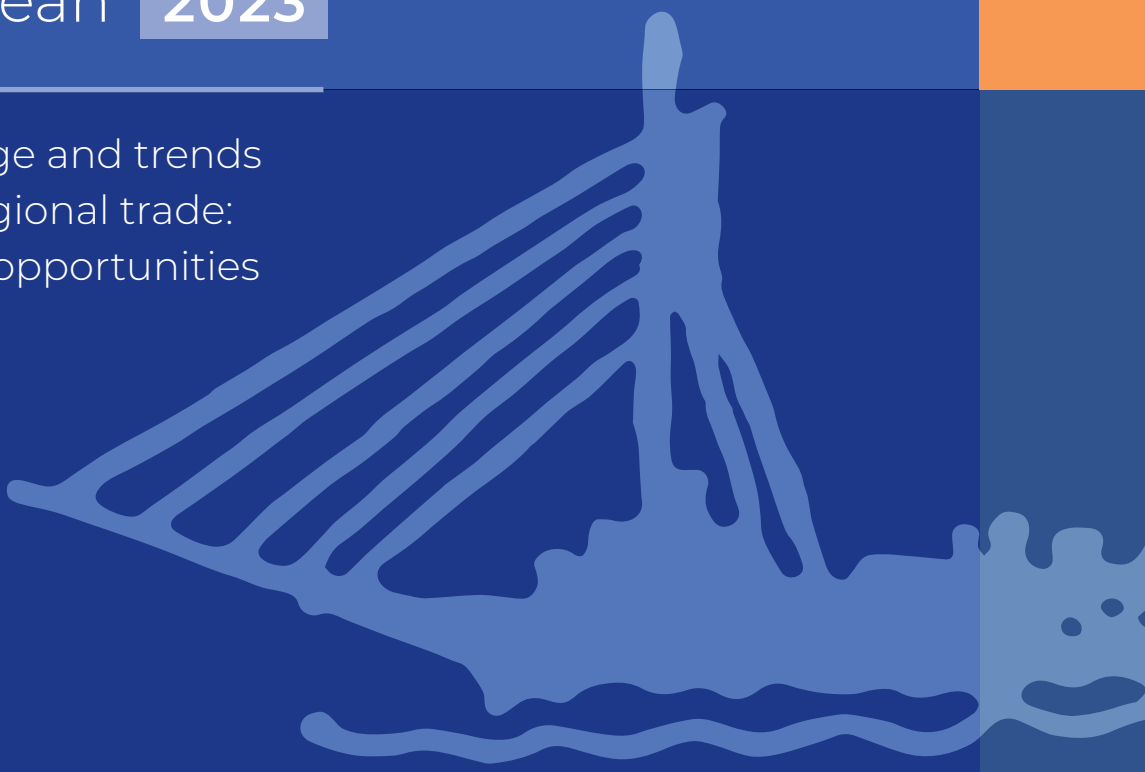
International Trade Outlook for Latin America and the Caribbean 2023

Structural change and trends in global and regional trade: challenges and opportunities



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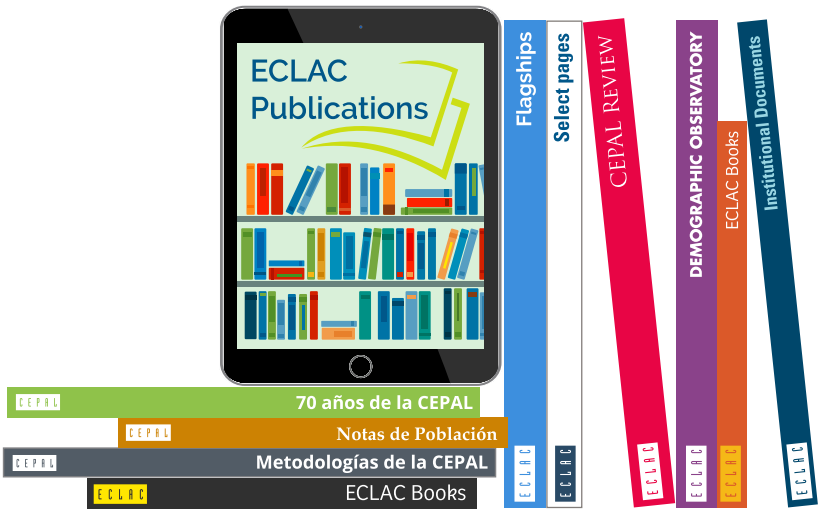

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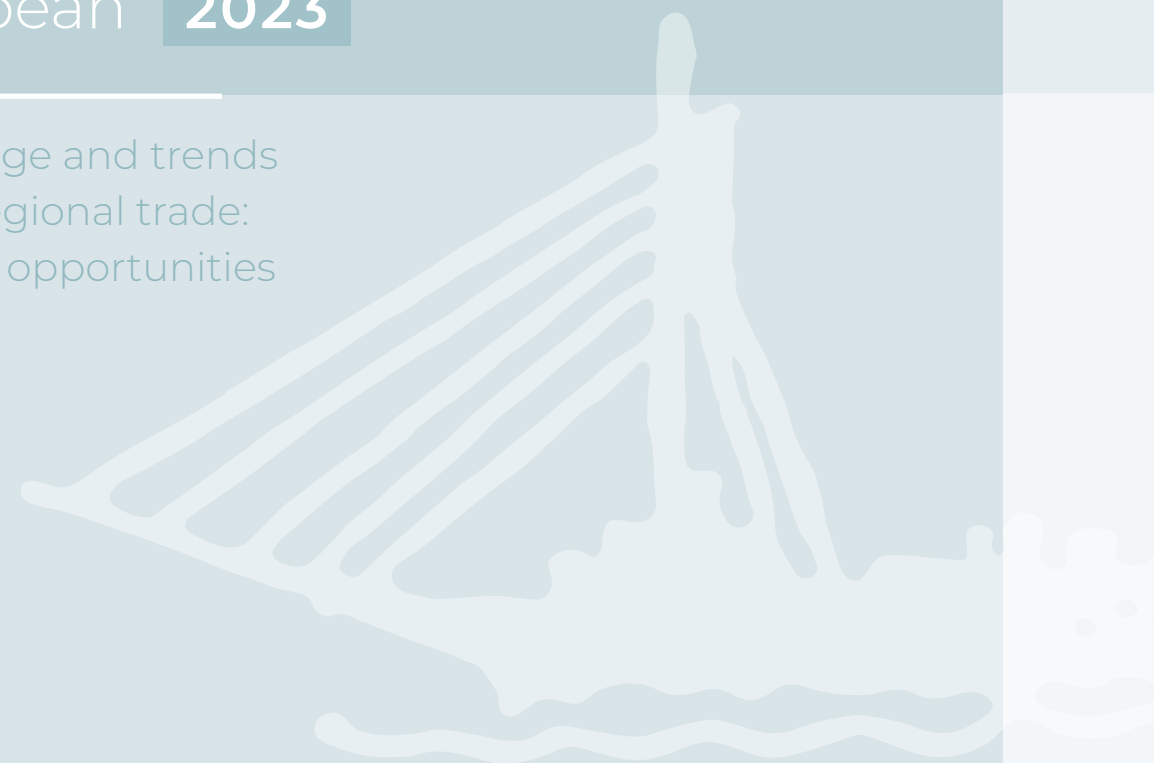

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Working for a productive, inclusive and sustainable future

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Explanatory notes:

Three dots indicate that data are not available or are not separately reported.
A dash indicates that the amount is nil or negligible.
A full stop is used to indicate decimals.
The word "dollars" refers to United States dollars, unless otherwise specified.
A slash between years (e.g. 2022/2023) indicates a 12-month period falling between the two years.
Individual figures and percentages in tables may not always add up to the corresponding total because of rounding.

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Introduction

The 2023 edition of the *International Trade Outlook for Latin America and the Caribbean* has three chapters. Chapter I examines recent developments in global and regional trade in a slow-growth context framed by contractionary monetary policies in the United States and Europe, the real estate crisis in China and a growing influence of geopolitics on trade. After two years of double-digit growth, the value of regional goods exports will fall in 2023. Export volumes are expected to expand, but not enough to offset the fall in the prices of most of the raw materials exported by the region. Thus, the performance of regional exports —particularly from South America— continues to be strongly driven by commodity price fluctuations. In this complex environment, the projected expansion of services exports is good news. However, these too will be weaker than in 2022, as the tailwind from the recovery in international tourism has faded as the industry approaches pre-pandemic levels. Regional imports of goods will also decline in 2023 amid the sharp economic slowdown, while imports of services will rise, but at a slower rate than in 2022. Global goods trade is projected to regain some impetus in 2024, which should give a fresh boost to the region's exports. However, the great challenge remains of diversifying and adding knowledge to the region's goods and services exports in order to position it more sustainably and dynamically in global trade.

Chapter II presents an overview of the region's trade relationship with China during this century. Bilateral trade has expanded exponentially, multiplying by a factor of 35 between 2000 and 2022. China has become the region's second largest trading partner; indeed, the largest in the case of South America. Meanwhile, since 2018 China has imported a larger share of its total imports from this region than from the United States. However, although bilateral trade has expanded significantly, structurally speaking it has hardly changed in the past two decades: while almost all the region's exports to China are raw materials and natural-resource-based manufactures, imports from China comprise almost entirely low-, medium- and high-tech manufactures. The increasing penetration of Chinese manufactures has had conflicting impacts in the region: while it has afforded households and business in Latin America and the Caribbean access to a wide range of final, intermediate and capital goods, it has also significantly displaced regional production in various segments. In short, a productive development agenda geared towards diversifying exports is the main pending issue in the region's trade relations with China. In this context, the main opportunities to add value to exports to China in the short term lie in the food sector.

Chapter III provides an overview of the progress made by Latin American and Caribbean countries in implementing their respective trade facilitation agendas. Considerable progress has been made in implementing the World Trade Organization (WTO) Trade Facilitation Agreement, although the Caribbean subregion lags behind the rest of the region, which overall still shows much room for improvement in paperless trade. The region also suffers from serious deficiencies in its transportation and logistics infrastructure, as a result of insufficient public investment. Increasing the amounts allocated to infrastructure investment is a major challenge in the tight fiscal environments prevailing in most of the region's countries. Innovative financing options must therefore be explored, including in relation to the development of green infrastructure. Progress should also be made towards developing multimodal freight transport in the region, which has historically been dominated by road transport.

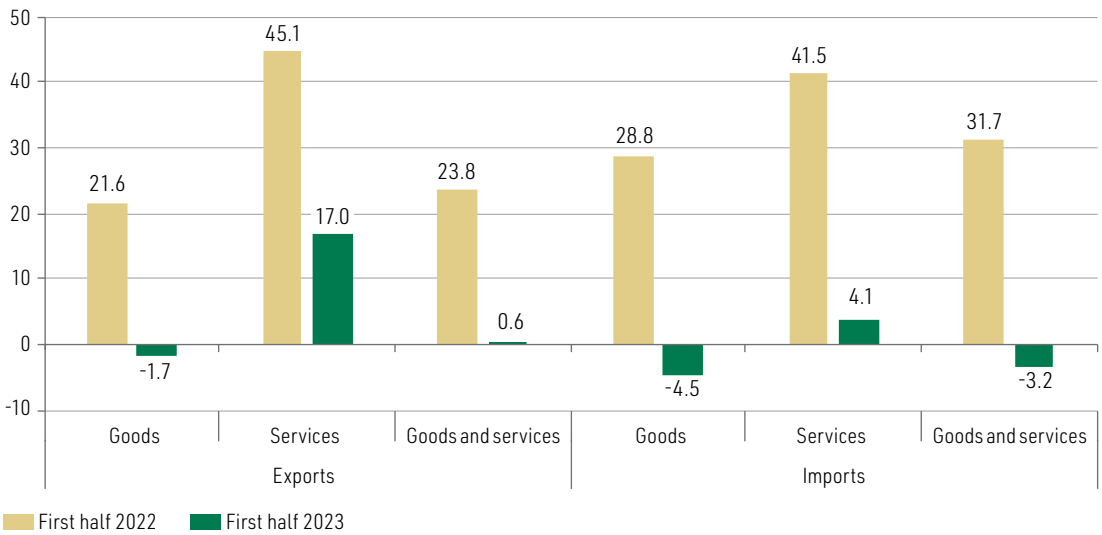
Summary

A. Structural and cyclical factors weaken regional and global trade

After growing by 2.7% in 2022, the volume of global trade in goods declined 1.6% year-on-year in the period from January to July 2023 and, according to the latest projections from the World Trade Organization (WTO), it will rise by just 0.8% over the full year. This slowdown reflects weaker growth in global output in 2023, in a slow-growth context framed by contractionary monetary policies in the United States and Europe, the real estate crisis in China and growing links between geopolitics and trade. The outlook for the world economy could deteriorate even further, depending on developments in the conflict between Israel and Hamas.

In line with the global trend, regional trade in goods and services slowed considerably in the first half of 2023, with year-on-year growth in value of 0.6% for exports and a drop of 3.2% for imports (see figure 1). There were declines in both exports and imports of goods (-1.7% and -4.5%, respectively). In contrast, service exports and imports grew 17.0% and 4.1%, respectively. In the case of goods (which accounted for 87% of the value of regional exports of goods and services in 2022), exports of mining and oil (-10.3%) and agricultural products (-4.8%) fell, and only manufacturing exports grew (1.6%). Exports of services, meanwhile, showed increases in all categories. In particular, travel exports rose by 25.6%, reflecting the ongoing recovery in tourism. Exports of modern services grew by 13.0% and the slowest growth was in transport services (up 8.3%), in keeping with the weakness of goods exports.

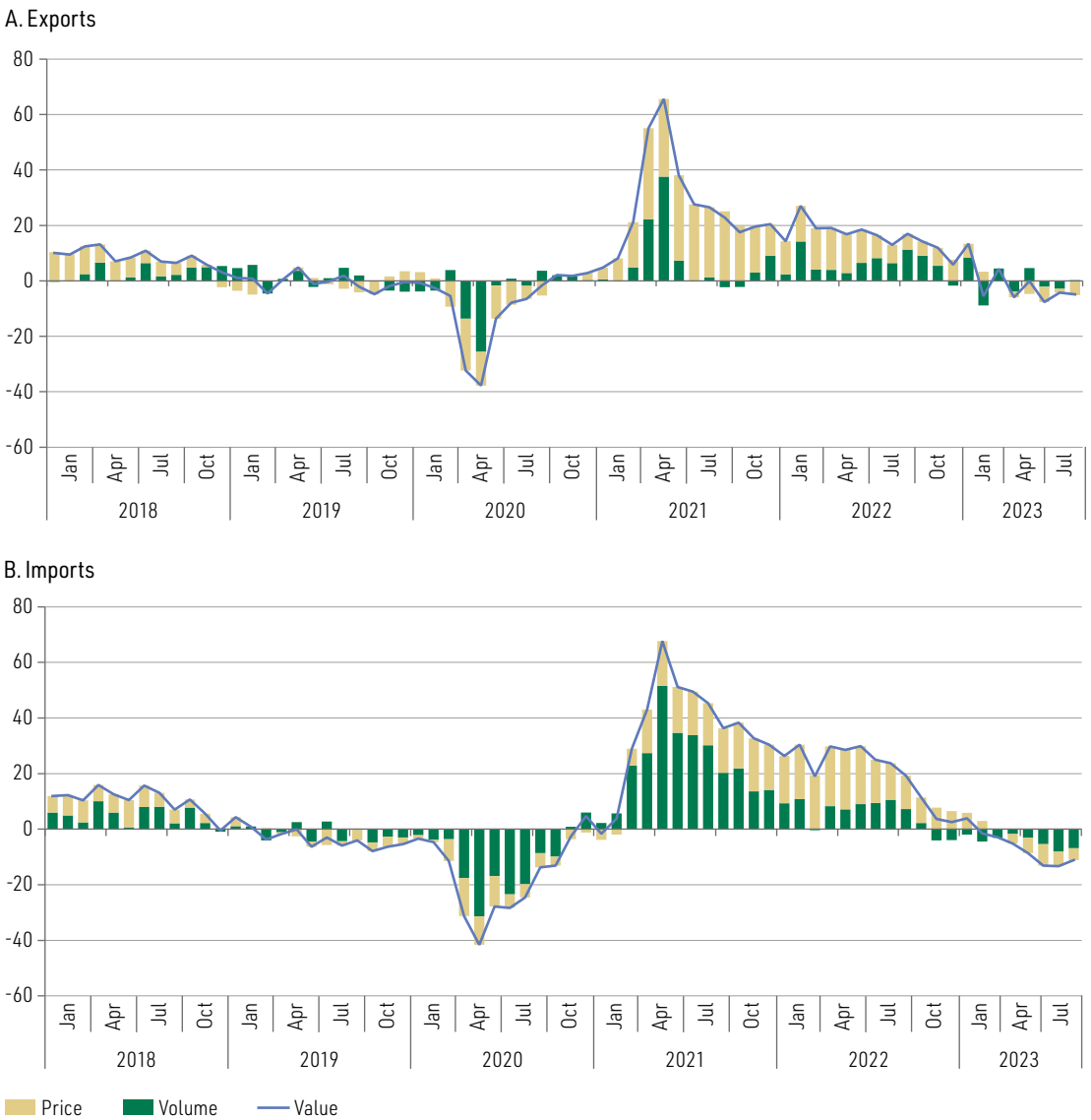
Figure 1
Latin America and the Caribbean: year-on-year variation in the value of trade in goods and services, first half of 2022 and first half of 2023
(Percentages)



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

Growth in regional trade in goods has slowed in 2023, especially on the import side (see figure 2). In the period from January to August 2023, export volumes grew 1% year-on-year, which was not enough to offset the drop in prices (-3.5%). As a result, the value of exports fell by 2.4% in the period. On the import side, both prices and volumes declined year-on-year in the first eight months of the year (-2.5% and -4.5%, respectively). The slowdown in trade in goods has been apparent in all major sectors.

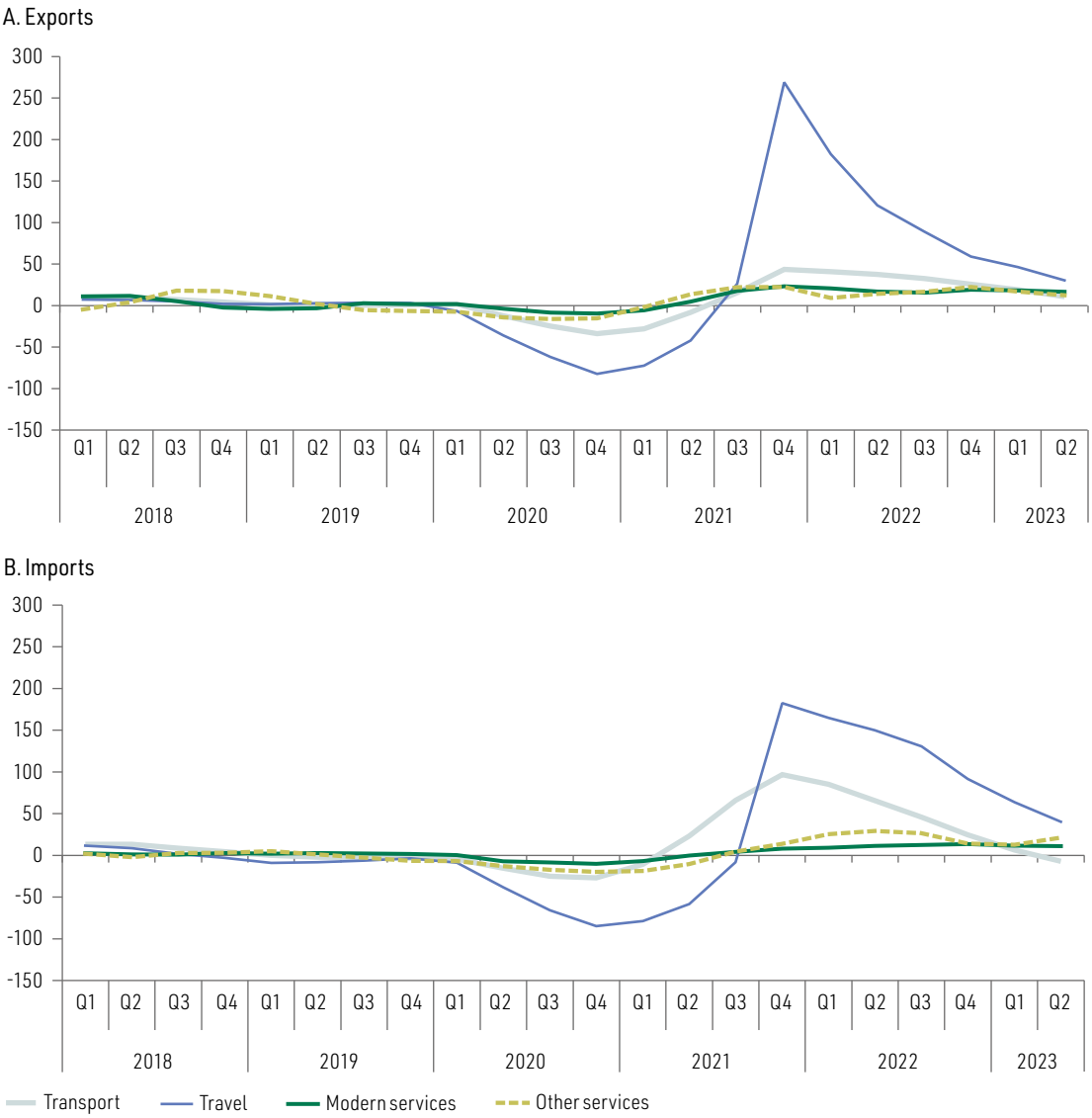
Figure 2
Latin America and the Caribbean: year-on-year variation in goods exports and imports by volume, price and value, January 2018–August 2023
(Percentages)



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

In the case of trade in services, growth in regional travel and transportation exports and imports has also trended down from the highs reached in the last quarter of 2021. This reflects the waning recovery in international tourism, the downward trend in seaborne freight rates and the weakness of regional trade in goods in 2023. In contrast, growth in trade in modern services has been steadier. In the second quarter of 2023, exports in this category grew 17% year-on-year (see figure 3).

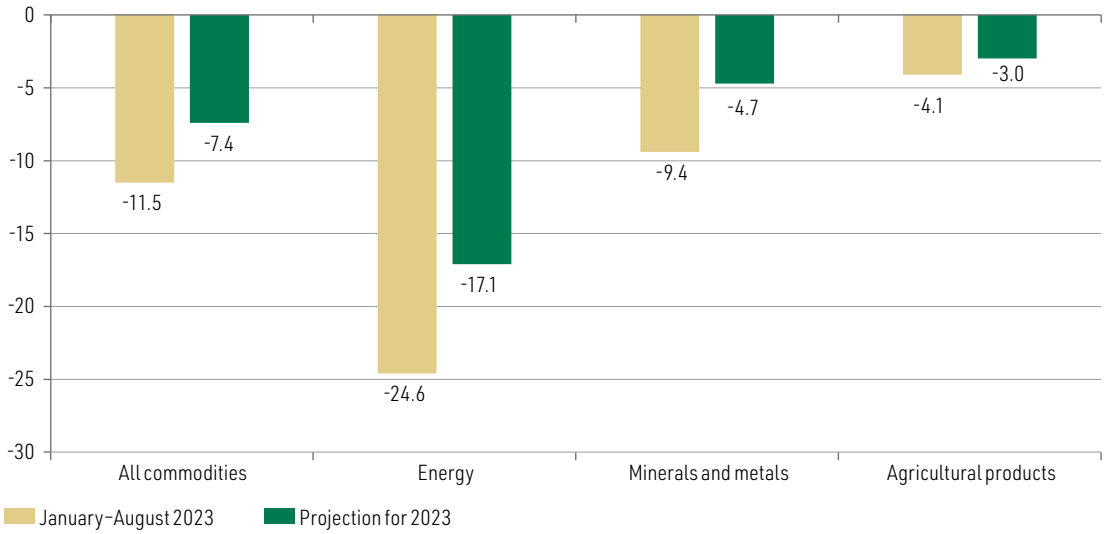
Figure 3
Latin America and the Caribbean: year-on-year variation in the value of trade in services, by category, first quarter 2018–second quarter 2023
(Percentages)



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

Between January and August 2023, the price index for the main commodities exported by the region fell by 11.5% year-on-year (see figure 4). Energy prices fell around 25%, reversing the surges seen in the same period of 2022, caused by the start of the war in Ukraine. For the full year, the falls are expected to be smaller than those recorded for January–August, primarily owing to a recovery in oil prices from July onward and an anticipated acceleration of economic growth in China in the second half of the year.

Figure 4
Latin America and the Caribbean: year-on-year variation in the prices of key export commodities, January–August 2023 and projection for 2023
(Percentages)

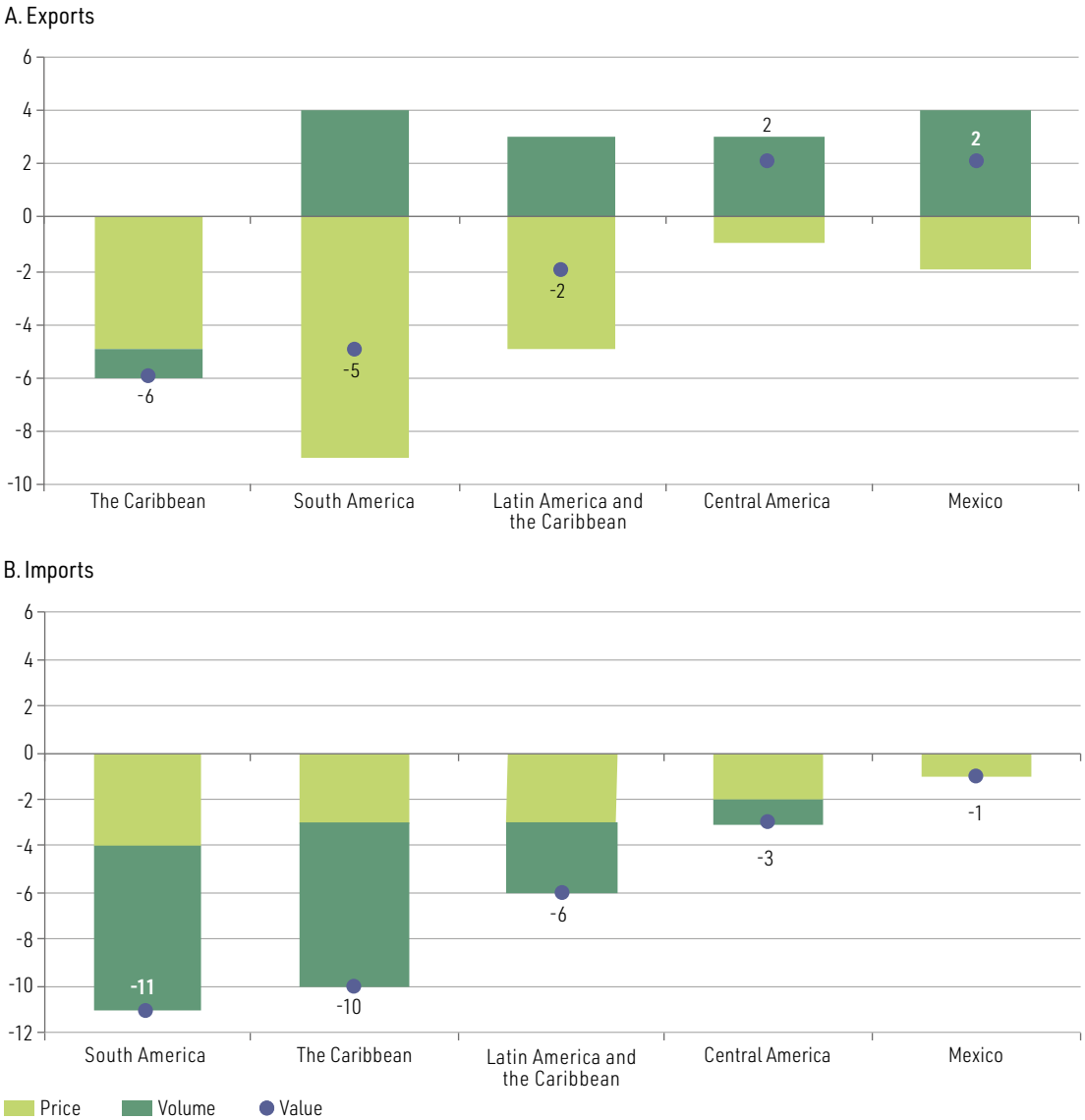


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the World Bank, Bloomberg, The Economist Intelligence Unit, the Buenos Aires Grain Exchange, the Chilean Copper Commission (COCHILCO) and the Agrarian Research and Policy Office (ODEPA) of Chile.

The Economic Commission for Latin America and the Caribbean (ECLAC) projects that, in 2023, the value of goods exports from Latin America and the Caribbean will contract by 2%, driven by a 5% decline in the prices for its main products and a 3% increase in export volume (see figure 5). South America's exports are expected to decline in value by more than the regional average (-5%), as the subregion has been especially affected by the fall in commodity prices in the first eight months of the year. Conversely, the value of exports from Central America and Mexico is set to rise by 2% in 2023, as growth in export volumes is forecast to more than offset the decline in prices. China is projected to be the region's fastest-growing export market in 2023, with a 4.7% rise in the value of shipments to the country. Exports to the United States are expected to grow by 1%, while those to the European Union, the region itself and the rest of Asia are on course to contract. By sectors, exports of manufactures are expected to grow by 1% in value terms, while those of agricultural goods and petroleum and minerals are set to fall by 4% and 10%, respectively. The value of regional imports of goods is expected to fall by 6% in 2023, as a result of the abrupt economic slowdown and the resulting decline in demand, with import prices and volumes both falling by 3%. Mexico is the main exception, as its import volume is expected to remain steady.

In 2023, regional service exports are projected to grow in value by 12%. Although this is below the growth figures for 2021 and 2022 (29% and 36%, respectively), it is above all the rates recorded between 2012 and 2019. Tourism and modern services account for more than 89% of the expected growth in service exports, with equal contributions from both sectors. Imports of services are projected to grow by 6%, much less than in 2022 (30%), in line with the slowdown in regional economic activity. The growth in tourism and modern services is expected to more than offset the projected decline in imports of transport services, caused by the fall in seaborne freight rates and the drop in goods imports.

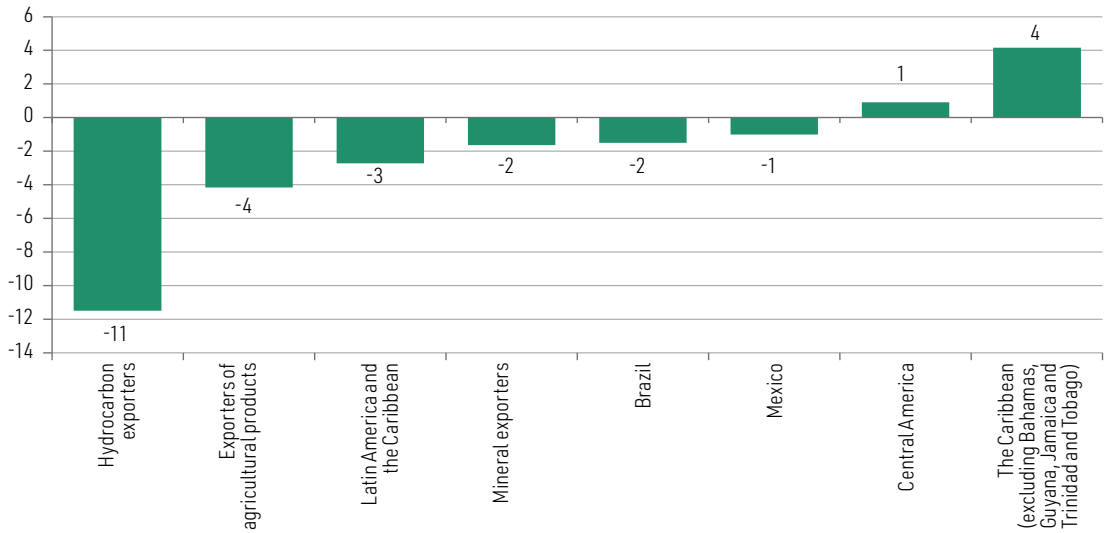
Figure 5
Latin America and the Caribbean (subregions and selected countries): projected variation in trade in goods, by price, volume and value, 2023
(Percentages)



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

Rises in prices of the region's goods imports outpacing those in exports would lead to worse terms of trade in 2023, especially for oil- and energy-exporting countries, which were hit harder by the lower prices over much of the year (see figure 6). The projected deterioration in the terms of trade is 11% for this group of countries. A second group of countries —exporters of agricultural products— were also affected by a deterioration in their terms of trade, with a projected decline of 4%. Mineral exporters, as well as Brazil, will see their terms of trade worsen by 2%, less than the regional average (-3%). The impact in Mexico will be less severe (-1%), as the country has benefited from higher prices for some of its main export products, such as computers, automobiles and auto parts. Lastly, improvements are projected in the terms of trade for nine countries in 2023. These are mainly countries in Central America and the Caribbean, which are highly dependent on energy imports and therefore benefit from lower energy costs. This group of countries has also benefited from lower food prices.

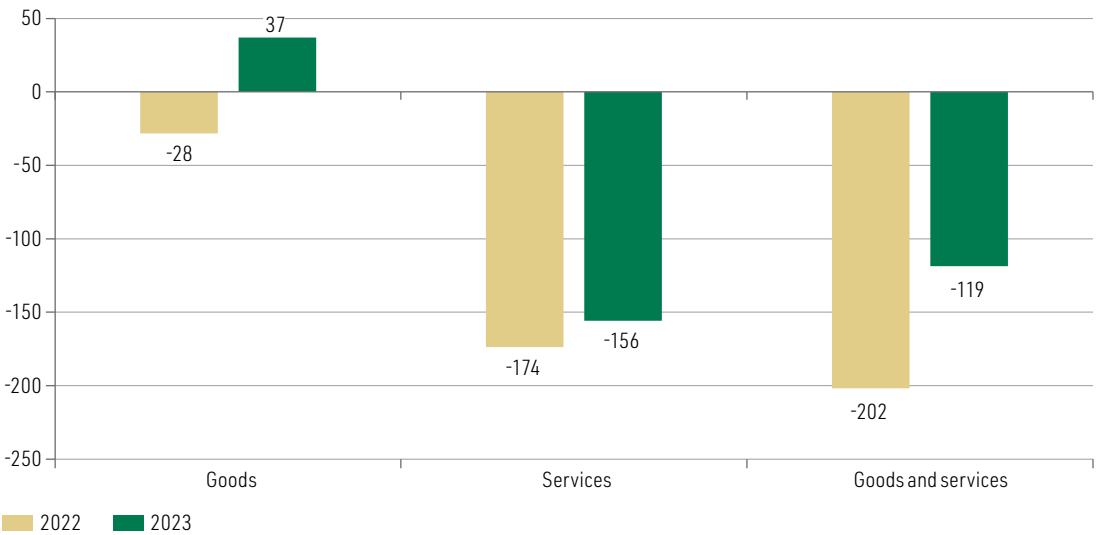
Figure 6
Latin America and the Caribbean (selected groupings and countries): projected change in terms of trade, 2023
(Percentages)



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

Because the fall in goods imports is projected to be larger than that in exports, the trade in goods of Latin America and the Caribbean is expected to show a surplus of US$ 37 billion in 2023, after the deficit of US$ 28 billion recorded in 2022. In the case of services, the projected increase in exports is greater than the expected rise in imports, meaning that the region's deficit is expected to narrow slightly, from US$ 174 billion in 2022 to US$ 156 billion in 2023. Considering both goods and services, the region's trade deficit is projected to narrow significantly, from US$ 202 billion to US$ 119 billion (see figure 7).

