in pursuit of peace in Colombia, first, in diplomatic terms as penholder on Colombia at the UN Security Council, where it has galvanised international support and led the international response, and in its actions on the ground through the Conflict, Stability and Security Fund.** ***The UK should maximise its good work as penholder at the UN Security Council on Colombia by pursuing other opportunities to reinforce peace at the international level with like-minded partners, including the EU. In the face of faltering Colombian domestic support, the UK should continue to provide explicit support for the institutions of the peace process, namely the Special Jurisdiction for Peace.***

The UK plays an important role in peacebuilding at the international level, both in policy development at the United Nations Security Council, Peacebuilding Commission and General Assembly, and through participation in UN Peace Operations. We continually seek to learn lessons and apply them to our work across the agenda at the United Nations. On Colombia, we will continue to lead work in the UN Security Council to support the peace process, including on refining the mandate of the United Nations Verification Mission in Colombia as the peace process moves forward.

On the ground, the UK works closely with other international partners to support the Colombian state and civil society to deliver the peace accords, and we put a significant proportion of our funding into pooled mechanisms. We are the largest donor to the UN Trust Fund working closely with Sweden, Norway, Germany, Canada, Ireland and Switzerland amongst others. We also contribute to the Organisation of the American States basket fund alongside several European partners, the US and Canada. We agree that the Special Jurisdiction for Peace and the other two transitional justice institutions are fundamental to helping Colombia achieve sustainable peace and we continue to provide both diplomatic and financial support to these mechanisms.

5. ***The Government should monitor the presence of Chinese and Russian activities throughout the continent, assessing whether their increasing influence will translate into security concerns. It should provide a report to the National Security Council on this matter and provide us with an initial assessment at the end of the year (in confidence if necessary), and provide further reports thereafter.***

We agree on the need to monitor the presence of other international actors in the region, including Russia and China. Our Embassy network regularly reports on their economic, political and defence interests.

China is increasing defence engagement and deploying more soft power resources to South America (media, Confucius Institutes, and people-to-people links) to bolster its commercial position, integrate itself more deeply in economies, and counter negative perceptions of its activities in the region. Most recently China has been particularly active in investing diplomatic effort and money in identifying and capitalising on opportunities arising in the region as a consequence of the COVID-19 pandemic, including to bolster its public image.

Russia is growing its presence in South America. It maintains relationships with countries throughout the region, however, its closest and most influential relationships are with Venezuela and Cuba. In Venezuela, Russia is a significant military and economic partner, and Russian financial support has helped sustain the current regime by helping it circumvent the impact of economic sanctions.

Responding to increased influence from other actors takes longer-term engagement and investment. We are developing our existing network-wide capability with the creation of a new regional political network of diplomatic staff based in Embassies in Argentina, Brazil, Chile, Panama, Peru, and Uruguay to respond to global issues and support the rules-based international system.

Developing UK trade and investment

6. **South America is a source of relatively untapped potential for UK businesses, accounting for only 1% of the UK's global imports and exports. Yet it offers a wealth or opportunities for trade and investment in the future.**

We agree that Latin America has huge potential for trade and investment with the UK. As we leave the EU, we are looking at opportunities elsewhere in the globe where we can expand our trading presence, and have been increasing our focus on Latin America. Led by Her Majesty's Trade Commissioner (HMTC) in São Paulo, the Department for International Trade (DIT) is working hard to increase the UK's trade and investment impact in the region.

At the same time, there is no doubt that the economic consequences of the COVID-19 pandemic will make our trade & investment relationship with the region more challenging in the immediate term. A recent World Bank report on the LATAC economy in the time of COVID-19 refers to a 'calamitous year' ahead. The region was already experiencing lacklustre growth and the impact of COVID-19 is going to be significant and sustained. The World Bank forecasts significant GDP downturns (up to -7%) in 2020 across the region in all countries except Guyana and Dominican Republic.

DIT presence in Latin America includes specialist trade advisors to support British companies to export and invest across a number of key sectors where we believe that the UK has a strong offer. DIT have expanded their efforts to drive interest in and knowledge of the region by stepping up promotion of opportunities in the region across the UK. We are working with companies already established in the region to be more successful by working with them to improve ease of doing business by addressing market access barriers to trade and investment flows in both directions. We have invested in efforts to attract more Latin American companies to invest in the UK, and to ensure that existing Latin American investors are supported to grow within the UK. A growing number of companies from the region have been investing in the UK, bringing technology and innovation, as well as jobs, in a number of areas.

