



The United States and Latin America
and the Caribbean

Highlights of economics and trade



UNITED NATIONS

ECLAC

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Foreword

This publication is a contribution by the Economic Commission for Latin America and the Caribbean (ECLAC) to the analysis of trade and investment relations between the United States of America and Latin America and the Caribbean, on the occasion of the visit of President Barack Obama to Brazil, Chile and El Salvador in March 2011.

The early years of this new decade have brought good news for Latin America and the Caribbean. The region weathered the international crisis with unprecedented resilience and emerged from it sooner and more strongly than the developed economies. It grew by 6% in 2010, and is expected to grow by over 4% in 2011. The region's economic reforms of past decades, its fiscal and macroeconomic prudence and its sound financial supervision, together with ever closer commercial ties with China and other emerging economies, have allowed it not only to successfully navigate through the worst international crisis of the past 80 years but also to enter the new decade with a promising outlook for growth and advances in quality of life. For the first time in its history, the region achieved during the past decade a combination of high growth, macroeconomic stability, poverty reduction and improvement in income distribution. On the strength of the foregoing and of its privileged endowment in natural resources, energy, water and biodiversity, the Latin American and Caribbean region will be called upon to assume an increasingly larger role in the global economy. At Davos and other specialized forums, it has been said that this could be the decade of the Latin American and Caribbean region and that, with regard to global economic recovery, the region is today firmly part of the solution.

The region's resilience to, and strong recovery from, the international financial crisis have renewed the interest of the European Union in strengthening linkages with it. At the same time, the Asia-Pacific region—particularly the People's Republic of China—has become a privileged trading partner for Latin America and the Caribbean. These closer trade and investment links have been both a cause for and a result of the increasing number of trade agreements already in force or under negotiation that link various countries of the region with the European Union and Asia-Pacific.

In this context of special opportunities and diversification of trading partners, the share of the United States of America in the region's trade has been shrinking. More importantly, there is a perception in Latin America and the Caribbean that the United States lacks strategic vision vis-à-vis the region. In past decades, the Alliance for Progress, the Initiative for the Americas and, later, the Free Trade Area of the Americas (with which ECLAC, the Inter-American Development Bank and the Organization of American States collaborated through the Tripartite Committee) were all ambitious United States initiatives for regional cooperation. Today no such initiatives exist.

Despite recent improvements on many fronts, the Latin American and Caribbean region faces some formidable structural challenges. It still has the highest indices of inequality in the world, as well as serious lags in technology, innovation and competitiveness. Nevertheless, the region, together with its main partners, is approaching these challenges as opportunities for new partnerships that promote growth and development through increased trade and investment. The United States can and should be an active partner of the region in this endeavour.

The visit of President Obama to three Latin American countries provides the United States with a unique opportunity to revitalize hemispheric relations. It could do so by presenting proposals for a strategic dialogue and for new hemispheric initiatives in trade and investment to strengthen cooperation between the United States and the region.

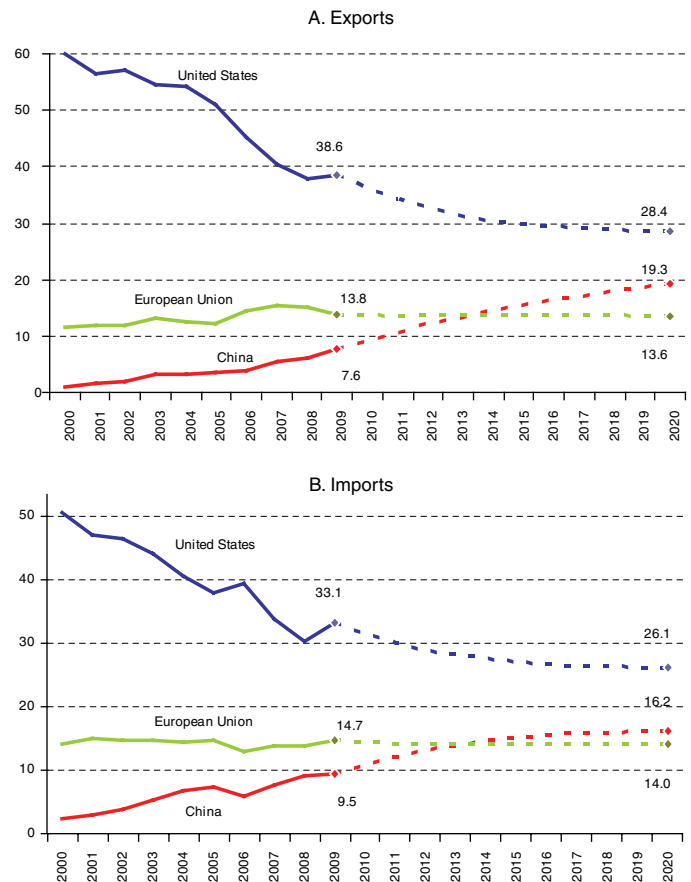
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1. Across the world, there is a renewed interest in strengthening trade, investment and cooperation linkages with Latin America and the Caribbean. However, the United States is lacking a strategic vision towards the region

- The region’s resilience to the recent world crisis and its positive growth prospects are among the reasons behind the renewed interest of the European Union in strengthening linkages with it. This interest is evidenced by the recently concluded association agreements with Central America, Colombia and Peru, and CARIFORUM. These come in addition to existing accords with Mexico and Chile, and the relaunch of negotiations for a similar agreement with the Southern Common Market (MERCOSUR).
- A key development of the past decade was the emergence of the Asia-Pacific region, and China in particular, as a privileged trading partner of Latin America and the Caribbean. Before the middle of the present decade, China could replace the European Union as the region’s second largest trading partner. Accordingly, several countries in the region have concluded, or are negotiating, free trade and association agreements with partners such as China, Japan and the Republic of Korea, among others.
- Against this background, the share of the United States of America in the region’s trade has been shrinking. Its share of the region’s imports dropped from 51% in 2000 to 33% in 2009; and as a destination market for the region’s exports, its share fell from 60% to 39% during the same period.
- There is a perceived lack of strategic vision on the part of the United States vis-à-vis the region. In past decades, the Alliance for Progress, the Initiative for the Americas and, later, the Free Trade Area of the Americas project were all ambitious United States initiatives for regional cooperation. Today, no equivalent to those initiatives exists.

Figure 1 ■
Latin America and the Caribbean: share of selected partners in total trade, 2000-2020^a
(Percentages)

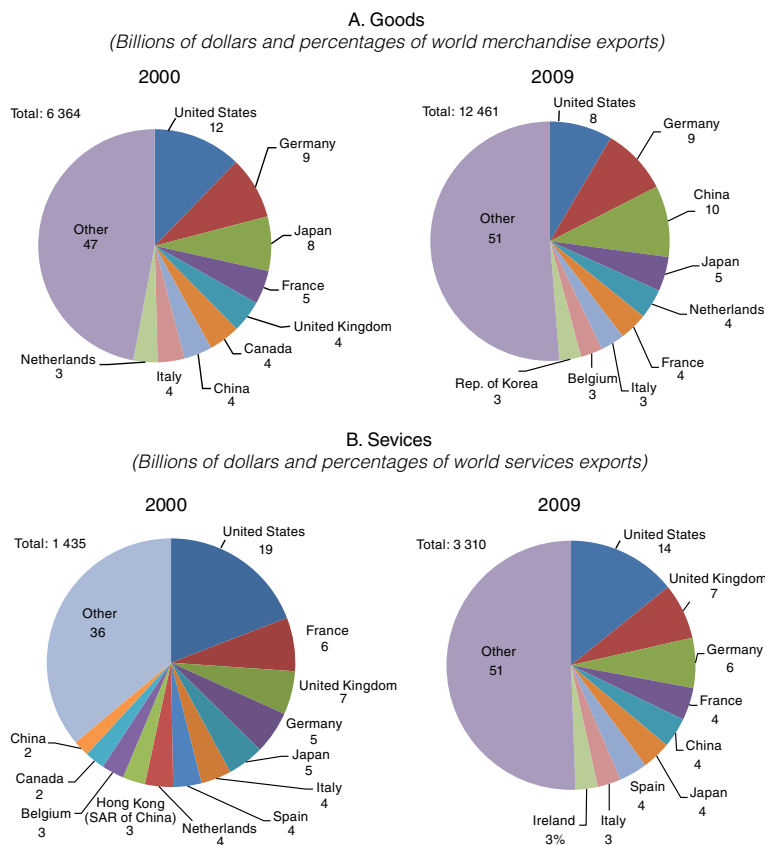


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations COMTRADE Database and national sources.
^a Projections from 2011 to 2020 are based on GDP growth rates for the years 2000-2010 in Asia-Pacific, China, the European Union, Latin America and the Caribbean, the United States and the rest of the world. The growth rate of trade is expected to converge with the economies' long-term growth rate.

2. Over the last decade, the United States lost ground among the world's top goods exporters, and is now ranked third after China and Germany. In services, it is still the world's largest exporter

■ Figure 2 ■

Main world exporters of goods and services

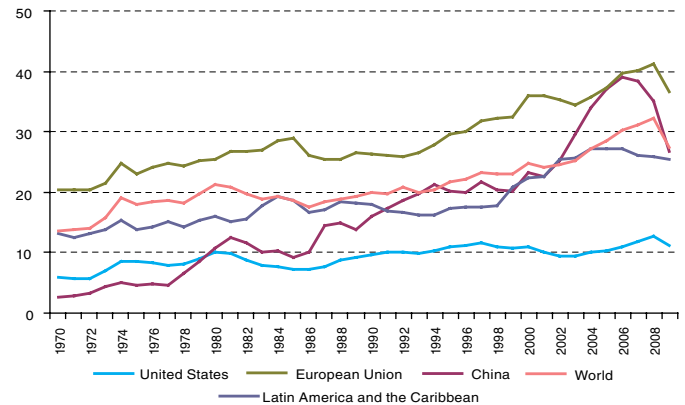


Source: World Trade Organization (WTO).

3. The degree of trade openness of the United States remains very low

- Exports (goods and services) account for 11% of GDP in the United States, less than half of the world average of 27% in 2009.
- This coefficient has been stagnant for three decades in the United States, comparing quite unfavourably with those of its main competitors, such as China and Germany, whose exports-to-GDP ratios have risen substantially over the years.
- Regionally speaking, Latin America and the Caribbean has doubled its trade openness over the last four decades, to reach a level similar to the world average. The still relatively low regional coefficient has been influenced heavily by Brazil, the region's largest economy, which represents over one third of regional GDP. Among the three Latin American countries visited by President Obama (Brazil, Chile and El Salvador), Chile stands out: its exports-to-GDP ratio reached almost 45% before the international financial crisis.
- The recent international financial crisis has heavily dampened international trade and, as a result, has reduced trade openness coefficients across the world.

Figure 3 ■
Share of exports (goods and services) in GDP, selected economies and regions, 1970-2009
(Percentages calculated at nominal prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank World Development Indicators, 2010.

Table 1 ■
Share of exports (goods and services) in GDP, selected economies and regions, selected years
(Percentages calculated at nominal prices)

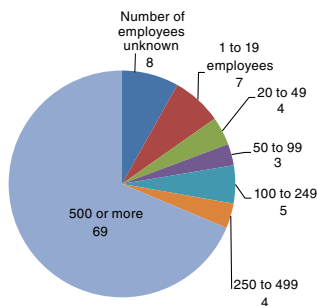
	1970	1975	1980	1985	1990	1995	2000	2005	2008	2009
United States	5.8	8.5	10.1	7.2	9.6	11.0	11.0	10.4	12.8	11.2
China	2.6	4.6	10.6	9.2	16.1	20.2	23.3	37.1	35.0	26.7
Germany	16.4	18.6	20.2	24.9	24.8	24.0	33.4	41.1	47.5	40.8
European Union	20.3	23.1	25.4	28.9	26.4	29.6	35.9	37.2	41.3	36.7
East Asia and the Pacific (developing)	6.7	10.9	21.3	16.4	24.9	30.2	35.5	43.3	39.6	31.0
Latin America and the Caribbean	13.1	13.7	16.0	18.7	17.9	17.3	22.3	27.1	25.9	25.5
Brazil	7.0	7.5	9.1	12.2	8.2	7.3	10.0	15.1	13.8	11.3
Chile	14.6	25.4	22.8	28.1	34.0	29.3	31.6	41.3	44.8	38.1
El Salvador	24.8	33.0	34.2	22.3	18.6	21.6	27.4	26.5	25.6	22.3
World	13.6	18.0	21.3	18.6	19.9	21.7	24.8	28.5	32.2	27.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank World Development Indicators, 2010.