Figure 7
Latin America and the Caribbean: trade balance in goods and services, 2022 and projections for 2023
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official balance-of-payments data provided by the central banks and institutes of statistics of the countries of the region.

In short, after two years of double-digit growth, regional exports of goods will fall in value in 2023, in unfavourable conditions marked by weak global demand and incipient restructuring of trade and of supply chains in response to geopolitical tension. The projected expansion in the volume of shipments will be insufficient to offset falling prices for most of the commodities exported by the region. As such, regional export trends —particularly in South America— continue to be predominantly shaped by commodity price fluctuations. In this complex environment, the projected expansion of services exports is good news. However, their growth is also expected to slow compared to 2022, given that the momentum from the recovery in international tourism has waned as it approaches pre-pandemic levels.

Growth in global trade in goods is expected to pick up somewhat in 2024, with a projected rise of 3.3% in volume terms. Such a recovery —which is subject to considerable uncertainty— would reinvigorate Latin American and Caribbean exports. However, the significant challenge remains to further diversify and add knowledge to regional goods and services exports for stronger, more dynamic and sustainable global trade integration. Well-designed productive development policies will be essential in that regard, as well as deeper regional economic integration, given that intraregional trade is intensive in manufactured goods.

B. The trade relationship between Latin America and the Caribbean and China in the period 2000–2022: assessment and outlook

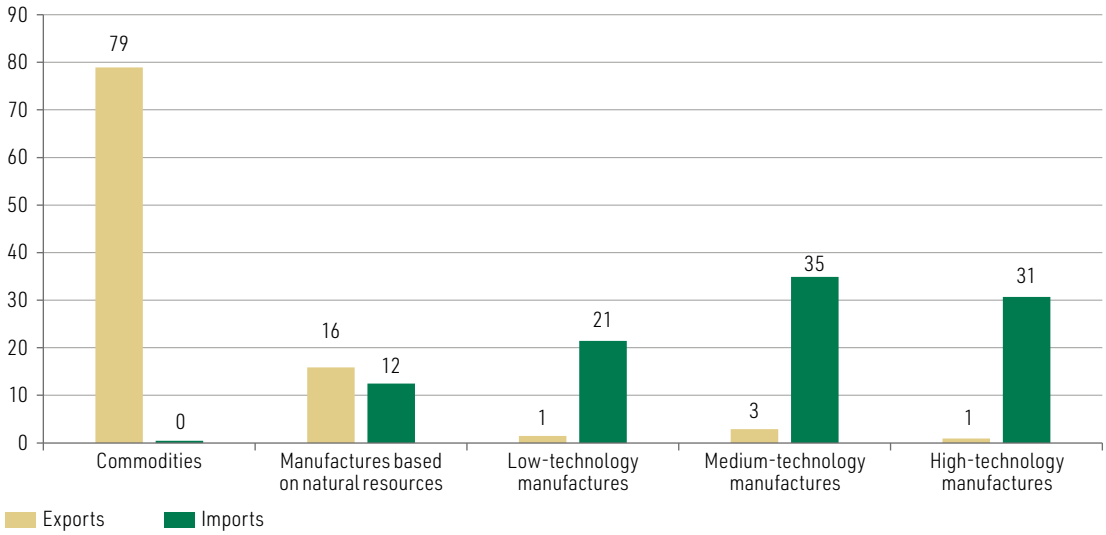
Trade between Latin America and the Caribbean and China, which in 2000 amounted to little more than US$ 14 billion, sat close to US$ 500 billion in 2022, having increased 35 times in value. While the value of regional exports to China increased by a multiple of 49, the value of imports increased by a multiple of 30 (see figure 8). By way of comparison, in the same period the value of the region's total exports and imports of goods increased only fourfold. China is now the region's second largest trading partner: in 2022 it accounted for 13% of its exports and supplied 22% of its imports. The region also has a higher profile in China's foreign trade, with a 7% share of its exports and 8.5% of its imports in 2022. Since 2018, the region's share of China's total imports has exceeded that of the United States.

Figure 8
Latin America and the Caribbean: value of trade in goods with China, 2000–2022
(Index: 2000=100)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.

Trade between Latin America and the Caribbean and China has a clear inter-industry structure: 95% of the region's exports in 2022 were of commodities and natural resource-based manufactures, while 88% of China's shipments were of low-, medium- and high-technology manufactures (see figure 9). The region only has a surplus with China in the sectors of mining and oil; agriculture, forestry, hunting and fishery; food, beverages and tobacco; and wood and paper.

Figure 9
Latin America and the Caribbean: structure of trade in goods with China, by technology intensity, 2022
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.

Between 2020 and 2022, just five products (soybean, copper and iron ore, oil and copper cathodes) accounted for 67% of all exports from Latin America and the Caribbean to China. All the countries in the region export a significantly smaller selection of products to China than they do to the United States, the European Union and the region itself. The country that exports the largest variety of products to China is Brazil, followed at a great distance by Argentina, Chile and Mexico. Owing to their composition, exports to China have a larger ecological footprint per dollar exported than those to other markets, as reflected in their net greenhouse gas emissions and water use intensity.

Between 2000 and 2022, 93% of the region's exports to China came from South America; three countries (Brazil, Chile and Peru) accounted for 82% of shipments. Mexico accounted for 6%, while both the Caribbean and Central America had shares of less than 1%. Within the region, Mexico is the main importer from China, at 38% of the total. South American countries accounted for 52%, followed by Central America (7%) and the Caribbean (3%). With the exceptions of Brazil, Chile and Peru, the region and its various subregions have a persistent trade deficit with China. Mexico's deficit is particularly large and growing. Mexico has a production and export profile similar to that of China, so they compete in an array of industrial segments.

China is one of the top two export markets for 10 countries in the region, most of them South American. In the 2020–2022 period, China accounted for an average 30%–37% of total exports of goods from Brazil, Chile and Peru. In contrast, it is still only a secondary destination for shipments from Central America (except Panama) and the Caribbean. China is among the top three suppliers for 26 countries in the region.

For some products, the region's share of China's total imports is around 70% or more. This is the case for cane sugar, lithium carbonate, lead ore, soybean oil, cherries, shrimp and prawns, and frozen beef. In particular, the region has established itself as a major supplier of food to China: between 2010 and 2022, it accounted on average for almost one third of the country's total food imports. In the period, Brazil alone supplied an average of 21% of China's food imports.

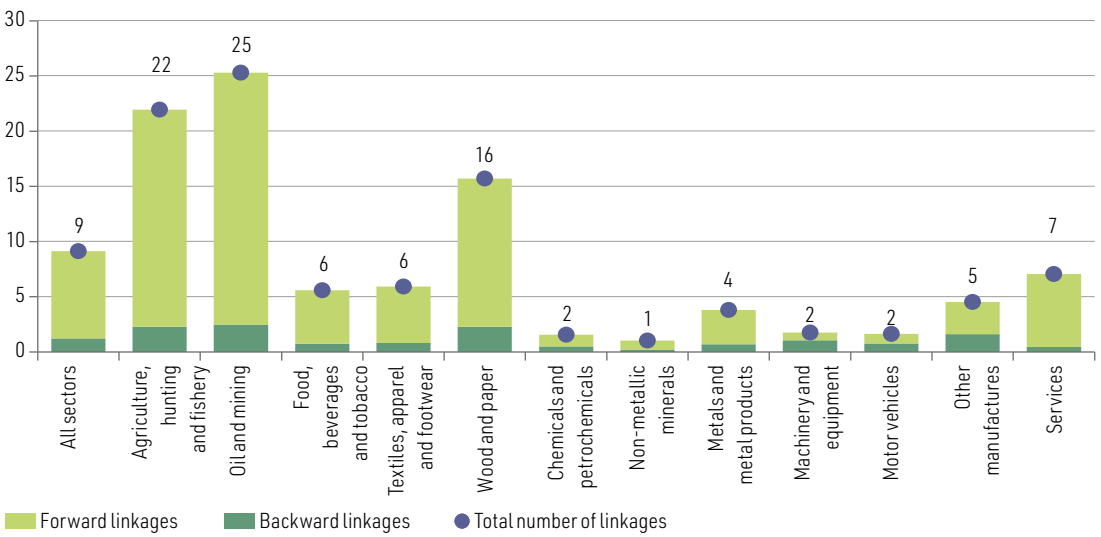
Regional imports from China are highly diversified: between 2020 and 2022 the top 20 imported products accounted for only 26% of the total value of imports. China is a particularly large supplier of parts and accessories for machines, tools, personal computers, mobile phones, electronic circuits, photovoltaic cells and optical equipment. Other important products include motor vehicles, plastic goods, herbicides and petroleum oils.

The countries of the region exhibit greater forward linkages with China than backward linkages,[1] a situation that is repeated in most sectors. At the regional level, one out of every five dollars of value added generated in Latin America and the Caribbean is exported to China in the agriculture, livestock and fisheries sectors, and for mining products. Another sector with above-average forward linkages is wood and paper (see figure 10). Considering both forward and backward linkages, the countries most connected to China are Peru, Chile, the Bolivarian Republic of Venezuela, Brazil and Uruguay (in decreasing order).

Between 2003 and 2022, the share of Chinese imports in apparent consumption of non-agro-industrial manufactures (defined as local production plus imports minus exports) of a set of 12 countries in the region increased from 1.6% to 13.1%. This rise, which is the largest among the region's main trading partners, came at the expense of local production, whose share of apparent consumption fell from 69.2% to 50.1% in the same period. The share of Chinese products in apparent consumption is lowest in Argentina and Brazil, at under 10% in both cases, and highest in Ecuador, the Bolivarian Republic of Venezuela, Chile and Paraguay, at between 18% and 24%. By sectors, the largest shares of Chinese products are in machinery and equipment, electronics and optics, and textiles, apparel and footwear (9%, 35% and 24%, respectively).

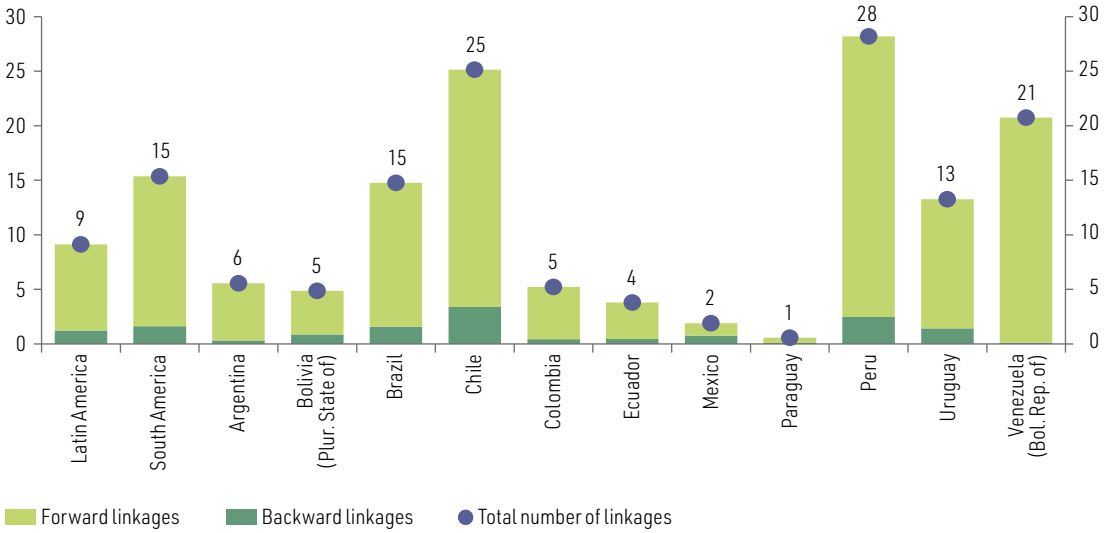
Figure 10
Latin America (11 countries):[a] forward and backward linkages with China, by sector and country, 2017
(Percentages of total goods exports)

A. By economic sector



[1] Forward linkages correspond to the proportion of local value added exported by each country in the region that is incorporated into the exports of its trading partners. Backward linkages correspond to the proportion of value added imported from the different partners that is incorporated into the exports of each country in the region.

B. By country



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Asian Development Bank (AsDB), 2017 global input-output matrix.

[a] Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

The trade relationship between the region and China over the last two decades presents a mixed picture. Bilateral trade has been extraordinarily dynamic, and the remarkable growth of the Chinese economy, especially between 2000 and 2011, fuelled the supercycle of high commodity prices from which much of the region benefited. However, the expansion of trade has not been accompanied by diversification of regional exports. In addition, the growing presence of Chinese manufactures has also had countervailing impacts on the region. While it has improved access for households and companies to a wide range of finished, intermediate and capital goods, it has also notably displaced regional production in various segments. Thus, the region, and particularly South America, has become even more specialized in exporting commodities, moving away from an export trajectory characterized by a growing incorporation of knowledge into goods and services and greater environmental sustainability.

Export diversification is the critical pending issue in the region's trade relations with China. Acting to alter the structure of trade is at least as important as expanding it in absolute terms. However, the profound economic transformations that have taken place in China give no hint of any significant change in the pattern of "raw materials for manufacturing" that characterizes bilateral trade. While the shares of some commodities in the regional export basket, such as oil, may gradually diminish as China moves towards decarbonization of its energy mix, those of others, such as copper and lithium, are likely to increase steadily for the same reason. In this context, the main opportunities for adding value to exports to China in the short term lie in the food sector. The country, which has been a net importer of food since 2004, has been going through a process of intense urbanization and expansion of the middle class that has boosted demand for safe, varied and high-quality food. The region is well positioned to meet a growing proportion of this demand. In this regard, it will be essential to tackle existing non-tariff barriers and to increase market intelligence efforts, to better meet Chinese consumers' needs and tastes.

The diversification of Chinese foreign direct investment in the region towards non-extractive activities and natural resource processing projects will also play an important role in the effort to add value and knowledge to the region's exports to China and build new production capacities. Recent announcements of new investment in lithium cathode production and electric vehicle manufacturing are examples that point to such a trend. If implemented, they could have a significant impact not only on trade with China, but also on formation of new intraregional production chains.

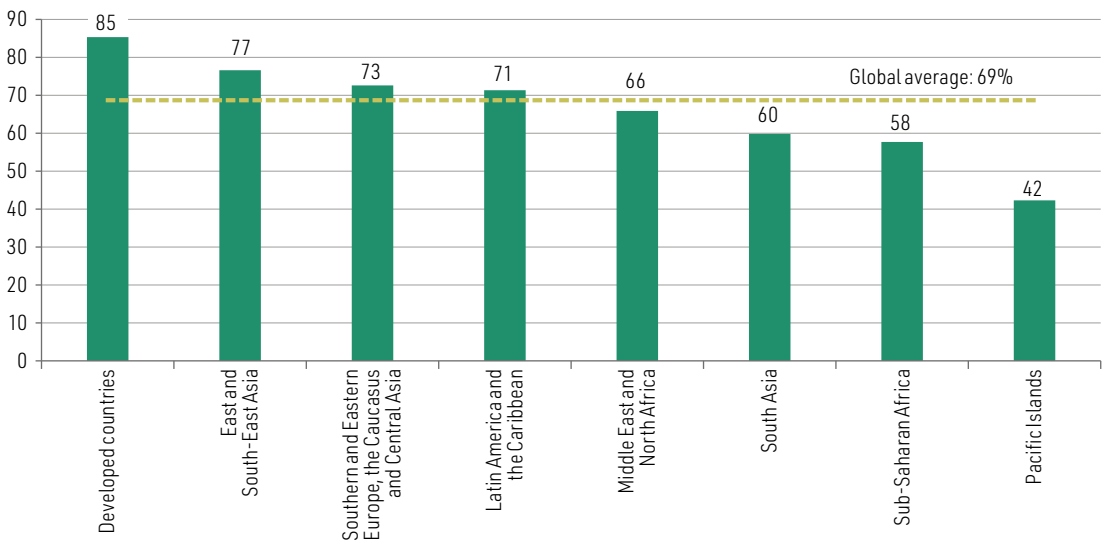
C. Trade facilitation in Latin America and the Caribbean: formalities, infrastructure and logistics

International trade is subject to multiple documentation and goods inspection requirements, as well as payment of duties and charges. These formalities can considerably delay and increase the cost of export, import and transit operations. In this context, trade facilitation has become increasingly prominent, especially since the WTO Agreement on Trade Facilitation came into force in 2017. The aim of trade facilitation is to streamline trade, making it less costly and more predictable, without compromising important public policy aims such as tax collection and protection of public health and the environment.

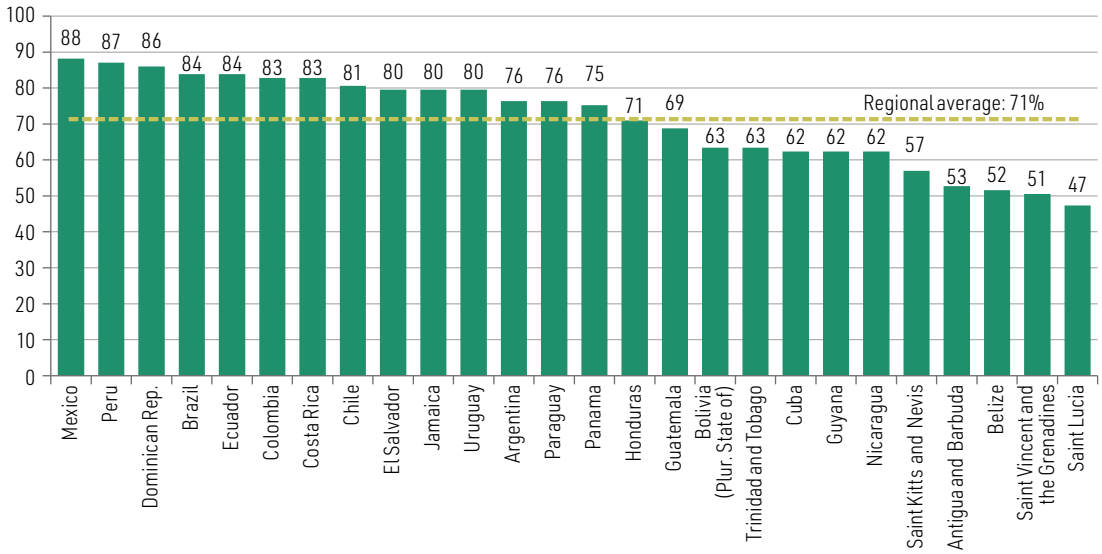
Since 2015, the five United Nations regional commissions have periodically conducted the United Nations Global Survey on Digital and Sustainable Trade Facilitation. Its core comprises questions about 31 measures in six categories: transparency, formalities, institutional arrangements and cooperation, transit facilitation, paperless trade, and cross-border paperless trade. Of the 163 countries that participated in the latest edition, published in the first half of 2023, 26 are from Latin America and the Caribbean. The region had an average implementation rate of 71%, which is slightly higher than the world average, albeit with considerable dispersion of results in the region. Of the 11 countries with scores below the regional average, 8 are in the Caribbean (see figure 11).

Figure 11
Results of the United Nations Global Survey on Digital and Sustainable Trade Facilitation, 2023
(Percentages of the maximum possible score)

A. By regions of the world



B. By Latin American and the Caribbean countries



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation, 2023.

The countries of the region have average implementation rates of 80% or more for 18 of the 31 main measures of the Global Survey. Overall, their worst performance is in trade digitalization (see table 1). To make progress in this respect, it is crucial to accelerate implementation and interoperability of electronic single windows (one-stop shops) for foreign trade (see figure 12). Implementation of such single points of access is highly complex owing to the financial and technological requirements and the level of inter-agency coordination needed. Therefore, international technical and financial assistance will be important in supporting countries in the region that have not yet rolled out single windows.

Table 1
Latin America and the Caribbean (26 countries):[a] measures with the highest and lowest implementation rates in the United Nations Global Survey on Digital and Sustainable Trade Facilitation, 2023
(Percentages)

Category	Most implemented measures	Percentage	Least implemented measures	Percentage
Transparency	Stakeholders' consultation on new draft regulations	86	Advance rulings on tariff classification and origin	69
	Publication of existing import-export regulations on the Internet	82	Independent appeal procedures for customs rulings	69
Formalities	Post-clearance audits	92	Facilitation measures for authorized operators	80
	Risk management Pre-arrival processing of goods Acceptance of copies	87	Establishment and publication of average release times	67
Institutional arrangements and cooperation	National trade facilitation committees	92	Alignment of formalities and procedures with neighbouring countries at border crossings	61
	Border agencies cooperation	87	Government agencies delegating border controls to customs authorities	10

Category	Most implemented measures	Percentage	Least implemented measures	Percentage
Paperless trade	Automated customs system	97	Electronic application and issuance of preferential certificates of origin	47
	Internet connection available to customs and other trade control agencies at border crossings Electronic submission of air cargo manifests	89	Electronic application for customs refunds	41
Cross-border paperless trade	Laws and regulations for electronic transactions	86	Electronic exchange of sanitary and phytosanitary certificates	46
	Digital certificates issued by authorized entities	67	Electronic exchange of customs declarations	42

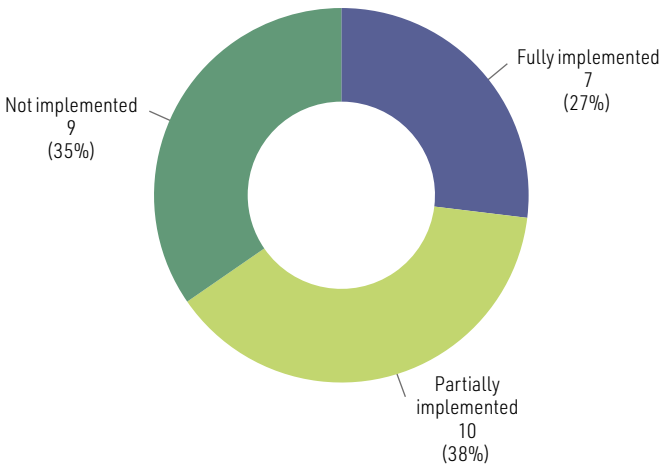
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation, 2023.

[a] Antigua and Barbuda, Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago and Uruguay.

Figure 12

Latin America and the Caribbean (26 countries):[a] status of implementation of electronic single windows for international trade, May 2023

(Numbers of countries and percentages)



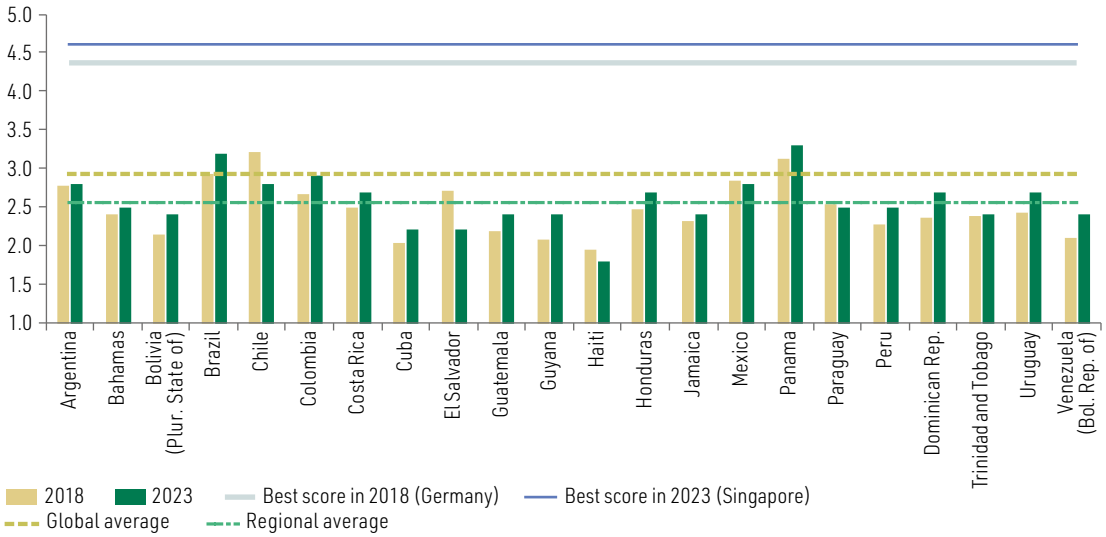
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation, 2023.

[a] Antigua and Barbuda, Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago and Uruguay.

Coordination among the countries of the region is key to maximizing the impact of trade facilitation. In recent years, there have been advances in this regard, such as mutual recognition agreements for authorized economic operator mechanisms and the growing electronic exchange of certificates of origin and phytosanitary certificates, among other documents. Stepping up these efforts should be a priority in the coming years.

Trade costs are also determined to a great degree by transport costs, which in turn largely depend on available infrastructure. This includes not only port facilities, airports, border crossings and international roads, but also domestic transport infrastructure and the availability of quality logistics services at a competitive cost. In this regard, the region has significant shortcomings (see figure 13).

Figure 13
Latin America and the Caribbean (22 countries): logistics performance index scores for the quality of trade- and transport-related infrastructure, 2018 and 2023
(1: Very low to 5: Very high)



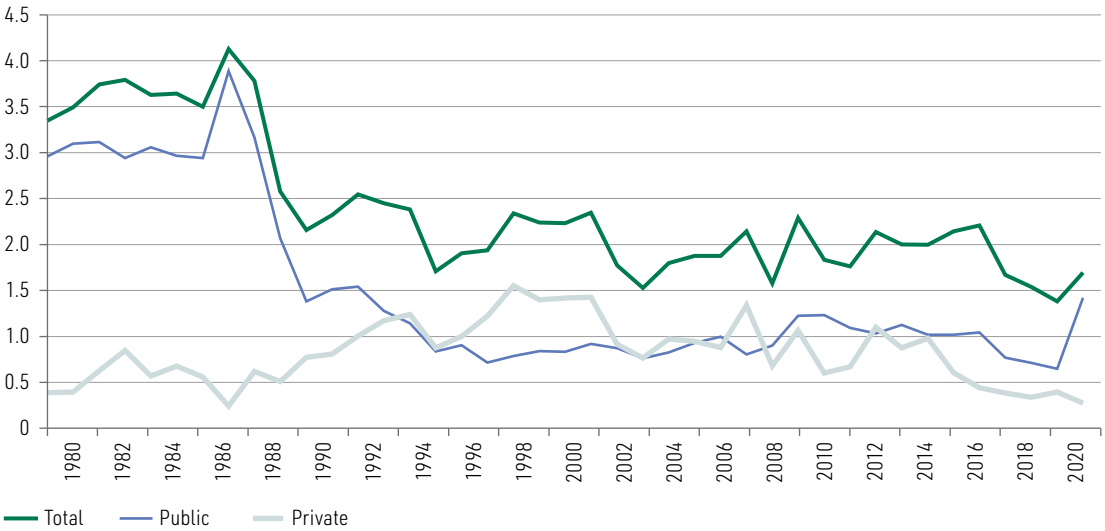
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J.-F. Arvis and others, *Connecting to Compete 2018: Trade Logistics in the Global Economy, Washington, D.C., World Bank, 2018, and J.-F. Arvis and others, Connecting to Compete 2023: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2023.
Note: The global and regional averages are for 2023.

In the region, total investment in infrastructure has declined steadily since it peaked in the 1980s, at 4.1% of GDP (see figure 14). The poor economic growth over the past decade, averaging 0.7% per year between 2014 and 2022, has translated into low levels of public investment and thence an infrastructure stock that is insufficient to boost growth and promote productive development. Total infrastructure investment (public and private) is currently some 2% of GDP, at a time when multiple studies have found that the region needs to spend 5%–8% of GDP annually on provision of infrastructure services.

The countries of the region need to progressively address the infrastructure gaps that have been highlighted by various international indicators and that limit their development prospects. This entails not only increasing the regional infrastructure stock, but also allocating adequate resources to the maintenance and repair of existing infrastructure, improving technical and regulatory frameworks and preparing for the challenges of climate change and the extreme events accompanying it. However, increasing the amounts allocated to infrastructure investment is a major challenge, given the context of fiscal stringency facing most countries in the region. Different innovative financing options therefore need to be explored, particularly those associated with the development of green infrastructure.

The region's countries have traditionally favoured the development of road transport over other modes: it accounted for an average of 85% of freight transported in the 2019–2021 period. However, multimodal transport has great potential that should be harnessed to enhance the advantages of each mode of transport in an integrated, more efficient and less polluting system. Alternatives such as rail, ferries and river transport can make a major contribution to this. A promising example of multimodal transport are the ongoing projects to develop bioceanic integration corridors in South America, which may particularly benefit the region's landlocked countries.

Figure 14
Latin America (6 countries):[a] public and private sector infrastructure investment, 1980–2020
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Infralatam, "Public Investment in Economic Infrastructure" [online] http://infralatam.info/en/home/; C. Calderón and L. Servén, "The effects of infrastructure development on growth and income distribution", *Policy Research Working Papers*, No. 3400, Washington, D.C., World Bank, 2004; and World Bank, Private Participation in Infrastructure (PPI) Database [online] http://ppi.worldbank.org.

Note: Includes investments in transport (roads and railways), electricity, telecommunications, and water and sanitation. Data are weighted averages from 1980 to 2014 for Argentina, Brazil, Chile, Colombia, Mexico and Peru. Private investment from 2015 onward only includes Argentina, Brazil, Colombia, Mexico and Peru. Data on public-private concessions or investments are not included.

[a] Argentina, Brazil, Chile, Colombia, Mexico and Peru.

In sum, trade facilitation requires simultaneous progress in streamlining trade procedures, improving infrastructure for the various modes of transport and ensuring the availability of quality transport and logistics services at competitive costs. In the absence of substantive progress in all three dimensions, the impact of improvements in any one of them will necessarily be limited. For this reason, national trade facilitation committees should include all three in their work agendas, seeking to maximize synergies between them.

CHAPTER

I

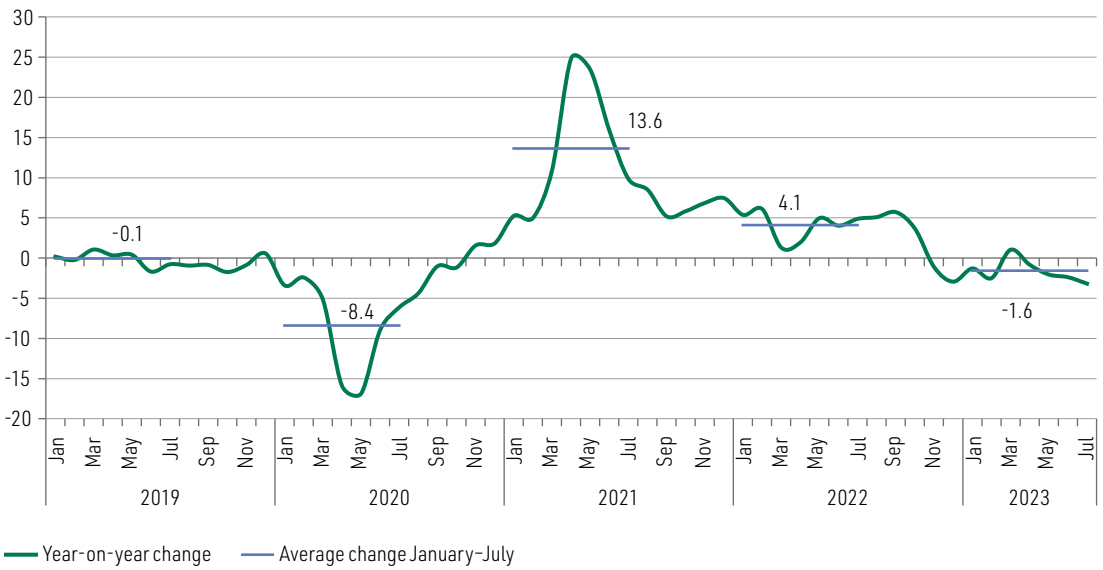
Structural and cyclical factors weaken regional and global trade

A. Global trade in goods contracted in the first half of 2023, intensifying the slowdown since 2022

The outbreak of the war in Ukraine in February 2022 prompted sharp increases in the prices of food, oil and other hydrocarbons, and fertilizers. These added to ongoing inflationary pressures that arose in 2021 owing to the global supply chain disruptions caused by the coronavirus disease (COVID-19) pandemic and to the liquidity generated by the fiscal and monetary stimulus measures that many countries took. In response, central banks in developed countries and several developing countries embarked on a course of monetary policy rate hikes, dampening economic activity. Meanwhile, the strict "zero COVID" policy that remained in effect in China until December 2022 contributed to the country's abrupt economic slowdown (ECLAC, 2023a). Amid shrinking demand, growth in the volume of global trade in goods was just 2.7% in 2022, representing a marked decline compared with the 9.4% growth recorded in 2021.

In April 2023, the World Trade Organization (WTO) forecast 1.7% growth in the volume of global trade in goods for the year (WTO, 2023a). However, between January and July, swifter-than-expected deceleration resulted in a 1.6% decrease in volume compared with the same period in 2022 (see figure I.1). In July, the goods trade volume fell by 3.2% year-on-year, the largest percentage change since August 2020, early in the pandemic. In October, WTO revised its forecast for growth in global trade in goods in 2023 to 0.8%, with higher growth (3.3%) expected in 2024 (WTO, 2023d).