We have also been working to transition trade agreements with non-EU countries so that trade can continue with minimal disruption after the transition period ends. Within Latin America, the UK has already signed continuity agreements with Chile, the Andean Community (Colombia, Ecuador and Peru), and Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama). Engagement is ongoing with Mexico to ensure continuity in our trading relationship beyond the end of the Transition Period

7. **Although the work of the Trade Commissioner has helped to foster increased familiarity between UK business and the continent, there is still much work to be**

done in transforming the perception of the continent amongst UK businesses. ***Given the wide geographical scope of the Trade Commissioner's portfolio, which covers the entirety of the Latin America and the Caribbean region, together with the increasing trade and investment workload, the Government should keep resourcing to her team under active review. We also recommend that the FCO and DIT should increase the technical knowledge of both Whitehall-based and in-country staff in complex areas such as local tax law.***

We agree that to date the interest of British companies in the region has been relatively low compared to that of some of our European counterparts. Two of the ways we are addressing this are through an increased focus on education of UK companies about opportunities in the region, and support to them as they enter new markets. Our overall aspiration is to strengthen significantly the UK's absolute and relative trade with the region over the next 5 years, increasing market share in exports, ODI and FDI. We want to secure better market access for British companies through utilising our trade policy levers and developing greater understanding and ambition on the part of British companies of the opportunities in the region. We adopt a whole of government approach to this work, with colleagues from FCO, DIT, the Department of Business, Energy and Industrial Strategy (BEIS), the Intellectual Property Office (IPO) and others working together to ensure that we are joining up all of Government's activity in the economic and commercial space to achieve the best outcomes for the UK. This includes ensuring that there are strong links with Prosperity Fund projects in the region that support sustainable and inclusive economic growth.

Across the region, we have talented and skilled people, with deep knowledge of their local business environment, whether on regulatory, fiscal and economic issues. Where we do not have detailed knowledge (e.g. tax laws as they affect individual companies), we are able to signpost companies to partners or professional advisors. We are serious about learning and development, and ensuring we have the right people with the right skills working in this area.

More generally, DIT is strengthening the HMTC team, including through the appointment of a Deputy Trade Commissioner, and upgrading some important regional roles. They are also increasing resource to the network of regional trade policy officers to support greater implementation of existing trade agreements to work to open new markets. DIT will keep staffing under active review as we consider how the COVID-19 pandemic changes the trade and investment picture across the region.

8. ***The UK should draw upon its background of legal tradition and respect for human rights in its pursuit of regional trade opportunities in future, to include a willingness to trigger human rights stipulations in rolled-over trade agreements in the appropriate circumstances. All UK companies operating in the region should apply best practice in human rights by applying the Voluntary Principles, and the FCO should continue to take an active role in providing appropriate guidance and monitoring compliance.***

The UK has long supported the promotion of human rights globally and this will continue as we leave the EU. We are committed to upholding the UK's high standards.

As set out in the FCO Annual Human Rights report, the UK expects British businesses to respect local and international law wherever they operate, and looks to extractive companies to comply with the UN's Voluntary Principles on Security and Human Rights (VPs). Our Embassies play a key role in advancing UK policy on the Voluntary Principles Initiative (VPI) through their involvement in VPI working groups. We support implementation of the VPs, for example in Peru through supporting the working groups in Cusco and Lima to spread the understanding of the VPs amongst companies, local communities and other key stakeholders. The UK is represented on the VPI Steering Committee and the VP Association Board of Directors.

We also have a UK National Action Plan (NAP) to implement the UN Guiding Principles on Business and Human Rights. As part of our work to implement the NAP, we work internationally, including across Latin American countries to promote the UN Guiding Principles. For example from 2016 to 2018, we financed a project in Colombia to help implement the measures in Colombia's National Action Plan for Business and Human Rights which provides for non-judicial remedy of potential disputes related to extractive industry projects. The VPI is a key tool to support the implementation of the UN Guiding Principles, given the guidance provided by the VPI on responsible business practice to mining and other extractive businesses operating in high-risk and conflict-affected areas.

Human rights

9. **We are concerned by the ongoing violence against human rights defenders across the continent. Breaking the cycle of violence can only happen with the active involvement and political will of Governments across South America. This problem is especially acute in the sub-national regions, where a lack of state presence and the provision of key state services goes hand in hand with threats to the security of communities and their leaders living in remote areas. Improving state presence, therefore, is crucial, if challenging, as is ensuring that paramilitary-type structures are dismantled.**

We recognise the essential role that human rights defenders play in promoting and protecting democracy, respect for human rights and the rule of law. We also recognise that the work of human rights defenders can be dangerous. In Colombia, weak state presence is a crucial risk factor for human rights defenders and makes it easier for illegal activity to flourish. A range of HMG programmes focus on redressing this historic imbalance in Colombia, most notably the CSSF, which specifically focuses on helping the Colombian state roll out the institutional architecture envisioned in the peace deal. For example, the CSSF programme has supported the National Commission of Security Guarantees and the Office of the High Commissioner for Stabilisation to better protect social leaders and ex combatants. It is working with the police in Colombia to deliver their peacebuilding plan and strengthen services provided to vulnerable groups. We engage recognising that reversing a historic lack of state presence is a long-term task that will require the determined attention of successive Colombian administrations as well as international support.

