

UK-LATIN AMERICAN TRADE: ROOM TO GROW

Dr Christopher Sabatini and Anar Bata

In 1999 the then director of Chatham House, Victor Bulmer-Thomas wrote in his monograph *British Trade with Latin America in the 19th and 20th Centuries* that commercial and investment ties between the United Kingdom and Latin America had been underperforming since the 1970s. Little has changed since then. Potential remains for increased trade and investment in areas such as agriculture (primarily exports from Latin America to the UK) and financial services and technology (primarily investment and exports from the UK to Latin America).

Survey

In an informal survey, Chatham House asked investors and commercial attachés on both sides of the Atlantic why commerce and investment numbers were so low. These were the common themes in their answers.

**lack of familiarity
with market
and opportunities**

lack of contacts

**insufficient information
on regulation and local
business culture**

**misperceptions and
negative generalisations
of Latin America**

**the UK's traditional
focus on other emerging
economies especially in
the Near East and Asia.**

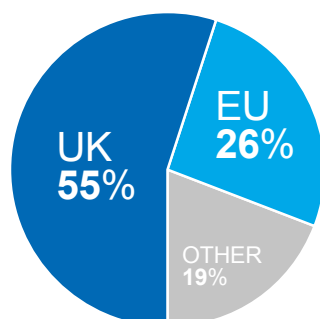
Trade

There are two areas of comparative advantage for UK and Latin American trade. For Latin American countries, particularly Argentina and Brazil, it is food stuffs, especially agricultural exports including meat and dairy. The UK has strong comparative advantages in financial services, including insurance. Both UK and Latin American export volumes fall well below the overall market size of the economies.

Agriculture

As of 2019, 74 per cent of all UK agricultural imports came from the European Union. In 2018, Latin America's agricultural powerhouses Brazil and Argentina only accounted for a total of 1.6 per cent of the UK's agricultural market across eight sectors. Recent numbers by sector are not available, but overall trade is very limited.

Where the food consumed in the UK came from in 2019



IN 2020,



83%

of UK imports of meat came from the EU

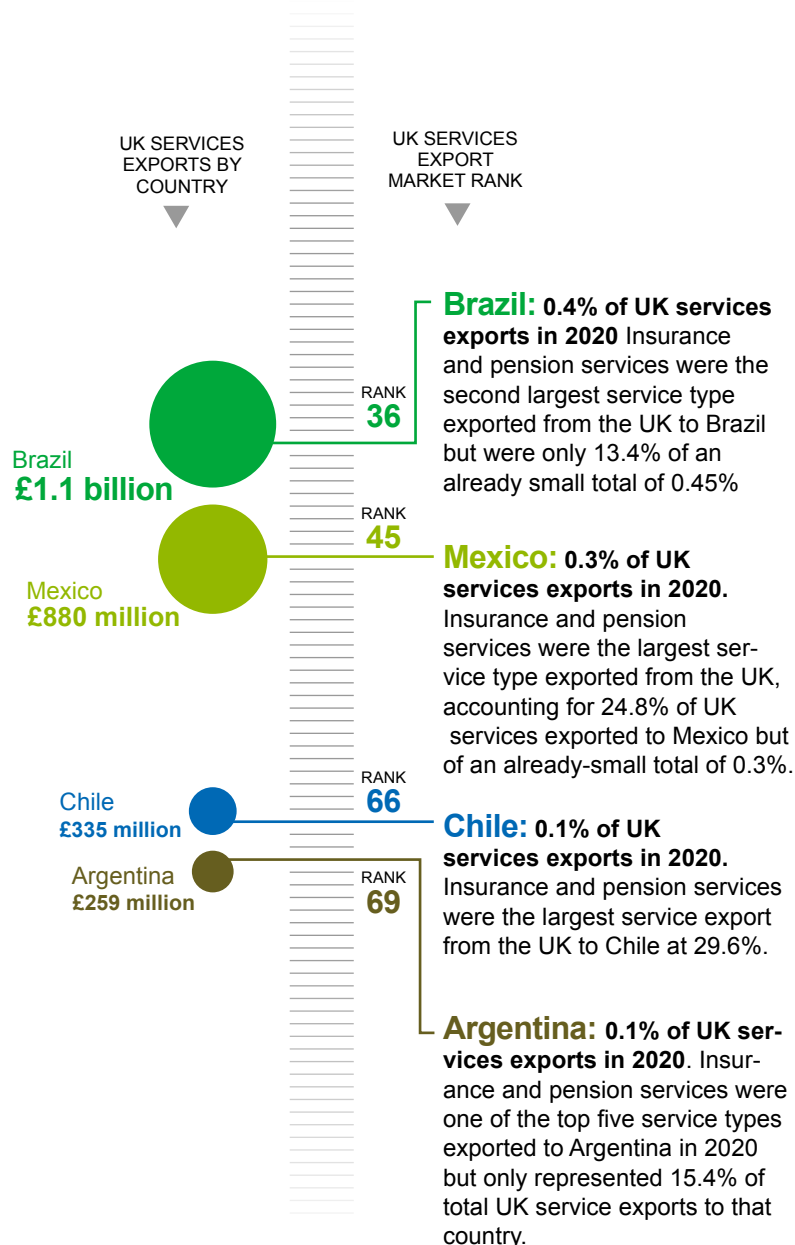


98%

of the UK's dairy- and egg-related external supply came from the EU.

Financial Services

One sector where the UK should be competing more in Latin American markets is in financial and insurance services. In services generally though Latin America is severely underrepresented as a market for UK exports—not even in the top 20 markets for the UK—and within services generally, financial services only represent a small share.



Trade Pacts

But there will be an opportunity for growth. The UK is attempting to roll over many of the EU trade agreements with Latin American economies; in the process many are being updated to incorporate new standards and sectors. The UK's decision to join the 11-country negotiations for the Comprehensive Progressive Agreement for Trans-Pacific Partnership (CPTPP), of which Chile, Peru, and Mexico form a part, could open new markets and harmonize trade standards across a range of markets that in 2019 consumed 8.4 per cent of the UK's exports.