Figure I.1
Year-on-year change in the volume of global trade in goods, January 2019–July 2023
(Percentages)

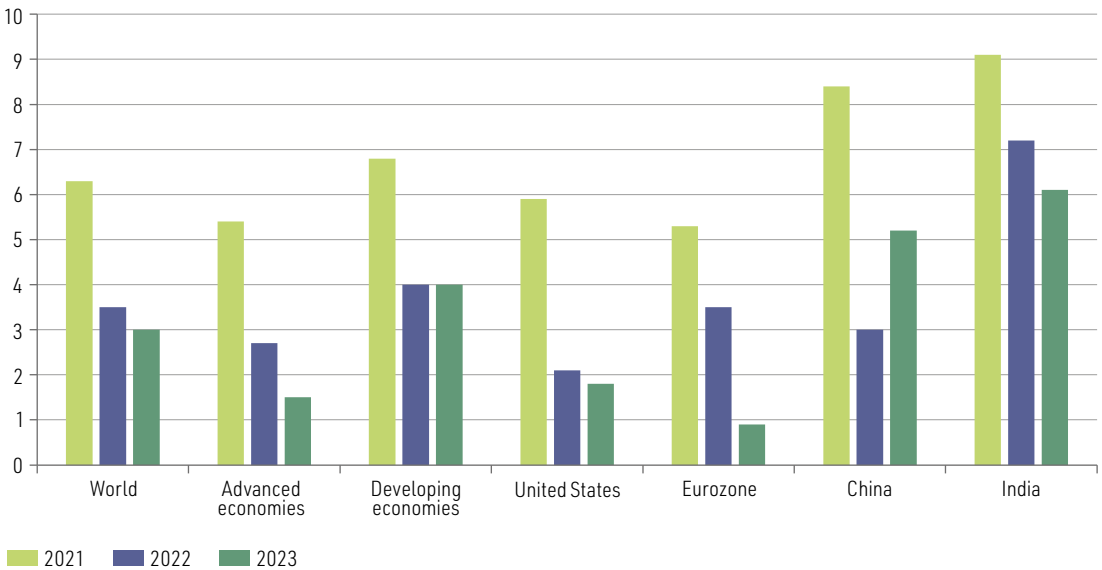


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau for Economic Policy Analysis (CPB), World Trade Monitor Database [online] https://www.cpb.nl/en/world-trade-monitor-july-2023.

Sluggish global trade in 2023 is consistent with the projected slowdown in global GDP growth relative to 2022, in particular in advanced economies (see figure I.2). In the United States and Europe, deceleration is partly a result of weakened private consumption due to high inflation and the continued economic impact of monetary tightening measures. Despite the steep fall in commodity prices from their mid-2022 peak (see figure I.3), core inflation has decreased more slowly than

headline inflation (see figure I.4). As a result, contractionary monetary policy remains in effect in the major developed economies, and there is no end in sight for rising monetary policy interest rates (ECLAC, 2023b; IMF, 2023).

Figure I.2
World and selected groupings and countries: annual change in GDP for 2021 and 2022 and projections for 2023
(Percentages)

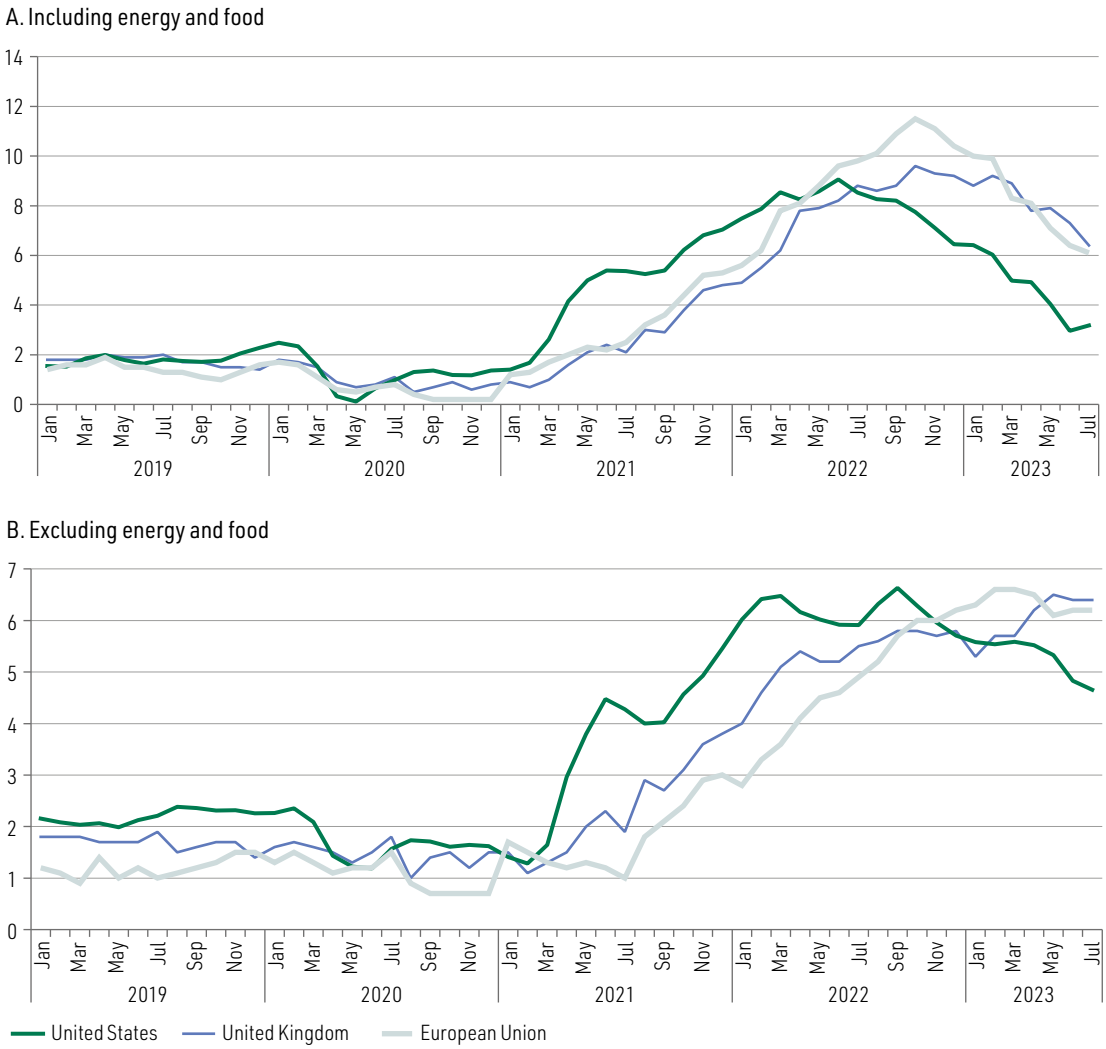


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), *World Economic Outlook Update: Near-term Resilience, Persistent Challenges*, Washington, D.C., July 2023.

Figure I.3
Commodity price index, January 2015–August 2023
(Index: 2010=100)[a]

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "Commodity Markets" [online] https://www.worldbank.org/en/research/commodity-markets.
[a] Index based on commodity prices in current dollars.

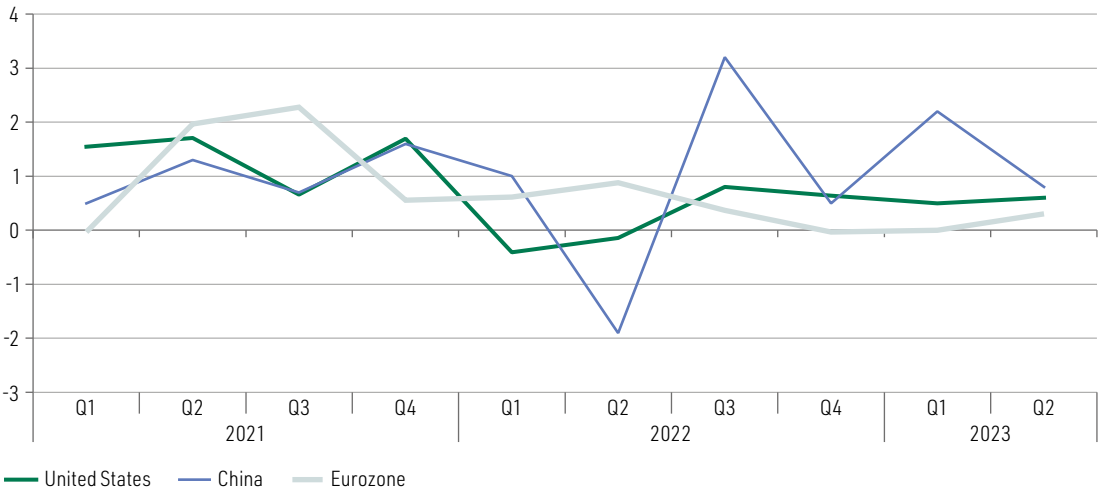
Figure I.4
United States, United Kingdom and European Union: year-on-year change in the consumer price index, January 2019–July 2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), "Inflation (CPI)", OECD Data [online database] https://data.oecd.org/price/inflation-cpi.htm.

Meanwhile, the recovery of the Chinese economy following its reopening has been weaker than expected, with a pronounced slowdown in the second quarter of 2023 (see figure I.5). This is explained by a combination of factors, in particular the crisis in the country's real estate sector (which negatively affects local government revenue and household consumption), slow growth among several of its main trading partners (which negatively affects exports), high youth unemployment and rising barriers to trade and foreign investment between China and the United States (Lardy, 2023; Reuters, 2023). In response, Chinese authorities have taken various measures to stimulate growth, including the lowering of the reserve requirement ratio for commercial banks by the central bank. Some signs of recovery emerged in August: industrial production and retail sales recorded year-on-year growth of 4.5% and 4.6%, respectively, up from the July figures (3.7% and 2.5%, respectively) (National Bureau of Statistics of China, 2023). However, considering the continued fragility of the real estate sector, it is far from certain that the 2023 GDP growth target of 5% will be met (Financial Times, 2023).

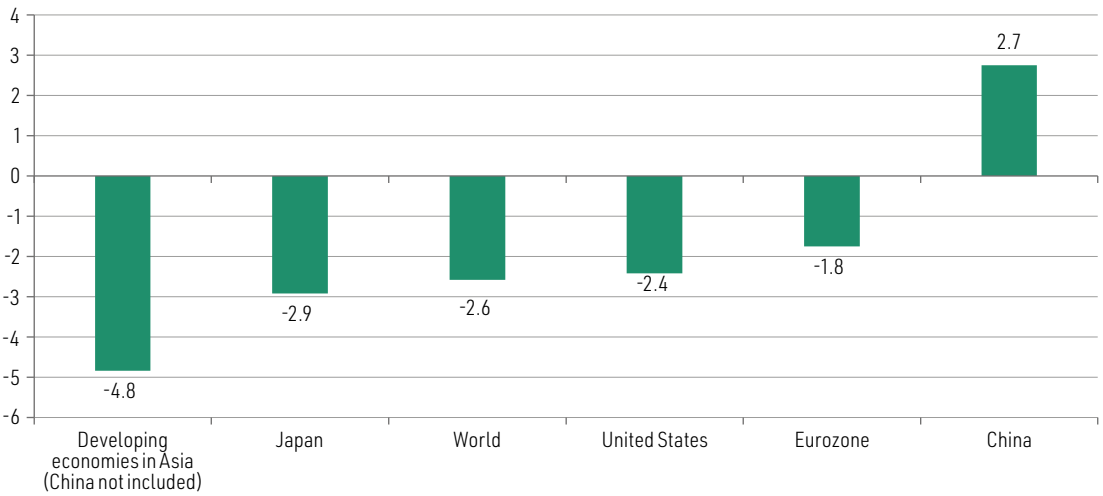
Figure I.5
China, the United States and the eurozone: quarterly change in GDP, first quarter of 2021–second quarter of 2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), "Quarterly GDP", OECD Data [online database] https://data.oecd.org/gdp/quarterly-gdp.htm.

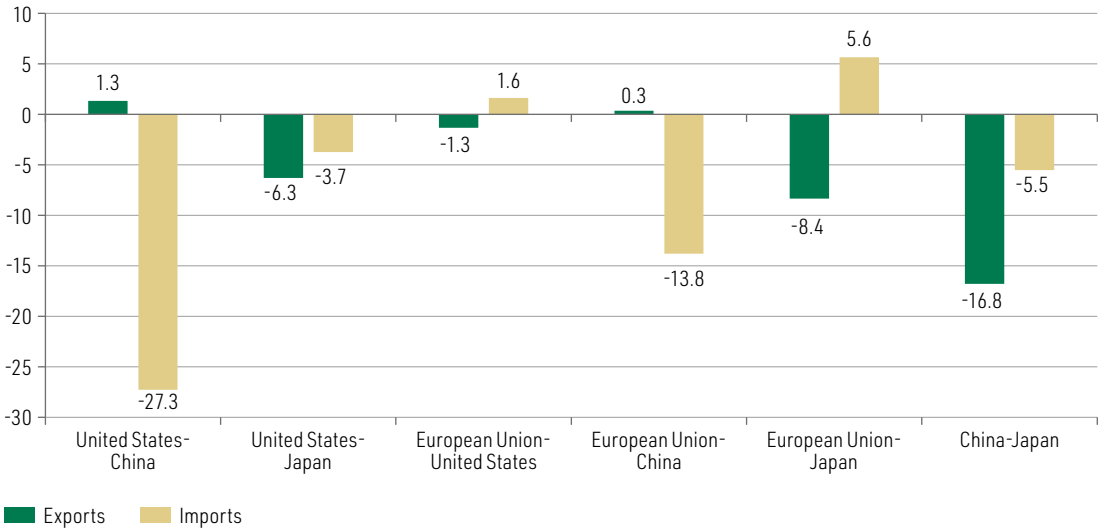
The slackening of global trade is borne out by the trends in goods imports of the major economies. In the first seven months of 2023, the volume of goods imports in the United States, the eurozone, Japan and developing economies in Asia (not including China) decreased year-on-year; only China recorded an increase (see figure I.6). In value terms, United States and European Union imports from China fell sharply in the first quarter of 2022. This, in turn, was reflected in the significant contraction in Japan's exports to China, as they consist mainly of components (largely electronic and automotive) of final goods exports to the United States and Europe (see figure I.7).

Figure I.6
World and selected groupings and countries: year-on-year change in the volume of goods imports, January–July 2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau for Economic Policy Analysis (CPB), World Trade Monitor Database [online] https://www.cpb.nl/en/world-trade-monitor-july-2023.

Figure I.7
China, Japan, the United States and the European Union: year-on-year change in the value of trade in goods, January–June 2023
(Percentages)

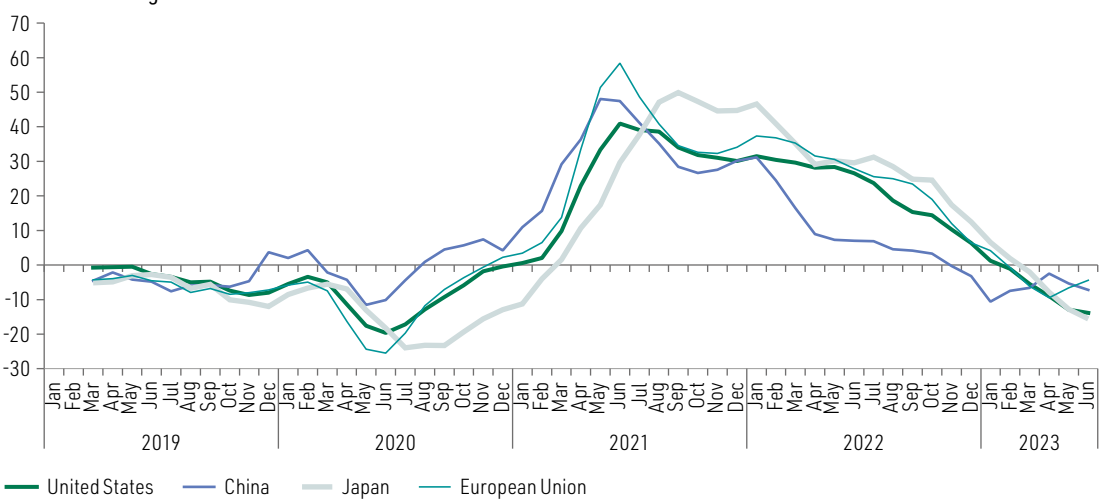


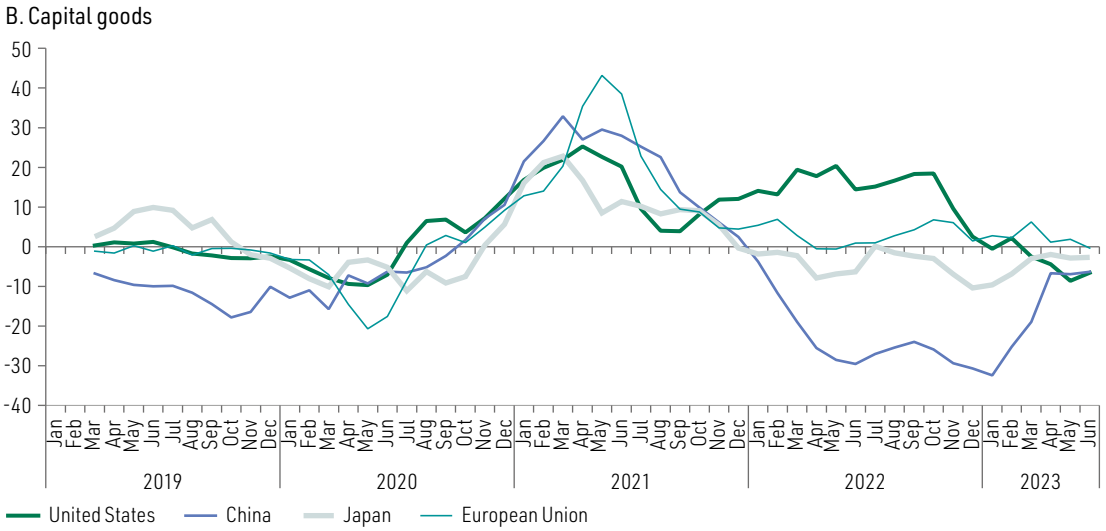
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.

An analysis of monthly trends in the main categories of goods imports among the leading global economies shows a considerable decline in intermediate and capital goods (see figure I.8). Of particular note is the downturn in Chinese capital goods imports, with year-on-year decreases in the double digits for most of 2022, when the "zero COVID" policy was still in effect. Despite a modest recovery following the reopening of China's economy in December 2022, capital goods imports continued to fall at a rate of -4% to -6% through June 2023.

Figure I.8
China, Japan, the United States and the European Union: year-on-year change in the value of intermediate and capital goods imports, March 2019–June 2023[a]
(Percentages)

A. Intermediate goods



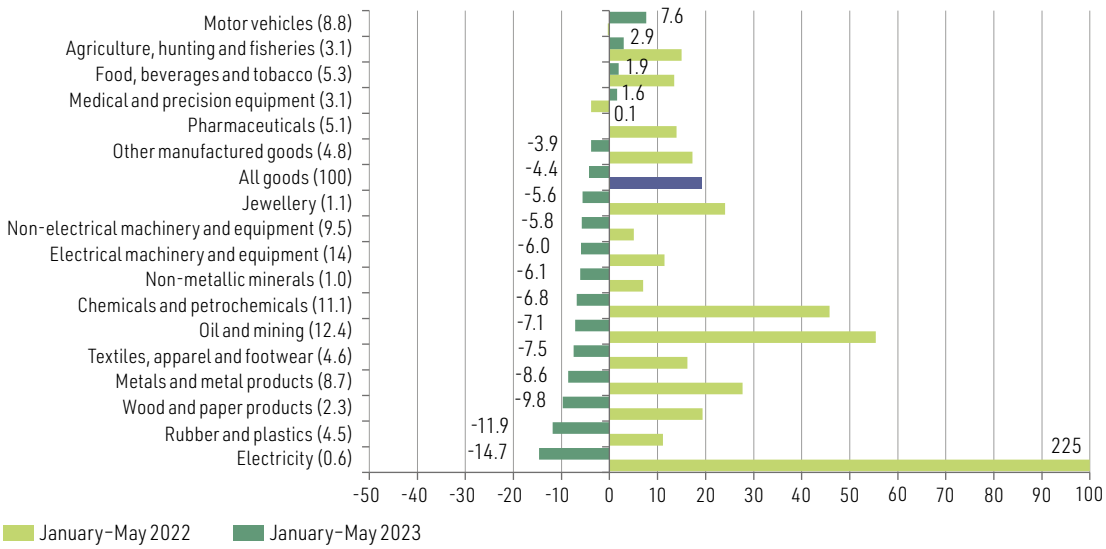


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from United States Department of Commerce; European Commission, Eurostat; International Trade Centre (ITC), and General Administration of Customs of China.

[a] Rates of change were calculated on the basis of three-month moving averages.

The variation in goods imports in 55 economies from January to May 2023, disaggregated by economic sector, shows growth in just a handful of sectors (motor vehicles and vehicle parts; agriculture, hunting and fisheries; food, beverages and tobacco; and medical equipment and pharmaceutical products). All other sectors decreased year-on-year at rates of -4% to -15% (see figure I.9).

Figure I.9
Selected economies (55 countries):[a] year-on-year variation in the value of goods imports, by economic sector, January–May 2023
(Percentages)



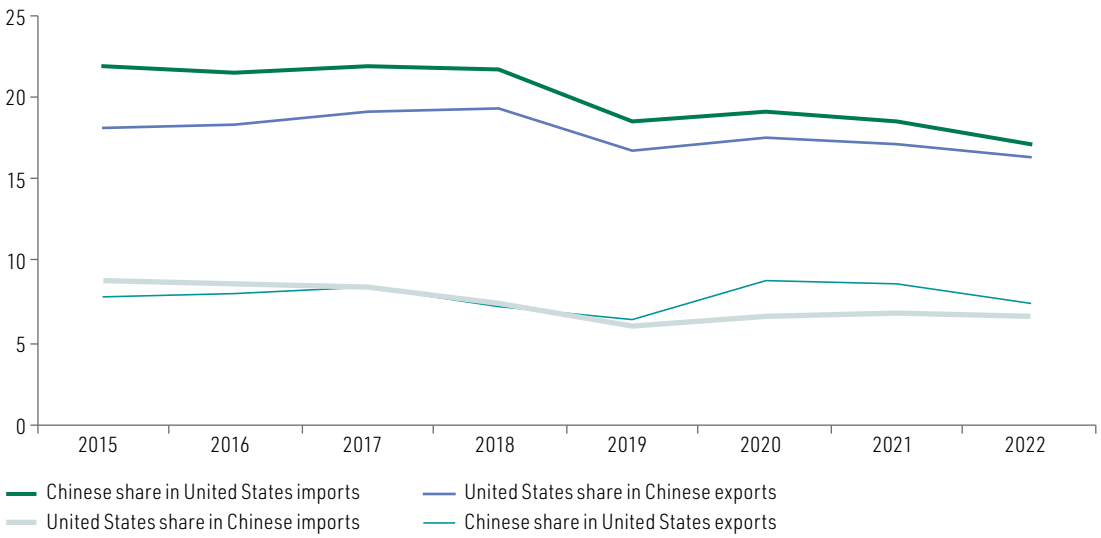
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from United States Department of Commerce; European Commission, Eurostat; International Trade Centre (ITC); General Administration of Customs of China, and other official sources.

[a] The 55 countries are the 27 members of the European Union, Australia, Bosnia and Herzegovina, China, Canada, the United States, Georgia, India, Indonesia, Japan, Malaysia, Norway, New Zealand, the United Kingdom, the Republic of Korea, Serbia, South Africa, Switzerland, Thailand and Türkiye, and 9 Latin American countries (Argentina, Brazil, Colombia, Chile, the Dominican Republic, Mexico, Paraguay, Peru and the Plurinational State of Bolivia). The figures in parentheses indicate each sector's share of world goods imports in 2022.

Another factor disrupting global trade in addition to weak demand in the major economies is the rising influence, beginning around 2018, of geopolitical considerations on the configuration of global supply chains (WTO, 2023c). Both the European Union and the United States are implementing industrial policy initiatives aimed at reducing their dependence on imports in strategic sectors, such as those linked to semiconductors, electric batteries, pharmaceuticals, and critical minerals and materials. In the United States, the Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act and the Inflation Reduction Act took effect in August 2022, establishing substantial incentives for the local production of microprocessors and electric vehicles, among other products. In addition, the Government of the United States is actively promoting strategies of nearshoring and relocation to countries considered to be friends and allies, known as friend-shoring. It is also imposing several measures aimed at restricting China's access to advanced microprocessors and other technologies (Olson, 2023; Chorzempa, 2023).

The proliferation of barriers to trade and, more recently, to foreign investment in the United States and China since 2018 has reduced direct interdependence on trade between the two economies. Notably, China's share in United States imports, which reached a record high in 2017 (21.9%), fell to 17.1% in 2022 (see figure I.10) and to 13.6% in the first quarter of 2023. In their analysis of trade and foreign direct investment (FDI) flows (including announcements of greenfield investments), Alfaro and Chor (2023) posit that a major reconfiguration of United States supply chains is under way, shifting away from China and towards other developing economies, mainly Mexico and, to a lesser extent, Viet Nam. Utar, Torres Ruiz and Cerebros Zurita (2023) reached similar conclusions regarding Mexico. In February 2023, Mexico replaced China as the largest source of United States imports (see figure I.11).

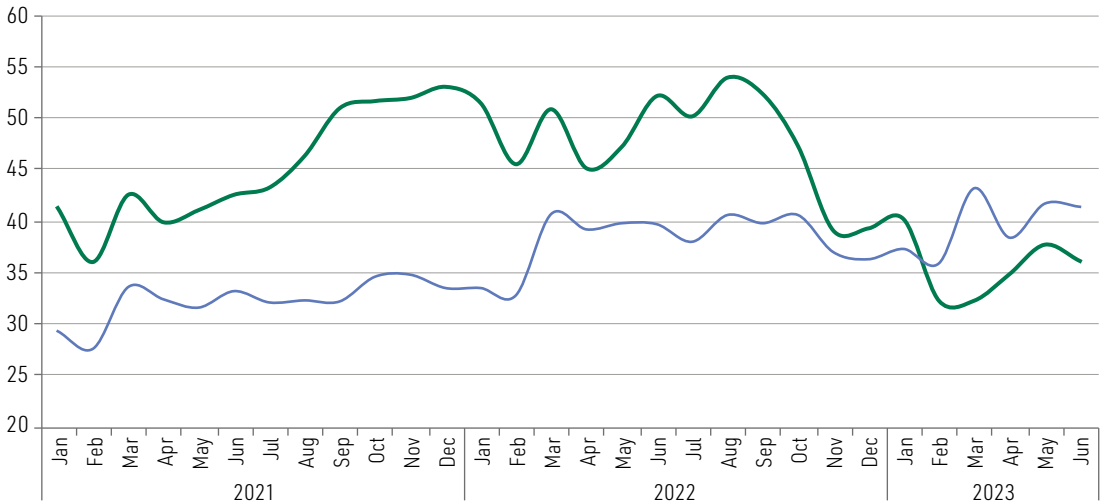
Figure I.10
China and the United States: respective shares in bilateral trade in goods, 2015–2022
(Percentages)



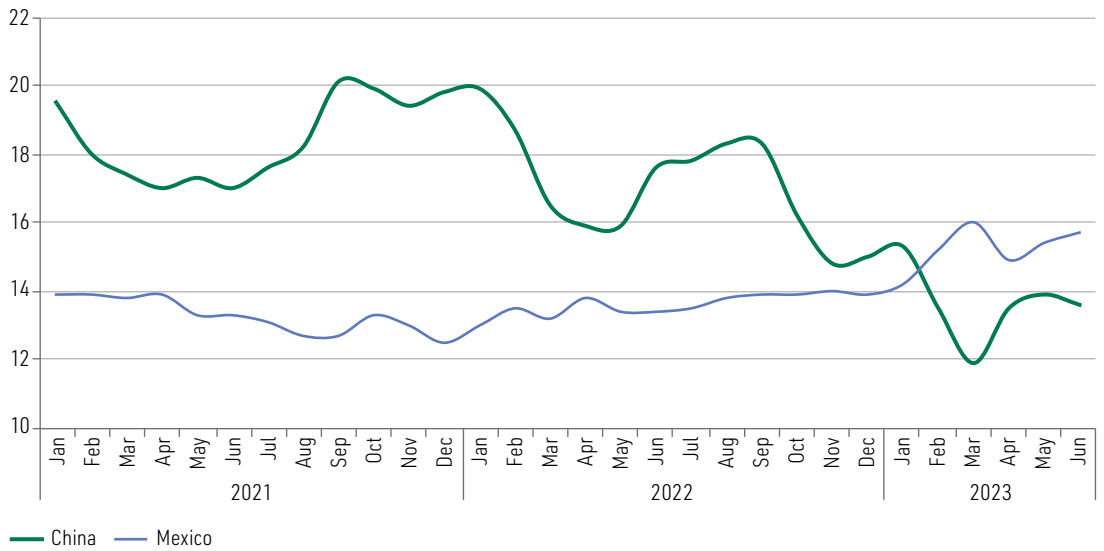
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.

Figure I.11
United States: goods imports from China and Mexico, January 2021–June 2023

A. Billions of dollars



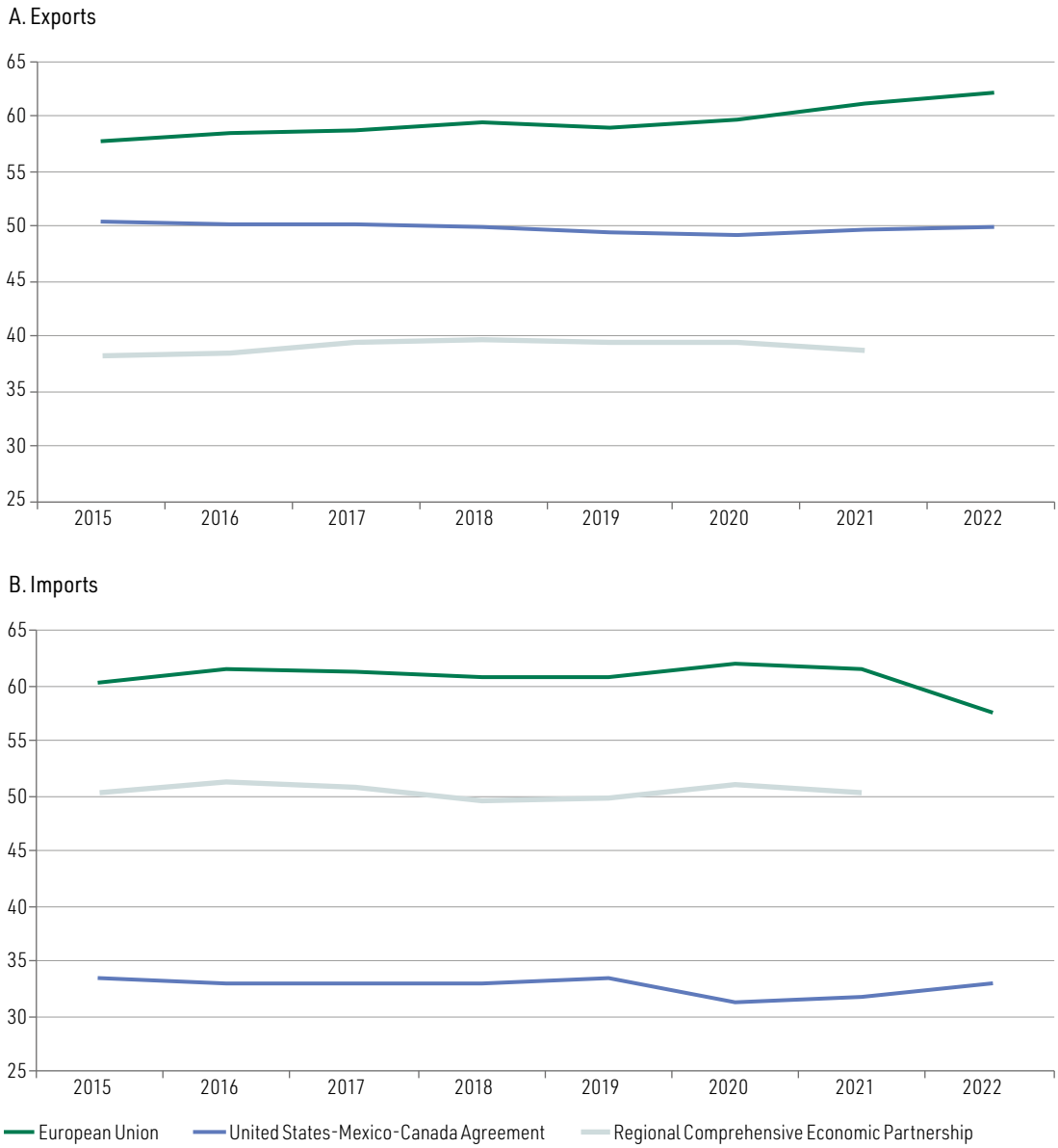
B. Percentages of respective national total goods imports



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.

In this complex geopolitical climate, analysts have expressed concern about the potential fragmentation of the global economy into blocs of politically likeminded countries, which could even cause global trade to contract (WTO, 2022 and 2023c; Góes and Bekkers, 2022; Aiyar and others, 2023; Campos and others, 2023). However, the likelihood of such a scenario is far from certain. In the short and medium term, efforts by some of the major global economies to shorten their supply chains should increase the share of intraregional trade as a share of total trade within the main regional blocs, namely the European Union, the Agreement between the United States of America, the United Mexican States, and Canada (USMCA), and the Regional Comprehensive Economic Partnership (RCEP) in East Asia. However, no major increases have been recorded thus far in latter two groupings (see figure I.12).

Figure I.12
Selected groupings: share of intra-bloc trade in total goods trade, 2015–2022[a]
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.
[a] No data are available for RCEP for 2021.

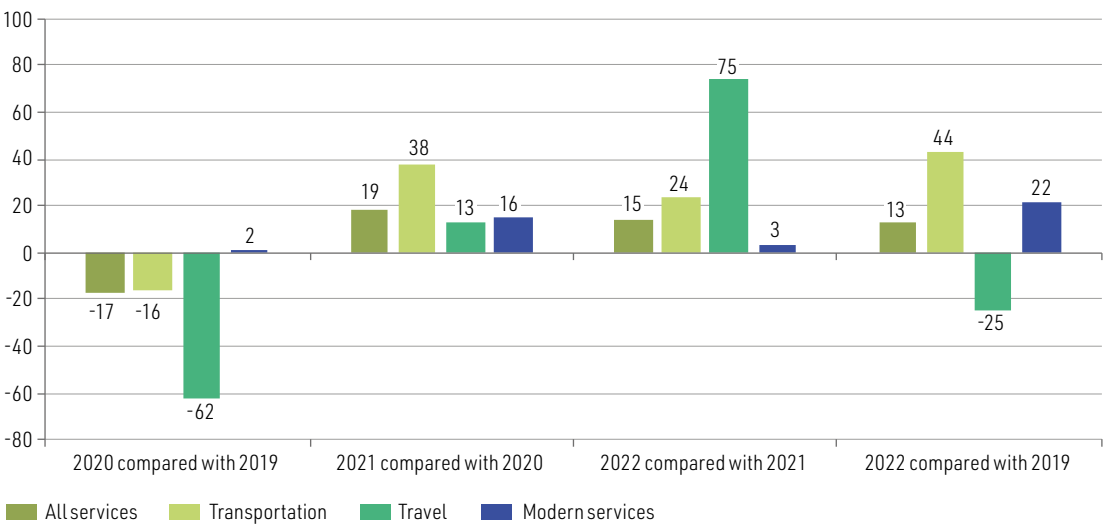
In the European Union, trends are mixed. The share of intra-European Union exports in total exports increased by approximately three percentage points between 2018 and 2022, which would indicate increased regionalization of its trade. However, the share of intra-European Union imports in total imports fell nearly four percentage points in 2022 alone, although this is attributable to the sharp rise in the price of oil and natural gas imports due to the war in Ukraine. The combined share of internal trade within the United States-Mexico-Canada Agreement, the Regional Comprehensive Partnership and the European Union in global trade in goods has remained steady since 2015, hovering around 37% for exports and 47% for imports.