10. ***The FCO should focus its human rights work in South America upon protection of human rights defenders in the regions including implementation of the recently launched 'UK support to Human Rights Defenders'. In Colombia, the British Embassy should extend its positive work with HRDs to provide further support to social leaders in remote areas, including indigenous and female leaders. HRD programmes should include a specific priority relating to indigenous and female leaders in the addition to***

the existing criteria, reflecting the particular challenges and dangers faced by these individuals. More generally, the British Embassy should continue to support projects and programmes which combat impunity for attacks against HRDs, including trial monitoring, as well as those which focus on the dismantling of paramilitary-type structures.

At the FCO's Human Rights Day on 10 December 2018, Lord Ahmad of Wimbledon, Minister of State for Human Rights, said, "We commit to continue strengthening our support for human rights defenders as we collectively strive to build a better world". His comment referred, amongst others, to a commitment to make UK support for human rights defenders more transparent in 2019, which led to the publication in July of the document 'UK support to Human Rights Defenders'. Our network of Embassies in South America supports human rights defenders in a variety of ways, including through regular contact to learn about their work, trial observation, capacity building, enhancing visibility for human rights defenders and the legitimacy of their work, and both public and private diplomacy.

In Colombia, the protection of human rights defenders is a specific focus of the Human Rights Fund. We supported over 200 at-risk human rights defenders in 2018, through training on how to protect themselves individually and collectively. We provided legal support in 14 emblematic court cases relating to attacks on human rights defenders, following up on every step of the procedure, representing the victims in hearings, and helping them with any further legal action.

We are using the CSSF to complement this work. For example, investing alongside BEIS International Climate Finance (ICF) and their UK PACT (Partnering for Accelerated Climate Transitions) programme to support a team seconded into the Colombian President's stabilisation unit to strengthen coordination structures aimed at better protecting social leaders involved in rural development and crop substitution work. Through the UN Trust Fund, the UK is about to support a £1.5m open tender for civil society that is aimed at protecting social leaders. Part of the support given will be directed towards female and indigenous leaders.

FCO Resourcing and regional priorities

11. **In a world of competing priorities it is understandable that South America would not form the FCO's top regional priority. However, there are considerable opportunities for UK influence in South America, such as through trade, which are not currently being maximised. Furthermore, there are also indirect security threats emanating from the continent, such as the growth of the narcotics trade, which require mitigation.**

We agree that there are considerable opportunities for the UK in the region. The former Foreign Secretary, the Rt. Hon. Lord Hague, launched the Canning Agenda in 2010, signalling a renewal of the UK's commitment to Latin America, building stronger links for the benefit of both sides. It has established a solid platform for medium term gains, including a stronger network of posts, a tripling of Chevening scholarships, and we are working to deepen economic partnerships.

Latin America is an increasingly important partner for the UK's global ambitions. It covers 10% of votes in the UN. It is the fourth largest market in the world, has a combined

GDP of $5.6tn, poverty levels estimated to fall below 10% by 2035 and, within its 638 million people, a growing middle class. It contains at least 23% of the world's forests, 30% of global reserves of freshwater, and 25% of the world's cultivable land. We see the region as an opportunity to forge new partnerships with countries who share our values, support the international system, and are keen to seize the opportunities that our leaving the EU brings. In one of his first overseas visits in July 2019, the Foreign Secretary visited Mexico and saw first-hand the appetite for stronger ties and a deeper trading relationship. Prior to the COVID-19 pandemic the Foreign Secretary had been planning to visit Brazil and Argentina in the first half of this year.

The launch and implementation of HMG's Serious and Organised Crime Strategy for Latin America will help us to tackle a range of threats and illicit activities originating from South America, including narcotics. The establishment of SOCNet in the region will also assist with the implementation of the strategy, alongside more established resource in the region aimed at countering Serious and Organised Crime.

The region is also important for COP26 priorities. The region is vulnerable to climate change and now less able to respond with the additional social and economic pressures arising from the impacts of COVID-19. The region has c. 13% of the world's land mass, diverse environments from desert to tropical forest to ice and is important for biodiversity—six of the world's most biodiverse countries are in the region—Brazil, Colombia, Ecuador, Mexico, Peru and Venezuela. There are major opportunities to encourage economies to transition to net zero through clean energy, clean transport, development of resilient cities and infrastructure and changes in land use. The FCO has appointed a Regional Ambassador for Latin America and the Caribbean and has expanded the network of Climate Change and Energy attachés to help build partnerships for COP26. Most countries are forward leaning in international negotiations and commitments, though not so strong on implementation. We are working closely with Chile as the current COP President, looking forward to Glasgow and the UK Presidency of COP26.