4. Most United States firms do not export. More than two thirds of United States exports originate from large firms, though there are many SME exporters

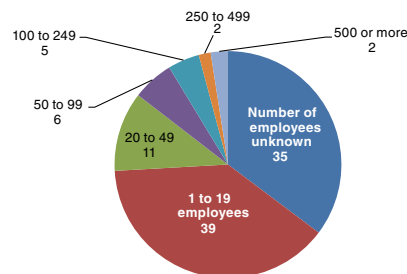
- According to the United States Department of Commerce, only 4% of United States firms exported in 2008; those identified (288,500 out of some 6 million firms) accounted for US\$ 1.1 trillion of exports.
- By employment size, firms with more than 500 employees accounted for 2.5% of United States exporting firms and 69% of United States exports. On the other hand, SME exporters (those employing fewer than 500 workers, including those in which the number of employees is unknown) comprised over 97% of all identified exporters and accounted for 31% of the export value in 2008.
- During 2008, only 10% (28,200 exporting firms) of all identified exporters were multiple location companies, and these companies accounted for 76% of the known export value.
- Trade with “Related Parties” —trade between United States firms and their subsidiaries abroad— accounted for 36% of the export value. The larger the number of employees, the greater is the degree of related-party export transactions, a good indicator of intra-firm trade.

Figure 5 ■
United States: share in export value by exporting-firm employment size, 2008
(Share in total exports of exporting firms)



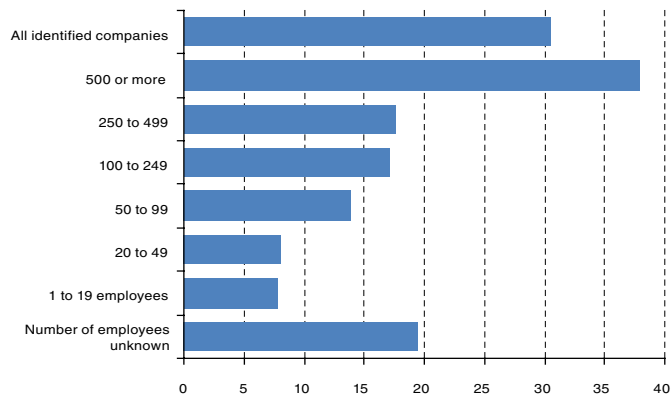
Source: United States Census Bureau News, “A profile of U.S. Exporting Companies, 2007-2008”, United States Department of Commerce, April 13, 2010.

Figure 4 ■
United States: breakdown of exporting firms by employment size, 2008
(Share in total number of exporting firms)



Source: United States Census Bureau News, “A profile of U.S. Exporting Companies, 2007-2008”, United States Department of Commerce, April 13, 2010.

Figure 6 ■
Share of related party-exports in total exports, by exporting-firm employment size, 2008^a
(Percentages of total exports)



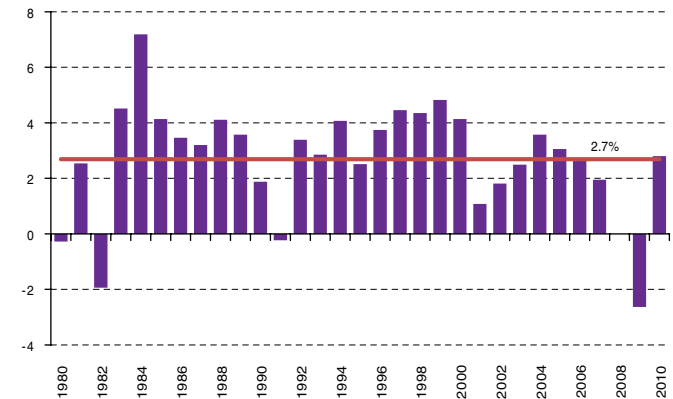
Source: United States Census Bureau News, “A profile of U.S. Exporting Companies, 2007-2008”, United States Department of Commerce, April 13, 2010.

^a Related-party trade includes trade by United States companies with their subsidiaries abroad as well as trade by United States subsidiaries of foreign companies with their parent companies.

5. Despite the severe crisis of 2008-2009, the United States has been a very dynamic economy in the past 30 years

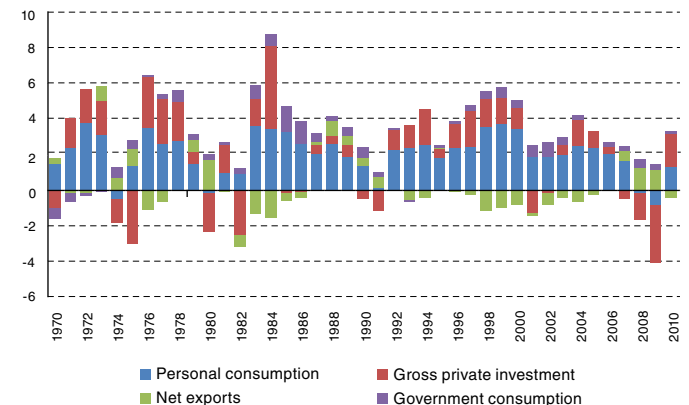
- Over the past 30 years, net exports have generally made a negative contribution to United States GDP growth, reflecting persistent current account deficits. In the same period, the most important engine of growth has been personal consumption. The recent world economic crisis reversed this pattern transitorily through a reduction in the United States current account deficit.
- The positive contribution of the net export component to GDP growth shows the reduction in the United States' import propensity between 2007 and 2009 as a consequence of the crisis.
- United States private consumption has been financed by an increasing level of foreign indebtedness. This pattern is unsustainable in the medium term. Within this context, net exports need to make a larger contribution to the country's GDP growth.

Figure 7
United States: GDP annual growth rate, 1980-2010
(Percentages)



Source: International Monetary Fund (IMF); World Economic Outlook, October 2011.

Figure 8
United States: contribution to GDP growth by expenditure component, 1970-2010
(Percentages)

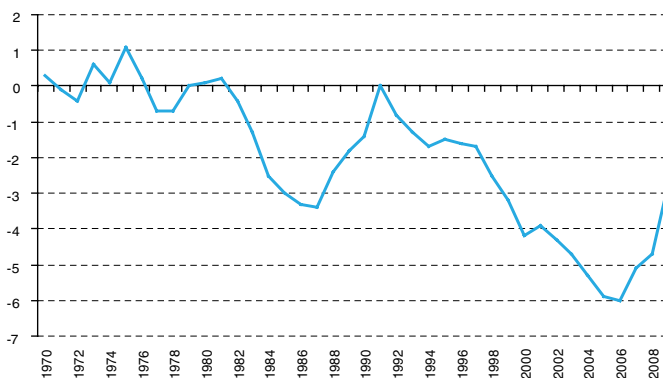


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United States Bureau of Economic Analysis.

6. Low private savings rates and spiralling public and private debt have made the United States heavily dependent on external finance. Trade is the most efficient way to address this issue

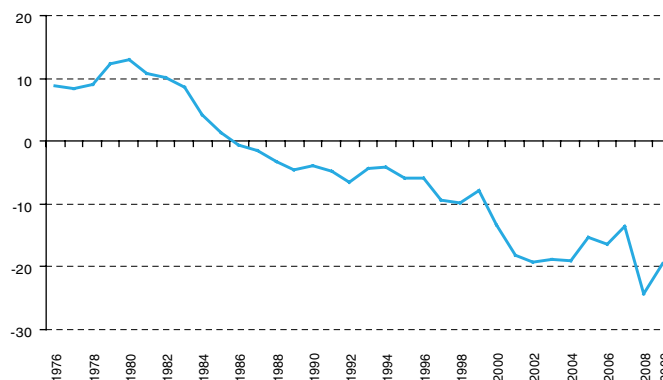
- Over the last five years, the United States current account deficit has been, on average, slightly over 5% of GDP. This gap represents the amount of foreign borrowing that the United States has to obtain from the rest of the world each year.
- The United States net international debt position at the end of 2009 was US\$ 2.7 trillion, equivalent to 19% of its GDP. This is a significant improvement over the corresponding figures for 2008 (US\$ 3.5 trillion or 24% of DGP). The United States net debtor position has deteriorated since 2000, rising at a rate of 23% a year, more than four times the annual GDP growth rate on a nominal basis.
- There are several ways to reduce United States dependence on foreign capital: (i) an increase in national saving rates; (ii) a reduction of household debts; (iii) printing more money to pay off the debt; and (iv) an increase in net exports. Under the present economic scenario, the only feasible option without negatively affecting the welfare of United States families is the last one. In this manner, the United States economy would be creating high-quality jobs with wage levels sufficient to raise the standard of living of workers and their families, while strengthening its leadership role in innovation. It should be recalled that United States median income, which more than doubled between 1947 and 1973, increased by less than 25% between 1973 and 2004. Therefore, President Obama's proposal to double United States exports in five years is a step in the right direction. Nevertheless, it remains unclear how this goal is being translated into specific policies.

■ **Figure 9** ■
United States: current account balance
(Percentages of GDP)



Source: United States Department of Commerce, Bureau of Economic Analysis.

■ **Figure 10** ■
United States: international investment position, 1976-2009
(Percentages of GDP)

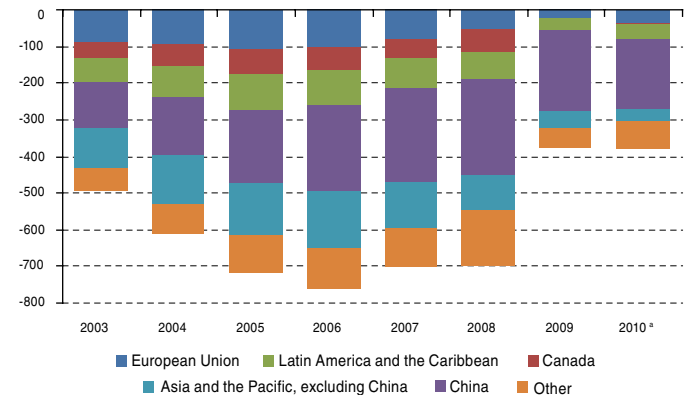


Source: United States Department of Commerce, Bureau of Economic Analysis.

7. China is the largest source of the overall United States trade deficit. The United States also has a trade deficit with Latin America and the Caribbean, which is largely accounted for by Mexico

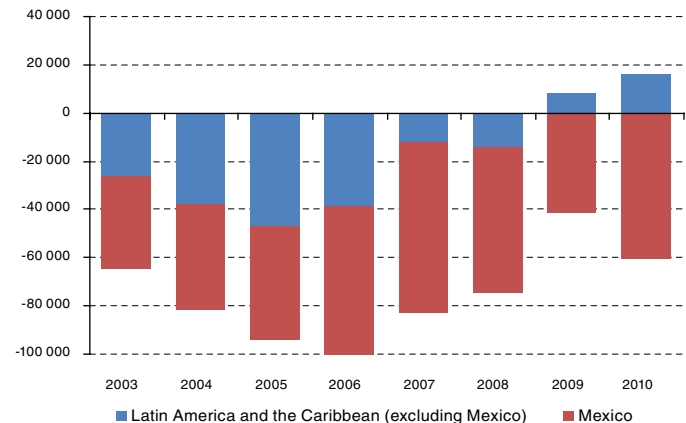
- The United States trade deficit (goods and services), which peaked in 2006 (at over US\$ 700 billion), fell to US\$ 375 billion dollars in 2009 and is estimated to have increased once again to US\$ 496 billion in 2010 (US\$ 379 billion during the first three quarters of that year) in the aftermath of the international financial crisis.
- The largest contributor to this deficit has been the People's Republic of China, which accounted for more than US\$ 200 billion of the deficit, both before (2003-2008) and after the crisis. Other large sources of this deficit are OPEC member countries. The deficits with the European Union, Canada and Asia-Pacific countries (excluding China) are beginning to narrow.
- The United States has maintained a deficit with Latin America and the Caribbean for the past 8 years, mainly arising from the country's trade with Mexico. In contrast to the period before the crisis, the United States has registered a surplus with the rest of Latin America and the Caribbean since 2009. For instance, the United States has begun to post trade surpluses with countries such as Brazil and Argentina.

Figure 11
United States: trade deficit (goods and services) with selected trade partners, 2003-2010^a
(Billions of dollars)



Source: United States Department of Commerce.
^a Figures for 2010 correspond to the first three quarters of the year.