Production offshoring usually involves large non-recoverable investments, especially if it is carried out in countries located far from the parent company. As a result, companies that have already incurred such costs will be reluctant to undertake reshoring or nearshoring, unless they judge that the disruptions to global value chains are permanent and sizeable (Antràs, 2020). This seems to be the case between the United States and China, where trade tensions have only escalated in the five years since they first surfaced. It is thus likely that the full impact of the ongoing reconfiguration of global supply chains on the geographical structure of trade and FDI flows will only be appreciated in the years to come.

B. Global trade in services, driven by the recovery of tourism, outperforms trade in goods

In 2022, the value of global trade in services increased by 15%, spurred on by a 75% surge in travel. Travel accounted for one quarter of global trade in services before the pandemic. Its resurgence is consistent with the recovery of international tourism that followed the lifting of travel restrictions around the world. This improvement notwithstanding, travel was still 25% lower in 2022 than in 2019 (see figure I.13). The second highest growth was in transportation, up 24% compared with 2021 and 44% compared with 2019. Lower growth in 2022 compared with 2021 (38%) was due mainly to falling freight costs and slower growth in the volume of global trade in goods. Modern digital services posted the lowest growth of all the categories of international trade in services in 2022 (3%) The currencies of the main providers of modern services —the European Union and the United Kingdom, which jointly account for half of global exports— depreciated against the dollar in 2022, resulting in lower growth in exports denominated in dollars. Trade in modern services was also negatively affected by the global economic slowdown in 2022 and uncertainty surrounding the war in Ukraine (WTO, 2023b).

Figure I.13
Variation in the value of global services exports, by category, 2020–2022
(Percentages)

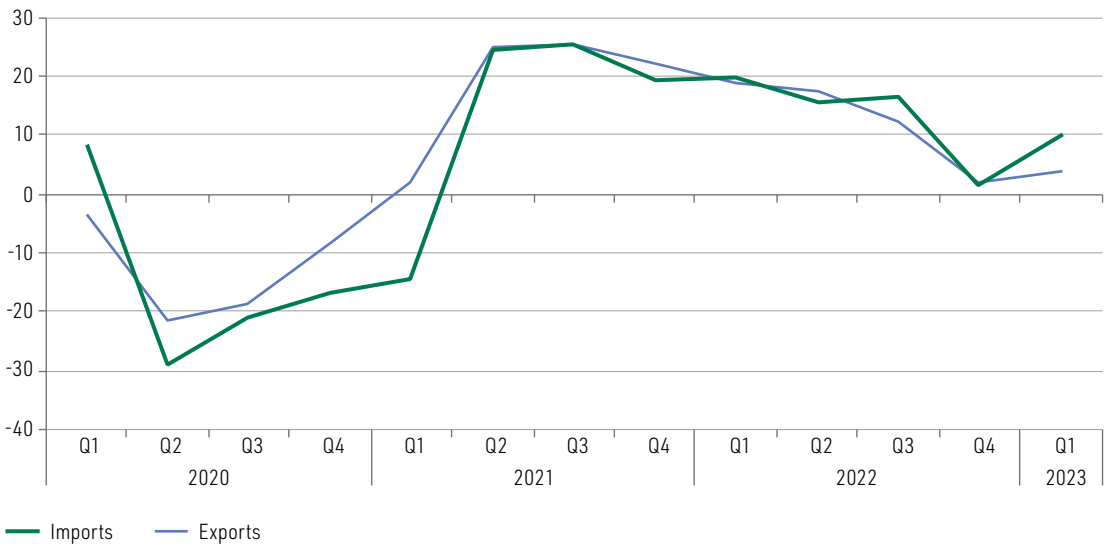


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Conference on Trade and Development (UNCTAD), UNCTADstat [online database] https://unctadstat.unctad.org/EN/.
Note: The modern services category is defined as other services minus construction, personal, cultural and recreational, and government services.

Despite low growth in 2022, modern services have exhibited the strongest growth of all global trade in services categories in the past two decades. The value of modern services exports quadrupled between 2005 and 2022, with average annual growth of 8.1% (WTO, 2023b). The category now accounts for 54% of global services exports. Business, professional and technical services accounted for approximately 40% of global modern services exports in 2022. These are followed by information technology services (20%), financial services (16%) and intellectual property services (12%) (WTO, 2023b).

After five consecutive quarters of deceleration (fourth quarter of 2021 to the fourth quarter of 2022, inclusive), trade in services among the six largest global exporters and importers (China, India, Japan, the United Kingdom, the United States and the European Union) improved in the first quarter of 2023 (see figure I.14). The uptick was attributable mainly to increased demand for modern services and travel.

Figure I.14
Year-on-year variation in the value of services exports and imports among the leading global exporters and importers, first quarter of 2020–first quarter of 2023
(Percentages)

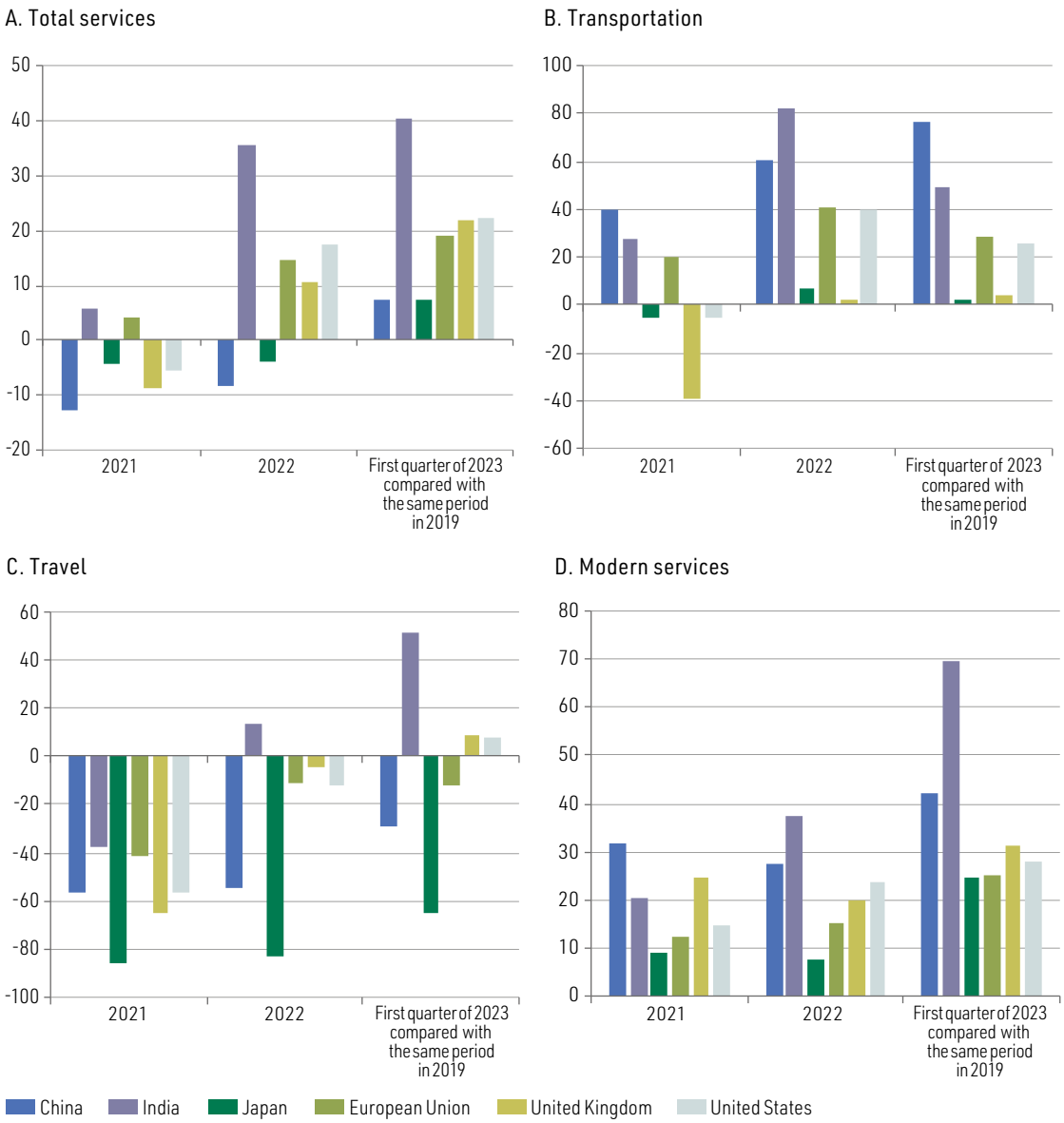


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), OECD.Stat [online database] https://stats.oecd.org/.
Note: Includes information from China, India, Japan, the United Kingdom, the United States and the European Union.

In the first quarter of 2023, services imports in the world's six largest economies exceeded imports for the same period in 2019 (see figure I.15). However, travel-related imports of tourism services in China, Japan and the European Union have yet to return to pre-pandemic levels. Growth in services imports was highest in India, in particular in the travel and modern services categories.[1] The United States had the second highest growth in imports in 2022 and the first quarter of 2023. The country's travel imports expanded the most in 2022 (120%), boosted by the overall appreciation of the dollar. Shipping and financial services imports also recorded robust growth at 32% and 10%, respectively (USITC, 2023).

[1] India's services exports outpaced its imports, hitting a new historic record of nearly US$ 86 billion in the first quarter of 2023. India has diversified its exports, once concentrated mainly in information technology services, by expanding into new sectors, such as consulting services and research and development services. The country's services exports are expected to exceed its goods exports in 2025 (Nayak and Acharya, 2023).

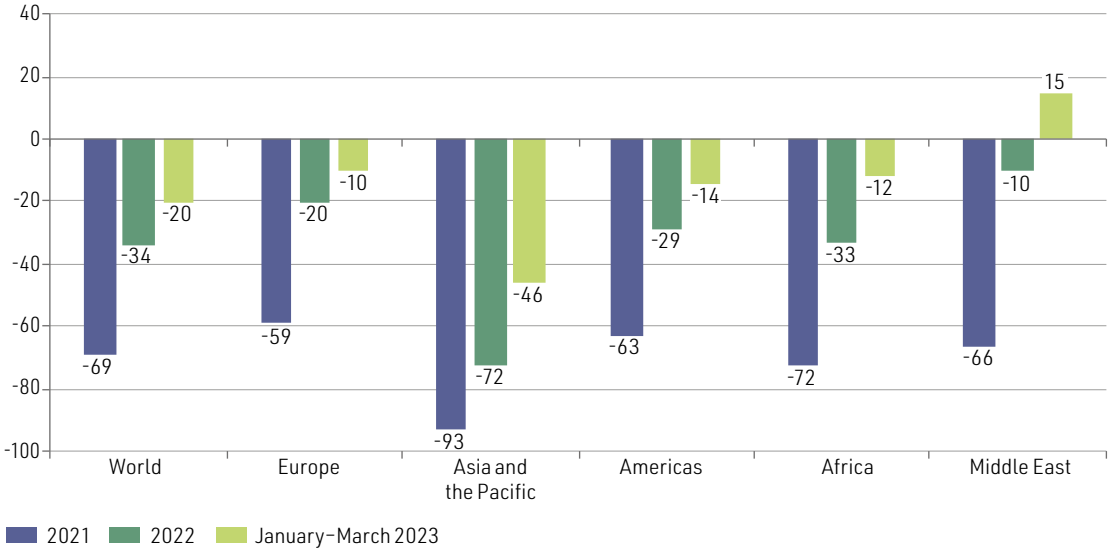
Figure I.15
Selected countries and groupings: year-on-year variation in the value of services imports by category, 2021 and 2022, and first quarter of 2023 compared with the same period in 2019
(Percentages)



Source: Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), IMF Data [online database] https://data.imf.org.
Note: The European Union, the United States, the United Kingdom, China, India and Japan accounted for 62% of global services imports in 2022.

Worldwide, international tourist arrivals climbed 86% in the first quarter of 2023 compared with the same period in 2022, owing mainly to increased international arrivals in Europe and the Middle East. Global tourism thus continues its gradual recovery following pandemic-related disruptions. Nevertheless, international tourist arrivals in the first quarter of 2023 were still down 20% compared with the same period in 2019 (see figure I.16). The World Tourism Organization expects positive outcomes for the northern hemisphere's summer season, thanks to strong pent-up demand, the continued improvement in air connectivity and the recent reopening of key Asian destinations, such as China (UNWTO, 2023).

Figure I.16
World and selected regions: year-on-year variation in international tourist arrivals, 2021 and 2022, and January–March 2023 compared with the same period in 2019
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Tourism Organization (UNWTO), UNWTO World Tourism Barometer, vol. 21, No. 2, Madrid.

C. Gradual normalization of global shipping after three years of disruptions[2]

Since March 2020, the crises unleashed by the pandemic and, later, the war in Ukraine have highlighted the fragility of global supply chains. They are highly dependent on international shipping, which transports 80% of global trade in goods by volume and 70% by value. Four main factors caused bottlenecks in the supply chain during the pandemic: (i) mass shutdowns to prevent infection; (ii) increased congestion in ports; (iii) limited availability of shipping containers; and (iv) high level of concentration in the shipping industry. Not only did the disruptions negatively affect the availability of imported goods around the world, but they also created significant inflationary pressures owing to higher transportation costs (ECLAC, 2023a). More than three years on, the main indicators of the shipping sector appear to be returning to pre-pandemic levels.

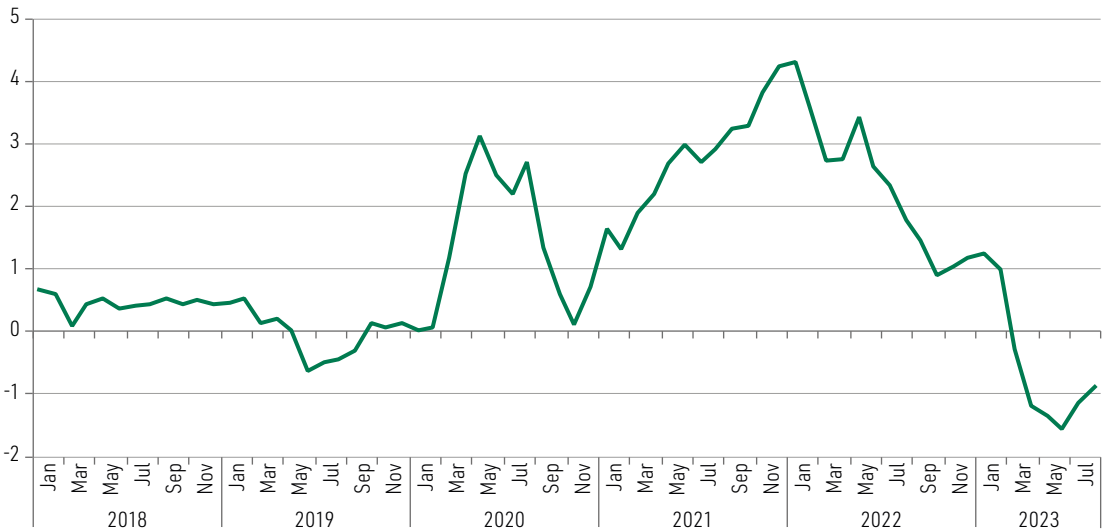
With a view to measuring the economic impacts of supply chain disruptions, the Federal Reserve Bank of New York developed the Global Supply Chain Pressure Index. The Index integrates information on transportation costs and manufacturing indicators.[3] A value of zero indicates that the Index is at its mean value, with positive figures representing the number of standard deviations above the mean value (and negative figures representing the opposite). As shown in figure I.17, the outbreak of the pandemic triggered the first cycle of supply chain pressure. In April 2020, the Index rose to its highest level for the year (3.2) amid mass closures of borders, seaports and airports. After this first episode, from late 2020 to late 2021, global supply chain pressure mounted as global trade in goods recovered, even as pandemic-related restrictions remained in place. Having peaked in December 2021,

2 This section is based on M. Saade and E. Barleta, "Informe portuario 2022: ¿tras la tempestad llega la calma?", FAL Bulletin, Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), forthcoming.

3 Transportation costs are measured using data from the Baltic Dry Index and the Harper Petersen Charter Rates Index (Harpex), as well as airfreight indices from the Bureau of Labour Statistics of the United States. The Global Supply Chain Pressure Index also integrates supply chain information gathered through Purchasing Managers Index surveys of manufacturing firms in China, the eurozone, Japan, the Republic of Korea, Taiwan Province of China, the United Kingdom and the United States.

the Index trended downward, notwithstanding the war in Ukraine. This trend was only broken in June 2023 owing mainly to labour strikes on the west coast of the United States, problems caused by drought in the Panama Canal (see box I.1) and the news of a technical recession in the eurozone.

Figure I.17
Global Supply Chain Pressure Index, January 2018–July 2023



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Federal Reserve Bank of New York, 2023.

Box I.1
Impact of drought on Panama Canal traffic

The Panama Canal, through which an estimated 14% of global trade passes, is suffering the effects of the severe drought in Panama. According to Longley (2023), the water level of Gatún Lake, the largest of the lakes feeding the Panama Canal, dropped to its lowest point in the past seven years. In 2023, ships had to reduce their cargo in order to lower their draught sufficiently to pass through the Canal. Ships are also experiencing longer wait times, averaging four days but reaching up to 20 days in some cases.

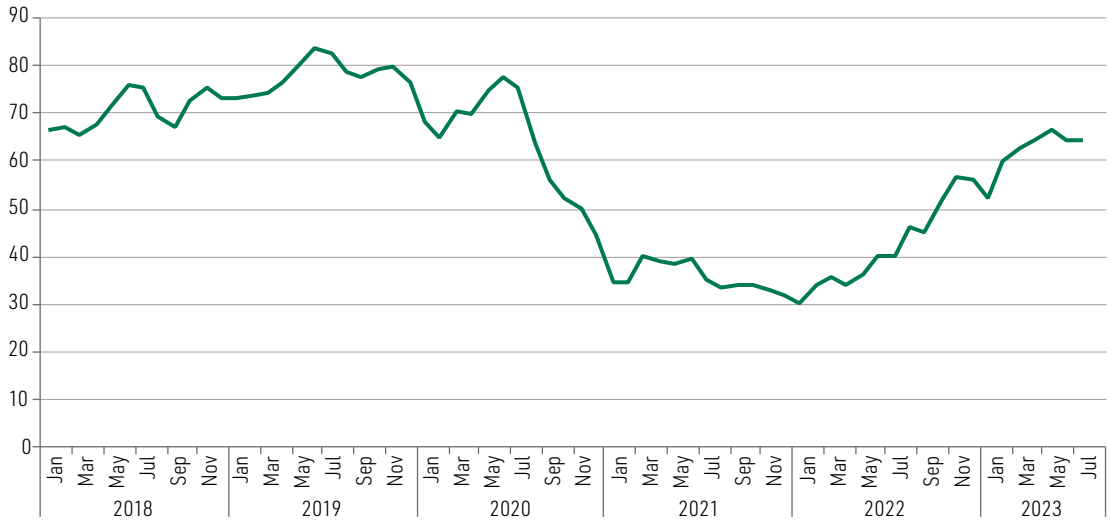
According to Sánchez (2023), the current state of affairs could lose Panama up to US$ 200 million in 2023. The Canal's lowered capacity could also affect shipping costs, especially in Asia and on the east coast of the United States (Sperrfechter and Khan, 2023). This, in turn, could precipitate inflationary pressures.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of A. Longley, "Cómo la sequía que afecta al canal de Panamá está afectando al comercio global", Bloomberg Línea, 22 August 2023 [online] https://www.bloomberglinea.com/latinoamerica/panama/la-sequia-que-afecta-al-canal-de-panama-esta-afectando-al-comercio-global; B. Sánchez, "El elevado costo de la sequía en el Canal de Panamá y su impacto en la industria logística mundial", Revista InformaBTL, 30 August 2023 [online] https://www.informabtl.com/el-elevado-costo-de-la-sequia-en-el-canal-de-panama-y-su-impacto-en-la-industria-logistica-mundial; K. Sperrfechter and H. Khan, "Panama Canal, Brazil's fiscal framework, Ecuador's vote", Capital Economics, 25 August 2023 [online] https://www.capitaleconomics.com/publications/latin-america-economics-weekly/panama-canal-brazils-fiscal-framework-ecuadors-vote.

Another indicator that reflects the effects of global shipping disruptions in recent years is the reliability of container shipping services.[4] As shown in figure I.18, the reliability of container ships' timely arrival in ports reached its lowest point in January 2022. Since then, that measurement has trended upward, which correlates with the declining supply chain pressure. The positive trend stalled in June for the same reasons behind the climbing Global Supply Chain Pressure Index.

[4] The reliability of shipping times is calculated using information on 34 distinct commercial routes.

Figure I.18
Reliability of shipping schedules, monthly averages, January 2018–July 2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Sea-Intelligence, "Global schedule reliability", August 2023, [online] https://sea-intelligence.com/press-room/176-schedule-reliability-continues-on-its-upwards-trend.

A third key indicator is the average number of days that vessels are delayed[5] in reaching their destination. Figure I.19 shows that after peaking at around eight days of delays in January 2022, the indicator began to trend downward. In May 2023 the indicator stood at 4.34 days, very close to pre-pandemic levels.

Figure I.19
Global average delays caused by late vessel arrivals, January 2018–July 2023
(Number of days)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Sea-Intelligence, "Global schedule reliability", August 2023, [online] https://sea-intelligence.com/press-room/176-schedule-reliability-continues-on-its-upwards-trend.

[5] To estimate the average number of days of delay, Sea-Intelligence measures more than 12,000 vessel arrivals per month.

Supply chain disruption since 2020 has harmed international seaborne container trade. Latin America and the Caribbean was the worst-affected region in 2020, with a year-on-year drop from 2019 of nearly 6% in seaborne cargo volumes. This decline reflected not only the previously mentioned global shocks, but also the sharp contraction in the region's GDP in 2020 (-6.8%). In 2021, cargo traffic increased in all regions as economic activity recovered. However, in 2022 international shipping was hit by the repercussions of the slowdown in global growth, the conflict in Ukraine and the restrictions implemented by China under its "zero COVID" policy, which included lockdowns of entire cities (ECLAC, 2023a). By the first quarter of 2023, volumes of seaborne trade had only risen above pre-pandemic levels from 2019 in the regions of sub-Saharan Africa and India and the Middle East (see table I.1).

Table I.1
International seaborne container trade volume index,[a] by subregion, 2019–March 2023
(Index: 2019=100)

	2019	2020	2021	2022	First quarter of 2023
Sub-Saharan Africa	100	96.4	98.2	98.1	103.9
North America	100	100.5	109.4	101.6	90.3
Latin America	100	94.3	101.9	96.5	95.7
Australasia and Oceania	100	100.6	101.9	97.4	93.7
Europe	100	97.0	101.9	94.5	87.3
Asia	100	99.9	106.3	104.0	99.6
India and the Middle East	100	96.9	98.0	101.6	110.7
World	100	98.7	104.5	100.9	96.7

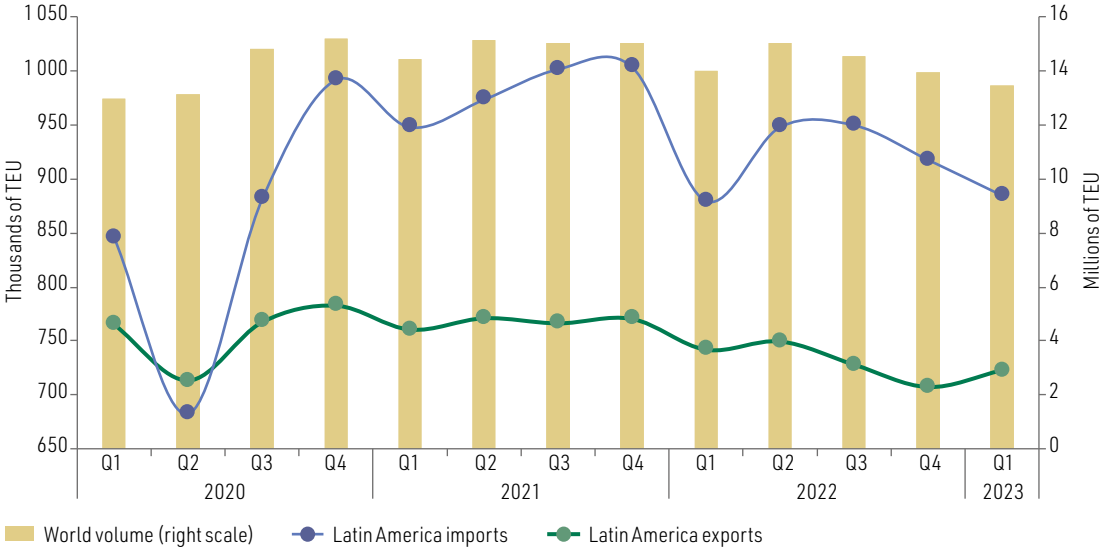
Source: M. Saade and E. Barleta, "Informe portuario 2022: ¿tras la tempestad llega la calma?", *FAL Bulletin*, Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), forthcoming.
[a] Measured in twenty-foot equivalent units (TEU).

According to Manaadiar (2023), the global economic slowdown, excess stock owing to weaker consumer demand and relocation of production from China to other regions such as South-East Asia, South Asia and Africa are behind the decline in cargo volumes, and with it lower demand for shipping services. This fall in cargo volumes could in turn lead to shipping capacity oversupply, which could result in service disruptions and longer transit times. In response, some shipping companies have opted for slow steaming and, in some cases, have even cancelled departures, potentially leading to unpredictable transport schedules and further supply chain disruption.

Global seaborne container trade volumes fell for three consecutive quarters from the third quarter of 2022 to the first quarter of 2023 (see figure I.20). This is in keeping with the slowdown in the world economy over that same period. The region's container trade volume has mirrored the global trend, albeit with a slight rebound in exports in the first quarter of 2023.

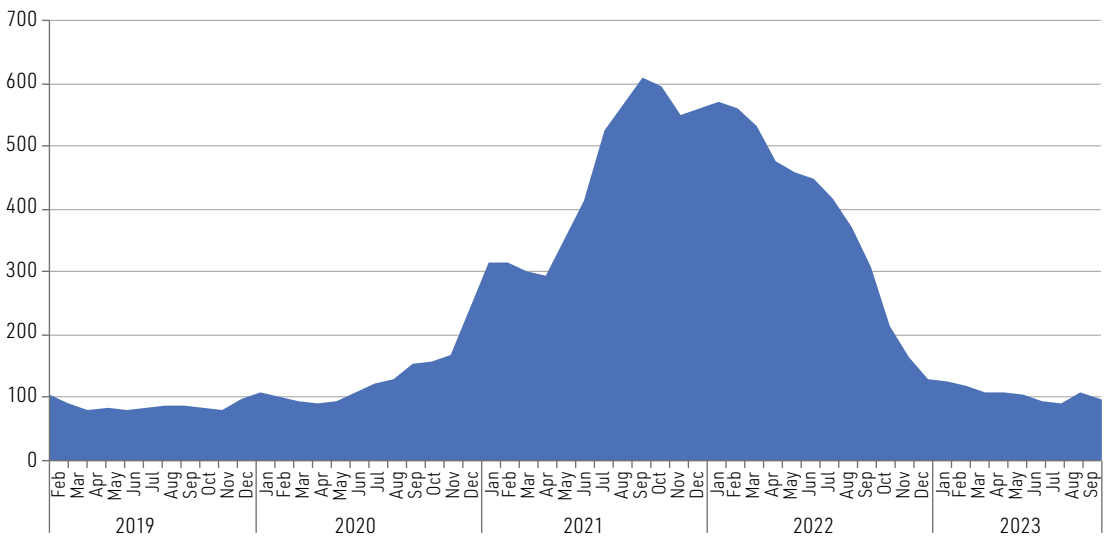
One of the main concerns raised by the global supply chain disruption from 2020 onward was the sharp rise in freight prices, as represented by seaborne freight rates. Rates increased almost eightfold between April 2019 and September 2021, driving considerable inflationary pressure. However, they have since trended clearly downward and have already returned to pre-pandemic levels (see figure I.21).

Figure I.20
Latin America and the world: variation in international seaborne container trade, first quarter 2020–first quarter 2023
(Thousands and millions of twenty-foot equivalent units (TEUs))



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Container Trade Statistics (CTS).

Figure I.21
Composite monthly average index of seaborne container freight spot rates, February 2019–September 2023
(Index: February 2019=100)



Source: M. Saade and E. Barleta, "Informe portuario 2022: ¿tras la tempestad llega la calma?", *FAL Bulletin*, Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), forthcoming.

As outlined by ECLAC (2023a), the crisis caused by the pandemic and supply chain disruption accelerated the pre-existing tendency towards greater concentration in the global shipping market. In 2022, three shipping alliances accounted for 82% of international container trade (see table I.2). However, the most powerful alliance —between Maersk Line and Mediterranean Shipping Company (MSC)— was broken up in 2023, after handling a third of the world's trade in 2022.

Table I.2
Estimated shares of world container shipping, by shipping line or alliance, 2012, 2019, 2022 and first quarter of 2023
(Percentages)

2012		2019		2022		2023 (first quarter)	
CKYH-the Green Alliance	17.4	Ocean Alliance (CMA CGM/APL, Cosco Shipping Lines and Evergreen Line)	26.3	2M (Maersk and Mediterranean Shipping Company (MSC))	33.8	Ocean Alliance (CMA CGM/ APL, Cosco Shipping Lines and Evergreen Line)	29.8
MSC	15.9	2M (Maersk and MSC)	24.3	Ocean Alliance (CMA CGM/ APL, Cosco Shipping Lines and Evergreen Line)	30.1	THE Alliance (Hapag-Lloyd, Yang Ming, Ocean Express Network (ONE) and Hyundai Merchant Marine (HMM))	18.2
Maersk Line	14.7	THE Alliance (Hapag-Lloyd, Yang Ming, ONE and HMM)	15.5	THE Alliance (Hapag-Lloyd, Yang Ming, ONE and HMM)	18.5	MSC	18.1
Grand Alliance	10.2	...		...		Maersk Line	15.6
New World Alliance	7.7	...		...		...	
CMA CGM	6.7	...		...		...	
Evergreen Line	6.1	...		...		...	
G6 Alliance	5.8	...		...		...	
CSCL	4.4	...		...		...	
ZIM	3.8	...		...		...	
Ham-Sud	2.6	...		...		...	
Compañía Sud Americana de Vapores (CSAV)	1.9	...		...		...	
Non-alliance shipping companies	2.8		33.8		17.7		18.3

Source: M. Saade and E. Barleta, "Informe portuario 2022: ¿tras la tempestad llega la calma?", *FAL Bulletin*, Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), forthcoming.
Note: Shares are estimated based on the volume of cargo transported by each shipping line or alliance, measured in twenty-foot equivalent units (TEU).

According to Manaadiar (2023), the drop in seaborne freight rates over recent months may endanger smaller shipping lines that joined the market to take advantage of previously high rates. Given current conditions, small and medium-sized shipping lines may be open to merging with larger players, or to being acquired by them. Given the significant profits made by the major shipping lines on the back of the rise in seaborne freight rates since 2020, such mergers and acquisitions could lead to a new round of consolidation in the industry.

D. In the region, trade in goods has declined and trade in services has slowed

1. Overview

In the first half of 2023, the region's foreign trade in goods and services was sluggish, with year-on-year growth in value of 0.6% for exports and a drop of 3.2% for imports. This contrasts with the strong year-on-year rises in the first halves of 2021 and 2022 (see table I.3). The weak performance in 2023

is a combined result of three factors: the decline in overall demand owing to slow economic growth in the region's main export markets, the fall in prices of commodities exported by the region, and slower growth in the region itself.

