

International Trade Outlook



Latin America and Caribbean foreign trade will grow in 2018 amid global tensions that call for stronger regional integration

The value of regional goods exports rose 9.7% in 2018, registering a second straight year of growth after the heavy decline seen between 2012 and 2016. This increase combines rises of 7.6% in prices and 2.1% in volumes. Export values for trade within the region climbed 12%, while the value of exports to the rest of the world rose 9.3%.

Key Messages

- The value of regional goods exports rose 9.7% in 2018, registering a second straight year of growth after the heavy decline seen between 2012 and 2016. In volume terms, however, the region's export performance remains sluggish.
- The region as a whole is a net exporter of minerals and metals, with an 8% share in global exports in this sector. However, these exports are typically relatively unprocessed.
- The global boom in clean technologies offers a great opportunity for the region to embed more local value added and improve the environmental sustainability of its mining exports.
- The region has rapidly increased its consumption of imported products through foreign-owned electronic platforms, but it has not increased its exports through this means to the same extent.
- To promote e-commerce in the region, ECLAC proposes boosting the regional digital market; promoting digitalization and simplified trade financing; modernizing customs offices and postal services; and reducing the costs of online cross-border payments.



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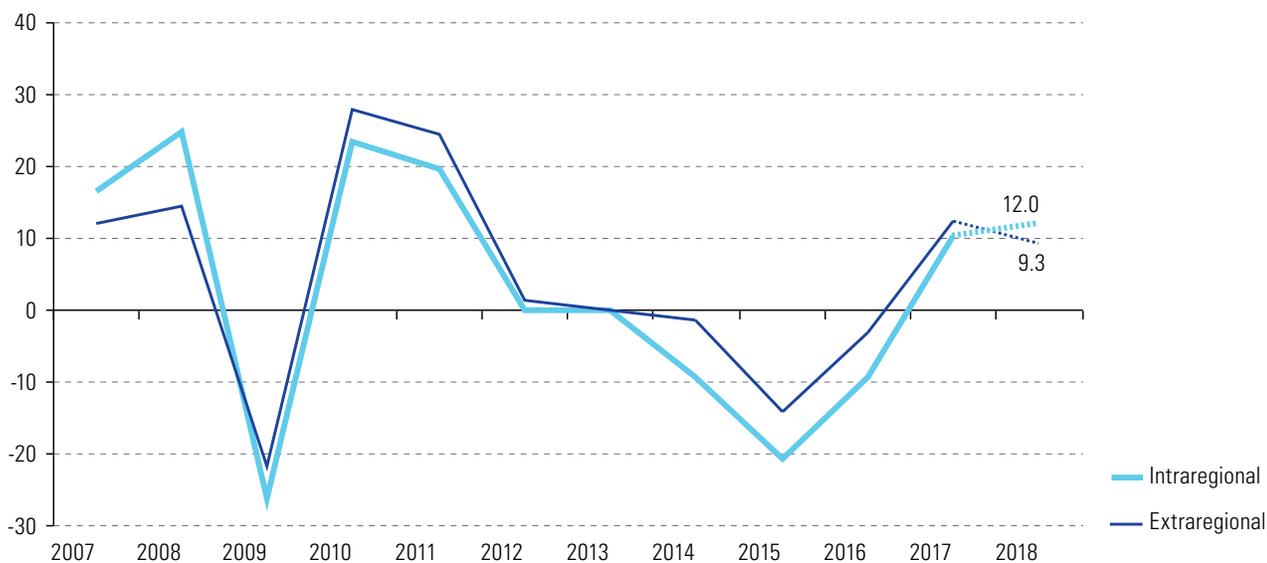
ECLAC



Despite the increase, the region's export volume is growing at less than half the pace of developing economy exports overall, which World Trade Organization (WTO) projections place at 4.6%. The region's goods imports will also rebound in 2018 for a second straight year: by value these are up 9.5% but, unlike the pattern with exports, the growth is stronger in volume (4.9%) than in price (4.6%).

be attributed entirely to an increase in volumes, since the prices of the export basket will fall slightly (-0.8%), owing to declines in products such as sugar and coffee. Manufactured exports from Mexico and Central America are benefiting from vigorous demand in the United States.

Figure 1. Latin America and the Caribbean: annual variation in the value of intraregional and extraregional exports, 2007–2018^a (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data from the countries' central banks, customs offices and national institutes of statistics.

^a The figures for 2018 are estimates.

The region's foreign trade in 2018, in addition to reflecting each country's level of economic activity, will be determined by the structure of export and import baskets, as well as by the external demand of its main trading partners. In South America, for example, the growth forecast for exports (10.2% by value) entirely reflects the increase in commodity prices, especially for oil and minerals and metals. A similar trend is seen in the Caribbean, where the expected sharp rise (12.1%) is strongly influenced by higher prices for the oil and gas exported by Trinidad and Tobago.