Figure 12
United States: trade deficit (goods and services) with Mexico and the rest of Latin America and the Caribbean
(Millions of dollars)



Source: United States Department of Commerce.

8. Latin America and the Caribbean accounts for one fifth of total United States trade

- In the past two decades, United States trade with Latin American and Caribbean countries has grown faster than the country's trade with most of its main partners, except for China.
- Latin America and the Caribbean as a whole is currently the largest United States export market, slightly ahead of Asia.

■ Table 2 ■

United States: breakdown of trade by main regions and countries (1980-2010) and annual growth rate of trade flows (1990-2010)

(Share in total United States trade and annual growth rates)

	Region/country	1980	1990	2000	2010	1990-2010 (annual growth rate)
Exports	Canada	16.0	21.1	22.6	19.4	5.6
	Latin America and the Caribbean	17.1	13.3	21.6	23.2	9.0
	European Union	28.7	26.6	21.6	18.8	4.2
	Asia	19.6	24.5	21.9	22.4	5.6
	China	1.7	1.2	2.1	7.2	15.9
	Japan	9.4	12.4	8.4	4.7	1.1
	Rest of the world	18.5	14.4	12.2	16.2	6.7
Imports	Canada	16.6	18.1	18.5	14.2	5.6
	Latin America and the Caribbean	14.2	12.9	16.9	18.1	8.8
	European Union	17.2	20.2	18.7	17.9	5.7
	Asia	21.9	31.7	31.9	34.6	7.2
	China	0.5	3.1	8.6	19.3	16.8
	Japan	13.0	18.1	12.0	6.1	1.2
	Rest of the world	30.1	17.1	14.1	15.2	5.8
Total trade	Canada	16.3	19.6	20.6	16.8	5.6
	Latin America and the Caribbean	15.7	13.1	19.3	20.6	8.9
	European Union	22.9	23.4	20.1	18.3	5.0
	Asia	20.7	28.1	26.9	28.5	6.4
	China	1.1	2.2	5.3	13.3	16.4
	Japan	11.2	15.3	10.2	5.4	1.2
	Rest of the world	24.3	15.8	13.2	15.7	6.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of COMTRADE database.

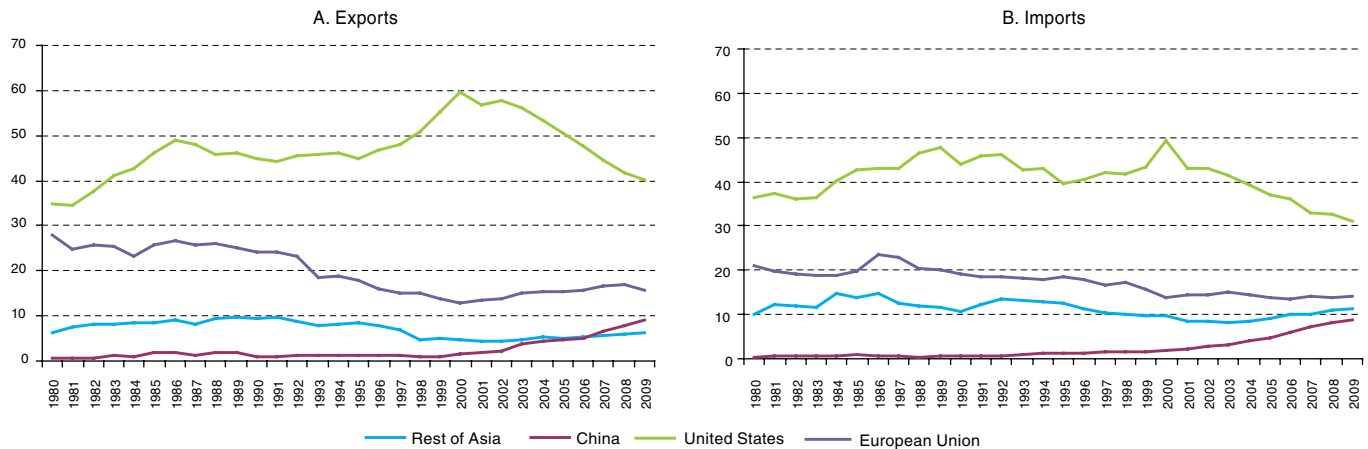
9. The share of the United States in regional trade remains high despite a marked decline in the last decade

- The fall in the United States' share in total Latin American and Caribbean trade is partially mirrored by the increase in China's share. Intraregional trade has also acquired a larger share of total Latin American and Caribbean trade, as has trade with other developing regions. As a consequence, South-South trade has become relatively more important in total Latin American and Caribbean trade

■ Figure 13 ■

Latin America and the Caribbean: share of the United States, China, European Union and the rest of Asia in the region's exports and imports

(Percentages)



Source: COMTRADE, CEPALSTAT and DOTs (for China, 1980 and 1983).

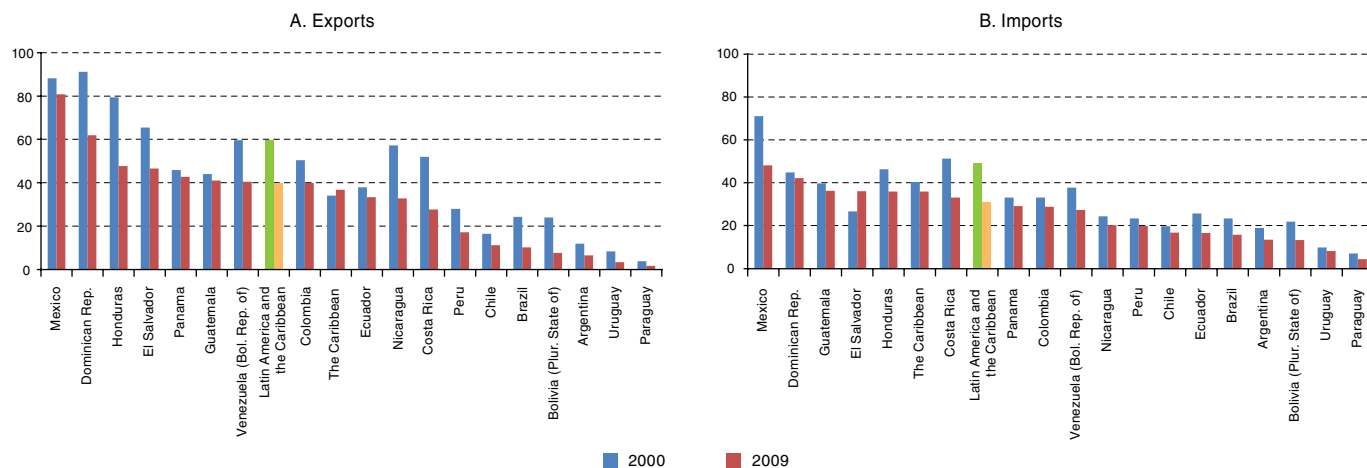
Note: the rest of Asia includes the Philippines, Indonesia, Japan, Malaysia, Republic of Korea, Singapore and Thailand.

10. The United States is a particularly important trading partner for Mexico, Central America and the Caribbean

■ Figure 14 ■

Latin American and Caribbean countries: share of the United States in total trade, 2000 and 2009

(Percentages)

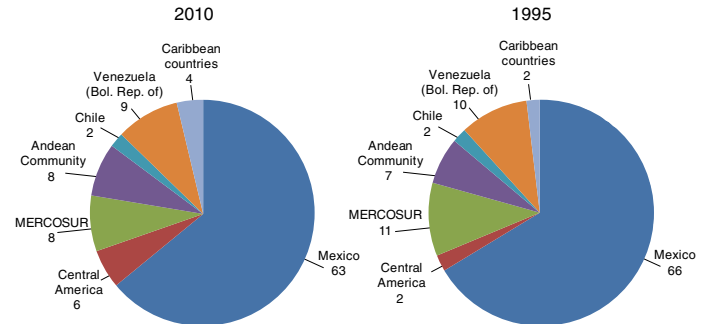


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of COMTRADE database.

11. Trade between the United States and Latin America and the Caribbean is concentrated in a few countries

- Mexico alone accounts almost for two thirds of total United States imports from the region. The combined share of Mexico and the MERCOSUR countries is 75%.
- The largest share of exports in GDP is found in Mexico and the Caribbean and Central American countries. Those Latin American and Caribbean countries most dependent on the United States market were the ones that experienced the largest declines in GDP during the recent world economic crisis (see table 3).

■ **Figure 15 ■**
United States: breakdown of imports from Latin America and the Caribbean by origin, 1995 and 2010
(Percentage share in total)



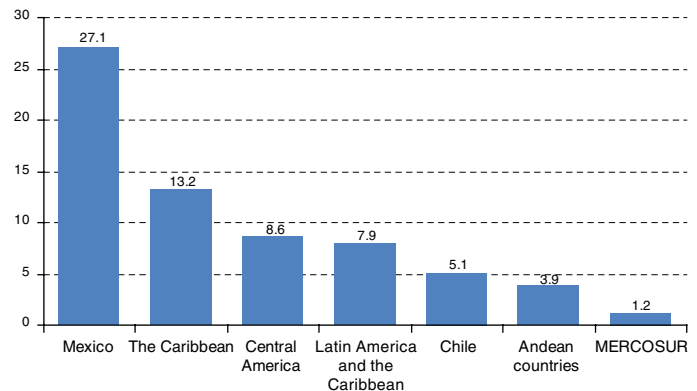
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations Commodity Trade Database (COMTRADE) and SITC trade data for the case of 2010.

■ **Table 3 ■**
Latin America and the Caribbean (selected countries and subregions): annual GDP growth, 2008-2010
(Percentages)

Country / subregion	2008	2009	2010
Mexico	1.5	-6.0	5.3
Central America ^a	4.4	-0.3	3.4
Caribbean ^a	0.7	-2.3	0.5
South America ^a	5.2	0.3	6.3
Latin America and the Caribbean ^a	4.2	-1.8	6.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC).
^a Weighted average.

■ **Figure 16 ■**
Latin America and the Caribbean (selected countries and subregions): share of exports to the United States in total GDP, 2009
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

12. Latin American exports to the United States have recovered after the crisis, with the exceptions of Argentina and Uruguay. The recovery has reached all the main export sectors, but it has been stronger in the case of mining and manufactures

■ Table 4 ■

Latin America and the Caribbean: annual growth rate of exports to the United States

(Percentages)