12. **We are also concerned that ministerial oversight for the region falls within the large portfolio of the Minister for Europe and the Americas. By including South America in such a large portfolio, the continent struggles to receive the attention it deserves at ministerial level.** ***We recommend that the FCO should review current ministerial portfolios to ensure that roles are not overloaded.***

All FCO Ministers have large portfolios and between them cover the breadth of the FCO's work. South America is an important partner region for the UK: we have had more than 40 Ministerial and Trade Envoy visits since 2017. Ministerial portfolios are monitored to ensure they are appropriately allocated.

13. **The fires in the Amazon underline the fragility of this biodiverse region. The protection of this region is crucial to the shared global environment. We welcome the UK Government's efforts at bilateral and multilateral level to work with South American partners to tackle the causes and effects of climate change, and especially deforestation. We support the FCO's continued efforts in this regard and encourage greater work with indigenous communities to protect this fragile environment.** ***This must be considered as a matter of urgency by the international community, including the UK Government.***

Amazon countries are key partners for the UK in our collective effort to promote sustainable growth, tackle deforestation and mitigate climate change. Nature based solutions, including tackling deforestation, are important priorities for COP26.

We strongly agree that deforestation is a major concern for both international biodiversity and climate change. The UK is committed to supporting efforts to protect and preserve the Amazon rainforest. We welcome the leadership shown by President Duque of Colombia in September 2019 to bring together regional leaders to sign the "Leticia Pact for the Amazon." The UK looks forward to offering support to the implementation of this regionally-led initiative.

Since 2012, the United Kingdom Government has committed approximately £150 million in International Climate Finance (ICF) programmes operating to reduce deforestation in Brazil, support local and indigenous people and reduce forest fire. The Prime Minister has pledged a further £10 million for the UK's ICF work to help step up efforts to protect and restore the Amazon rainforest in Brazil—including in areas affected by the recent fires.

Addressing deforestation is one of the pillars of the partnership on sustainable growth between the UK and Colombia, signed in June 2019. We have invested £70 million in ICF forest and land use programmes in Colombia (a total of £130 million ICF commitments in Colombia 2015–2019). This investment is generating benefits for the local environment, local communities and for global climate.

14. **We note the hard work of HMG staff throughout the region and saw first-hand the positive impact of their efforts during our visit to Argentina and Colombia. We are concerned that budgets may be being allocated to Posts primarily on the basis of their eligibility for Official Development Assistance (ODA), and that this is skewing continent-wide policy priorities and local expenditure. We are concerned that in large Posts, such as Bogota, the UK is simultaneously pursuing multiple and diverse objectives, risking spreading itself too thinly. *We recommend that Posts across the region are more selective and strategic when identifying priority policy areas that reflect local need and UK national interest.***

Decisions on resource allocation are driven by a range of factors. Programme budgets from the cross-government funds (CSSF and Prosperity Fund) are agreed by the National Security Council that sets overall priorities. The country business planning process agrees a set of realistic goals that can best advance UK national interest. HMG is working together across government on a set of policy priorities based around prosperity, green growth and trade, and strengthening the rules-based international system. Our Latin America policy is coordinated across Whitehall by an Americas Regional Board, chaired by the FCO Americas Director and, in its prosperity formation, co-chaired with HMTC. We focus our efforts in Latin America towards priority countries Argentina, Brazil, Chile, Colombia, Mexico and Peru based on their regional importance. Panama is emerging as a global business hub, and we focus on the regional impact of the crisis in Venezuela. The UK provides an estimated £180m a year of ODA through multilateral organisations to Latin America and will contribute well over £600m through specific bilateral programme funds to the region over the next five years. This represents a major uplift in our regional expenditure and reflects the importance of the region to HMG.

In countries that are not ODA-eligible, such as Chile, we use our strong diplomatic presence, defence links and other equities like the British Council to maintain a long-standing and mutually beneficial relationship: Chile was the first country in the world to transition their EU Trade Agreement. Argentina also does not have the same level of programme funds of other priority countries. In 2016 when our programme funds were being established, Argentina was on the point of graduating from the DAC list and therefore not ODA-eligible. However, the recent economic crisis means that they did not graduate and the country remains eligible for ODA. We are evaluating options for widening our relationship, including through programme funds, with the new Argentine Government.