Table I.3
Latin America and the Caribbean: year-on-year variations in the value of goods and service exports, by major sectors, first half of 2020–first half of 2023[a]
(Percentages)

		January–June 2020	January–June 2021	January–June 2022	January–June 2023
Exports	**Goods and services**	**-17.1**	**27.5**	**23.8**	**0.6**
	Goods	**-14.7**	**31.6**	**21.6**	**-1.7**
	Agricultural products	4.6	10.2	28.1	-4.8
	Mining and oil	-18.0	58.5	16.7	-10.3
	Manufactures	-17.7	29.4	21.3	1.6
	Services	**-30.2**	**1.0**	**45.1**	**17.0**
	Transport	-18.7	3.8	35.0	8.3
	Travel	-52.5	-15.8	111.4	25.6
	Other services	-6.9	10.9	17.4	13.0
Imports	**Goods and services**	**-18.2**	**26.9**	**31.7**	**-3.2**
	Goods	**-16.9**	**31.0**	**28.8**	**-4.5**
	Capital goods	-15.4	21.7	17.7	5.1
	Intermediate inputs	-12.7	32.8	24.8	-5.3
	Consumer goods	-20.0	26.2	26.4	3.0
	Fuel	-35.0	43.5	85.0	-19.5
	Services	**-23.4**	**8.5**	**41.5**	**4.1**
	Transport	-21.2	46.8	54.1	-11.2
	Travel	-55.1	-38.5	152.4	33.0
	Other services	-8.9	2.5	17.5	7.8

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

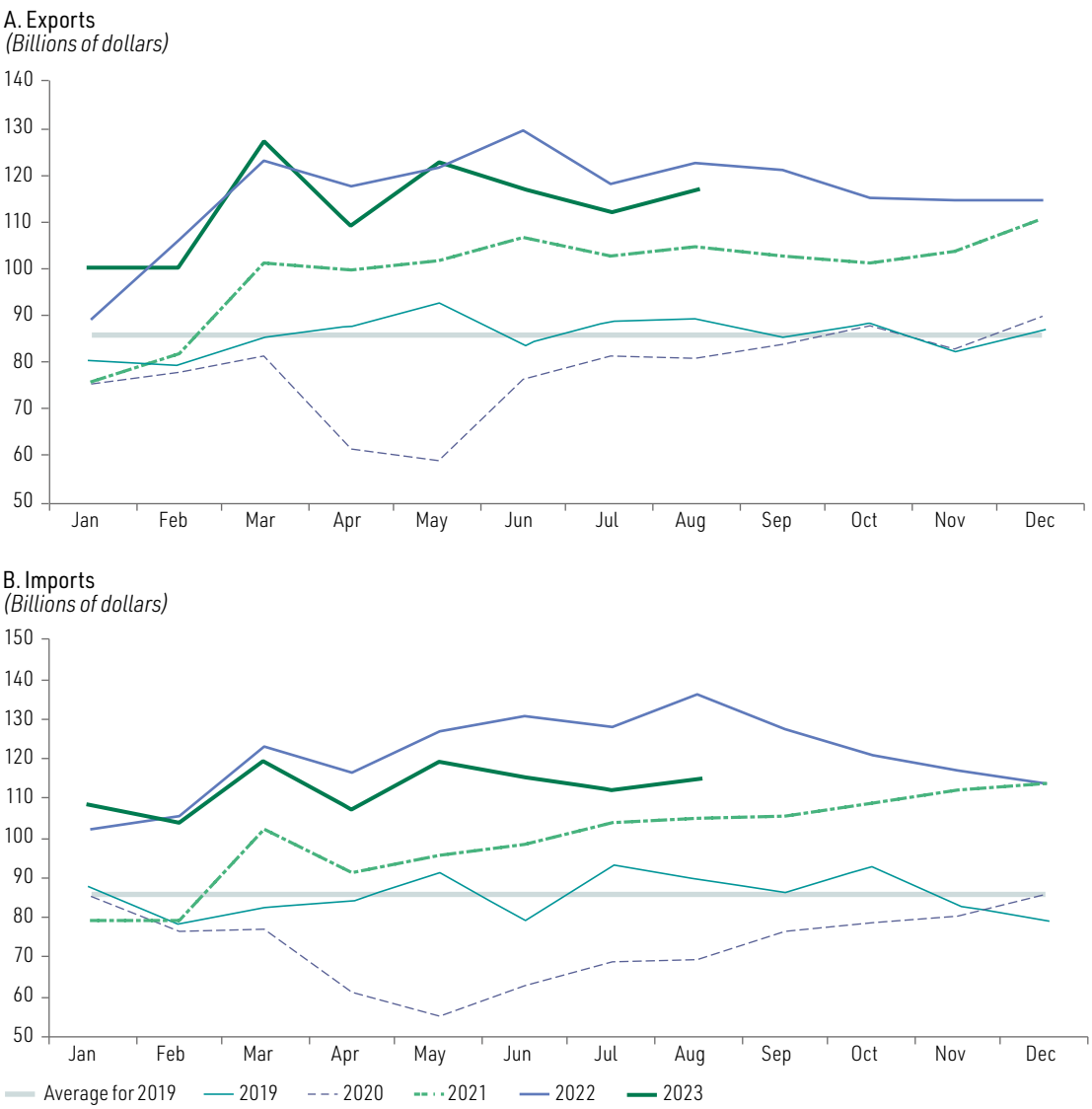
[a] The figures on goods trade include the 33 countries of the region. Barbados, the Bolivarian Republic of Venezuela and Cuba are excluded from services, because no information is available. For the remaining 30 countries, complete information for the first quarter of 2023 was available for 28 countries (accounting for 98% of regional services trade in 2022). For the second quarter of 2023, complete information was available for 17 countries (Argentina, Antigua and Barbuda, Brazil, Chile, Colombia, Dominica, Ecuador, Grenada, Honduras, Mexico, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Uruguay). These countries accounted for 93% of regional services trade in 2022.

In the first half of the year, there were year-on-year declines in the region's goods exports and imports (-1.7% and -4.5%, respectively). In contrast, service exports and imports grew 17% and 4.1%, respectively. In the case of goods (which accounted for 87% of regional exports of goods and services in 2022), exports of mining and oil (-10.3%) and agricultural products (-4.8%) fell, and only manufacturing exports grew (1.6%). Exports of services (which accounted for 13% of the region's exports of goods and services in 2022) grew in all categories. In particular, travel exports rose by 25.6%, reflecting the ongoing recovery in tourism, which was severely affected by the pandemic. Exports of other services (mainly modern digitally deliverable services) expanded by 13%, while the slowest growth was in exports of transport services (8.3%), in keeping with the weakness of goods exports. In short, over the first half of 2023, service exports proved more resilient to the global economic slowdown than goods exports.

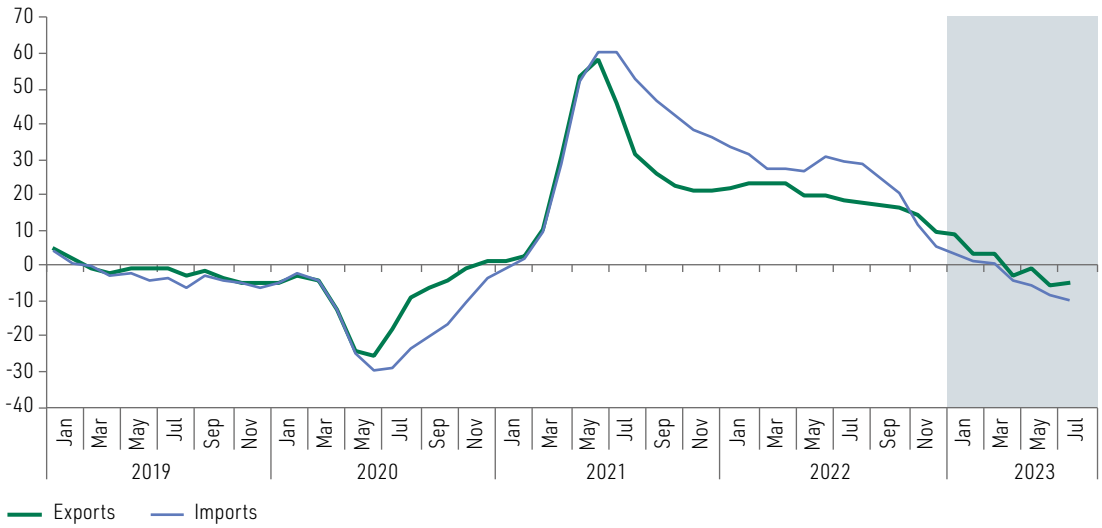
In addition to regional imports of goods declining in the first half of 2023, imports of services also slowed considerably with respect to the first half of 2022, when they grew by 41.5%. This weakness in imports of goods and services stems from the economic slowdown in the region, as after expanding 6.8% in 2021 and 3.8% in 2022, GDP is projected to grow just 1.7% in 2023 (ECLAC, 2023b). The resulting lower demand has led to a drop in imports of fuels and intermediate inputs, and a slump in imports of capital and consumer goods.

The weakness of regional trade in goods in the first half of 2023 can be confirmed through an analysis of the pattern in monthly exports and imports. The average value of monthly flows began to decrease progressively in September 2022 in the case of exports, and in August of the same year for imports, as macroeconomic conditions worsened in the region and worldwide. Then, in February 2023, variations in trade flows turned negative, with flows falling below their 2022 levels for several months in a row (see figure I.22C).

Figure I.22
Latin America and the Caribbean: trade in goods, January 2019–August 2023
(Billions of dollars and percentage variations)



C. Year-on-year variation
(Percentages, three-quarter moving averages)

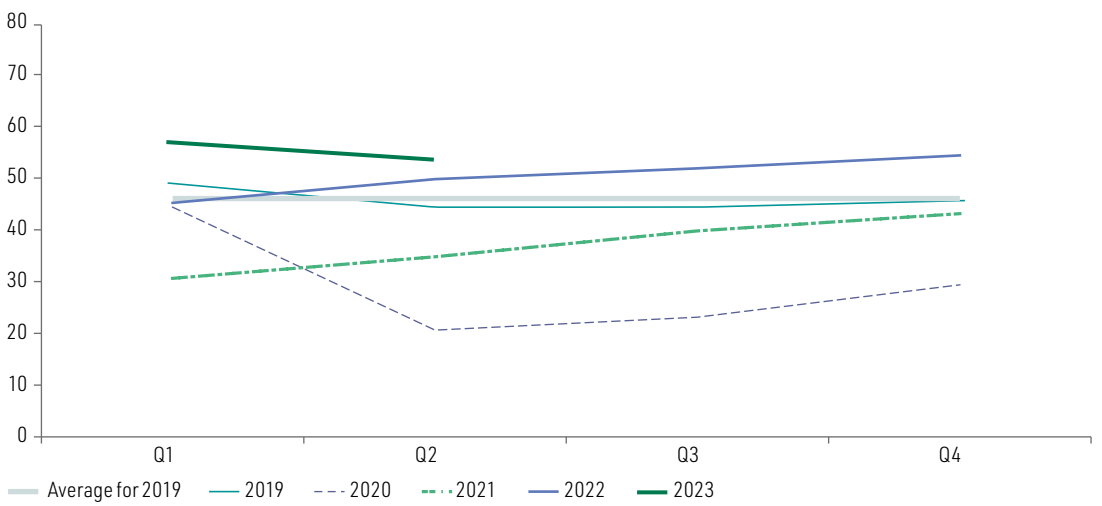


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data from central banks, customs services and institutes of statistics from the region.

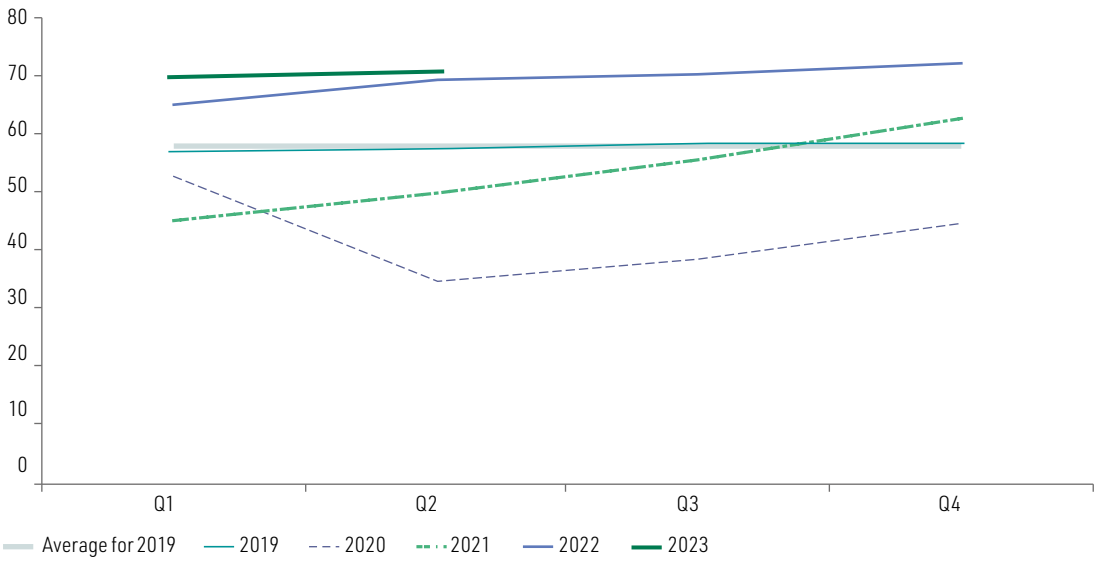
A similar analysis of trade in services also shows a slowdown, mainly in imports, which in the first half of 2023 were close to the levels seen in the second half of 2022 (see figure I.23). The greater resilience of services in comparison to goods is primarily a reflection of the ongoing recovery in tourism. In the period from January to July 2023, international tourist arrivals to South America and the Caribbean were 13% and 5% lower, respectively, than in the same portion of 2019; in contrast, in Central America (including Mexico) they were already 2% higher (UNWTO, 2023b). Despite this rebound, rises in oil prices since July 2023 (see section D.2) may hamper the recovery in regional tourism by making airline tickets more expensive.

Figure I.23
Latin America and the Caribbean: trade in services, first quarter of 2019–second quarter of 2023
(Billions of dollars and percentage variations)

A. Exports
(Billions of dollars)



B. Imports
(Billions of dollars)



C. Year-on-year variation
(Percentages, three-quarter moving averages)

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

In the case of goods, the sectors that showed the greatest resilience to the slowdown in regional trade over the first half of the year were agriculture, hunting and fishing; non-electrical machinery and equipment; electrical machinery and equipment, and automobiles and auto parts (see table I.4). Most of the other sectors declined in all of the subregions. In contrast, in the case of services, exports continued to grow in most categories and subregional groupings. In addition to tourism, exports of modern services also grew notably (financial, telecommunications, information technology and professional services, among others), in several cases recording double-digit rises.

Table I.4
Latin America and the Caribbean and selected groupings: year-on-year variation in goods and services exports, by major sector, first half of 2023
(Percentages)

	Southern Common Market (MERCOSUR)	Andean Community	Pacific Alliance	Central American Common Market (CACM)	Caribbean Community (CARICOM)	Latin America and the Caribbean
Goods	**-5.8**	**-12.0**	**1.4**	**1.6**	**-4.7**	**-1.7**
Agricultural products	2.8	0.7	-0.7	10.1	6.7	2.0
Oil and mining	-1.8	-23.2	-12.4	-1.6	-2.2	-10.6
Food, beverages and tobacco	-6.3	-17.1	-2.9	1.6	9.3	-5.0
Textiles, apparel and footwear	-30.7	-13.5	-5.3	-18.4	-15.2	-17.0
Wood, pulp and paper	-8.3	-1.5	-13.1	2.1	-24.2	-9.7
Chemicals and pharmaceuticals	-18.5	-7.1	1.6	2.1	-23.8	-6.4
Rubber and plastics	-16.5	-29.0	-8.6	-3.4	-8.7	-10.2
Non-metallic minerals	-12.2	-3.5	1.2	10.9	-10.8	-2.2
Metals and metal products	-10.2	-1.7	-3.1	-14.4	-11.4	-6.1
Non-electrical machinery and equipment	13.7	-9.6	12.0	16.4	-27.7	13.6
Electrical machinery and equipment	6.5	15.3	4.3	37.6	22.2	5.9
Automobiles and auto parts	16.0	6.5	16.5	-24.4	-2.5	11.1
Other manufactures	-30.2	-14.9	-6.6	-4.5	46.2	-10.1
Services	**17.6**	**19.2**	**16.4**	**15.5**	**27.6**	**17.0**
Transportation	5.9	14.1	4.4	13.7	2.3	8.3
Travel	63.9	26.7	19.9	22.4	34.2	25.6
Construction	-26.3	128.5	128.5	-22.1	312.6	-19.9
Insurance and pension services	-9.9	10.3	0.3	-1.1	23.1	-1.2
Financial services	3.7	43.9	14.1	14.8	4.1	13.4
Charges for the use of intellectual property	23.8	15.3	83.9	9.9	-33.8	53.9
Telecommunications and information technology services	15.7	7.8	-1.0	16.0	-3.5	12.5
Other business services	8.9	12.1	23.7	15.0	6.8	14.1
Personal, cultural and recreational services	10.4	-0.5	54.5	39.0	-6.3	18.0
Government goods and services	19.0	3.7	7.5	6.4	39.2	12.5
Services related to goods	1.5	-26.6	41.9	6.7	...	7.0
Goods and services	**-2.9**	**-8.4**	**2.6**	**7.5**	**7.2**	**0.6**

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

Over the last decade, e-commerce has gained momentum around the world, a trend that was accentuated by the pandemic. Online platforms have made it easier to market both goods and services across borders. Despite the general lack of official statistics on cross-border e-commerce, available estimates suggest that e-commerce remains a predominantly local phenomenon in the region and globally (see box I.2).

Box I.2

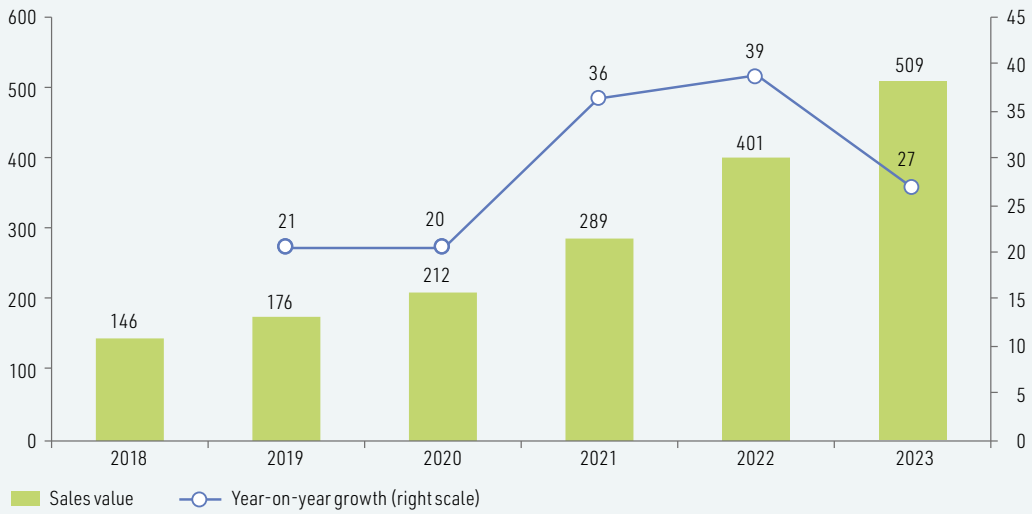
Key characteristics of e-commerce in Latin America

It is estimated that e-commerce sales in Latin America and the Caribbean in 2022 amounted to US$ 401 billion, up 39% on 2021 and 128% higher than in 2019 (see figure 1). These figures put the region behind Asia, the world's largest e-commerce market, the United States and Europe, but above Africa. In 2023, the region's e-commerce sector is expected to be the fastest-growing globally, with sales almost 30% higher than in 2022 (PCMI, 2023). Within the region, the main markets in terms of sales value are Brazil and then Mexico, which account for 50%–60% of the regional market between them, followed by Argentina, Chile, Colombia, Ecuador and Peru.

Figure 1

Latin America and the Caribbean: e-commerce sales, 2018–2022 and projection for 2023

(Billions of dollars and annual rates of variation)



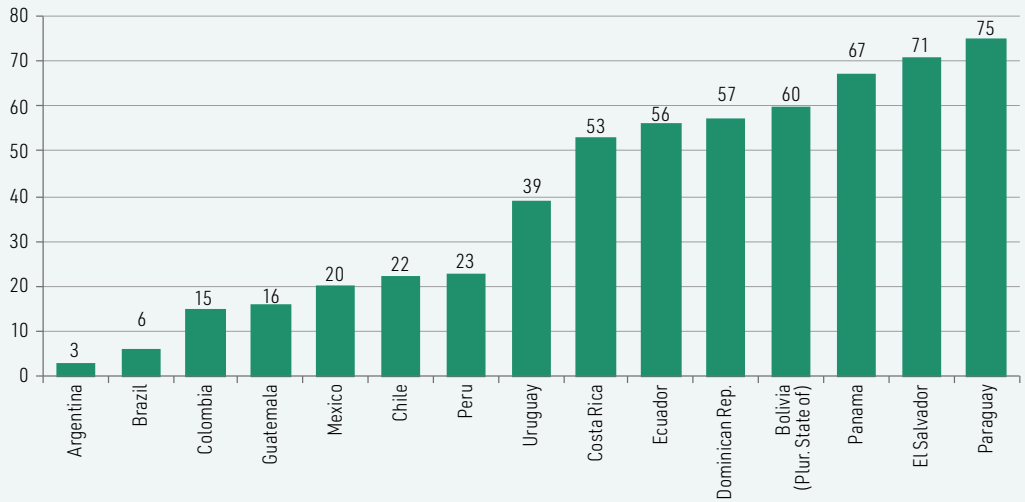
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of estimates from *Payments and Commerce Market Intelligence (PCMI), The 2023 Latin America E-commerce Blueprint*, 2023 [online] https://paymentscmi.com/insights/e-commerce-latin-america-2023-2026.

Note: Estimates based on information from 15 countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

The category that generates the largest proportion of total sales is retail e-commerce of goods, at US$ 160 billion to US$ 210 billion in 2022, and it is expected to grow by a further 30% in 2023 (Chevalier, 2023; PCMI, 2023). This category mainly comprises online platforms that combine payment, logistics and, in some cases, credit solutions, which are the main gateway for new online shoppers.

Cross-border sales are estimated to have represented just 14% of total online sales in the region in 2022, albeit with considerable differences among the countries. More mature and developed markets, such as Argentina, Brazil and Colombia, tend to have lower proportions of cross-border e-commerce than smaller or emerging markets (see figure 2). Cross-border e-commerce is estimated to be growing at a faster rate than its local counterpart, mainly driven by online services (including software services, audio and video streaming, video games, gambling sites and financial services linked to cryptocurrencies). The emergence of new means of making cross-border electronic payments, using solutions such as Pix in Brazil, Pagos Seguros en Línea (PSE) in Colombia, or the National Electronic Payments System (SINPE) in Costa Rica is also enabling a higher volume of cross-border e-commerce.

Figure 2
Latin America and the Caribbean (15 countries): share of cross-border e-commerce in total business-to-consumer (B2C) e-commerce sales, 2022
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of EBANX, *Beyond Borders 2022-2023. Digital payments connecting businesses and people in rising economies: an overview of online commerce in Latin America and Africa, 2023* [online] https://business.ebanx.com/en/beyond-borders-2023.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Payments and Commerce Market Intelligence (PCMI), *The 2023 Latin America E-commerce Blueprint*, 2023 [online] https://paymentscmi.com/insights/e-commerce-latin-america-2023-2026; S. Chevalier, "E-commerce in Latin America - statistics & facts", Statista, 31 August 2023 [online] https://www.statista.com/topics/2453/e-commerce-in-latin-america/; and EBANX, *Beyond Borders 2022-2023. Digital payments connecting businesses and people in rising economies: an overview of online commerce in Latin America and Africa, 2023* [online] https://business.ebanx.com/en/beyond-borders-2023.

2. Recent developments and the outlook for export commodity prices

Between January and August 2023, the price index for the main commodities exported by the region fell by 11.5% year-on-year (see table I.5). Of the 23 main exported products, prices rose for just 6. In the case of gold and silver, this is because both are being used by investors as stores of value in response to still-high inflation expectations and financial market volatility. The other products with higher prices were agricultural: rice (21%), sugar (19%), bananas (17.1%) and fishmeal (15.5%). In contrast, energy prices declined the most during the first eight months of the year, falling an average of around 25%. Natural gas and coal prices dropped considerably more, reversing the surges in the same period of 2022 caused by the start of the conflict in Ukraine. The key factors behind the decline in fuel prices through to August were normalization of energy supply in Europe and slower global economic activity.

Mineral and metal prices fell by a cumulative average of 9.4% in the period. This was primarily a result of weaker demand from the Chinese manufacturing sector and the crisis in the country's real estate sector, which led to smaller purchases of copper, iron ore and other metals. The 35% drop in the price of lithium carbonate was particularly noteworthy, as it increased 430% in the first eight months of 2022. The fall reflected producers of lithium batteries and electrical vehicles reducing their stock in anticipation of weaker global demand. However, this situation is expected to reverse, because the substantial global growth in e-mobility means that a supply deficit is projected for coming years (COCHILCO, 2023).

Table I.5
Latin America and the Caribbean: year-on-year variation in the price indices of key export commodities, January–August 2022, January–August 2023 and projected variation in 2023
(Percentages)

	Share of total goods exports (2022)	Year-on-year change		Projected variation for 2023[a]
		January–August 2022	January–August 2023	
All commodities	**41.2**	**31.6**	**-11.5**	**-7.4**
Energy	**11.1**	**68.1**	**-24.6**	**-17.1**
Oil	8.0	58.1	-23.8	-15.2
Petroleum products	2.2	80.0	-11.9	-7.3
Natural gas	0.7	94.7	-62.6	-61.4
Coal	0.2	138.7	-62.6	-50.9
Minerals and metals	**14.4**	**0.9**	**-9.4**	**-4.7**
Other minerals and metals	2.6	6.3	-12.5	-9.9
Copper	6.2	0.4	-9.1	-6.3
Gold	2.1	2.0	5.0	7.4
Iron	2.5	-28.6	-11.3	-4.6
Lithium carbonate	0.5	430.4	-35.2	-46.0
Aluminium	0.2	25.2	-21.2	-17.1
Silver	0.2	-14.3	5.1	8.1
Nickel	0.1	49.6	-11.3	-12.9
Tin	0.01	24.8	-26.8	-14.6
Agricultural commodities	**15.7**	**20.9**	**-4.1**	**-3.0**
Soybean oil	1.1	28.2	-33.8	-28.2
Bananas	2.2	12.5	17.1	13.7
Beef	2.0	17.3	-21.0	-17.3
Soybean	2.9	15.8	-10.6	-7.5
Coffee	1.4	40.9	-12.4	-11.0
Sugar	1.2	11.3	19.0	23.2
Fishmeal	1.0	3.9	15.5	14.4
Maize	1.6	21.3	-15.1	-17.9
Shrimp and other crustaceans	0.7	11.6	-27.9	-24.1
Rice	0.1	-11.1	21.0	21.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the World Bank, Bloomberg, The Economist Intelligence Unit, the Buenos Aires Grain Exchange, the Chilean Copper Commission (COCHILCO) and the Agrarian Research and Policy Office (ODEPA) of Chile.

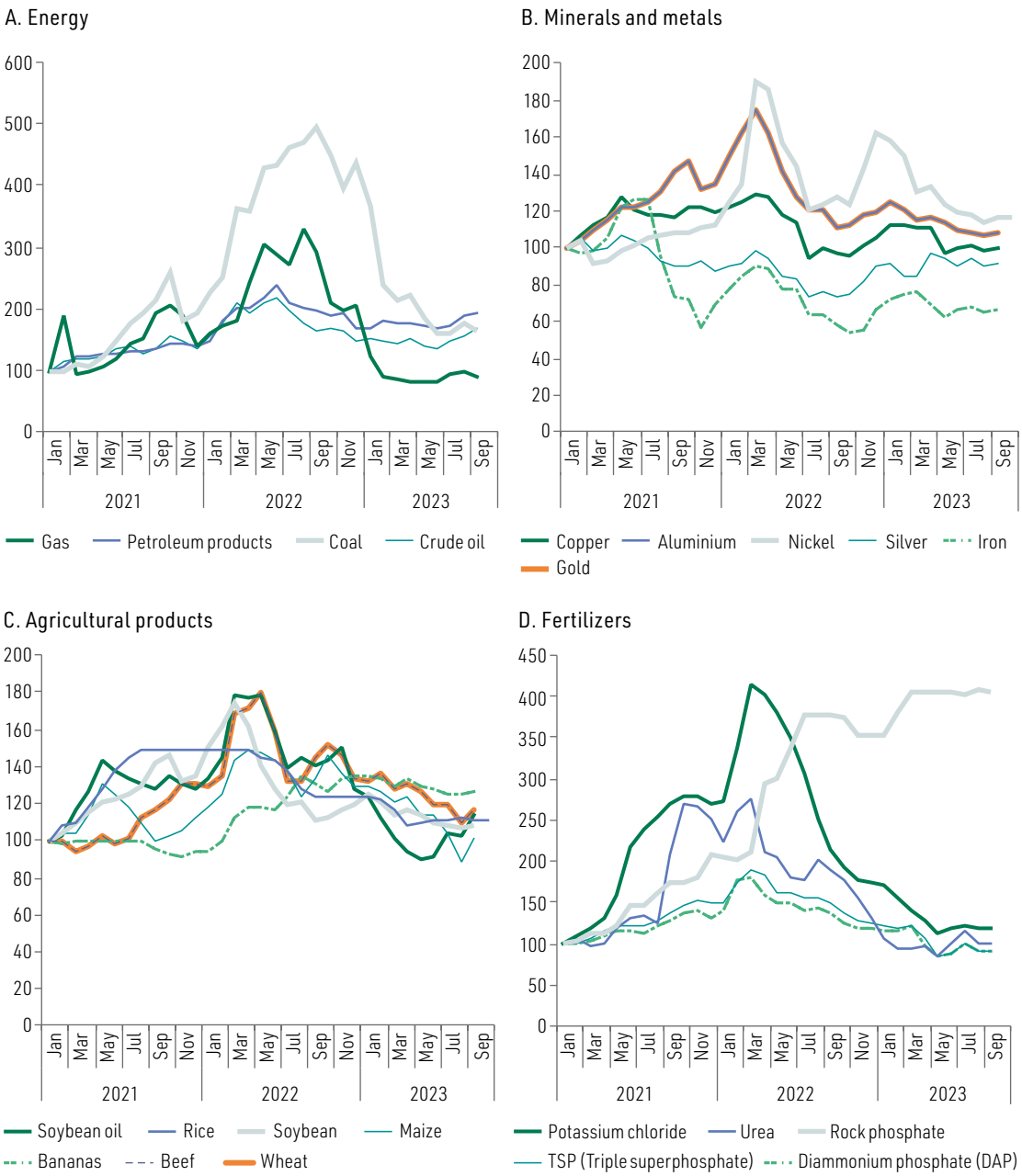
[a] Projections prepared by ECLAC on the basis of prices over the January–August period, daily prices for the month of September, futures prices for the fourth quarter of the year for various exchange-traded products (soybeans, maize, wheat, copper and oil, among others), and recorded and expected supply and demand conditions for the selected products.

Prices of agricultural products fell 4.1% on average during the January–August 2023 period, with individual declines ranging from 11% to 34%. In July 2023, the Initiative on the Safe Transportation of Grain and Foodstuffs from Ukrainian Ports expired, curbing Ukraine's exports of barley, wheat, maize and sunflower oil. As a result, grain prices have started to climb once more, albeit more slowly than expected.

Prices of some commodities (such as oil, petroleum products and soybean oil) rebounded in September, and are expected to continue to do so in the last quarter of the year. Overall, the price index for commodities exported by the region is projected to fall by around 7.4% in annual terms. On average, energy prices are set to fall 17.1%, but to remain at high levels. The regional price index for minerals and metals is expected to close 2023 down 4.7%, and the index for agricultural and livestock products down 3.0%. In short, falls are projected for all categories, but smaller declines than

over the first eight months of the year. The largest change is projected in the energy sector, owing to the recovery in oil prices (see figure I.24A). In late September, oil was above US$ 90 per barrel, with a projected average for the year of US$ 83, benefiting the region's main oil exporters. Through to August, as prices collapsed, oil producers suffered large drops in export revenues, which they attempted to offset by increasing export volumes. The recovery in oil prices, meanwhile, will hurt net fuel importers in the region.

Figure I.24
Price index for selected commodities, January 2021–September 2023
(Index: January 2021=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "Commodity Markets" [online] https://www.worldbank.org/en/research/commodity-markets, and data from Bloomberg.

The price index for the group of key agricultural products has not risen substantially in recent months, even though its soybean and wheat components have (see figure I.24C). In September 2023, maize and wheat prices were 1%–3% higher year-on-year (ODEPA, 2023). Overall, large changes in agricultural product prices are not expected for the last few months of 2023, except those that may occur in response to political decisions or unforeseeable climate-related factors. Therefore, futures prices for the last quarter of 2023, and even those for the first quarter of 2024, for grains, oils, flours and cotton have moved by less than 0.5% (Rosario Board of Trade, 2023). The only price that is still being pushed up is that of rice, reflecting the export restrictions put in place in July 2023 by India, the world's leading exporter.

In the case of minerals, the projected price drop for the entire year of 2023 is much the same as that recorded for the first eight months of the year. Through to August 2023, variations in the prices of the region's main mineral and metal exports were minimal (see figure I.24B). The trend in the last four months of the year will depend largely on economic activity in China, especially in construction and industrial production.

Fertilizer prices are in a steep fall, mainly owing to weak demand and lower prices for natural gas, the main input for the production of nitrogenous fertilizers. However, the price of phosphate rock, another of the main inputs, is trending sharply upwards (see figure I.24D). There are no significant reserves of this mineral in the region, which is mainly found in Africa and Asia. The sharp drop in gas prices, and consequently in fertilizer prices, could dampen the appeal of investing in fertilizer production in the region.

3. Analysis of trade performance by country

The largest drops in the value of goods exports in the first half of 2023 were in the countries of the Andean Community (-12%) (see table I.6). As the export baskets of three of its member countries (Colombia, Ecuador and the Plurinational State of Bolivia) are energy-intensive, plummeting oil, gas and coal prices have dragged down exports. With gas prices falling by 60%, the Plurinational State of Bolivia has been hardest hit. According to official data, its gas production was also down 8% in the first half of the year (Deza, 2023).

Table I.6
Latin America and the Caribbean: year-on-year changes in the value of goods exports and imports, first half of 2022 and first half of 2023
(Percentages)

	Exports		Imports	
	January–June 2022	January–June 2023	January–June 2022	January–June 2023
Latin America and the Caribbean	**21.6**	**-1.7**	**28.8**	**-4.5**
Southern Common Market (MERCOSUR)	**24.0**	**-5.8**	**31.8**	**-6.0**
Argentina	25.6	-24.7	44.3	-8.5
Brazil	20.5	0.7	30.9	-7.1
Paraguay	-6.2	18.4	27.4	1.2
Uruguay	39.8	-20.7	34.6	1.9
Venezuela (Bolivarian Republic of)	94.3	-24.4	-6.2	17.9
Andean Community	**33.5**	**-12.0**	**35.9**	**-13.6**
Bolivia (Plurinational State of)	41.1	-23.0	35.3	2.0
Colombia	59.2	-13.7	44.5	-17.4
Ecuador	34.9	-10.1	43.9	-7.9
Peru	14.7	-9.0	22.6	-14.5

	Exports		Imports	
	January–June 2022	January–June 2023	January–June 2022	January–June 2023
Pacific Alliance[a]	**19.2**	**1.4**	**26.9**	**-3.7**
Chile	7.3	2.4	29.6	-18.2
Mexico	19.0	3.9	25.0	1.6
Central American Common Market (CACM)	**16.8**	**1.6**	**28.5**	**-2.8**
Costa Rica	6.0	21.6	18.9	11.0
El Salvador	13.9	-7.2	23.2	-10.1
Guatemala	24.7	-7.8	34.3	-7.3
Honduras	29.3	-5.4	24.8	-7.9
Nicaragua	18.3	2.0	24.7	-3.3
Panama (excluding the Colón Free Zone)	14.9	-8.0	44.7	0.6
Panama (including the Colón Free Zone)	19.7	14.2	38.9	15.9
The Caribbean	**35.7**	**-4.2**	**28.4**	**-5.3**
Cuba	13.5	-10.7	3.5	-30.8
Dominican Republic	10.9	-2.4	34.5	-5.4
Caribbean Community (CARICOM)	**53.4**	**-4.7**	**27.7**	**-1.4**
Bahamas	35.1	19.3	18.3	11.2
Barbados	58.0	-0.9	49.5	-3.6
Belize	29.0	-15.6	38.9	2.7
Guyana	33.6	66.1	28.6	-0.5
Haiti	10.7	-21.7	11.1	-46.3
Jamaica	1.8	32.6	36.5	4.1
Suriname	48.7	-12.7	22.6	8.8
Trinidad and Tobago	84.8	-35.1	20.8	-4.9
Organisation of Eastern Caribbean States (OECS)	**5.1**	**21.2**	**37.0**	**10.3**
Antigua and Barbuda	29.7	0.5	45.7	4.6
Dominica	29.2	6.7	10.1	27.3
Grenada	26.7	103.0	31.9	30.5
Saint Kitts and Nevis	-33.5	-10.3	39.1	4.1
Saint Lucia	2.0	20.0	51.2	10.0
Saint Vincent and the Grenadines	25.9	-8.3	22.3	-10.0

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

[a] The data for Colombia and Peru are included in the data for other members of the Andean Community.