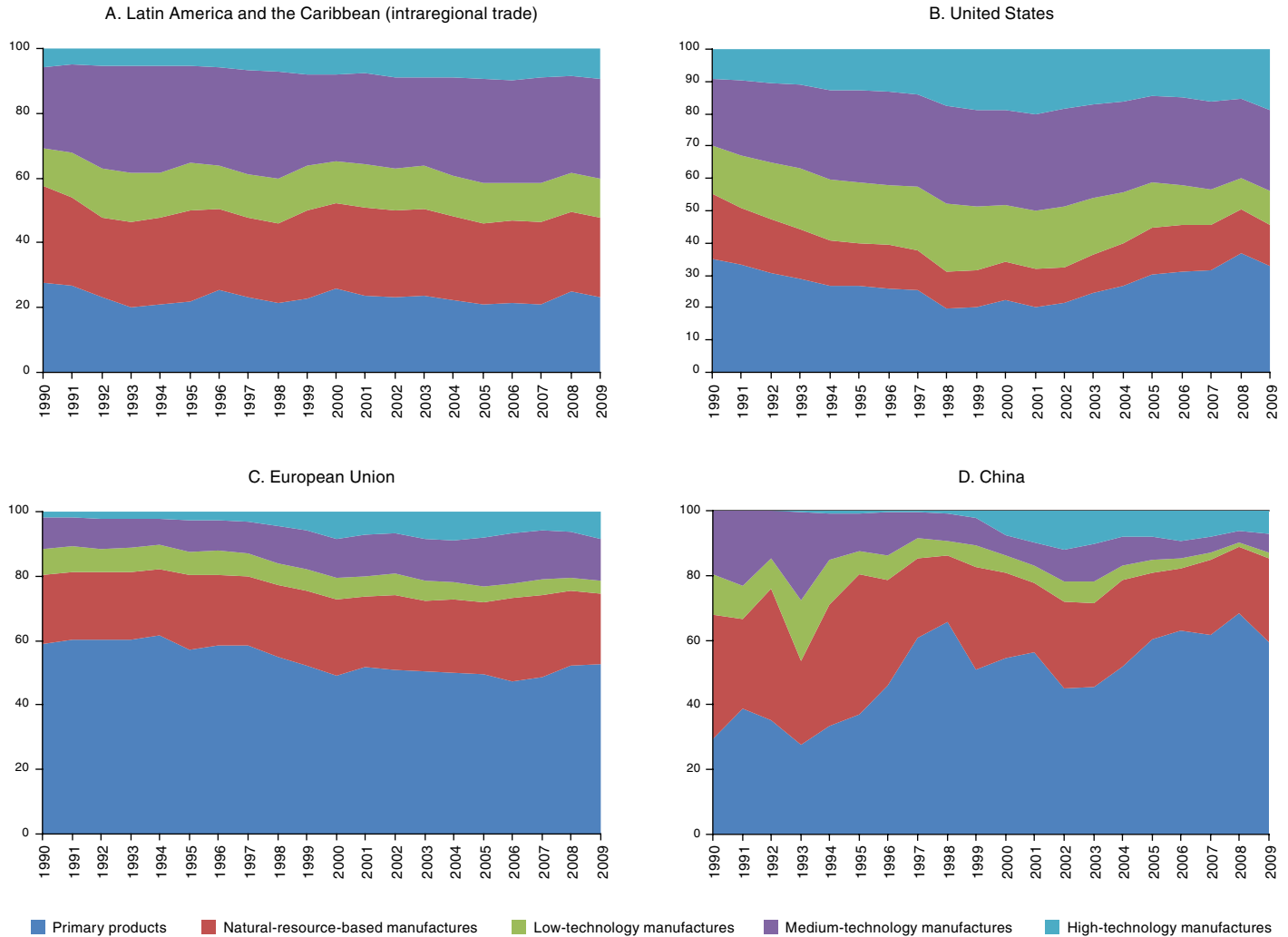
Countries	Agriculture			Mining			Manufactures			Total exports		
	2003-2008	2009	2010	2003-2008	2009	2010	2003-2008	2009	2010	2003-2008	2009	2010
Argentina	11.1	-17.8	8.6	9.3	-31.7	-18.2	17.1	-39.4	6.9	12.9	-33.2	-2.2
Bolivia (Plurinational State of)	12.3	19.2	13.4	124.4	-21.5	50.5	12.0	8.8	31.3	22.5	-1.2	34.4
Brazil	8.0	-12.2	21.9	34.6	-26.8	20.0	5.6	-41.2	18	11.2	-34.1	19.1
Chile	8.5	-10.4	1.0	12.6	-24.2	11.5	27.2	-39.0	34.8	17.2	-27.3	17.6
Colombia	11.1	0.9	12.1	21.1	-24.0	57.4	67	-2.7	9.9	15.4	-13.5	38.2
Costa Rica	6.5	-8.8	17.7	27.3	-31.1	33.3	16	68.4	65.6	3.2	42.2	55.4
Ecuador	5.8	11.7	2.0	37.8	-51.5	59.5	10.7	-44.9	18.6	27.2	-41.7	41.3
El Salvador	17.3	-16.9	11.9	21.4	-42.4	290.8	0.7	-18.3	21.7	2.0	-18.2	21.5
Guatemala	10.9	-1.1	5.0	17.5	-48.9	21.9	-2.6	-5.5	-1.9	3.2	-9.1	2.5
Honduras	10.5	-10.6	11.0	26.8	-50.2	259.2	3.2	-18.8	19.2	4.0	-17.7	18.3
Mexico	11.7	5.7	19.9	22.1	-40	33.2	7.0	-13.9	30.2	9.4	-18.2	30.1
Nicaragua	17.0	-8.0	31.2	2.1	44.5	125.1	17.3	-4.7	22.2	17.2	-5.4	24.5
Paraguay	16.9	-37.8	18.7	-1.8	-9.8	-0.7	8.0	-28.1	10.2
Peru	20.7	-1.7	21	38.9	-49.6	89.3	14.5	-26.7	2.0	19.5	-28.4	21.5
Dominican Republic	1.0	31.1	12.7	6.4	11.7	62.1	-2.5	-19.9	9.9	-2.3	-16.3	10.6
Uruguay	1.8	0.6	-1.1	71.9	86	-11.5	-4.4	-7.1	-2.1	-0.9	-1.9	-1.6
Venezuela (Bolivarian Republic of)	-2.2	-34.9	-28.7	26.1	-44.8	17.2	6.1	-57.8	5.4	24.6	-45.3	16.7
Latin America and the Caribbean	8.5	-1.6	14.6	18.1	-39.5	27.5	5.3	-17.4	28.6	8.7	-23.9	27.1

Source: USITC Trade database online.

13. Latin America and the Caribbean's exports to the United States present a larger share of manufactures than the region's exports to the European Union and China

■ Figure 17 ■

Latin America and the Caribbean: breakdown of exports to selected partners by technological intensity, 1990-2009
(Percentages of total exports)



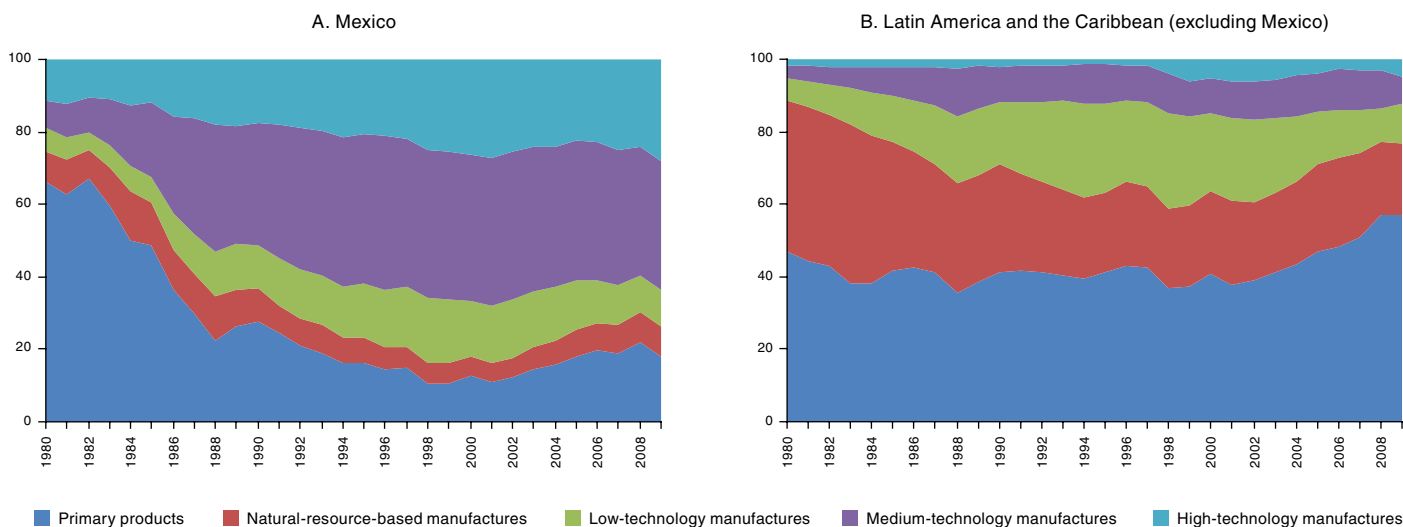
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of COMTRADE database.

14. Of the Latin American and Caribbean countries, Mexico has the largest share of manufactures in its exports to the United States (82%). If Mexico is excluded, the share of primary products in the region's exports to the United States is much higher and has grown in the past decade

- Among the main manufacturing products exported by Mexico to the United States are vehicles and their parts, electrical appliances (TVs, radios, etc.), digital processing units, and so forth. Crude petroleum represents about 15% of Mexican exports to the United States.

■ Figure 18 ■

Mexico and the rest of Latin America and the Caribbean: breakdown of exports to the United States by technology intensity, 1980-2009
(Percentages of total exports)

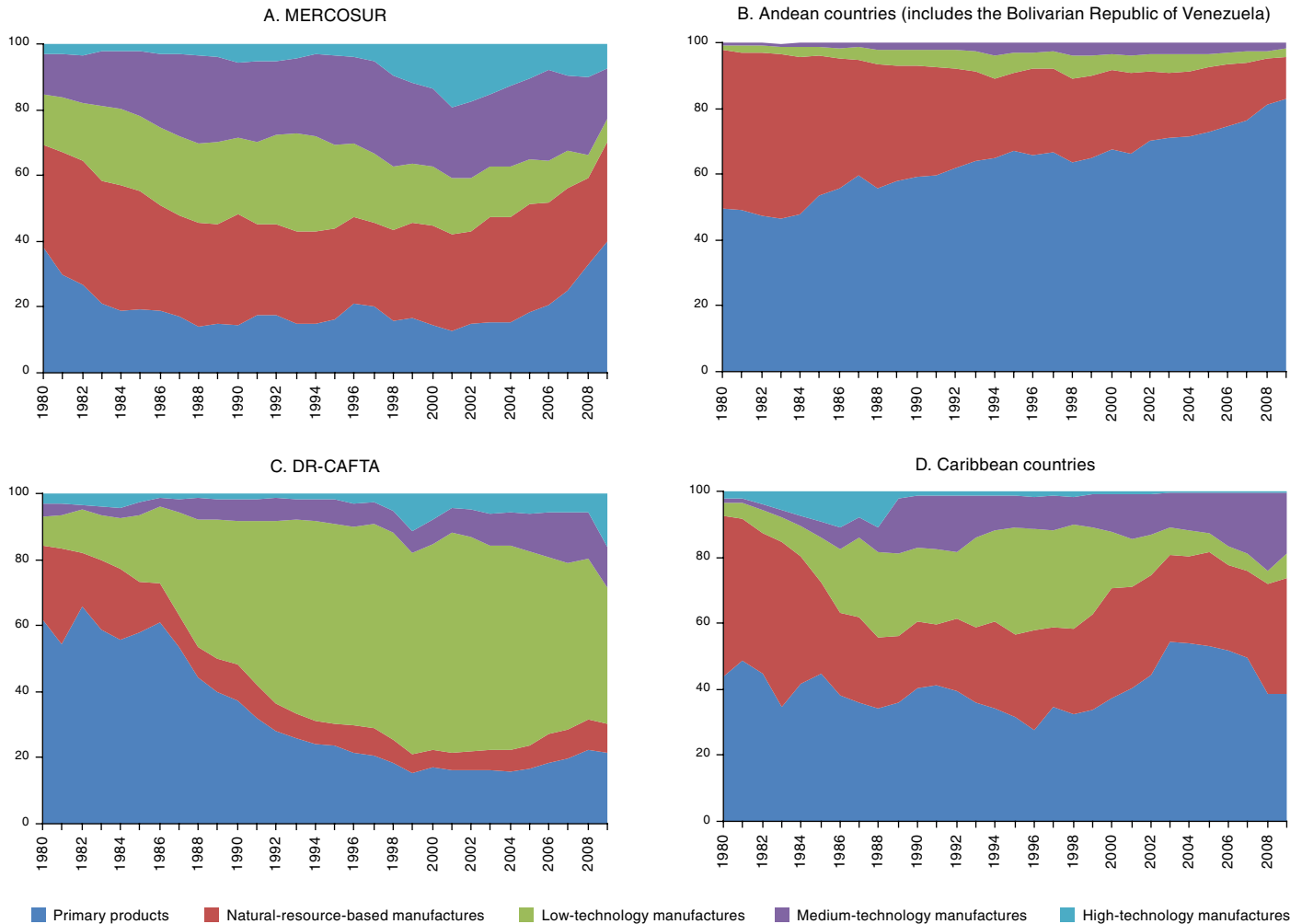


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of COMTRADE database.