In the case of Mexico, volume and prices will make similar contributions to the expansion of exports (a total of 9.5% by value). Lastly, in Central America, projected growth in exports (3.6%) may

With regard to the region's main trading partners, the largest rise in 2018 is the 28% jump in exports to China—which are made up almost entirely of raw materials and natural-resource-based manufactured goods. This entrenches the region's specialization in commodities exports, particularly in South America. In contrast, exports within the region and to the United States, which tend to have greater manufactured content, are growing at significantly lower rates (12% and 7.1%, respectively).

On the import side, those from China—the second largest origin of imports into Latin America and the Caribbean, after the United States—are also the fastest-growing. These are composed nearly entirely of manufactured goods that compete with regional production in various sectors.

A scaling-up of protectionism would entail serious risks for the global economy and, therefore, for the region as well.

The backdrop to current trade tensions between the United States and China is the dispute for global economic and technological leadership, as well as the debate over the coexistence of different development patterns. According to ECLAC, in the short term these tensions could have a positive impact on regional exports, but a scaling-up of protectionism would entail serious risks for the global economy and, therefore, for the region as well.

Latin America and the Caribbean: a net exporter of minerals and metals

The region as a whole is a net exporter of minerals and metals, with an 8% share in global exports in this sector. However, these exports are typically relatively unprocessed. The share of raw materials in the region's exports of minerals and metals (currently 37%) has nearly doubled in the past 20 years owing largely to demand from China and the rest of Asia. This situation is worrisome, the Commission says, because of the known problems associated with dependence on the export of raw mineral products, such as

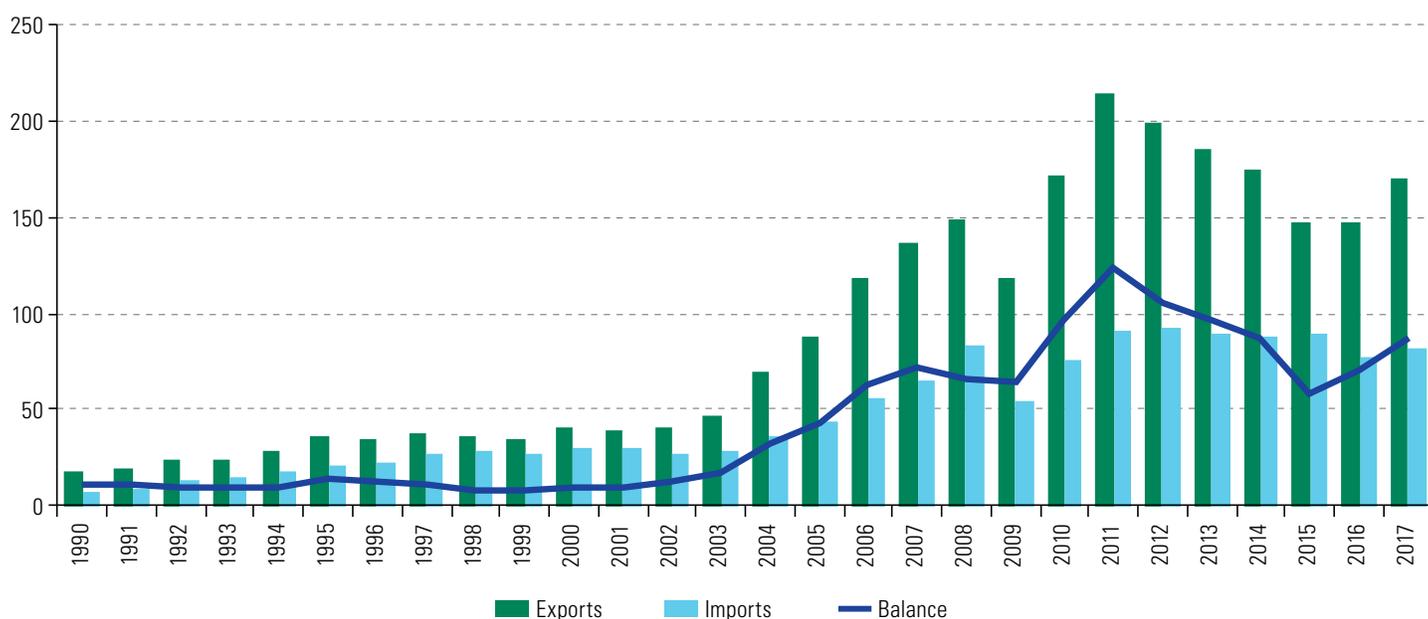
the vulnerability of exports, economic growth and tax income to price fluctuations; little value added or diversification into new products and services; and various types of environmental harm.

The growing global demand for metals associated with clean technologies (for example, lithium for electromobility) offers an opportunity for the region to pursue policies to embed more local value added and disseminate knowledge in relation to these resources. At the same time, environmental sustainability can become a powerful factor in differentiating the region's mining exports, for example if it reduces its carbon footprint by gradually replacing fossil fuels with non-conventional renewable energies in its production processes.