The drop in oil prices (-15%) and export volume (-16%) affected Colombian exports, as did the fall in coal prices (-61%). This was partly offset by an increase in the volume of the coal exports of the main exporting companies of just over 10% (FENALCARBÓN, 2023). The prices and export volumes of coffee and palm oil, which account for 34% and 8% of the country's total exports, respectively, also fell (DANE, 2023). In Ecuador, falling oil export prices and volumes (-32% and -2%, respectively) were partially offset by higher prices and volumes for banana, cocoa, gold and flower shipments (MPCEIP, 2023). As a result, the total export value was down by 10.1%.

In South America, only three countries recorded increases in export value in the first half of 2023: Paraguay (18.4%), Chile (2.4%) and Brazil (0.7%). The strongest growth in export value in South America was in Paraguay. After the country overcame the 2022 drought, agricultural exports grew at a year-on-year rate of 30% between January and June 2023. Soybean exports in particular surged by more than 100% (Ministry of Economy and Finance of Paraguay, 2023). In Chile, exports held up thanks to higher export volumes for copper, molybdenum, gold and silver and growth of 7.3% in fruit exports (SUBREI, 2023a). However, in the period from January to August, exports fell year-on-year (-1,2%), chiefly because of the sharp drop in the value of lithium exports, which shrank by 24% over that period.

In Brazil, the slight increase in the total value of exports is mainly attributable to the rising value of exports of agricultural products and food, beverages and tobacco. Both sectors, which together account for 40% of the total export basket (20% each), recorded an 8% increase in export value, offsetting falling exports of minerals and petroleum (-85%), rubber and plastics (-32%), and minerals and metals (-6%). In the other Southern Common Market (MERCOSUR) countries (Argentina, the Bolivarian Republic of Venezuela and Uruguay), exports fell owing to the sharp drop in export volumes triggered by drought in Argentina and Uruguay and because of fewer oil, mineral, agricultural, and food, drink and tobacco shipments.

The value of Mexico's exports grew by 3.9% in the first half of 2023, a rate well above the regional average. As Mexico accounted for 41% of the region's total goods exports in 2022, the expansion of its shipments in the first half of 2023 largely offset the declines in South America and some Central American and Caribbean countries. The main increases in export value were seen in heavy manufactuing sectors: automotive and auto parts (15%), machinery and equipment (10.6%) and electrical appliances (4%), among others. Shipments abroad of these items, which represent just over 60% of Mexico's export basket, more than offset the drop in exports from the mining and oil sector (-20%). The overall strong performance of the Mexican export sector was driven by a 5.2% increase in the value of exports to the United States, its main market (INEGI, 2023).

In Central America, export growth in Costa Rica was strong, at 21.6%, driven by higher export values in sectors such as medical and precision equipment (40%), chemicals and pharmaceuticals (31%), agricultural products (17.7%) and metalworking (12.9%) (PROCOMER, 2023). In El Salvador, Guatemala and Honduras, declining export values during the first half of the year were triggered by lower sales of agricultural and livestock products, the result of shrinking prices and export volumes. In Panama, the decrease in export value is mainly attributable to the drop in shipments of its main export product, copper.

Among Caribbean Community (CARICOM) countries, growth in export values was highest in Guyana, Jamaica and the Bahamas, with rates of 66.1%, 32.6% and 19.3%, respectively. Growth was driven an increase in the export volumes of oil, the main export product of the three countries, and especially Guyana. Guyana is in the midst of an export boom as a result of offshore oil extraction by Exxon-Mobil. In the first half of 2023, the volume of oil exported by Guyana surged by 63%, reaching 215,000 barrels per day (Párraga, 2023). In the economies of the Organisation of Eastern Caribbean States, growth was strong in Grenada and Saint Lucia (at 103% and 20%, respectively), owing mainly to rises in agricultural product and prepared food exports. In Grenada, beginning in the first quarter, fruit and vegetable exports to the United Kingdom were up by an average of over 90% (Department for Business and Trade of the United Kingdom, 2023). Dominica and Antigua and Barbuda also upped their shipments of agricultural and livestock products and food, beverages and tobacco. Saint Kitts and Nevis and Saint Vincent and the Grenadines, however, reported a fall of more than 10% in the value of their exports of food, beverages and tobacco and mining products (ECCB, 2023).

In contrast with goods exports, services exports were up in all countries of Latin America and the Caribbean in the first half of 2023, except the Bahamas, Grenada and Haiti. In most cases, services

exports rose at double-digit year-on-year rates, albeit lower than those recorded in the year-earlier period. Services imports were much weaker than exports, reaching negative year-on-year rates in several countries, a reflection of the regional economic slowdown (see table I.7).

Table I.7
Latin America and the Caribbean: year-on-year changes in the value of services exports and imports, first half of 2022 and first half of 2023
(Percentages)

	Exports		Imports	
	January–June 2022	January–June 2023	January–June 2022	January–June 2023
Latin America and the Caribbean	**45.1**	**17.0**	**41.5**	**4.1**
Southern Common Market (MERCOSUR)	**37.6**	**17.4**	**52.0**	**6.2**
Argentina	57.8	22.5	88.5	16.5
Brazil	30.7	**12.5**	44.8	**2.6**
Paraguay	25.9	37.3	67.2	2.1
Uruguay	52.2	34.5	40.9	21.7
Venezuela (Bolivarian Republic of)	...	...	...	...
Andean Community	**73.0**	**19.2**	**45.2**	**-3.8**
Bolivia (Plurinational State of)[a]	99.8	53.4	43.0	8.6
Colombia	79.0	18.1	47.0	**-7.4**
Ecuador	46.6	16.1	55.0	-7.1
Peru	70.8	17.8	39.7	0.1
Pacific Alliance[b]	**46.6**	**16.7**	**32.9**	**3.9**
Chile	38.7	29.5	47.7	-13.6
Mexico	39.2	14.1	23.5	14.7
Central American Common Market (CACM)	**41.6**	**15.7**	**42.4**	**5.7**
Costa Rica[a]	37.3	19.9	36.6	7.6
El Salvador[a]	26.9	12.6	34.2	-2.4
Guatemala[a]	26.2	18.6	49.3	1.1
Honduras	15.7	15.0	41.6	7.8
Nicaragua[a]	35.2	9.0	41.3	2.4
Panama	61.3	13.4	47.5	11.9
The Caribbean	**69.5**	**11.3**	**38.6**	**-3.8**
Cuba	...	...	...	...
Dominican Republic[a]	60.5	13.5	55.9	-3.7
Caribbean Community (CARICOM)	**78.3**	**9.5**	**33.2**	**-3,9**
Bahamas	**58.7**	**-1.2**	**16.3**	**7.2**
Barbados	...	...	...	...
Belize	59.1	11.1	40.2	-1.2
Guyana	22.1	29.6	34.8	0.7
Haiti	6.0	-2.2	-21.9	-11.8
Jamaica	79.6	8.3	14.6	-0.1
Suriname	55.6	12.2	36.2	-1.1
Trinidad and Tobago	103.6	34.7	80.1	-21.0

	Exports		Imports	
	January–June 2022	January–June 2023	January–June 2022	January–June 2023
Organisation of Eastern Caribbean States (OECS)	**161.7**	**18.7**	**33.0**	**2.9**
Antigua and Barbuda	37.7	11.4	24.0	4.8
Dominica	66.4	10.8	8.9	8.5
Grenada	865.2	-7.3	24.0	4.8
Saint Kitts and Nevis	662.2	68.3	34.2	8.8
Saint Lucia	166.5	22.7	60.1	-5.6
Saint Vincent and the Grenadines	351.9	47.8	20.2	11.1

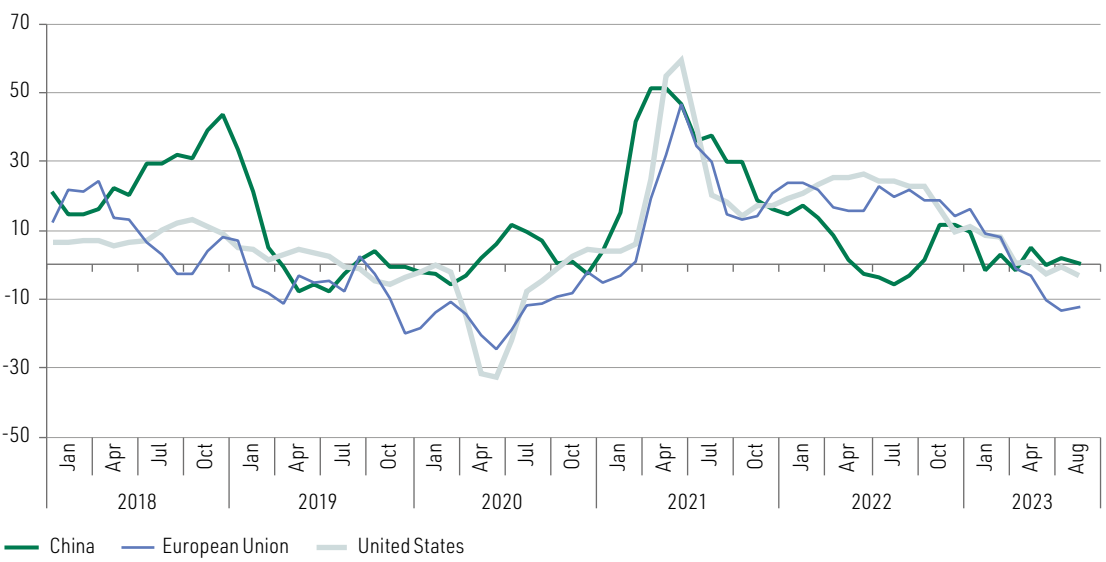
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data from central banks, customs services and institutes of statistics from the region.
[a] Services trade flows for the first quarter of 2023 include estimates for the second quarter of that year.
[b] The data for Colombia and Peru are included in the data for other members of the Andean Community.

4. Analysis of trade performance by main trading partner

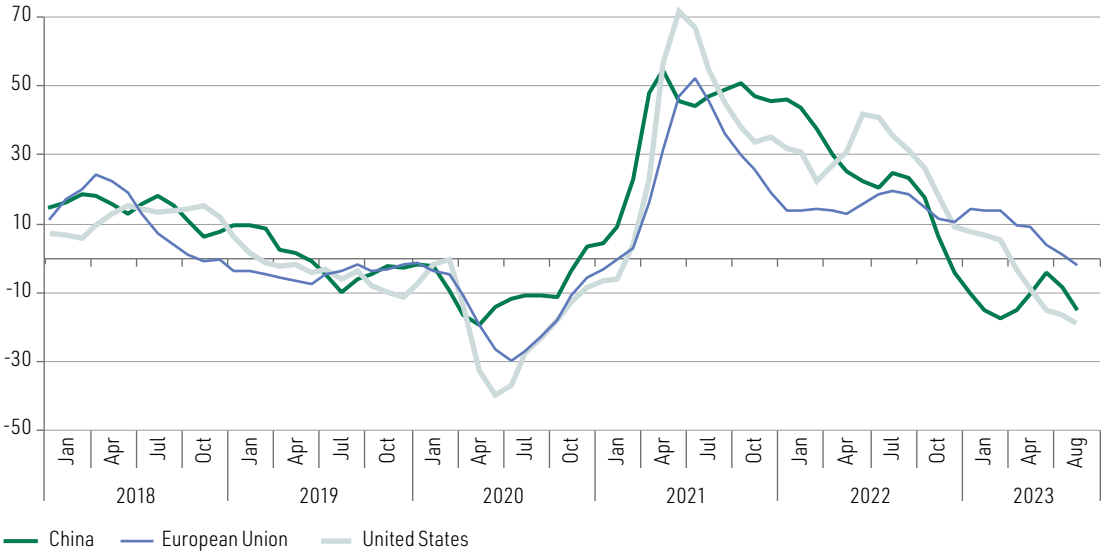
Between January and August 2023, the trade trends for countries in the region with regard to their main extraregional trading partners were similar, with a decline in both exports and imports (see figure I.25). Nonetheless, trends varied from country to country. In general, in the first half of 2023, trade with the United States and the European Union grew faster for Mexico and Central America than for South America, which has stronger ties with China and the rest of Asia (see annexes I.A4 and I.A5).

Figure I.25
Latin America and the Caribbean: year-on-year change in the value of goods trade with China, the United States and the European Union, January 2018–August 2023
(Percentages)

A. Exports



B. Imports



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

On average, the region's exports to the European Union have been on a steady and pronounced downswing that only slowed in July and August of 2023. Although exports to the United States and China are also trending downward, they are more resilient, and were up in the first half of the year (by 2.5% and 2.1%, year-on-year, respectively). However, both turned negative in July and August. In the first half of the year, imports were down from all of the region's main partners except the European Union (8.6%). This figure contrasts with the declines in purchases from China and the United States (-10.9% and -5.8%, respectively) (see table I.8).

Table I.8
Latin America and the Caribbean: year-on-year changes in the value of goods exports and imports, by trading partner, first half of the year, 2021, 2022 and 2023
(Percentages)

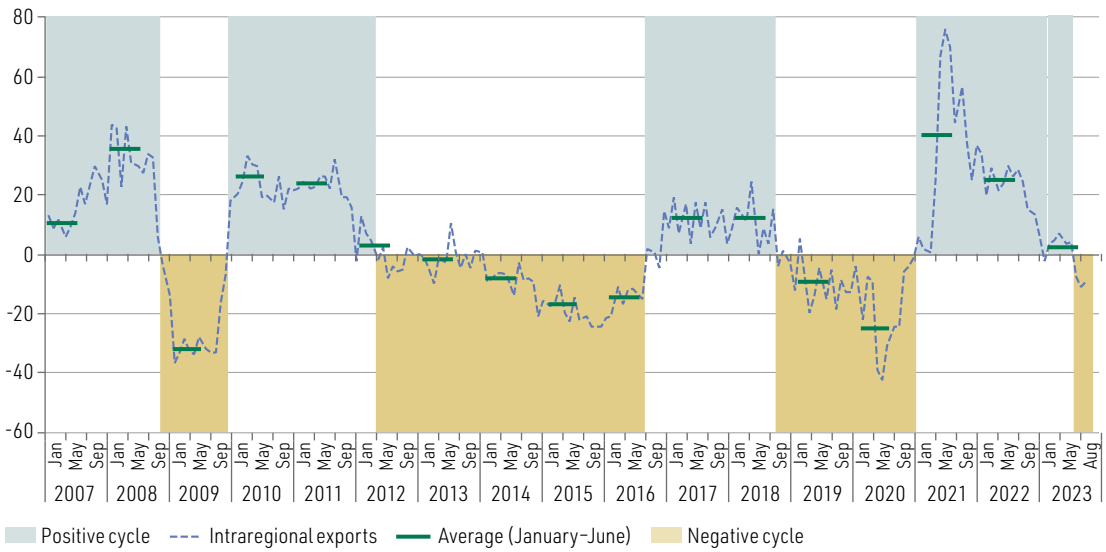
	Exports			Imports		
	January–June 2021	January–June 2022	January–June 2023	January–June 2021	January–June 2022	January–June 2023
World	**31.4**	**21.2**	**-1.7**	**30.9**	**29.0**	**-4.5**
United States	29.0	24.9	2.5	30.0	32.3	-5.8
European Union	22.3	18.4	-1.9	22.3	15.1	8.6
Asia	37.4	9.5	-3.9	30.9	24.1	-7.0
China	44.7	4.3	2.1	33.5	29.8	-10.9
Other Asian economies	27.9	17.1	-11.8	27.5	16.4	-1.1
Latin America and the Caribbean	**35.2**	**25.3**	**2.4**	**35.2**	**25.3**	**2.4**

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

In the first half of 2023, intraregional exports were more resilient than total exports, increasing by 2.4% in value terms. However, the trend over the medium term is downward. In fact, although intraregional exports between January and May 2023 were up by an average of 5%, they veered into negative

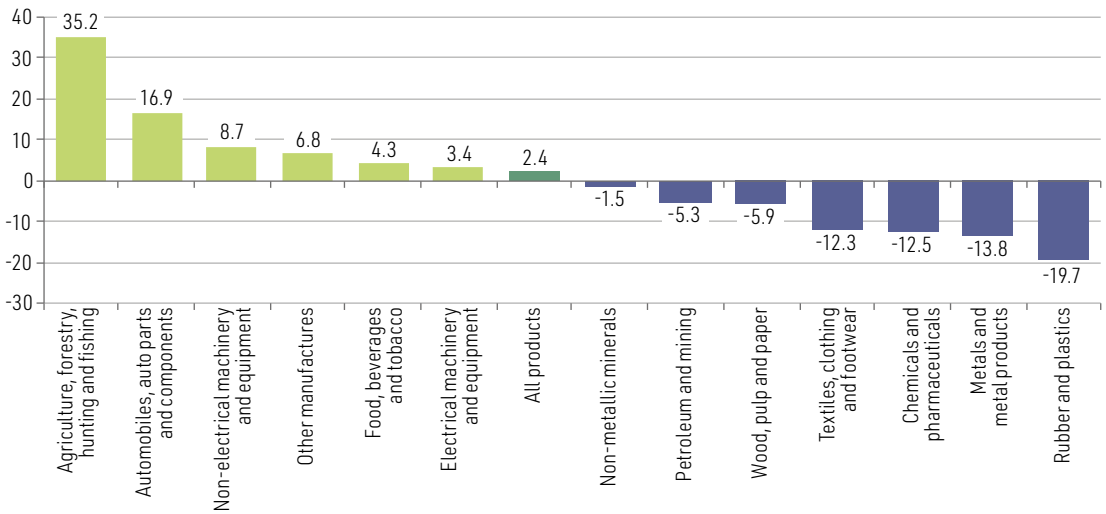
territory in June, and fell by 9% on average in July and August, reflecting slacker demand across the region (see figure I.26). The steepest year-on-year declines in the first half of 2023 were in the rubber and plastics, metals and metal products, chemicals and pharmaceuticals, and textiles, clothing and footwear sectors (see figure I.27). Apart from the latter, these sectors all involve intermediate goods. The sectors with the strongest growth were those most closely linked with consumer goods, such as agricultural products and foods, beverages and tobacco, as well as those relating to capital goods, such as vehicles, machinery and equipment.

Figure I.26
Latin America and the Caribbean: year-on-year changes in the value of intraregional goods exports, January 2007–August 2023
(Percentages)



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

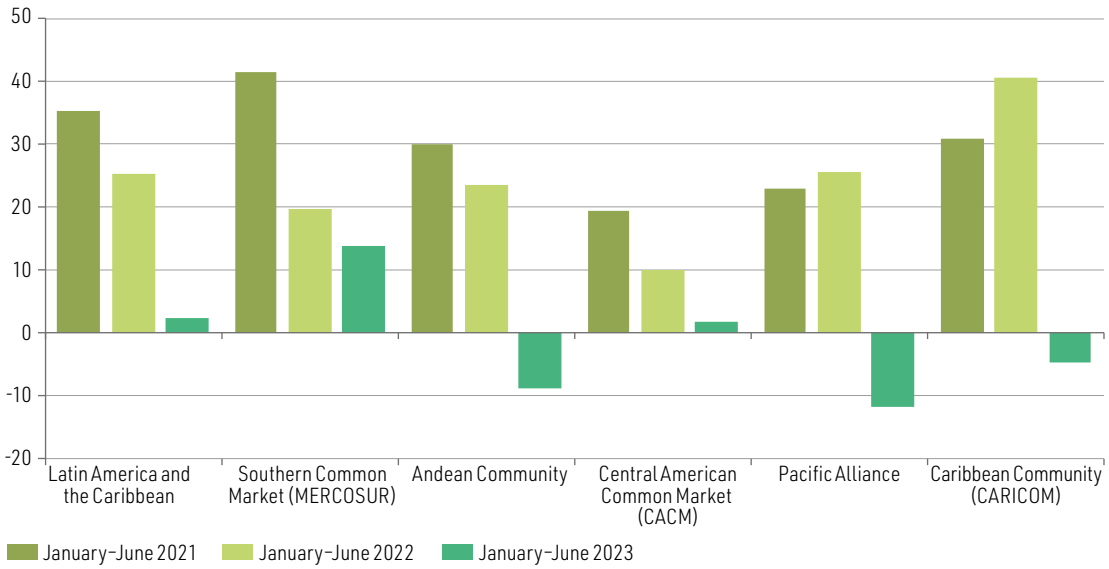
Figure I.27
Latin America and the Caribbean: year-on-year changes in the value of intraregional goods exports, by economic sector, January–June 2023
(Percentages)



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

In the first half of 2023, intraregional trade varied widely across the various subregional blocs. Trade between the member countries of MERCOSUR was brisk, with year-on-year growth of 14.9%, while trade within the Central American Common Market was up 2%. However, intraregional trade fell in the Pacific Alliance, the Andean Community and CARICOM (see figure I.28). The sharpest contraction was in the Pacific Alliance (-11%), mainly because of a decline in exports from Mexico to other member countries. In the case of trade flows between the countries of the Andean Community, which fell by 8.6%, the largest drop was recorded in exports from Peru to other partners. In general, the sectors with the largest declines in exports within a regional bloc were those linked to trade in agricultural, mining, chemical and food products, while the heavy manufacturing sectors were more resilient, especially automotive and electrical machinery producers (see table I.9).

Figure I.28
Latin America and the Caribbean and selected blocs: year-on-year change in goods exports, January–June 2021, 2022 and 2023
(Percentages)



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

Table I.9
Latin America and the Caribbean (selected subregional blocs): year-on-year change in trade within each trading bloc, by economic sector, January–June 2023
(Percentages)

Sector	Southern Common Market (MERCOSUR)	Andean Community	Central American Common Market (CACM)	Pacific Alliance	Caribbean Community (CARICOM)
Agriculture, forestry, hunting and fishing	63.8	-6.5	9.2	-0.3	-7.2
Oil and mining	64.3	-4.2	-1.5	-48.1	-6.7
Food, beverages and tobacco	12.8	-11.3	12.3	-9.0	13.0
Textiles, apparel and footwear	-7.1	-12.2	-14.6	-3.8	57.8
Wood, pulp and paper	-4.0	8.5	10.7	-11.4	-34.1
Chemicals and pharmaceuticals	2.2	-6.8	3.5	-2.8	4.6

Sector	Southern Common Market (MERCOSUR)	Andean Community	Central American Common Market (CACM)	Pacific Alliance	Caribbean Community (CARICOM)
Rubber and plastics	-12.9	-22.4	-4.9	-33.9	-1.1
Non-metallic minerals	-6.1	2.5	33.7	9.4	-47.8
Metals and metal products	10.5	**-17.2**	6.2	-27.8	0.0
Non-electrical machinery and equipment	6.7	-15.5	17.7	-7.0	5.8
Electrical machinery and equipment	6.7	4.9	4.1	-13.4	28.3
Automobiles and auto parts	10.9	9.2	10.9	-23.3	114.4
Other manufacturers	-2.5	30.7	-20.4	--46.1	-67.5
All products	**14.9**	**-8.6**	**2.0**	**-11.8**	**-4.5**

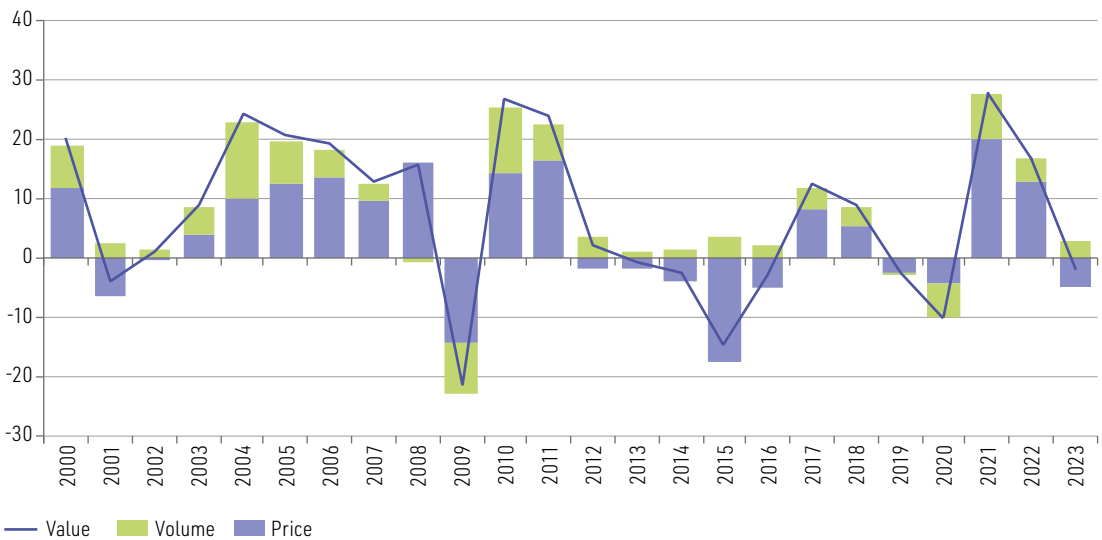
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data from central banks, customs services and institutes of statistics from the region.

5. Projections for 2023

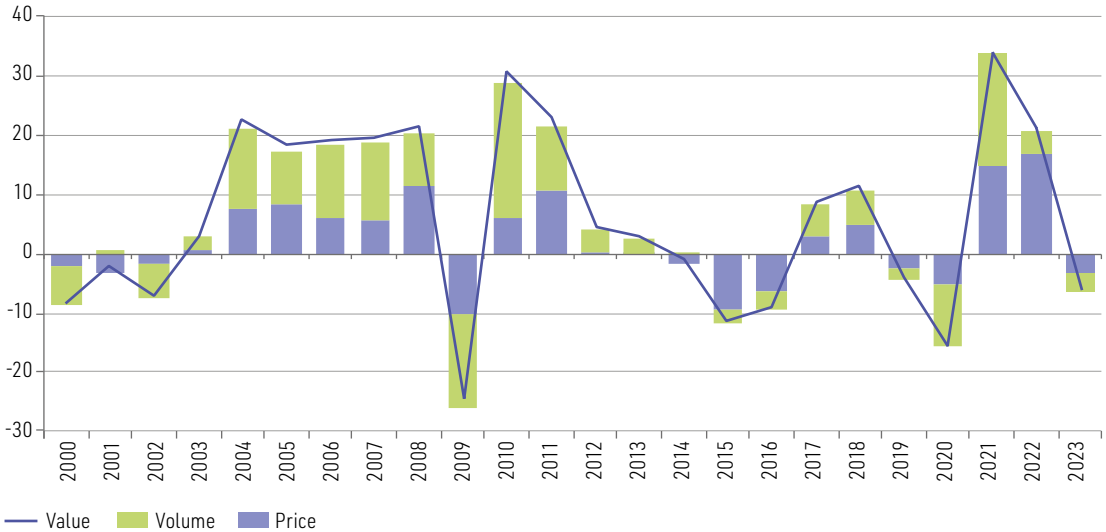
ECLAC projects that the value of goods exports from Latin America and the Caribbean will shrink by 2% in 2023, driven by a 5% contraction in the prices for its main export products and a 3% increase in export volume. The value of regional goods imports is expected to fall by 6% as a result of the economic slowdown, with decreases of 3% in both the prices and volumes of imports (see figure I.29). The figures projected are similar to those recorded in 2019, prior to the outbreak of the COVID-19 pandemic.

Figure I.29
Latin America and the Caribbean: yearly change in goods trade, 2000–2022 and projection for 2023
(Percentages)

A. Exports



B. Imports



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

It is projected that most countries whose exports grew in the first half of 2023 (the Bahamas, Brazil, Costa Rica, Guyana, Jamaica, Mexico, Nicaragua and Paraguay) will continue to record growth during the second half of the year. In all cases, these are countries that have relatively low dependence on raw material exports (mainly Costa Rica and Mexico) or that have benefited from rising prices —and, in some cases, rising export volumes— for commodities such as oil, soybeans, gold, silver, bananas and sugar, among others.

In 2023, export volumes will increase in approximately half of the countries of the region to offset falling prices for their main export products (see table I.10). However, this is not the case in countries facing exceptional conditions, such as Argentina and Uruguay, where droughts have dragged down export volumes, mainly for soybeans and cereals. Other countries will be unable to raise export volumes because of production bottlenecks. As an example, to increase its gas shipments, the Plurinational State of Bolivia needs new investments. A 16% drop in export volumes is also projected in Trinidad and Tobago owing to the drop in production between January and May of three of its main export products: natural gas (-26%), oil (-6%) and ammonia (-8%) (Central Bank of Trinidad and Tobago, 2023).

Table I.10
Latin America and the Caribbean: projected change in goods trade by price, volume and value, 2023
(Percentages)

	Exports			Imports		
	Price	Volume	Value	Price	Volume	Value
Latin America and the Caribbean	-5	3	-2	-3	-3	-6
Latin America	-5	3	-2	-3	-3	-6
South America	-9	4	-5	-4	-7	-11
Southern Common Market (MERCOSUR)	-9	6	-3	-6	-3	-8
Argentina	-9	-14	-22	-4	-3	-7
Brazil	-8	13	3	-7	-3	-10
Paraguay	-4	26	21	2	-1	1
Uruguay	-4	-17	-20	-6	1	-5
Venezuela (Bolivarian Republic of)	-16	-9	-24	3	3	6

	Exports			Imports		
	Price	Volume	Value	Price	Volume	Value
Andean Community	**-10**	**-3**	**-12**	**-2**	**-14**	**-16**
Bolivia (Plurinational State of)	-10	-8	-17	-4	-8	-12
Colombia	-16	3	-14	2	-21	-20
Ecuador	-7	1	-6	-6	-4	-9
Peru	-5	-8	-12	-4	-12	-16
Pacific Alliance[a]	**-4**	**3**	**-1**	**-2**	**-4**	**-5**
Chile	-6	4	-3	-4	-11	-15
Mexico	-2	4	2	-1	0	-1
Central America	**-1**	**3**	**2**	**-2**	**-1**	**-3**
Costa Rica	1	15	16	-1	5	4
El Salvador	-2	-2	-4	-3	-5	-8
Guatemala	-2	-3	-5	-4	-4	-7
Honduras	-2	-1	-3	-3	-4	-6
Nicaragua	2	9	11	-3	-2	-4
Panama (excluding Colón Free Zone)	-4	-3	-7	2	9	12
Panama (including Colón Free Zone)	-2	7	5	3	3	7
The Caribbean	**-5**	**-1**	**-6**	**-3**	**-7**	**-10**
Cuba	-4	-3	-7	-3	-33	-35
Dominican Republic	2	-5	-3	-4	-2	-6
Caribbean Community (CARICOM)	**-9**	**-2**	**-11**	**-2**	**-8**	**-10**
Bahamas	-6	15	8	-3	7	4
Barbados	-3	19	15	-1	-42	-43
Belize	3	-14	-12	-2	-5	-7
Guyana	-6	54	45	-5	-6	-10
Haiti	1	-14	-13	-1	-41	-42
Jamaica	-6	24	17	-3	-6	-9
Suriname	5	-32	-28	-2	-4	-6
Trinidad and Tobago	-14	-16	-28	1	-7	-6
Organisation of Eastern Caribbean States (OECS)	**-3**	**24**	**21**	**-3**	**-1**	**-2**
Antigua and Barbuda	-3	-18	-21	-4	-24	-28
Dominica	-2	-19	-21	-3	-13	-16
Grenada	-3	123	117	-3	24	21
Saint Kitts and Nevis	1	14	15	-2	1	-1
Saint Lucia	0	20	20	-2	20	18
Saint Vincent and the Grenadines	-8	-4	-12	-3	--13	-16

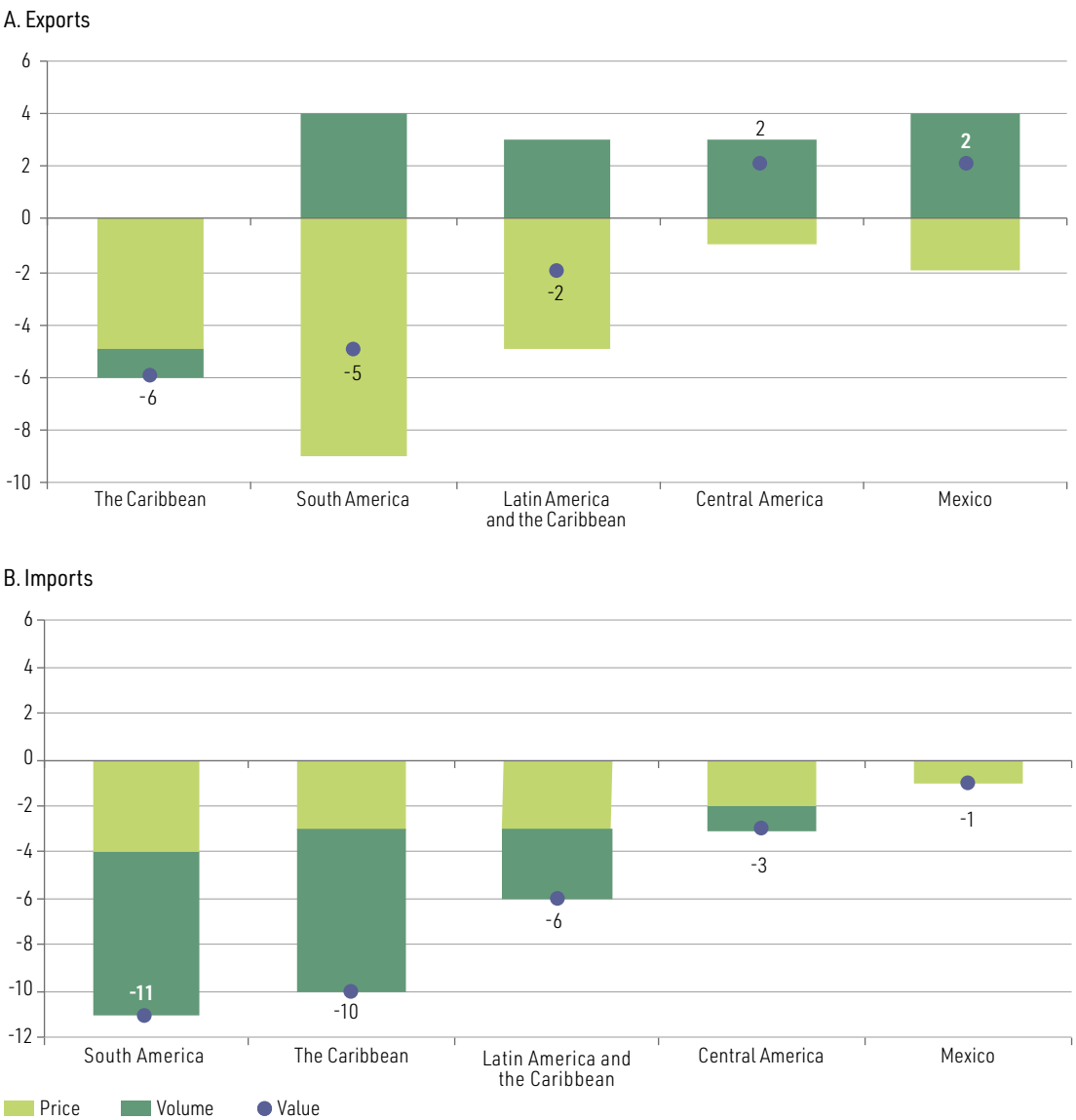
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data from central banks, customs services and institutes of statistics from the region.