15. After Mexico, the Central American countries have the largest share of manufactures in their exports to the United States. At the other extreme, the exports from Andean countries are dominated by primary products

■ Figure 19 ■

Latin American and Caribbean subregions: breakdown of exports to the United States by technology intensity, 1980-2009
(Percentages of total exports)

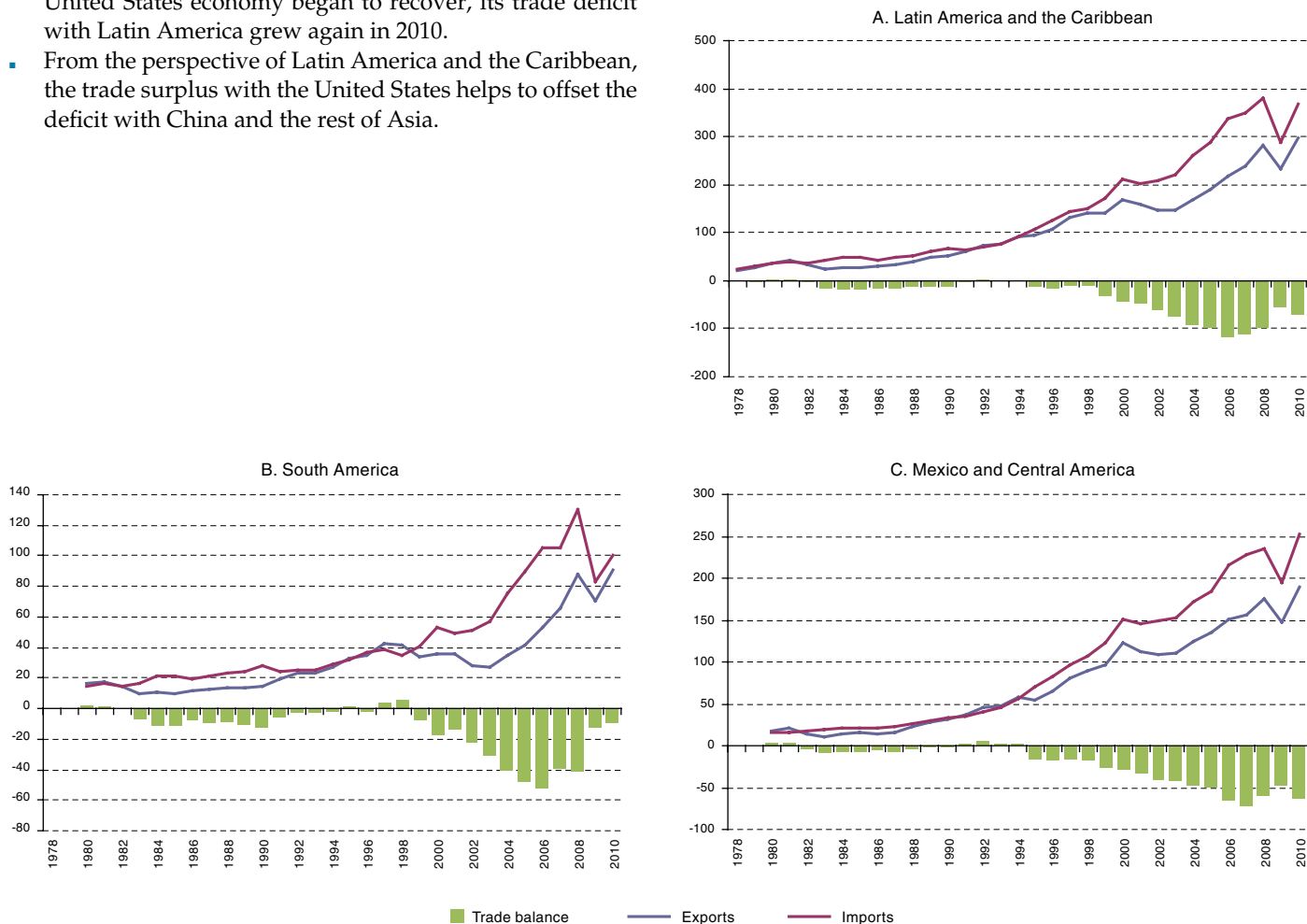


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of COMTRADE database.

16. The United States traditionally posts a deficit in its merchandise trade with Latin America and the Caribbean. The largest deficit is with Mexico and Central America

- The United States trade deficit with Latin America and the Caribbean grew steadily during most of the past decade but fell in 2009 as a result of the world economic crisis. As the United States economy began to recover, its trade deficit with Latin America grew again in 2010.
- From the perspective of Latin America and the Caribbean, the trade surplus with the United States helps to offset the deficit with China and the rest of Asia.

Figure 20
United States: exports, imports and trade balance with Latin America and the Caribbean, 1978-2010
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the United States International Trade Commission (USITC).

17. The United States occupies a prominent position as a trade partner for Latin American and Caribbean countries, especially as an import supplier

- Nevertheless, during the last decade the United States lost significance (in relative terms) as an export destination for all MERCOSUR countries. Moreover, it has been displaced by China as the top individual export destination for Chile and Peru.
- In the case of the Plurinational State of Bolivia, the United States has fallen from being its top export destination to the fourth most important. This is partially explained by the exclusion of the Plurinational State of Bolivia from the ATPA/ATPDEA benefits in 2008.
- Concerning imports, the United States is not one of the top two suppliers for only three Latin American countries (the Plurinational State of Bolivia, Paraguay and Uruguay).

■ Table 5 ■

Latin America and the Caribbean: United States rank as a trade partner, 1980-2009

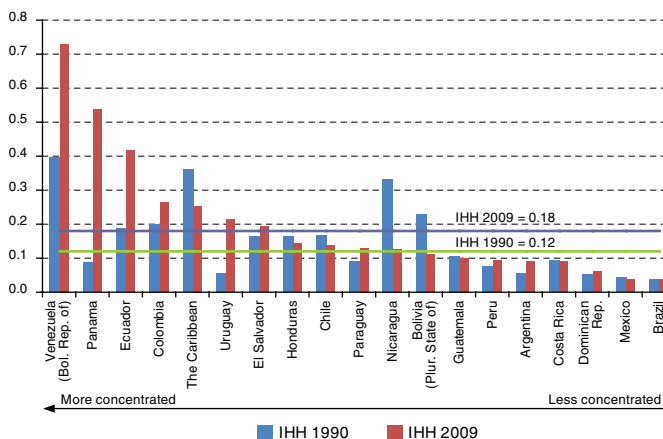
			Exports				Imports			
			1980	1990	2000	2009	1980	1990	2000	2009
South America	MERCOSUR	Argentina	3	1	2	3	1	1	2	2
		Brazil	1	1	1	2	1	1	1	1
		Paraguay	6	6	6	11	3	4	4	6
		Uruguay	4	2	3	7	4	3	3	4
		Bolivia (Plurinational State of)	1	2	1	4	1	1	1	3
	Andean Community	Colombia	1	1	1	1	1	1	1	1
		Ecuador	1	1	1	1	1	1	1	1
		Peru	1	1	1	2	1	1	1	1
		Chile	3	2	1	2	1	1	1	1
		Venezuela (Bolivarian Republic of)	1	1	1	1	1	1	1	1
Mexico and Central America	CACM	Costa Rica	1	1	1	1	1	1	1	1
		El Salvador	1	2	1	1	2	1	1	1
		Guatemala	1	1	1	1	1	1	1	1
		Honduras	1	1	1	1	1	1	1	1
		Nicaragua	1	4	1	1	1	1	1	1
		Mexico	1	1	1	1	1	1	1	1
		Panama	1	1	1	1	1	1	1	1

Source: COMTRADE database.

18. On average, Latin American and Caribbean exports to the United States have become more concentrated in the last two decades. Nevertheless, there is a great heterogeneity among the countries of the region

- The two largest economies in the region, Brazil and Mexico, show the lowest concentration of exports to the United States. Moreover, their exports to that country have become less concentrated in the last two decades.
- At the other extreme are those economies whose exports to the United States are dominated by a few products, usually primary products like petroleum (Bolivarian Republic of Venezuela, Ecuador and Colombia) and fish products (Panama).

■ **Figure 21 ■**
Latin American and Caribbean countries: Herfindahl-Hirschman index of exports to the United States, 1990 and 2009
(Calculated for exports according to SITC, Rev. 2 at the 3 digit level)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of COMTRADE database.

Note: The HHI shows the level of product diversification/concentration in a country's exports to another country. If HHI is below 0.10, exports are considered diversified. If HHI ranges from 0.10 to 0.18, exports are considered moderately concentrated, and if it is greater than 0.18, exports are considered very concentrated.

19. The share of the top five products in total exports to the United States ranges from 40% to 97% for Latin American and Caribbean countries, confirming the high concentration of their exports to that market

- It is worth noting that in the case of Mexico and DR-CAFTA member countries, most of the top five products are manufactures, like textiles and apparel, electronic equipment and medical instruments.

■ Table 6 ■

Latin American and Caribbean countries: share of top five products in total exports to the United States, by country, 2007-2009^a
(Percentages)

Country	1st product	2nd product	3rd product	4th product	5th product	All to 5 products
Argentina	Crude petroleum 23	Chemical products 7	Aluminium 6	Wine 4	Juices, not citrus 4	46.8
Bolivia (Plurinational State of)	Tin 20	Gold or silver jewelry 18	Crude petroleum 16	Silver 6	Other non-ferrous ore 5	67.6
Brazil	Crude petroleum 24	Pig iron 5	Aeroplanes (> 15000kg) 4	Coffee 2	Chemical wood pulp 2	39.7
Chile	Copper 29	Grapes 10	Fish fillets 8	Fruit 7	Wine 3	59.0
Colombia	Crude petroleum 49	Coal, not agglomerated 14	Coffee 7	Flowers 6	Bananas 2	79.9
Costa Rica	Parts for office machines 25	Medical instruments 12	Fruit 10	Bananas 6	Electronic microcircuits 3	59.6
Dominican Republic	Medical instruments 13	Gold or silver jewelry 7	Switch apparatus 7	Cigars 7	Men's or boys' cloth 5	41.9
Ecuador	Crude petroleum 75	Bananas 5	Crustaceans, frozen 4	Flowers 2	Cocoa beans 1	90.3
El Salvador	T-shirts 23	Jerseys & similar articles 15	Monohydric alcohol 7	Underwear 6	Coffee 5	58.1
Guatemala	Jerseys & similar articles 17	Bananas 14	Coffee 10	Crude petroleum 8	Women's or girls' cloth 5	55.5
Honduras	Jerseys & similar articles 20	T-shirts 15	Electrical dist. equipment 8	Bananas 5	Men's or boys' cloth 4	53.1
Mexico	Crude petroleum 16	Television receivers 9	Vehicles for persons 6	Parts for vehicles 4	Goods vehicles 4	41.4
Nicaragua	Jerseys & similar articles 19	Electrical dist. equipment 10	T-shirts 10	Men's or boys' cloth 10	Coffee 7	58.0
Panama	Fish 25	Crustaceans, frozen 15	Sugars 9	Fruit 6	Coffee 5	62.3
Paraguay	Sugar 34	Plywood 9	Animal materials 7	Builders' joinery 6	Sugars 6	63.9
Peru	Copper 18	Silver 9	Tin 7	Crude petroleum 6	Vegetables 6	49.4
Uruguay	Bovine meat, frozen 43	Bovine meat, frozen 5	Leather 5	Meat and offal 5	Edible offal 3	63.3
Venezuela (Bolivarian Republic of)	Crude petroleum 93	Aluminium 0	Pellets 0	Monohydric alcohol 0	Coal, not agglomerated 0	96.8
Caribbean countries	Natural gas 29	Other inorganic bases 17	Monohydric alcohol 15	Crude petroleum 11	Pellets 4	77.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of COMTRADE database.

^a The Caribbean countries include: Antigua and Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

20. On average, Latin America and the Caribbean exports more products to the United States than to the European Union and Asia. Nevertheless, the highest number of products is exported to the region itself

- The universe of products within the Harmonized System is composed of 5,052 subheadings at the 6-digit level. This means that on average Latin America and the Caribbean exports to the United States about a quarter of that universe. By contrast, on average the region exports to China only 4% of the total existing subheadings, which underscores the extreme concentration of its exports to that market.
- Mexican exports to the United States are by far the most diversified, covering more than 80% of the product universe. They are followed by Brazil's (56%) and Colombia's (36%).

■ Table 7 ■

Latin American and Caribbean countries: number of products exported to selected markets, average 2008-2009

(Calculated on Harmonized System at 6 digit level)

	United States	European Union	Latin America and the Caribbean	Asia	China
Argentina	1 716	2 263	3 858	1 470	529
Bolivia (Plurinational State of)	353	352	682	175	41
Brazil	2 853	3 129	3 997	2 531	1 185
Chile	1 379	1 459	3 131	874	315
Colombia	1 809	1 328	3 321	588	161
Costa Rica	1 533	768	2 558	473	181
Dominican Republic	1 172	571	1 174	198	82
Ecuador	1 046	772	1 795	265	67
El Salvador	1 019	346	2 493	169	37
Guatemala	1 515	872	3 351	471	183
Honduras	1 000	382	1 842	284	101
Mexico	4 163	2 807	3 920	2 230	1 143
Nicaragua	885	166	1 804	107	39
Panama	187	85	294	54	25
Paraguay	228	322	1 003	115	62
Peru	1 737	1 579	2 914	889	248
Uruguay	437	751	1 479	285	116
Venezuela (Bolivarian Republic of)	533	912	2 095	331	114
The Caribbean	825	293	955	81	28
Latin America and the Caribbean	1 222	878	2 026	531	215

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of COMTRADE database.