Cross-border e-commerce

ECross-border e-commerce has a great potential for invigorating and diversifying regional exports. The region has rapidly increased its consumption of imported products through foreign-owned electronic platforms, but it has not increased its exports through this means to the same extent.

► **Figure 2.** Latin America and the Caribbean: trade in minerals and metals, 1990-2017
(Billions of dollars)

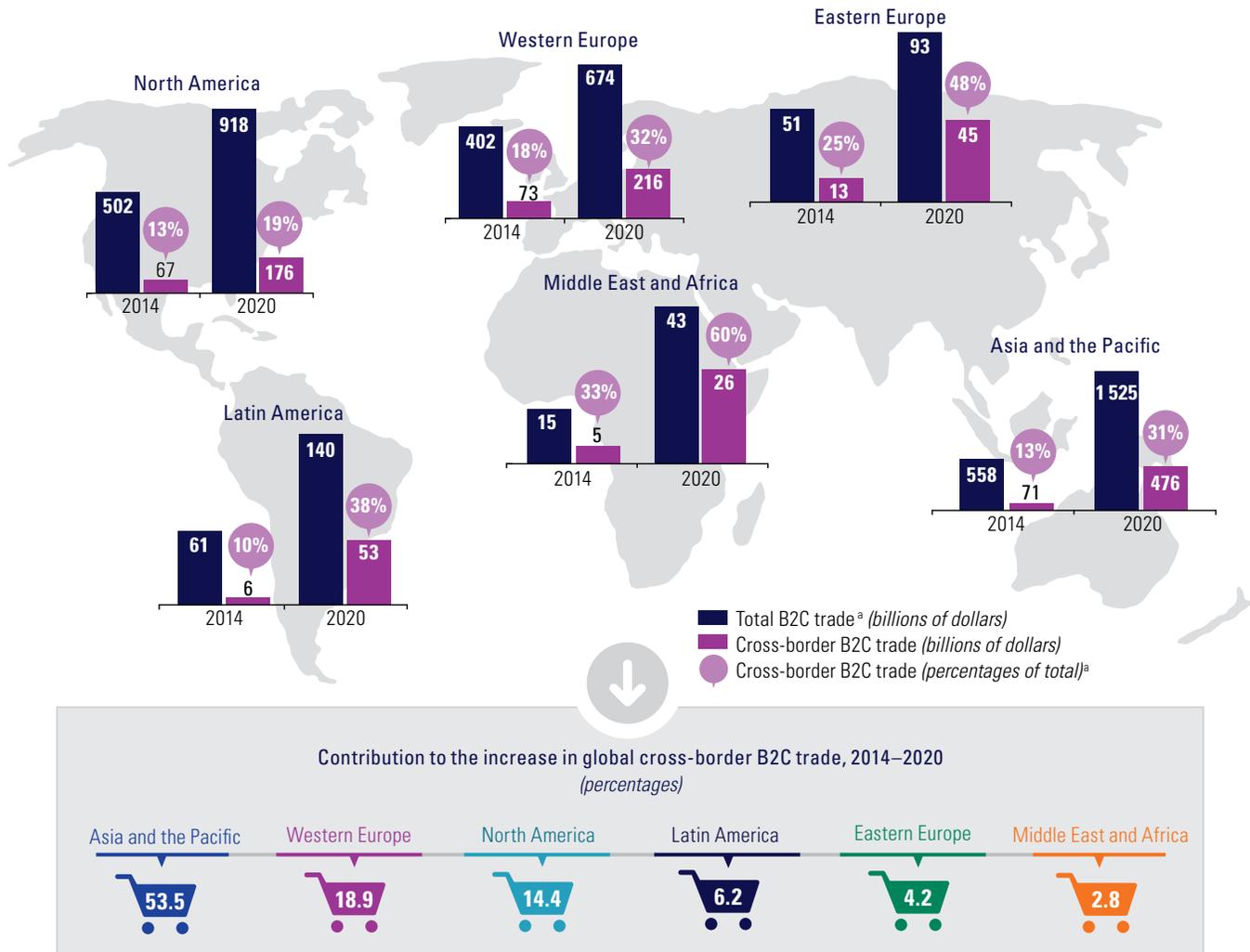


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of UN Comtrade-International Trade Statistics Database.

The share of Latin America and the Caribbean in global cross-border electronic commerce is set to rise from 2.6% in 2014 to 5.3% in 2020, according to the report. To promote e-commerce in the region, ECLAC proposes boosting the regional

digital market; promoting digitalization and simplified trade financing; modernizing customs offices and postal services; and reducing the costs of online cross-border payments.

Diagram 1. Share of the world's regions in global e-commerce between businesses and consumers (B2C), 2014 and 2020 (Billions of dollars and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of AliResearch and Accenture, Global Cross Border B2C e-Commerce Market 2020: Report highlights & methodology sharing, 2016 [online] http://unctad.org/meetings/en/Presentation/dtl_eweek2016_AlibabaResearch_en.pdf.

^a The total refers to domestic and international purchases (imports).