[a] The data for Colombia and Peru are included in the data for other members of the Andean Community.

Notably, export values for Mexico and Central America are projected to rise by 2% on average, with export volumes increasing by 4% and 3%, respectively, and slightly lower prices. The sharpest drops will be in South America, a subregion with a high concentration of countries that export energy and

mining products, the two sectors that recorded the largest falls between January and August 2023. On the import side, lower volumes are projected in all subregions owing to the significant slowdown and ensuing weak demand. Mexico is the main exception, as its import volume is expected to remain steady compared with 2022 (see figure I.30B).

Figure I.30
Latin America and the Caribbean, subregions and Mexico: projected changes in goods trade by price, volume and value, 2023
(Percentages)



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

By destination, the most dynamic export markets are expected to be the United States and China, where export values will rise by 1% and 4.7%, respectively (see table I.11). By contrast, exports to the European Union, the rest of Asia and the rest of the world are expected to shrink. This means that a larger share of the total goods exports from the region will be shipped to the United States and China, accounting for 46% and 14%, respectively. On the import side, an overall decline in purchases from

all the main origins is projected, except from the European Union, which is expected to grow by 5.7%. Purchases from China are projected to contract the most (-11.4%). This is driving projections of a rise in the share of regional imports from the European Union of slightly more than 1 percentage point and an equivalent decline in the share from China. Lastly, the value of intraregional trade is expected to fall by 1% in 2023, resulting in an intraregional trade ratio (measured by exports) of around 14%.

Table I.11
Latin America and the Caribbean: annual change in the value of goods trade, by main trading partner, 2022 and projection for 2023
(Percentages)

	Exports		Imports		Contribution to growth in 2023	
	2022	2023	2022	2023	Exports	Imports
World	**16.8**	**-2.0**	**21.1**	**-6.0**	**-2.0**	**-6.0**
United States	20.1	1.0	25.6	-7.8	0.5	-2.5
European Union	18.2	-4.9	14.8	5.7	-0.5	0.7
Asia	6.7	-2.0	16.0	-8.6	-0.6	-2.9
China	3.9	4.7	18.0	-11.4	0.6	-2.4
Other Asian economies	10.6	-10,5	13.0	-4.2	-1.2	-0.6
Latin America and the Caribbean	19.0	-1.0	23.1	-1.0	-0.1	-0.1
Rest of world	25.2	-13.0	31.8	-12.0	-1.3	-1.1

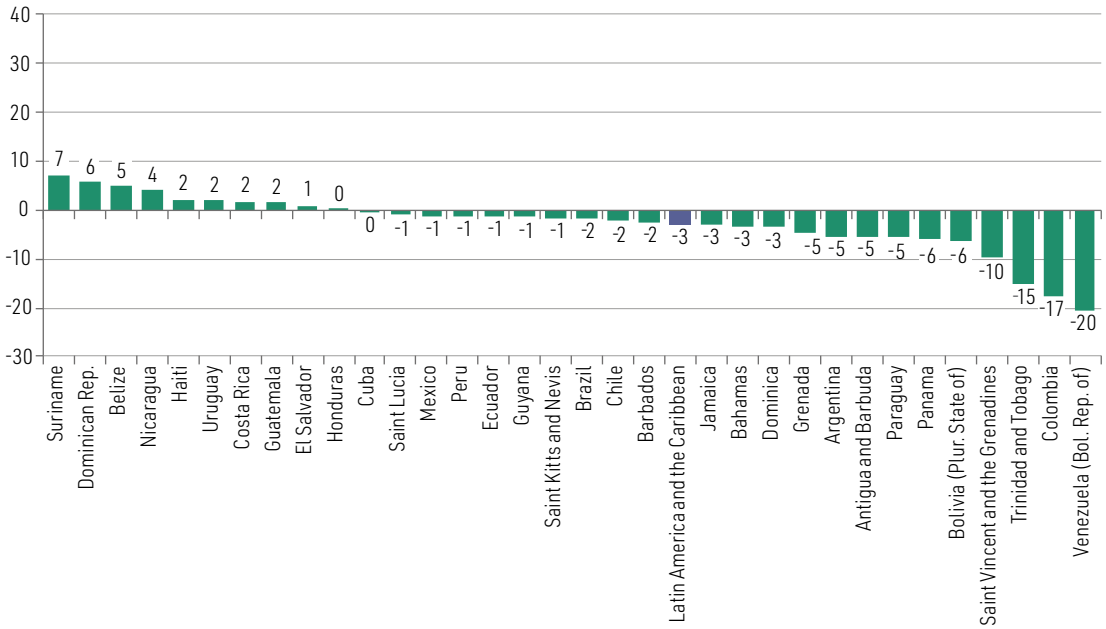
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data from central banks, customs services and institutes of statistics from the region.

Steeper price rises for the region's goods imports than for its exports would translate into a 3% deterioration in its terms of trade in 2023.[6] However, the situation varies widely from country to country (see figure I.31). The largest decline in the terms of trade (-11% on average) will occur among hydrocarbon-exporting countries, where the repercussions from the shock of falling prices reverberated for most of the year. Exporters of agricultural products will also see a 4% deterioration in their terms of trade. The terms of trade of mineral-exporting countries and of Brazil will fall by 2%. The impact in Mexico will be less severe (down 1%), as it has benefited from higher prices for some of its main export products, such as computers, automobiles and auto parts. Lastly, improvements are projected in the terms of trade of nine countries in 2023, including countries located in Central America and the Caribbean, as well as Uruguay. This is because they are highly dependent on energy imports and will therefore benefit from lower costs in that regard. These countries have also benefited from lower food costs.

Regional services exports are projected to grow by 12% in 2023 based on balance-of-payments data on trade in services as well as data on countries' goods trade and on tourism sector expectations and economic growth projections (see figure I.32A). Although this figure is well below the 2021–2022 average, it is higher than any recorded between 2012 and 2019. Most of the regional services export growth in 2021 and 2022 was in the travel industry and reflected the gradual recovery of international tourism in the wake of the collapse in 2020. However, as tourism activity once again approaches pre-pandemic levels, the sector is expected to perform similarly to the modern services sector in 2023. Together, the two are expected to contribute more than 89% of the projected growth in services exports. Growth of 6% is projected for services imports, in keeping with the regional economic slowdown (see figure I.32B). Travel and modern services are once again contributing significantly to growth, offsetting the negative contribution of transport.

[6] In value terms, this drop is equivalent to approximately US$ 39 billion, which is more than the average imports of CARICOM countries in the 2021–2022 biennium.

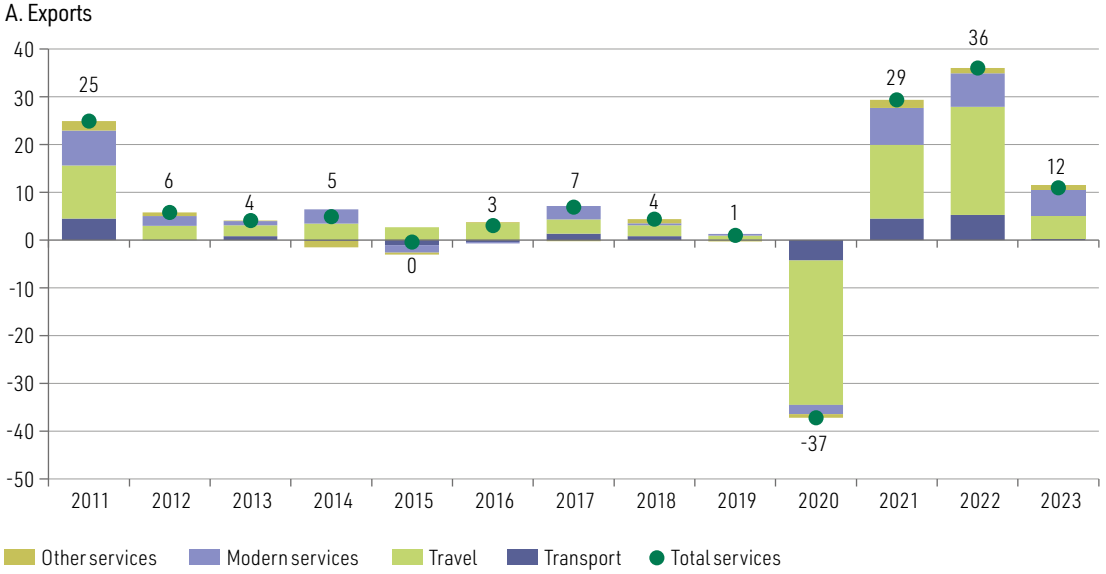
Figure I.31
Latin America and the Caribbean: projected change in the terms of trade, by country, 2023
(Percentages)



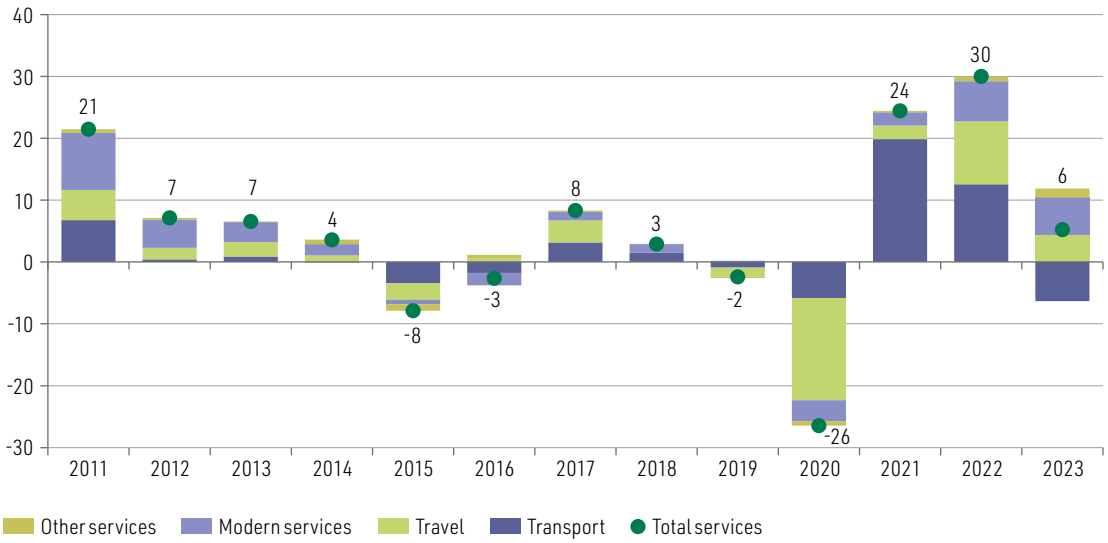
Source: Projections by the Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data from central banks, customs services and institutes of statistics from the region.

Figure I.32
Latin America and the Caribbean: change in the value of trade in services and share of its main components, 2011–2022 and projection for 2023
(Percentages)

A. Exports



B. Imports



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official balance-of-payments data provided by the central banks and institutes of statistics of the countries of the region.

Note: Modern services include insurance and pensions, financial services, intellectual property usage fees, telecommunications, computer and information services, and other business services. The "other services" category includes asset-related, personal, cultural and recreational, and government services.

[a] Includes information for 30 countries. Comprehensive information on project completion was available up to the first quarter of 2023 for 28 countries (accounting for 98% of regional trade in services in 2022) and up to the second quarter of 2023 for 17 countries (Argentina, Antigua and Barbuda, Brazil, Chile, Colombia, Dominica, Ecuador, Grenada, Honduras, Mexico, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Uruguay). These countries accounted for 86% of the regional services trade in 2022. Barbados, the Bolivarian Republic of Venezuela and Cuba are not included, owing to a lack of data.

Estimates for 2023 of trends in the services trade by country show greater momentum for exports than for imports, and generally stronger growth in South and Central America than in the Caribbean countries (see table I.12). The latter rely heavily on international tourism, and arrivals continue to lag at 5% below the pre-pandemic average (UNWTO, 2023b). Nonetheless, a significant rebound in tourist arrivals is expected in the CARICOM countries in the remainder of the year. According to figures from the World Tourism Organization (UNWTO, 2023b), international tourist arrivals in CARICOM countries between January and July 2023 were 25% higher than in the year-earlier period.

Table I.12
Latin America and the Caribbean: annual change in the value of the services trade, 2022 and projection for 2023
(Percentages)

	Exports		Imports	
	2022	2023	2022	2023
Latin America and the Caribbean	**37**	**12**	**30**	**6**
Latin America	**36**	**13**	**31**	**6**
South America	**41**	**13**	**36**	**3**
Southern Common Market (MERCOSUR)	**34**	**14**	**41**	**10**
Argentina	53	17	63	14
Brazil	27	**10**	36	8
Paraguay	35	17	39	11
Uruguay	46	28	38	14
Venezuela (Bolivarian Republic of)	...	...	...	...

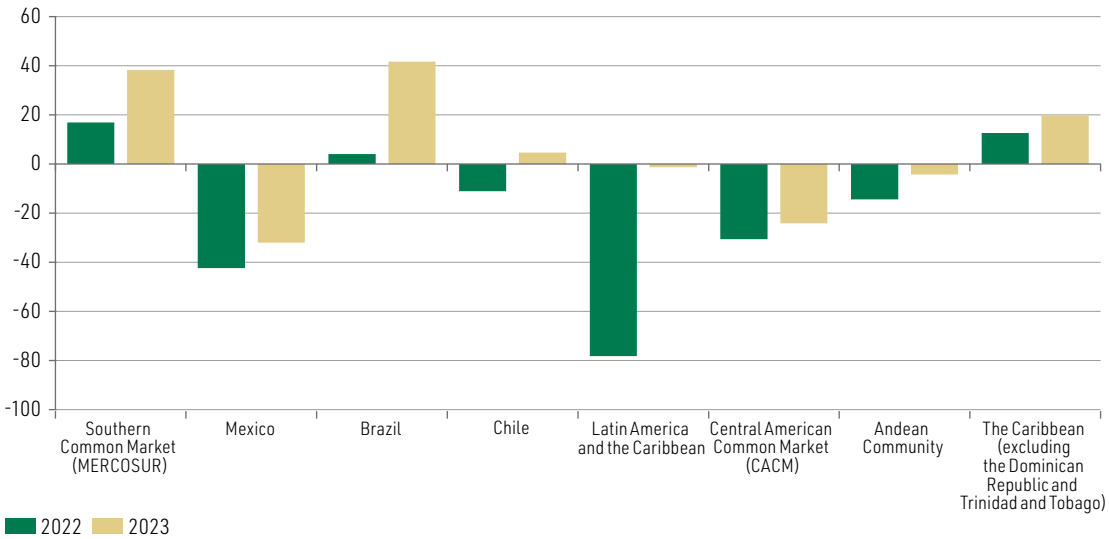
	Exports		Imports	
	2022	2023	2022	2023
Andean Community	**63**	**8**	**28**	**-5**
Bolivia (Plurinational State of)	105	25	36	6
Colombia	65	8	27	-8
Ecuador	39	8	34	-7
Peru	68	5	27	-3
Pacific Alliance	**36**	**13**	**23**	**4**
Chile	43	21	28	-11
Mexico	27	15	20	14
Central American Common Market (CACM)	**35**	**12**	**29**	**6**
Costa Rica	29	16	29	11
El Salvador	39	3	21	-4
Guatemala	31	9	32	0
Honduras	15	10	28	3
Nicaragua	49	2	28	1
Panama	45	14	31	15
The Caribbean	**45**	**4**	**21**	**-2**
Cuba	...	...	...	...
Dominican Republic	40	6	27	-5
Caribbean Community (CARICOM)	**52**	**2**	**19**	**0**
Bahamas	35	-9	-2	8
Barbados	...	...	...	...
Belize	37	13	19	-3
Guyana	2	36	31	3
Haiti	2	-11	-11	-24
Jamaica	55	-1	2	1
Suriname	49	10	19	3
Trinidad and Tobago	95	18	41	-7
Organisation of Eastern Caribbean States (OECS)	**162**	**19**	**33**	**3**
Antigua and Barbuda	38	11	24	5
Dominica	66	11	9	8
Grenada	865	-7	24	5
Saint Kitts and Nevis	662	68	34	9
Saint Lucia	166	23	60	-6
Saint Vincent and the Grenadines	352	48	20	11

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official balance-of-payments data provided by the central banks and institutes of statistics of the countries of the region.

As the projected fall in goods imports will be steeper than that of exports, the region's goods trade will move from a deficit of US$ 22 billion recorded in 2022 to a surplus of US$ 44 billion in 2023. In general, countries and blocs that posted a surplus in 2022 should see larger surpluses in 2023, while the existing deficits of the other countries and blocs narrow (see figure I.33.A). Regarding services, export growth is forecast to outpace that of imports, driving trade deficits in the region down slightly compared with 2022, from US$ 50 billion to US$ 39 billion (see figure I.33B). Considering both goods and services, the region's trade deficit is projected to narrow significantly between 2022 and 2023, from US$ 78 billion to just US$ 1 billion (see figure I.33.C).

Figure I.33
Latin America and the Caribbean (selected blocs and countries): trade balance in goods and services, 2022 and projections for 2023
(Billions of dollars at current prices)

C. Goods and services



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official balance-of-payments data provided by the central banks and institutes of statistics of the countries of the region.

Note: The totals for the services balance and the goods and services balance for Latin America and the Caribbean do not include data for Barbados, the Bolivarian Republic of Venezuela, Cuba and Grenada.

In short, after two years of double-digit growth, the value of regional goods exports will fall in 2023, against a challenging backdrop marked by weak global demand and stronger links between trade and geopolitics. The projected expansion in the volume of shipments will be insufficient to offset falling prices for most of the raw materials exported by the region. As such, regional export trends —in particular in South America— continue to be predominantly shaped by raw material price fluctuations. This pattern is particularly pronounced in the trade relationship with China, a topic that is addressed in the next chapter. In this complex environment, the projected expansion of services exports augurs well. However, the boost provided by the recovery of international tourism will likely fade as the latter returns to pre-pandemic levels. In that context, the challenge remains to advance in diversifying and making the regional exports of goods and services more knowledge-intensive for stronger, more sustainable global trade integration.

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Annex I.A1

Latin America and the Caribbean: value of total goods exports and imports, 2021–2023[a]
(Millions of dollars)

	Exports			Imports		
	2021	2022	2023[a]	2021	2022	2023[a]
Latin America and the Caribbean	**1 222 615**	**1435 145**	**1410 629**	**1 214 734**	**1 456 946**	**1 366 945**
Latin America	**1 201 549**	**1400 380**	**1375 659**	**1 190 581**	**1 427 860**	**1 340 220**
South America	**639 718**	**746 904**	**712 295**	**562 251**	**676 273**	**599 896**
Southern Common Market (MERCOSUR)	**401 039**	**475 305**	**464 064**	**340 523**	**411 630**	**376 494**
Argentina	77 987	88 515	69 484	59 291	76 163	71 115
Brazil	284 012	340 328	350 368	247 648	296 175	265 926
Paraguay	13 223	12 815	15 557	12 594	14 725	14 857
Uruguay	15 700	17 156	13 657	11 211	13 615	12 984
Venezuela (Bolivarian Republic of)	10 117	16 491	14 997	9 779	10 952	11 611
Andean Community	**143 905**	**173 051**	**152 232**	**137 424**	**169 902**	**142 696**
Bolivia (Plurinational State of)	10 966	13 528	11 232	8 740	11 859	10 456
Colombia	42 736	59 837	51 707	56 719	71 652	57 492
Ecuador	27 236	33 451	31 326	23 975	30 489	27 609
Peru	62 967	66 235	57 967	47 990	55 902	47 139
Pacific Alliance	**695 752**	**802 843**	**792 859**	**695 018**	**827 597**	**787 196**
Chile	94 774	98 548	95 999	84 304	94 741	80 707
Mexico	495 275	578 223	587 185	506 005	605 302	601 858
Central American Common Market (CACM)	**51 733**	**58 856**	**60 488**	**88 226**	**105 901**	**103 729**
Costa Rica	14 873	16 302	18 821	17 671	20 105	20 940
El Salvador	5 151	5 723	5 476	13 160	15 292	14 057
Guatemala	12 361	14 282	13 639	23 289	28 468	26 392
Honduras	10 216	12 172	11 801	15 073	17 583	16 468
Nicaragua	5 574	6 310	6 973	7 475	9 101	8 739
Panama (domestic flows)	3 558	4 067	3 778	11 558	15 352	17 134
Panama (including the Colón Free Zone)	14 889	18 369	19 235	18 100	21 998	23 447
The Caribbean	**35 889**	**51 162**	**50 661**	**58 253**	**69 470**	**61 462**
Cuba	1 207	1 338	1 240	5 402	4 879	3 183
Dominican Republic	12 486	13 777	13 334	24 282	30 743	28 792
Caribbean Community (CARICOM)	**22 196**	**36 047**	**36 086**	**28 569**	**33 848**	**29 487**
Bahamas	639	838	905	3 264	3 754	3 904
Barbados	647	822	945	1 589	2 039	1 162
Belize	422	517	455	956	1 224	1 138
Guyana	4 356	11 299	16 384	4 376	3 623	3 261
Haiti	1 130	1 282	1 115	4 416	4 762	2 762
Jamaica	1 481	1 902	2 225	4 263	6 510	5 924
Suriname	2 204	2 457	1 769	1 338	1 701	1 599
Trinidad and Tobago	11 082	16 687	12 015	6 370	7 506	7 206
Organisation of Eastern Caribbean States (OECS)	**235**	**243**	**273**	**1 997**	**2 729**	**2 531**
Antigua and Barbuda	48	51	40	525	721	519
Dominica	16	22	17	177	229	192
Grenada	30	34	74	371	380	460
Saint Kitts and Nevis	27	21	24	281	328	325
Saint Lucia	47	49	59	265	398	470
Saint Vincent and the Grenadines	67	66	58	378	673	565

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official balance-of-payments data provided by the central banks and institutes of statistics of the countries of the region.

[a] Figures for 2023 are ECLAC projections.

Annex I.A2

Latin America and the Caribbean: value of services exports and imports, 2021–2023[a]
(Millions of dollars)

	Exports			Imports		
	2021	2022	2023[a]	2021	2022	2023[a]
Latin America and the Caribbean	**150 496**	**205 493**	**230 582**	**196 025**	**255 293**	**269 952**
Latin America	**140 565**	**191 030**	**215 394**	**183 766**	**240 527**	**255 434**
South America	**65 337**	**91 808**	**103 614**	**125 762**	**170 908**	**177 121**
Southern Common Market (MERCOSUR)	**45 702**	**60 972**	**69 222**	**76 415**	**107 673**	**118 415**
Argentina	9 428	14 432	16 865	13 071	21 264	24 348
Brazil	31 482	39 455	43 448	58 439	79 473	86 228
Paraguay	1 093	1 636	1 922	1 218	1 834	2 045
Uruguay	3 699	5 449	6 988	3 687	5 101	5 794
Venezuela (Bolivarian Republic of)	...	...	...	...	...	...
Andean Community	**13 662**	**22 307**	**24 064**	**31 056**	**39 882**	**37 805**
Bolivia (Plurinational State of)	458	941	1 176	1 986	2 727	2 898
Colombia	8 171	13 518	14 576	14 190	18 013	16 627
Ecuador	2 086	2 886	3 123	4 163	5 538	5 136
Peru	2 947	4 962	5 189	10 718	13 604	13 144
Pacific Alliance	**55 036**	**75 084**	**85 171**	**96 163**	**118 283**	**123 133**
Chile	5 973	8 529	10 327	18 291	23 353	20 901
Mexico	37 945	48 075	55 079	52 965	63 313	72 461
Central American Common Market (CACM)	**29 027**	**39 720**	**43 796**	**18 249**	**23 286**	**24 661**
Costa Rica	9 164	11 790	13 669	4 269	5 499	6 128
El Salvador	3 179	4 406	4 546	2 299	2 778	2 670
Guatemala	2 885	3 805	4 151	4 054	5 408	5 402
Honduras	853	1 094	1 205	2 582	3 216	3 299
Nicaragua	1 044	1 560	1 587	867	1 113	1 121
Panama	11 902	17 065	18 639	4 177	5 272	6 041
The Caribbean	**18 187**	**25 890**	**28 093**	**17 298**	**21 072**	**20 369**
Cuba	...	...	...	...	...	...
Dominican Republic	8 114	11 326	12 789	4 408	5 617	5 327
Caribbean Community (CARICOM)	**10 073**	**14 564**	**15 304**	**12 890**	**15 455**	**15 042**
Bahamas	2 691	3 906	3 906	1 683	1 960	2 108
Barbados	834	1 161		372	424	
Belize	621	867	1 175	293	350	338
Guyana	271	217	193	2 858	3 782	3 905
Haiti	142	101	116	632	689	525
Jamaica	2 920	4 522	5 200	3 143	3 217	3 242
Suriname	96	143	169	538	640	656
Trinidad and Tobago	460	897	1 065	2 266	3 188	2 981
Organisation of Eastern Caribbean States (OECS)	**2 038**	**2 750**	**3 479**	**1 106**	**1 206**	**1 288**
Antigua and Barbuda	705	1 018	1 128	342	420	440
Dominica	84	158	146	89	121	131
Grenada	452	...	...	209	...	...
Saint Kitts and Nevis	314	490	601	183	203	220
Saint Lucia	95	174	257	86	103	98
Saint Vincent and the Grenadines	388	910	1 345	198	359	399

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official balance-of-payments data provided by the central banks and institutes of statistics of the countries of the region.

[a] Figures for 2023 are ECLAC projections.

Annex I.A3

Latin America and the Caribbean: value of the goods and services trade balance, 2021–2023[a]
(Millions of dollars)

	Goods			Services		
	2021	2022	2023[a]	2021	2022	2023[a]
Latin America and the Caribbean	**7 880**	**-21 800**	**43 684**	**-45 529**	**-49 800**	**-39 370**
Latin America	**10 967**	**-27 480**	**35 439**	**-43 201**	**-49 497**	**-40 040**
South America	**77 467**	**70 631**	**112 399**	**-60 425**	**-79 100**	**-73 507**
Southern Common Market (MERCOSUR)	**60 516**	**63 675**	**87 570**	**-30 713**	**-46 701**	**-49 193**
Argentina	18 696	12 352	-1 631	-3 643	-6 832	-7 483
Brazil	36 364	44 153	84 442	-26 957	-40 018	-42 780
Paraguay	629	-1 910	700	- 125	- 198	- 123
Uruguay	4 489	3 541	673	12	348	1 194
Venezuela (Bolivarian Republic of)	338	5 539	3 386	...	...	...
Andean Community	**6 481**	**3 149**	**9 537**	**-17 394**	**-17 575**	**-13 741**
Bolivia (Plurinational State of)	2 226	1 669	776	-1 528	-1 786	-1 722
Colombia	-13 983	-11 815	-5 785	-6 019	-4 495	-2 051
Ecuador	3 261	2 962	3 717	-2 077	-2 652	-2 013
Peru	14 977	10 333	10 828	-7 771	-8 642	-7 955
Pacific Alliance	**734**	**-24 754**	**5 663**	**-41 127**	**-43 199**	**-37 962**
Chile	10 470	3 807	15 292	-12 318	-14 824	-10 574
Mexico	-10 730	-27 079	-14 673	-15 020	-15 238	-17 383
Central American Common Market (CACM)	**-36 493**	**-47 045**	**-43 241**	**10 778**	**16 434**	**19 135**
Costa Rica	-2 798	-3 803	-2 119	4 895	6 291	7 541
El Salvador	-8 009	-9 569	-8 581	880	1 628	1 875
Guatemala	-10 928	-14 186	-12 752	-1 169	-1 603	-1 251
Honduras	-4 857	-5 411	-4 667	-1 729	-2 122	-2 094
Nicaragua	-1 901	-2 791	-1 766	177	448	466
Panama (domestic flows)	2 987	1 304	597	7 725	11 793	12 598
The Caribbean	**17 104**	**24 239**	**20 308**	**184**	**4 080**	**7 724**
Cuba	1 207	1 338	1 240	...	...	...
Dominican Republic	4 372	2 451	545	3 706	5 709	7 462
Caribbean Community (CARICOM)	**12 123**	**21 483**	**20 782**	**-2 817**	**- 891**	**262**
Bahamas	-2 052	-3 068	-3 001	1 008	1 946	1 798
Barbados	- 187	- 339	945	462	738	...
Belize	- 199	- 350	- 720	328	517	837
Guyana	4 085	11 082	16 190	-2 587	-3 565	-3 712
Haiti	988	1 181	999	- 490	- 588	- 408
Jamaica	-1 439	-2 620	-2 975	- 223	1 305	1 959
Suriname	2 108	2 314	1 600	- 442	- 497	- 487
Trinidad and Tobago	10 622	15 790	10 949	-1 806	-2 291	-1 916
Organisation of Eastern Caribbean States (OECS)	**-1 803**	**-2 507**	**-3 206**	**932**	**1 544**	**2 191**
Antigua and Barbuda	- 657	- 967	-1 088	363	598	689
Dominica	- 68	- 136	- 129	- 5	37	15
Grenada	- 422	34	74	243	...	...
Saint Kitts and Nevis	- 287	- 469	- 577	131	287	381
Saint Lucia	- 48	- 125	- 198	9	71	160
Saint Vincent and the Grenadines	- 321	- 844	-1 287	190	551	947

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official balance-of-payments data provided by the central banks and institutes of statistics of the countries of the region.
[a] Figures for 2023 are ECLAC projections.

Annex I.A4

Latin America and the Caribbean (27 countries): variation in the value of goods exports, by main destinations, January–June 2023 compared to January–June 2022
(Percentages)

	Latin America and the Caribbean	United States	European Union	China	Rest of Asia
Argentina	-2	-23	1	-4	-41
Bahamas	...	38	310	...	208
Barbados	4	11	-9	0	...
Belize	11	26	-56	-64	66
Bolivia (Plurinational State of)	-28	-58	-60	27	-6
Brazil	14	-2	-9	6	-6
Chile	-4	12	2	0	5
Colombia	-2	-13	9	4	28
Costa Rica	4	31	21	8	21
Cuba	-21	-47	-12	-13	39
Dominican Republic	0	0	-32	-37	63
Ecuador	-14	-19	7	3	-19
El Salvador	-4	-13	-10	-87	7
Guatemala	0	-10	-8	-74	-6
Guyana	69	66	88	102	86
Haiti	-3	-21	-2	76	-49
Honduras	-12	6	-13	-10	-29
Jamaica	22	16	13	-25	4
Mexico	-9	5	12	3	-18
Nicaragua	6	-3	-13	...	-13
Panama	-5	-10	-5	0	-13
Paraguay	34	-11	-24	-13	-23
Peru	-4	4	-14	-4	-29
Suriname	3	34	-62	9	49
Trinidad and Tobago	-47	-27	-30	46	24
Uruguay	-5	-3	-1	-40	-33
Venezuela (Bolivarian Republic of)	56	-31	139	59	50

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

Annex I.A5

Latin America and the Caribbean (27 countries): variation in the value of goods imports, by main origins, January–June 2023 compared to January–June 2022
(Percentages)

	Latin America and the Caribbean	United States	European Union	China	Rest of Asia
Argentina	20	-14	-3	-23	-8
Bahamas	1	-22	15	-9	-7
Barbados	-2	14	4	12	1
Belize	15	-26	14	11	2
Bolivia (Plurinational State of)	3	33	32	34	18
Brazil	2	-3	33	2	2
Chile	-10	-19	-4	-28	-17
Colombia	-4	5	13	-15	-8
Costa Rica	-7	-28	-3	-19	-14
Cuba	-12	-20	-6	-28	-18
Dominican Republic	-1	7	6	4	-1
Ecuador	12	0	15	-5	2
El Salvador	10	11	38	4	11
Guatemala	-4	-11	-2	-24	-10
Guyana	-4	-11	-10	-8	-7
Haiti	-1	-8	-13	-16	-6
Honduras	4	-14	-18	...	-3
Jamaica	2	1	2	0	1
Mexico	-38	-13	-26	-46	-31
Nicaragua	-4	-9	-4	-26	-5
Panama	20	48	-62	19	29
Paraguay	2	-4	0	...	-4
Peru	-2	-9	-14	43	3
Suriname	-54	-45	-57	-50	-46
Trinidad and Tobago	13	-6	11	51	4
Uruguay	-21	48	-11	22	9
Venezuela (Bolivarian Republic of)	8	-28	-5	32	-5

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

CHAPTER

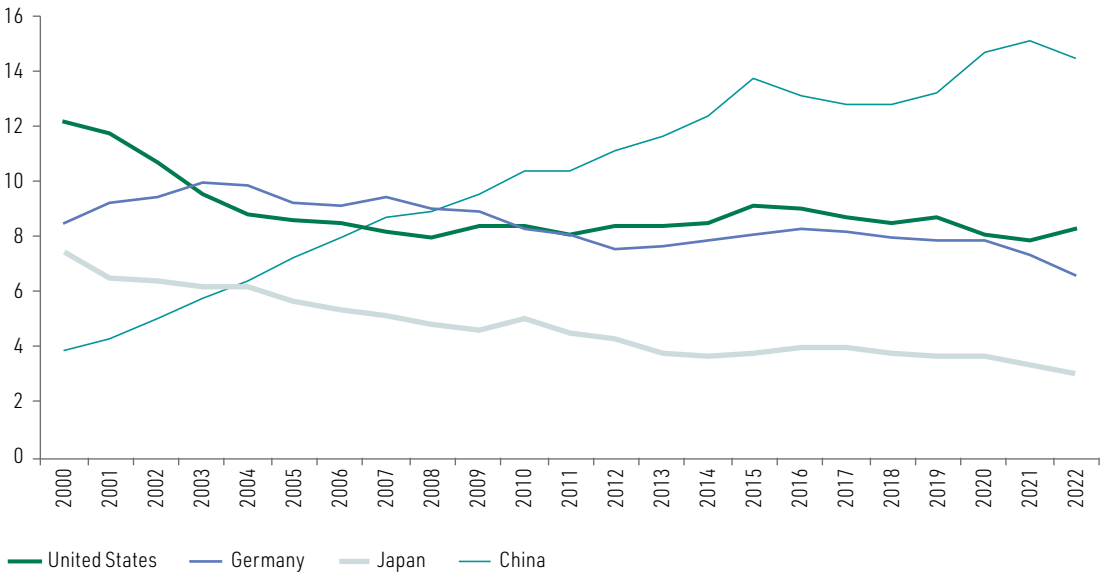
II

The trade relationship between Latin America and the Caribbean and China in the period 2000–2022: assessment and outlook

A. Overview of the trade relationship

In little more than two decades, China has become a central player in the global economy and trade. The country has the world's second largest economy, with GDP in 2022 put at US$ 18.1 trillion, or 18% of world output. Its share of world goods exports rose from 3.9% in 2000, the year before it joined the World Trade Organization (WTO), to 14.4% in 2022, and in 2009 it became the world's largest exporter (see figure II.1). Similarly, its share of world goods imports rose from 3.4% in 2000 to 10.6% in 2022, making it the second largest importer after the United States.