21. Bilateral trade flows between the United States and Latin American and Caribbean countries show potential to increase intra-industry trade

- Among Latin American and Caribbean countries, those that already have a high level of intraindustry trade with the United States are Mexico, Dominican Republic and Brazil.

■ Table 8 ■

Selected Latin American countries and the United States: intraindustry trade measured by Grubel and Lloyd index, weighted trade between 2007-2009

(Calculated on bilateral trade between pairs of countries)

2007-2009	Argentina	Bolivia (Plurinational State of)	Brazil	Chile	Colombia	Costa Rica	Dominican Republic	Ecuador	El Salvador	Guatemala	Honduras	Mexico	Nicaragua	Panama	Paraguay	Peru	Uruguay	Venezuela (Bolivarian Republic of)	United States
Argentina																			
Bolivia (Plurinational State of)	0.04																		
Brazil	0.52	0.01																	
Chile	0.18	0.06	0.09																
Colombia	0.08	0.01	0.11	0.17															
Costa Rica	0.08	0.00	0.12	0.12	0.19														
Dominican Republic	0.01	0.00	0.02	0.16	0.01	0.05													
Ecuador	0.02	0.02	0.04	0.10	0.33	0.16	0.09												
El Salvador	0.00	0.00	0.01	0.01	0.03	0.38	0.07	0.00											
Guatemala	0.01	0.00	0.02	0.01	0.04	0.45	0.08	0.01	0.47										
Honduras	0.00	0.00	0.01	0.02	0.01	0.17	0.20	0.00	0.30	0.25									
Mexico	0.29	0.02	0.39	0.16	0.15	0.11	0.11	0.05	0.10	0.14	0.10								
Nicaragua	0.00	0.00	0.01	0.04	0.00	0.19	0.02	0.00	0.07	0.11	0.18	0.04							
Panama	0.00	0.00	0.00	0.05	0.02	0.15	0.01	0.01	0.06	0.02	0.11	0.01	0.15						
Paraguay	0.09	0.07	0.13	0.03	0.05	0.00	0.01	0.01	0.00	0.00	0.00	0.02	0.00	0.03					
Peru	0.05	0.05	0.03	0.17	0.13	0.05	0.03	0.09	0.01	0.02	0.00	0.06	0.00	0.01	0.00				
Uruguay	0.27	0.00	0.21	0.20	0.16	0.00	0.02	0.02	0.00	0.00	0.00	0.05	0.00	0.03	0.18	0.02			
Venezuela (Bolivarian Republic of)	0.01	0.00	0.02	0.01	0.06	0.33	0.03	0.05	0.01	0.05	0.00	0.02	0.00	0.02	0.00	0.03	0.01		
United States	0.24	0.13	0.32	0.10	0.15	0.25	0.35	0.07	0.11	0.07	0.13	0.48	0.04	0.08	0.01	0.16	0.13	0.04	

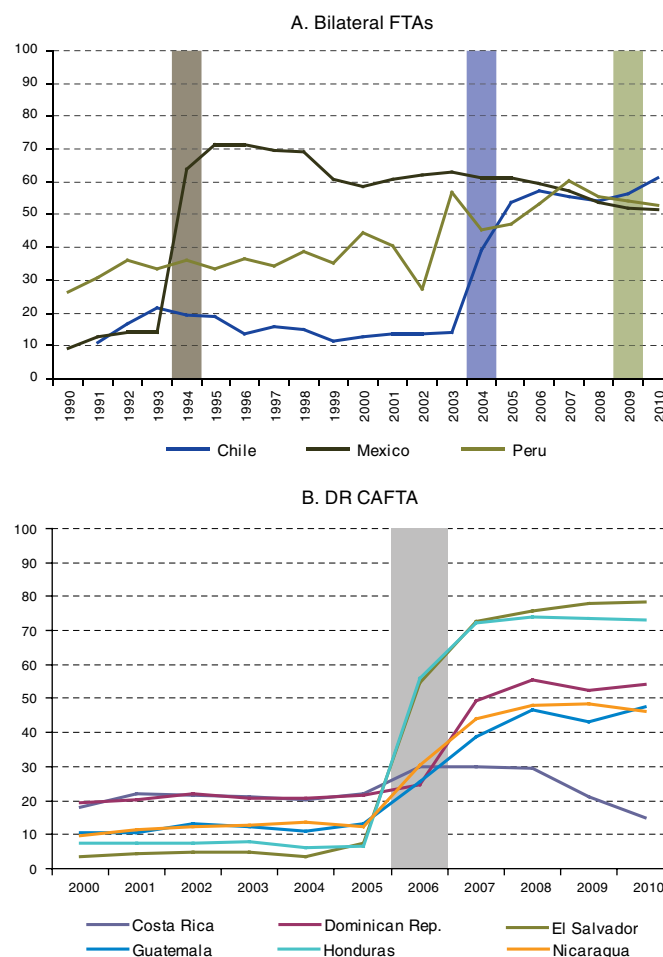
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of COMTRADE database.

Note: Intraindustry trade exists between two countries when they export products from the same industry to each other. The Grubel Lloyd Index measures intraindustry trade. It is considered that a value above 0.33 means a high incidence of intraindustry trade (pink cells), and a value between 0.10 and 0.33 indicates potential intraindustry trade (yellow cells).

22. Most Latin American and Caribbean countries that have free trade agreements (FTAs) with the United States saw a dramatic increase in the share of their exports subject to preferences when those agreements entered into force

- In the case of Mexico and Chile, the region's longest-standing FTA partners with the United States, between 50% and 60% of their exports receive preferential treatment under those agreements. The general pattern is similar for the Central American countries and the Dominican Republic. However, Honduras and El Salvador show above-average utilization rate of the DR-CAFTA preferences, whereas Costa Rica's utilization rate is below average.

Figure 22 ■
Countries with FTA with United States: utilization of tariff preferences
(Percentages of each partner's total exports to the United States)

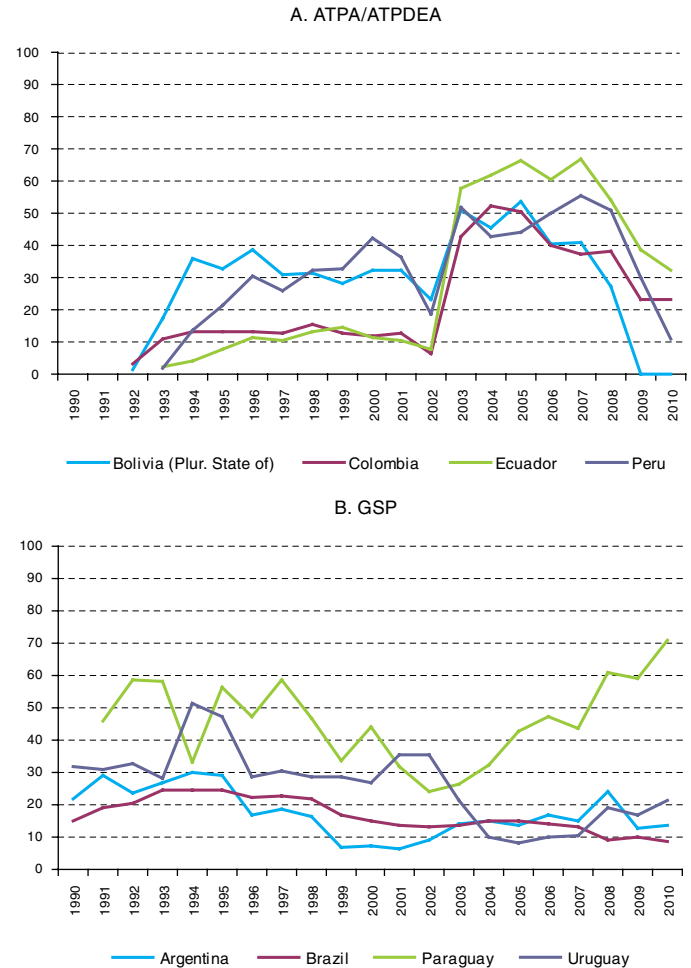


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United States International Trade Commission (USITC).

23. Unilateral preferences granted by the United States have been very important for some South American countries, especially the Andean countries and Paraguay

- In recent years the utilization rate of the ATPA/ATPDEA preferences has fallen dramatically due to both the exclusion of some countries from those programmes and their frequent interruptions. This highlights the importance of the prompt renewal of ATPDEA preferences, in a way that provides a more stable timeframe to beneficiary countries.

Figure 23 ■
Selected Latin American countries: utilization of United States unilateral tariff preferences schemes
(Percentages of each partner's total exports to the United States)

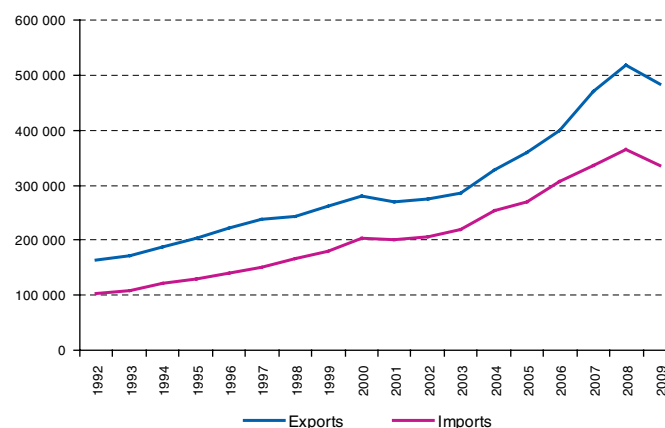


Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of United States International Trade Commission (USITC).

24. Latin America and the Caribbean is an important United States partner for trade in services

- United States exports and imports in services reached US\$ 518 billion and US\$ 365 billion in 2008, before falling by 7% and 8%, respectively, in 2009. Europe remains the most important destination and origin of United States trade in services.
- During the second half of the last decade, Latin America and the Caribbean accounted for 18% and 20% of United States services exports and imports, respectively. However, these figures include some other Western Hemisphere territories. Among the emerging regions, Latin America and the Caribbean ranks second as a United States partner behind Asia-Pacific. Mexico, Brazil, the Bolivarian Republic of Venezuela, Argentina and Chile are the major destination countries.

■ **Figure 24** ■
Evolution of United States services trade, 1992-2009
(Millions of dollars)



Source: United States Department of Commerce.

■ **Table 9** ■

Shares of selected partners in United States trade in services, 1992-2009

(Millions of dollars and percentages)

	Exports				Imports			
	1992-1995	1996-1999	2000-2004	2005-2009	1992-1995	1996-1999	2000-2004	2005-2009
Canada	9.5	7.0	9.0	8.9	8.3	9.0	8.6	7.2
Europe	36.3	21.7	39.8	42.3	41.3	41.8	43.9	44.3
Latin America and the Caribbean ^a	16.7	12.0	18.3	18.0	19.1	18.8	20.0	19.9
South and Central America	14.3	10.4	13.8	12.2	12.5	12.1	10.3	9.8
Argentina	1.2	0.9	0.8	0.6	0.4	0.5	0.4	0.4
Brazil	2.0	1.2	1.9	2.1	0.8	1.1	0.8	1.2
Chile	0.5	0.3	0.4	0.4	0.3	0.4	0.3	0.3
Mexico	5.6	4.3	5.5	4.9	6.6	6.0	5.4	4.5
Venezuela (Bolivarian Republic of)	1.2	1.0	1.0	0.9	0.6	0.5	0.2	0.2
Other	3.8	2.7	4.2	3.3	3.7	3.7	3.1	3.2
The Caribbean and other Western Hemisphere	2.4	1.6	4.6	5.8	6.7	6.7	9.7	10.1
Africa	1.4	1.0	1.9	1.9	1.5	1.6	1.4	1.6
Middle East	2.6	1.7	2.4	2.9	2.0	2.2	1.7	2.1
Asia and the Pacific	30.7	21.5	26.7	25.3	25.9	25.2	22.6	24.4
International organizations and unallocated	2.7	2.0	1.8	0.7	1.9	1.3	1.8	0.5
All countries (percentages)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
(Millions of dollars)	181 508	241 689	287 545	446 137	115 480	159 104	216 148	322 344

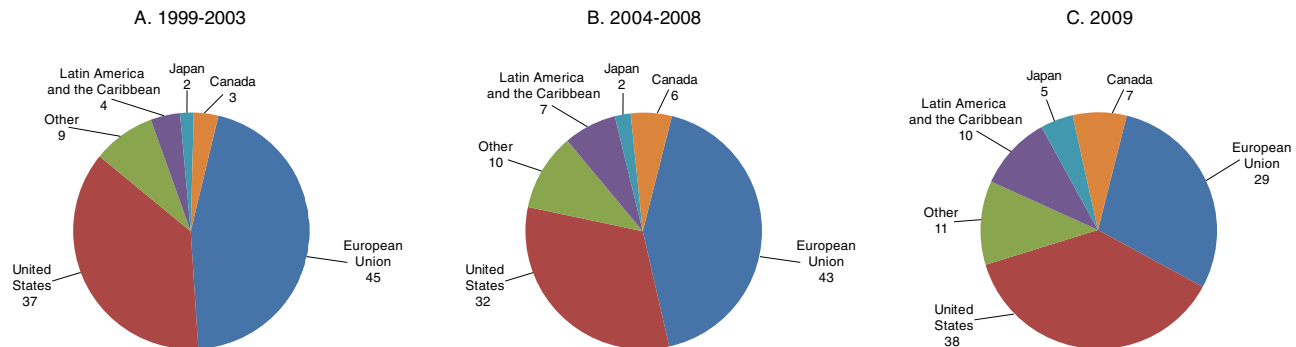
Source: United States Bureau of Economic Analysis.

^a Includes other Western Hemisphere economies (Bermuda, Cayman Islands, and the Netherlands Antilles among others).

25. The United States has accounted for roughly one third of all FDI flows into Latin America and the Caribbean over the last decade, and remains the largest individual foreign investor in the region

■ Figure 25 ■

Latin America and the Caribbean: FDI flows by origin
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

■ Table 10 ■

Latin America and the Caribbean: cumulative FDI flows by origin, 1999-2009
(Billions of dollars and percentages)

	1999-2009	Share in total
European Union	283 266	42.5
United States	231 305	34.7
Latin America and the Caribbean	40 681	6.1
Canada	31 468	4.7
Japan	15 527	2.3
Others	64 150	9.6
Total	666 397	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

26. Over the last decade, United States net FDI flows into the region have been more stable than those from the European Union. The relative importance of United States FDI varies widely across the region

- Figure 27 shows that those economies which are more oriented towards the United States market are also those for which United States FDI is relatively more important. This is especially the case of Mexico and the Central American and the Caribbean countries. By contrast, FDI from the European Union tends to be dominant among MERCOSUR countries. FDI flows into Latin America, the Caribbean and other Western Hemisphere economies represent about one fifth of total United States FDI abroad.

■ Table 11 ■

Latin America and the Caribbean and other Western Hemisphere economies: share in total United States FDI, 2005-2009

(Percentages)

	2005	2006	2007	2008	2009
Latin America and the Caribbean and other Western Hemisphere	17	17	19	18	19
Latin America and the Caribbean	7.7	7.6	7.6	7.2	7.7
South America	3.3	3.2	3.5	3.1	3.6
Argentina	0.5	0.5	0.5	0.4	0.4
Brazil	1.4	1.4	1.6	1.4	1.6
Chile	0.5	0.4	0.5	0.5	0.6
Colombia	0.2	0.2	0.2	0.2	0.2
Ecuador	0.0	0.0	0.0	0.0	0.0
Peru	0.2	0.2	0.2	0.1	0.2
Venezuela (Bolivarian Republic of)	0.4	0.4	0.4	0.4	0.4
Mexico	3.3	3.3	3.0	2.8	2.8
Central America	0.4	0.4	0.4	0.5	0.5
Caribbean countries	0.8	0.6	0.7	0.8	0.8
Other Western Hemisphere^a	9.2	9.3	10.9	11.2	11.7

Source: United States Bureau of Economic Analysis.

^a Includes Bermuda, United Kingdom Islands and the Netherland Antilles, among other territories.

■ Figure 26 ■

Latin America and the Caribbean: FDI net flows by origin, 1999-2009

(Index numbers 2000=100)

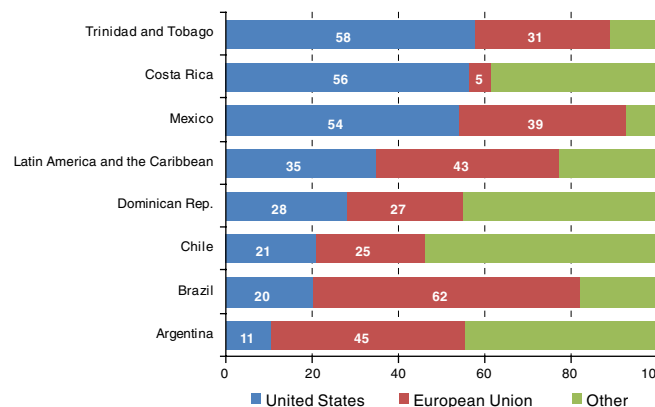


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

■ Figure 27 ■

Latin America and the Caribbean (selected countries): distribution of cumulative FDI flows by origin, 1999-2009

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

27. To take advantage of its trade potential in food products, Latin America and the Caribbean needs to continue addressing United States sanitary, phytosanitary and technical standards

- In order to guarantee public safety and to ensure compliance with the standards and regulations in force in the United States, the Food and Drug Administration (FDA) inspects a portion of the imports of food and cosmetic-medical industries attempting to enter the United States market.
- In the United States food imports amount to over US\$ 100 billion a year and make up about 16% of all foods consumed. Almost one third of those imports come from Latin America and the Caribbean.
- In 2010, there was a 10% increase in the number of refusals. This is more likely to reflect a 14% surge in the value of imports, than the lack of capacity on the part of the region to comply fully with United States standards and regulations.
- Food products account for about 70% of refusals for the region. Vegetables, confectionery and seafood products are the industry groups most frequently refused entry among Latin America and Caribbean countries.

■ Table 12 ■

Latin America and the Caribbean: most common industry groups refused entry by United States Food and Drug Administration, 2007-2010
(Number of refusals and millions of dollars)

FDA Industry Group	Shipment refused per year				Total shipments	Total violations	Average violations per entry line
	2007	2008	2009	2010			
All products	3 346	3 050	2 814	3 117	12 327	16 381	1.23
Food products	2 480	2 263	2 053	2 122	8 918	11 777	1.32
Vegetables and vegetable products	888	401	366	510	2 165	2 365	1.09
Candy (not chocolate) and gum	221	219	460	269	1 169	1 726	1.48
Fishery and seafood products	187	148	270	248	853	1 024	1.2
Snack food items	39	91	104	197	431	714	1.66
Fruit and fruit products	119	128	150	118	515	609	1.18
Spices, flavors and salts	99	467	80	103	749	875	1.17
Soft drinks and water	111	100	73	85	369	679	1.84
Cheese and cheese products	113	76	68	79	336	445	1.32
Bakery products, dough, mixes and icing	38	63	47	70	218	344	1.58
Fruit and fruit products	55	40	30	54	179	221	1.23
All other products	866	787	761	995	3 409	4 604	1.35
Human and animal medicine	369	360	307	287	1 323	1 749	1.32
Cosmetics	109	82	170	180	541	739	1.37
General and plastic surgery instruments	23	7	10	165	205	239	1.17
Vitamins, supplements and minerals (human and animal)	126	152	91	158	527	865	1.64
Pet and laboratory animal food	0	5	0	47	52	52	1
Dental supplies and instruments	6	15	9	38	68	85	1.25
Antibiotics (human and animal)	48	37	24	23	132	166	1.26
Obstetrical and gynecological supplies instruments	11	0	6	19	36	48	1.33
Ophthalmic supplies and instruments	10	8	13	18	49	74	1.51
General hospital and personal use supplies and instruments	17	28	15	13	73	110	1.51
Imports subject to inspection (millions of dollars)	23 587	25 503	25 485	29 092			

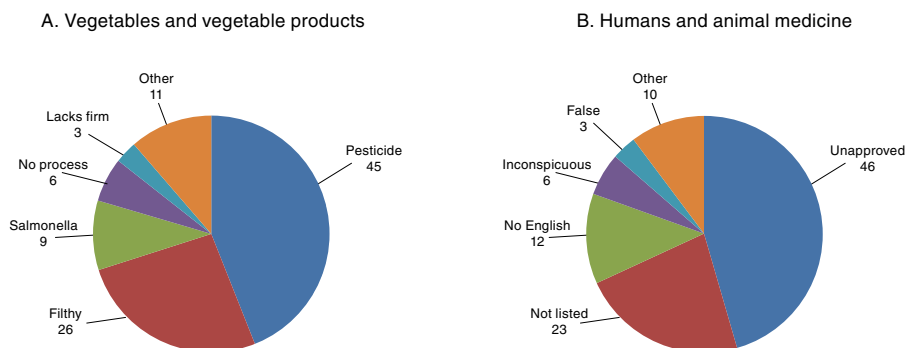
Source: Economic Commission for Latin America and the Caribbean (ECLAC), Observatory of customs controls for United States imports (OCAI), on the basis of data from the FDA Operational and Administrative System for Import Support (OASIS). Imports data from the United States International Trade Commission.

28. A large volume of United States imports from the region is refused entry on the grounds of non-compliance with technical standards and regulations

- Nearly half the shipments of vegetables refused entry into the United States present excessive levels of pesticide residue, while a quarter have dirty products or packaging.
- Among non-food products, human and animal medicines receive the highest number of refusals, with the violations having to do with the failure to follow standards and procedures, such as providing a certificate of approval for a new drug. This accounts for 46% of the refusals for this industry group in 2010.

■ Figure 28 ■

Principal reasons for refusal of import of vegetables and medicines from Latin America and the Caribbean, 2010



Source: Economic Commission for Latin America and the Caribbean (ECLAC) Washington Office, Observatory of customs controls for United States imports (OCAI), on the basis of data from the FDA's Operational and Administrative System for Import Support (OASIS).

Codes Descriptions

PESTICIDE: The article appears to be a raw agricultural commodity that bears or contains a pesticide chemical which is unsafe.

FILTHY: The article appears to consist in whole or in part of a filthy, putrid, or decomposed substance.

SALMONELLA: The article appears to contain Salmonella, a poisonous and deleterious substance which may render it injurious to health.

NO PROCESS: It appears that the manufacturer has not filed information on its scheduled process as required by law (21 CFR 108.25(c)(2) or 108.35(c)(2)).

LACKS FIRM: The article is in package form and appears to not bear a label containing the name and place of business of the manufacturer, packer, or distributor.

UNAPPROVED: The article appears to be a new drug without an approved new drug application.

INCONSPICUOUS: Information required to be on the label or labeling does not appear to be conspicuous enough as to render it likely to be read and understood by the ordinary individual under customary conditions of purchase and use.

NOT LISTED: It appears that the drug or device is not included in a list required by Section 510(j), or a notice or other information respecting it was not provided as required by section 510(j) or 510(k).

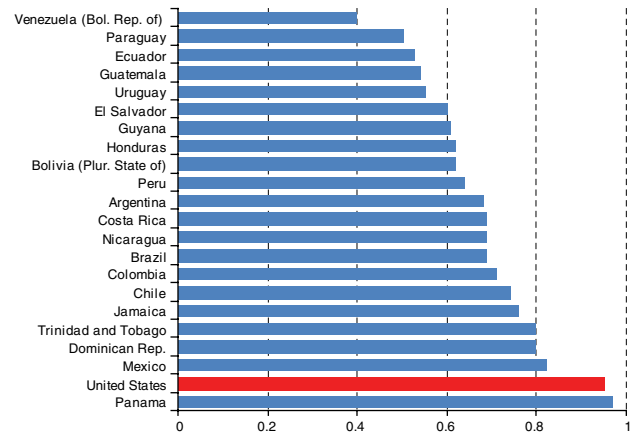
NO ENGLISH: Required label or labeling appears to not be in English in violation of law requirements.

FALSE: The labeling for this article appears to be false or misleading in that it fails to reveal a material fact.

29. The Latin American and Caribbean region shows major lags in the area of trade facilitation

- Trade facilitation must be understood not simply as a reduction in the number of bureaucratic formalities associated with external trade, or in the time necessary for completing them, but also as an integrated approach that seeks to streamline trade transactions, including the availability of transport and ICT infrastructure. As such, it plays an essential part in developing a country's international competitiveness. Such an integrated logistical system can make it easier to attract FDI and can contribute to the modernization and gradual globalization of SMEs.
- The two areas in which the Latin American region is weak are customs and infrastructure. Urgent measures should be taken to improve customs procedures and port infrastructure and facilities. However, for the short term, improvements to border and transport efficiency, which cost considerably less than investment in physical infrastructure, show promising results for developing countries.

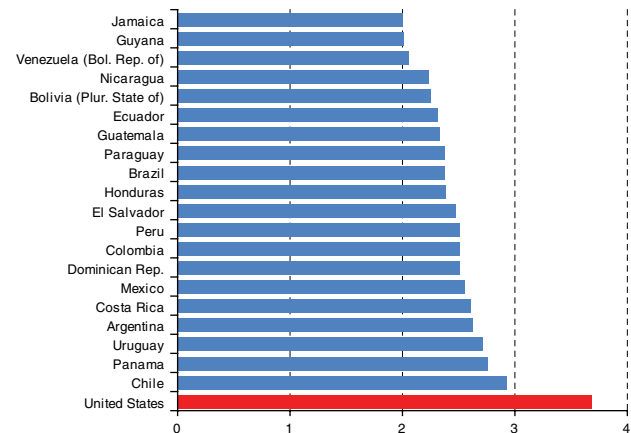
Figure 29
Border and transport efficiency^a
(Principal factor; 1=best)



Source: A. Portugal-Pérez and John S. Wilson, "Export Performance and Trade Facilitation Reform. Hard and Soft Infrastructure", Policy Research Working Paper World Bank.

^aBorder and transport efficiency aims to quantify the level of efficiency of customs and domestic transport as reflected in the time, cost, and number of documents necessary for export and import procedures.

Figure 30
Customs performance index
(Score in the range of 0-5)



Source: "Connecting to Compete 2010: Trade Logistics in the Global Economy", World Bank, Washington, D.C.

30. It is essential to set up institutions for harmonizing procedures, especially to ensure interoperability and standardization of procedures

- Table 13 shows a number of proposals for action in the area of trade facilitation which could have a positive impact on regional integration, the streamlining of transport flows and international trade costs.
- An attempt should also be made to speed up legal agreements that recognize modern business instruments (electronic billing, electronic certificates of origin, and interagency single windows, among others).
- The United States can cooperate with countries of Latin America and the Caribbean in strengthening national and regional capacities in each area, in order to further promote its trade and investment relations with the region

■ **Table 13** ■
Opportunities in trade facilitation and transport

Area	Suggestions for the short term
E-Commerce	<ul style="list-style-type: none"> – Seek common ground (such as standards) to enable interconnection among regional actors – Eliminate red tape in customs – Form business partnerships to enhance international competitiveness – Strengthen logistical and transport systems – Recognize electronic signatures
Single Window	<ul style="list-style-type: none"> – Designate a central coordination entity at the national level and a regional centre for system recognition and interoperability – Promote coordination and consistency among national systems to facilitate interoperability – Use universally accepted systems for paperless trade
Customs procedures	<ul style="list-style-type: none"> – Adopt compatible administrative systems to enable interconnection and reduce the time and costs of procedures – Disseminate such systems in the private sector, particularly among SMEs – Promote regional coordination to expedite procedures – Use pre-shipment inspections and other mechanisms to cut waiting times at loading and unloading points – Strengthen the use of ICT for security purposes, in accordance with international standards
Streamlining the transport chain	<ul style="list-style-type: none"> – Accelerate regional integration projects, especially those involving infrastructure and interconnections that will benefit landlocked countries – Coordinate with the private sector to identify bottlenecks in a timely manner and propose joint projects – Foster intermodal and complementary means of transport
Adoption of international standards	<ul style="list-style-type: none"> – Disseminate models for electronic documents (eDocs) available from the United Nations Centre for Trade Facilitation and Electronic Business (CEFACT) – Disseminate and adopt international regulations governing maritime transport, handling of dangerous cargo and other international documents for facilitating international transport – Implement e-government systems, especially international standards and classifications, to permit paperless trade
Phytosanitary standards	<ul style="list-style-type: none"> – Ensure consistency with international standards and cooperation and training for the fulfillment of health and safety requirements – Put in place sampling and prevention techniques aimed at avoidance or early detection of risks in the distribution chain, thus forestalling large-scale health emergencies
Interface between the public and private sectors	<ul style="list-style-type: none"> – Set up centers to train SMEs in ICT use – Strengthen export financing mechanisms using elements of trade and e-governance to deal with any reduction in the supply of private financing

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Main messages

In recent years, the United States has lacked a trade strategy towards Latin America and the Caribbean

- The United States has not had a comprehensive trade strategy towards the region since the abandonment of the Free Trade Area of the Americas (FTAA) project. It opted instead for a policy of bilateral FTA negotiations with particular countries.
- The bilateralist approach has two major problems. First, trade agreements between the United States and Latin American and Caribbean countries remain of the “hub and spokes” type, with the United States as the hub and the Latin American and Caribbean partners as the spokes. This means that the benefits of “connecting” the several FTAs, for example by allowing cumulation of origin between the United States and all its Latin American and Caribbean partners, are not exploited. Second, there does not appear to be a clear United States policy to engage those countries in the region which are not FTA partners.
- There are also important legacy issues that remain unresolved. First, the FTAs signed with Colombia and Panama in 2006 and 2007, respectively, are still pending congressional approval in the United States. Second, preferential schemes of great importance to several Latin American and Caribbean countries, such as the Andean Trade Preferences Act (ATPA), the Andean Trade Promotion and Drug Eradication Act (ATPDEA) and the Generalized System of Preferences (GSP), are being undermined by protectionist interests within the United States Congress. Third, a solution to the longstanding dispute concerning access by Mexican trucks to United States territory remains to be implemented.
- The main focus of United States negotiating efforts today is clearly the Asia-Pacific region, as evidenced by the leading role the United States has assumed in the ongoing negotiations towards enlargement of the Trans Pacific Partnership Agreement (TPP). Two countries from the region (Chile and Peru) currently participate in this process. However, it remains unclear whether, when and on what terms other

interested Latin American and Caribbean countries will be allowed to join it.

- At the multilateral level, there is a widespread perception in the region that the United States has not shown enough leadership to bring the Doha Development Round to long overdue closure. In particular, it is widely considered that the package that has been on the table since 2008 reflects a carefully struck compromise and a basis for a final agreement, a view not shared by the United States.
- For their part, Latin American and Caribbean countries have not been sitting on the sidelines. In recent years several countries and groupings from the region have concluded association or partnership agreements with the European Union (CARIFORUM; the Central American countries plus Panama; Colombia and Peru), while others are engaged in such negotiations (MERCOSUR). Moreover, several countries in the region have begun to send a growing share of their exports to China and other Asia-Pacific economies, and to conclude free trade or association agreements with partners such as China, Japan and the Republic of Korea, among others. As a result of all these initiatives, the United States is fast losing ground in the region.

The United States and Latin America and the Caribbean: towards a new economic and trade partnership

- After showing unprecedented resilience during the recent world economic crisis, Latin America and the Caribbean has resumed the path of high growth and reduction of unemployment and poverty that characterized it during most of the past decade. Its economic dynamism, coupled with an improved economic policy framework, means that the region will become an increasingly attractive market in the coming years. Moreover, it is well endowed with natural resources that are needed to fuel economic growth within the region and elsewhere.

- For its part, the United States emerges from the recent world crisis with the need to reduce its dependence on external financing. This means substantially increasing its net exports. The United States economy has considerable strengths that should help it achieve this goal, including its leading position in science and technology, its sophisticated capital markets and its culture of innovation.
 - Beyond obvious differences of scale and starting points, the United States and Latin America and the Caribbean face similar challenges in a globalized world economy. Both need to further internationalize their economies in a way that creates quality employment and helps to raise living standards and reduce inequality within their societies.
 - Meeting this goal requires increased efforts in areas such as science and technology, innovation, internationalization of firms, strategic alliances, and participation in global value chains. The United States and Latin America and the Caribbean should thus build a new hemispheric partnership, one whose focus is meeting the common challenges of globalization for the benefit of their entire populations.
 - The Heads of State and Government of the Americas, meeting in Trinidad and Tobago in April 2009, recognized that trade makes a positive contribution to the promotion of growth, employment and development in their countries. The new hemispheric partnership proposed here should therefore address both outstanding trade issues and those which are essential to the competitiveness of the Americas going forward.
- The reincorporation of the Plurinational State of Bolivia to the benefits of the Andean Trade Preferences Act (ATPA) and Andean Trade Promotion and Drug Eradication Act (ATPDEA).
 - Prompt renewal of the ATPA, ATPDEA and GSP preferential schemes, for a period sufficiently long to provide a stable timeframe for beneficiary countries in Latin America and the Caribbean.
 - Prompt approval (during 2011) by the United States Congress of the pending Free Trade Agreements (FTAs) with Colombia and Panama.
 - Resolution of longstanding disputes within the North American Free Trade Agreement, such as that concerning the access of Mexican trucks to United States territory.
 - Substantial reduction/elimination of the United States tariff on ethanol in the context of the Doha Round, as a contribution towards greater use of clean energies and the fight against climate change.

Concerning outstanding issues in hemispheric trade relations, the following actions are proposed:

- A common pledge to support world economic recovery by refraining from imposing new trade barriers, along the lines of the commitment first adopted by the members of the G20 in December 2008.
- A common pledge to conclude in 2011 the Doha Development Round, as this is essential to preserve the credibility of the multilateral trading system and more generally of multilateral cooperation to address global issues.

Going forward, the United States and Latin American and Caribbean countries could strengthen their cooperation on the following areas:

1. Trade negotiations
 - (a) Allow cumulation of origin across all United States FTAs in the Americas, so as to promote productive integration and the development of regional value chains.
 - (b) Concerning the ongoing negotiations of the Trans Pacific Partnership Agreement (TPP):
 - Promote the accession to the negotiations of interested countries from the Americas.
 - Ensure an adequate balance between outcomes on “new” issues (intellectual property, investment, services, labour and environmental standards, regulatory coherence) and those on traditional and other areas of particular interest to developing country participants (antidumping, agricultural market access, movement of natural persons, transport services, public procurement).
 - Promote cumulation of origin among all participants.
2. Strategic dialogue

- (a) Establish a regular dialogue between the United States and the other countries from the Americas represented in the G20, to discuss and seek coordinated approaches to issues of systemic importance (for example, reform of the world financial architecture, the rebalancing of the world economy, the combating of climate change, and how to deal with surges in commodity prices, among others).

3. Economic cooperation

- (a) Establish an integrated hemispheric programme of economic cooperation, funded by national governments, regional development banks and other sources (for example, the Aid for Trade initiative of WTO). This programme, which could build on the ongoing “Pathways to Prosperity” initiative, should cover the following areas:

- The development of transport and logistical infrastructure across the Americas (ports, airports, roads).
- Trade facilitation, including reducing red tape in Latin American and Caribbean countries and assisting them to meet United States security requirements.
- Helping to implement in Latin America and the Caribbean programmes aimed at assisting and retraining workers who might have lost their jobs due to import competition, building on United States experience with the Trade Adjustment Assistance (TAA) scheme.
- Administration of trade agreements

- Improve the availability and quality of information about FTA opportunities and requirements.
- Assist firms from Latin American and Caribbean countries to meet United States quality and other standards (technical, sanitary, and so on).
- Internationalization of firms: promote alliances between firms from both Latin American and Caribbean countries and the United States, in particular SMEs, including through the accession of SMEs to regional value chains.
- Ensuring a stable and adequate provision of trade finance, especially to countries with insufficient access to private sources.
- Education: promote literacy in English within Latin American and Caribbean countries, and in Spanish within the United States; increase the number of scholarships at both bachelor and graduate levels; promote two-way work internships and alliances between research centres in the United States and in Latin American and Caribbean countries.
- The new partnership envisaged here goes beyond traditional views of North-South cooperation. It is based on mutually advantageous cooperation among equal partners, working together to meet the challenges and exploit the opportunities that today’s globalized economy presents to all of them.