Figure II.1
China, the United States, Germany and Japan: shares of world goods exports, 2000–2022
(Percentages)

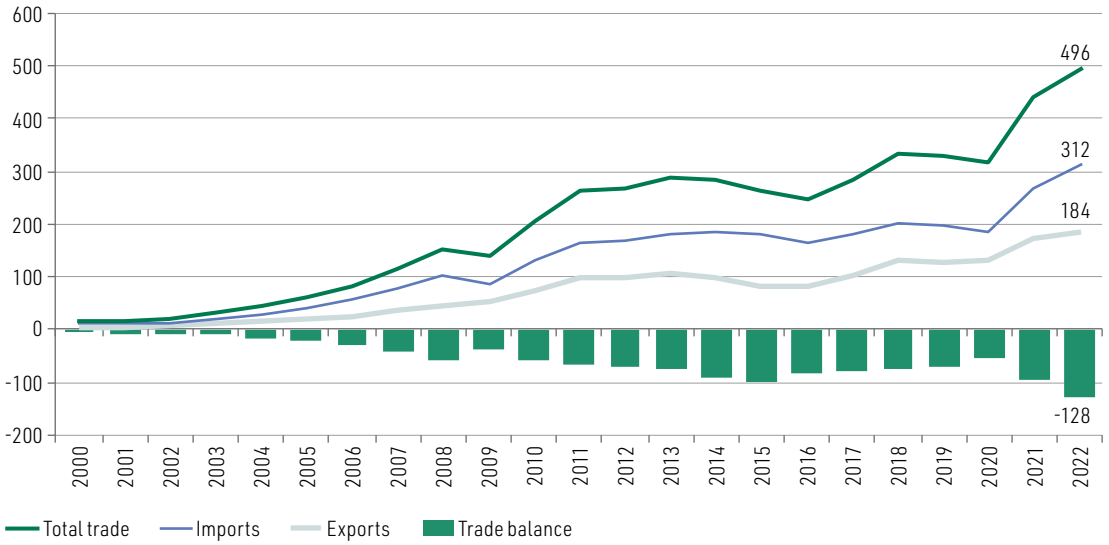


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Conference on Trade and Development (UNCTAD), UNCTADstat database [online] http://unctadstat.unctad.org/.

China's share of Latin America and the Caribbean's foreign trade has grown dramatically over the past two decades. Bilateral trade, having barely exceeded US$ 14 billion in 2000, approached US$ 500 billion in 2022, multiplying by a factor of 35 (see figure II.2).[1] As a result of this highly dynamic trade, China has displaced the European Union as the region's second largest trading partner, absorbing 13% of its exports and supplying 22% of its imports in 2022 (see figure II.3). The region has also gained importance in China's foreign trade over the past two decades (see figure II.4). Since 2018, Latin America and the Caribbean's share of China's total imports has exceeded that of the United States. In 2022, their shares were 8.5% and 6.6%, respectively.

[1] The economic relationship between the region and China has also been highly dynamic as regards foreign direct investment (FDI) flows, credits and infrastructure construction contracts (Gallagher, Irwin and Koleski, 2013; Salazar-Xirinachs, 2020; ECLAC, 2021).

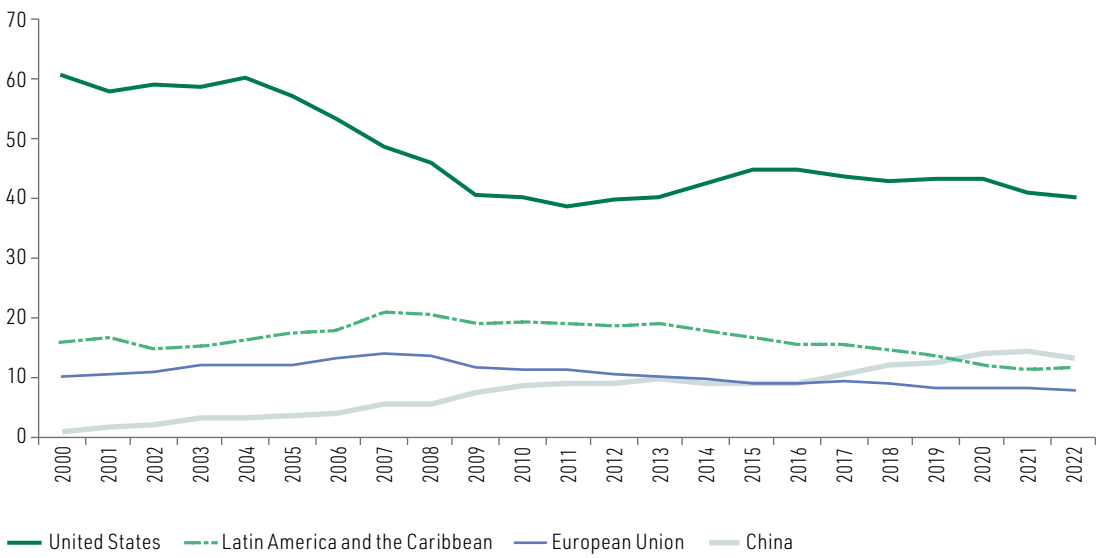
Figure II.2
Latin America and the Caribbean: goods trade with China, 2000–2022
(Billions of dollars)



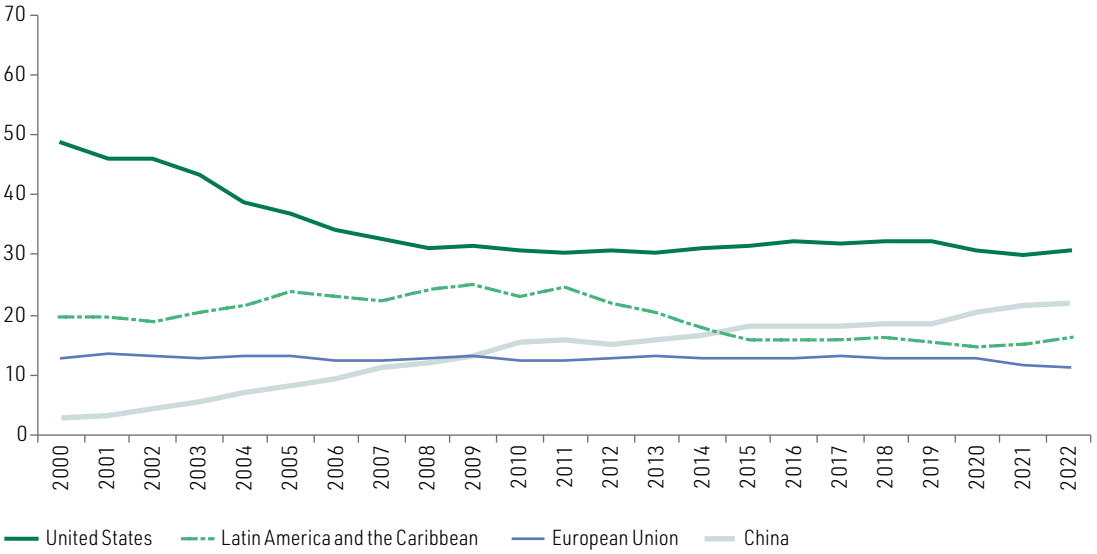
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/ and International Trade Centre (ITC), Trade Map [online] https://www.trademap.org/.

Figure II.3
Latin America and the Caribbean: shares of China, the United States, Latin America and the Caribbean and the European Union (27 countries) in total goods trade, 2000–2022
(Percentages)

A. Exports

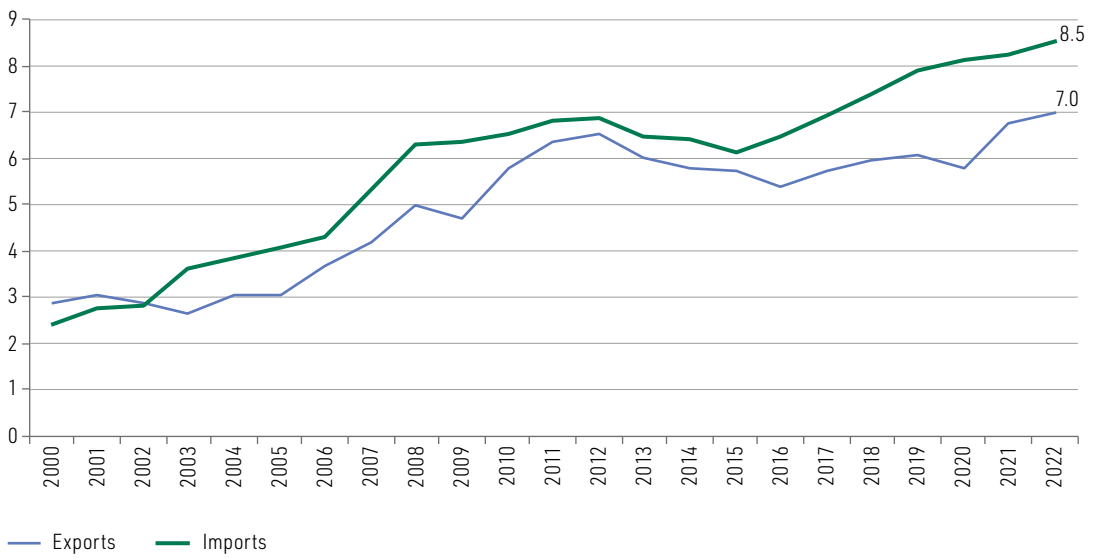


B. Imports



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/ and International Trade Centre (ITC), Trade Map [online] https://www.trademap.org/.

Figure II.4
China: share of Latin America and the Caribbean in total goods trade, 2000–2022
(Percentages)



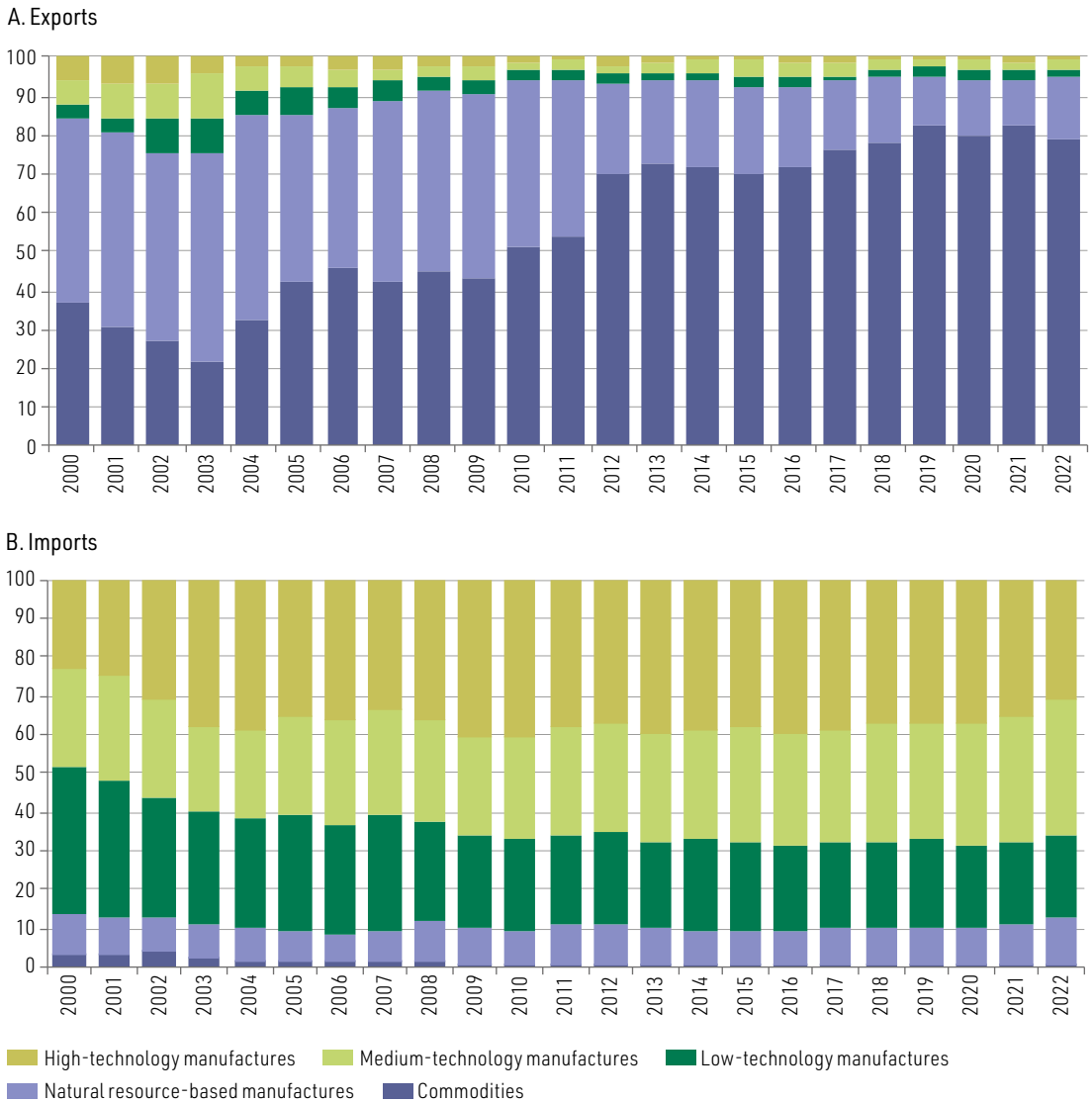
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.

Trade between Latin America and the Caribbean and China has a clear inter-industry structure: while 95% of the region's exports in 2022 were of raw materials and natural resource-based manufactures, 88% of China's shipments were of low-, medium- and high-technology manufactures (see figure II.5). Over the past two decades, there has been a trend towards a reprimarization of the regional export pattern, with the total export share of basic raw materials rising from an average of 31% in the three-year period 2000–2002 to 80% in the period 2020–2022. In contrast, exports of natural resource-based manufactures fell from 48% to 14%.[2] Thus, the region has a surplus with China in only four sectors:

[2] Table II.A1.1 shows the distribution of exports from each country in the region to China by technology intensity.

mining and petroleum; agriculture, forestry, hunting and fishing; food, beverages and tobacco; and wood and paper (see figure II.6.A). A breakdown of bilateral trade by level of technology intensity shows that the region only has a surplus in commodities (see figure II.6.B).

Figure II.5
Latin America and the Caribbean: structure of goods trade with China, by technology intensity categories, 2000–2022
(Percentages)

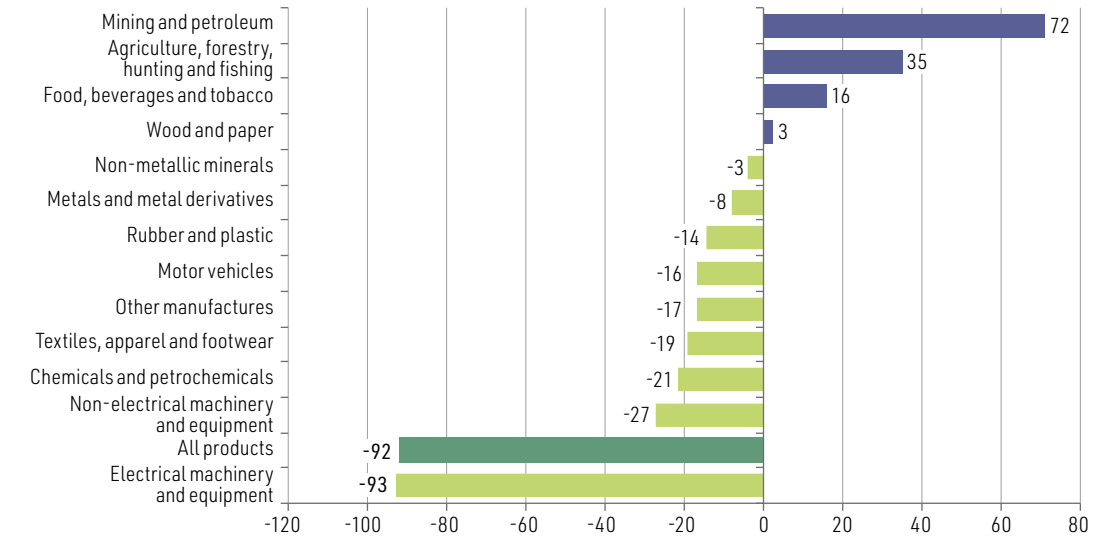


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.

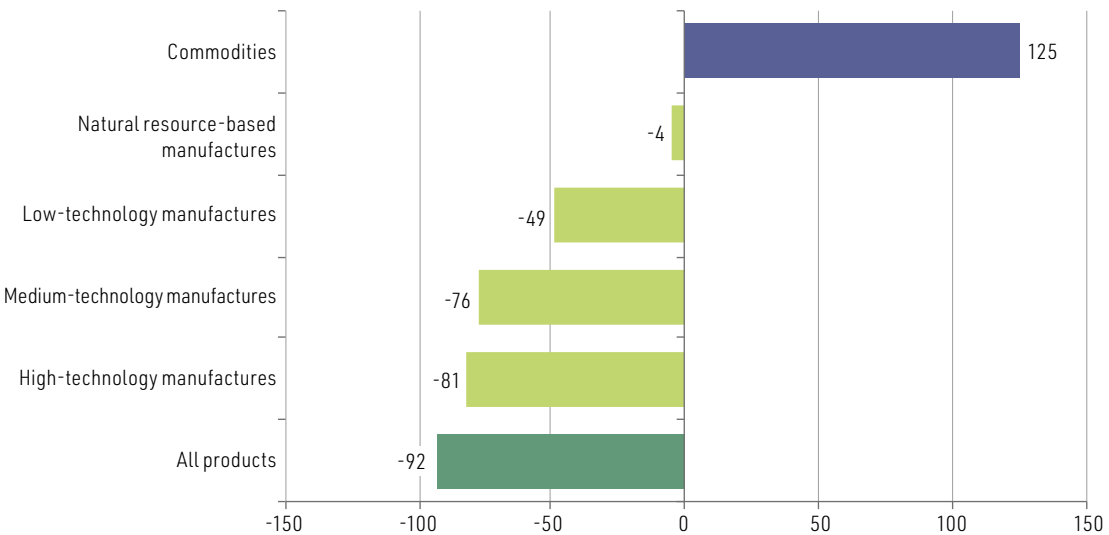
An analysis of the evolution of Latin American and Caribbean exports to China since 2000 reveals three stylized facts: (i) a sharp increase in the amounts exported by all subregions and Mexico, especially between 2000 and 2012; (ii) the reprimarization of exports to China; and (iii) the heterogeneity of export patterns , with shipments from South America much more skewed towards commodities than those from Mexico, Central America and the Caribbean.

Figure II.6
Latin America and the Caribbean: trade balances with China by major economic sector and technology intensity, 2020–2022 averages
(Billions of dollars)

A. Major economic sectors



B. Technology intensity



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/ and International Trade Centre (ITC), Trade Map [online] https://www.trademap.org/.

Between 2000 and 2012, the region's exports to China expanded at an annual rate of 31.2% by value, three times the growth rate of exports to the world (9.6%). Average annual shipments from South America to China rose from US$ 4.5 billion in the three-year period 2000–2002 to almost US$ 84 billion between 2010 and 2012, an 18-fold increase (see table II.1). The same happened with exports from Central America, whose value also increased 18-fold, from an annual average of just US$ 25 million in the three-year period 2000–2002 to more than US$ 460 million in the period 2010–2012. In the cases of Mexico and the Caribbean, average annual exports increased by factors of 12 and 10, respectively, between the two periods. Thus, shipments from all subregions and Mexico expanded at double-digit

annual rates between 2000 and 2012. This was the period of the so-called "commodity supercycle", fuelled by the sharp expansion of Chinese demand. Several studies attest to the region's increased trade dependence on China during this period (Bittencourt, 2012; Rosales and Kuwayama, 2012; ECLAC, 2015; Roldán and others, 2016). The dynamism of regional exports to China declined markedly in the decade 2013–2022, as the latter's growth rate[3] and thence demand for commodities moderated. Nonetheless, exports to China continued to grow much faster than the region's total shipments over the period (6.4% per year and 2.3% per year, respectively).

Table II.1
Latin America and the Caribbean (subregions and Mexico): structure of goods exports to China by technology intensity, 2000–2002, 2010–2012 and 2020–2022 averages
(Millions of dollars and percentages)

Country or subregion	Product group	Average *(Percentages of the total and millions of dollars)*			Annual growth rate *(Percentages)*	
		2000–2002	2010–2012	2020–2022	2000–2012	2013–2022
South America	Commodities	34	60	83	38.6	6.8
	Natural resource-based manufactures	51	36	15	23.8	3.0
	Low-technology manufactures	6	2	2	27.4	-0.1
	Medium-technology manufactures	7	1	1	16.9	2.4
	High-technology manufactures	2	1	0	26.9	-3.1
	Total exports *(Millions of dollars)*	**4 501**	**83 689**	**146 517**	**31.9**	**5.9**
Central America	Commodities	11	10	68	23.5	45.2
	Natural resource-based manufactures	23	32	9	30.8	-4.9
	Low-technology manufactures	3	4	15	37.6	38.3
	Medium-technology manufactures	6	8	6	44.9	12.8
	High-technology manufactures	57	45	2	36.0	-14.3
	Total exports *(Millions of dollars)*	**25**	**462**	**1 683**	**32.8**	**12.7**
Mexico	Commodities	4	46	51	59.3	4.2
	Natural resource-based manufactures	9	19	4	32.6	-9.2
	Low-technology manufactures	5	2	2	13.7	9.6
	Medium-technology manufactures	24	22	30	27.3	7.0
	High-technology manufactures	58	11	12	15.7	3.4
	Total exports *(Millions of dollars)*	**446**	**5 285**	**7 979**	**27.6**	**4.0**
The Caribbean	Commodities	9	49	46	26.3	6.4
	Natural resource-based manufactures	89	38	18	16.2	-9.2
	Low-technology manufactures	1	11	16	72.3	7.3
	Medium-technology manufactures	1	2	19	42.1	23.7
	High-technology manufactures	0	0	1	27.5	27.5
	Total exports *(Millions of dollars)*	**108**	**1 111**	**1 061**	**22.4**	**4.2**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/ and International Trade Centre (ITC), Trade Map [online] https://www.trademap.org/.

Commodity exports grew the most between 2000 and 2022, coming to account for 83% of total shipments in South America, 68% in Central America, 51% in Mexico and 46% in the Caribbean by the end of the period. In South America, commodities made up over 90% of exports from Argentina, Ecuador, the Plurinational State of Bolivia and Uruguay to China in the three-year period 2020–2022.

[3] China's GDP grew at an average of 10.1% per year between 2000 and 2012 and 6.2% per year between 2013 and 2022.

More technology-intensive products, mainly low- and medium-technology manufactures, accounted for a larger share of exports from Mexico and Central America. A special case was Costa Rica, where exports of microprocessors from the multinational Intel meant that high-technology manufactures made up a large share of exports from that country (and Central America as a whole) to China until 2013.[4] Following the plant's closure and relocation to Asia, high-technology exports fell drastically from 2014. The reopening of Intel's assembly and test plant in 2021, together with the expansion of the medical device industry, has again increased the density of high-technology exports from Costa Rica to China (see table II.A1.2).

The region's shipments to China are highly concentrated in a narrow range of products: between 2020 and 2022, just five products (soybeans, copper and iron ores, petroleum and copper cathodes) accounted for 67% of total exports to the country. The list of the top 20 products covers 86% of the region's total exports (see table II.2).[5] Among the main exporters to China are the largest economies in South America (especially Argentina, Brazil, Chile and Peru). Smaller countries have also become increasingly important for some commodities. In recent years, for example, Ecuador and Panama have received foreign investment in the mining sector, some of it Chinese. As a result, the two countries have become net exporters of copper ore,[6] attaining a combined share of 5% of exports of this commodity to China in the three-year period 2020–2022. Mexico and some countries in Central America (El Salvador, Guatemala and Panama) and the Caribbean (Cuba and the Dominican Republic) account for large shares of some more highly processed products, such as sugar, ferronickel and fishmeal.

Table II.2
Latin America and the Caribbean: top 20 product exports to China, 2020–2022 average
(Millions of dollars and percentages)

Rank	Code of the Harmonized Commodity Description and Coding System	Description	Amount *(Millions of dollars)*	Share *(Percentages)*	Cumulative share *(Percentages)*	Main countries of origin and shares *(Percentages)*
1	120190	Soybeans	29 131	18.2	18.2	Brazil (91), Argentina (8)
2	260300	Copper ores and concentrates	28 716	17.9	36.1	Chile (51), Peru (31), Mexico (10), Panama (3), Ecuador (2)
3	260111	Iron ores and concentrates	24 530	15.3	51.5	Brazil (88), Chile (6), Peru (6)
4	270900	Crude petroleum oils	16 442	10.3	61.7	Brazil (86), Colombia (12)
5	740311	Refined copper cathodes	8 392	5.2	67.0	Chile (84), Peru (15)
6	020230	Frozen meat of bovine animals	8 092	5.1	72.0	Brazil (65), Argentina (21), Uruguay (11)
7	470329	Non-coniferous chemical wood pulp	3 100	1.9	74.0	Brazil (86), Chile (14)
8	030617	Frozen shrimps and prawns	2 996	1.9	75.8	Ecuador (93), Argentina (4)
9	283691	Lithium carbonates	2 125	1.3	77.2	Chile (99), Argentina (1)
10	170114	Cane sugar	1 644	1.0	78.2	Brazil (89), Cuba (6), El Salvador (4), Guatemala (1)
11	080929	Fresh cherries	1 554	1.0	79.2	Chile (99), Argentina (1)
12	020329	Frozen meat of swine	1 540	1.0	80.1	Brazil (76), Chile (14), Mexico (8)
13	020714	Frozen chicken cuts and offal	1 512	0.9	81.1	Brazil (86), Argentina (10)
14	230120	Fishmeal	1 489	0.9	82.0	Peru (83), Chile (10), Ecuador (3), Mexico (3), Panama (3)

4 In 2011, integrated circuits and electronic microstructures accounted for 85% of the country's exports to China (Cordoba and Paladini, 2012).
5 Table II.A1.2 presents the main products exported to China by each country in the region between 2020 and 2022.
6 Since operations began in 2019 at the Cobre Panamá copper mine, owned by the Canadian multinational First Quantum Minerals, copper ore has become the country's main export product, accounting for 77% of its total goods exports in 2022 (ICEX, 2023).

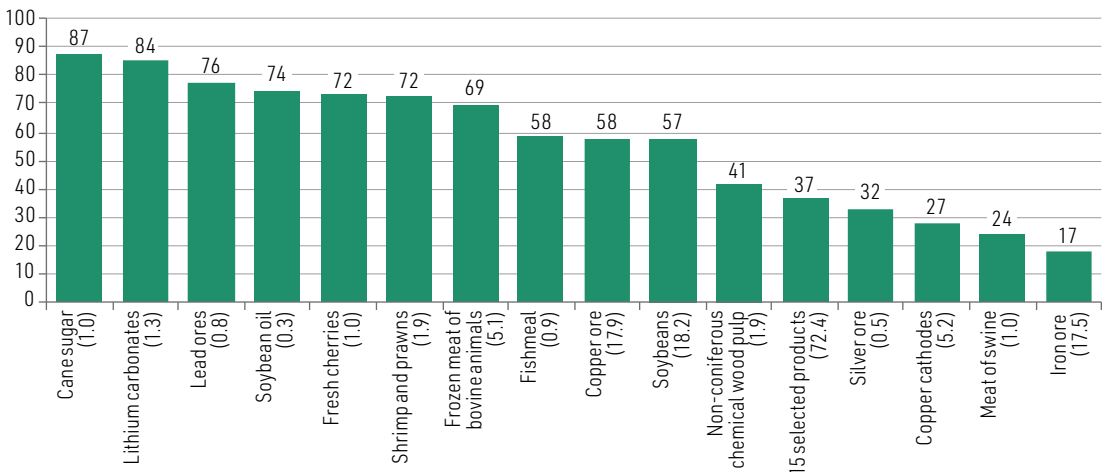
Rank	Code of the Harmonized Commodity Description and Coding System	Description	Amount *(Millions of dollars)*	Share *(Percentages)*	Cumulative share *(Percentages)*	Main countries of origin and shares *(Percentages)*
15	740200	Unrefined copper	1 387	0.9	82.9	Chile (93), Peru (5)
16	260700	Lead ores and concentrates	1 278	0.8	83.7	Mexico (54), Peru (40)
17	520100	Cotton, not carded or combed	1 038	0.6	84.3	Brazil (99)
18	470321	Coniferous chemical wood pulp	869	0.5	84.8	Chile (93), Brazil (7)
19	720260	Ferronickel	825	0.5	85.4	Brazil (34), Guatemala (27), Colombia (21), Dominican Republic (18)
20	261610	Silver ores and concentrates	822	0.5	85.9	Peru (67), Bolivia (Plurinational State of) (23), Cuba (6), México (4)
		Total	**138 453**	**85.9**		

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/ and International Trade Centre (ITC), Trade Map [online] https://www.trademap.org/.

The commodity-intensive composition of the region's exports to China means that they have a larger environmental footprint than those to other markets. Ray (2017), for example, found that the net greenhouse gas emissions of shipments to China between 2004 and 2013 were about 16% higher per dollar exported than those of shipments to the rest of the world. Over the same period, the water use intensity per dollar exported of shipments to China was two to three times that of exports to the rest of the world (Ray, 2017).

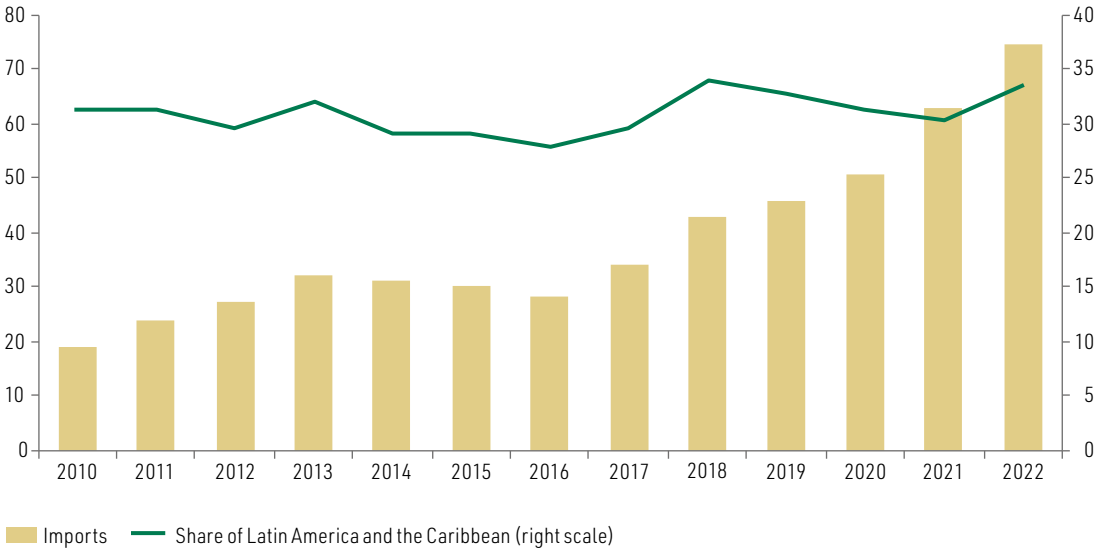
For some products, the region's exports represent a large fraction of China's total imports, with shares approaching or even exceeding 70%. This is the case for cane sugar, lithium carbonate, lead ore, soybean oil, cherries, shrimp and prawns, and frozen beef (see figure II.7). In particular, the region has established itself as a major supplier of food to China: between 2010 and 2022, it accounted on average for almost one third of the country's food imports (see figure II.8). In the period, Brazil alone provided an average of 21% of China's food imports.

Figure II.7
China: shares of Latin American and Caribbean countries in total imports of selected products, 2020–2022
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.
Note: The figures in brackets show the share of each product in total exports to China in the three-year period 2020–2022.

Figure II.8
China: food imports from Latin America and the Caribbean, 2010–2022
(Billions of dollars and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.
Note: Includes the products in chapters 1 to 24 of the Harmonized Commodity Description and Coding System.

The list of the main products exported by the region to China has varied little over the last two decades. Among the products that have entered the list in recent years is lithium carbonate, a crucial input for the production of the lithium-ion batteries used in electric vehicles. China, the world's largest producer of and market for these vehicles (IEA, 2023), is also the largest importer of lithium carbonate. Given the strategic nature of this mineral for electromobility and the abundant reserves possessed by the region, especially in what has been called the "lithium triangle" (ECLAC, 2023), a number of Chinese companies have made or announced investments to exploit it in Argentina, Chile and the Plurinational State of Bolivia (see box II.1).

Box II.1
The growing presence of China in South America's lithium triangle

In 2022, Chile exported 120,435 tonnes of lithium carbonate worth US$ 5.778 billion to China, equivalent to 74% of its total exports of the commodity. That same year, Chile was the source of 94% of China's total lithium carbonate imports. In December 2018, China's Tianqi Lithium acquired a 24% stake in SQM, the Chilean company that is the world's largest lithium producer and extracts lithium carbonate from the Atacama salt flats. In 2023, likewise, BYD, one of the world's leading manufacturers of electric vehicles, announced the construction of a lithium cathode manufacturing plant in the north of the country, with an investment of US$ 290 million. The plant is due to start operating in 2025.

In Argentina, the world's second largest supplier of lithium carbonate to China, Ganfeng Lithium Group is the majority owner of Minera Exar S.A., a joint venture also involving the Canadian mining company Lithium Americas Corp. and Jujuy Energía y Minería Sociedad del Estado (JEMSE), which was set up to extract lithium carbonate from the Cauchari-Olaroz salt flats, located in the province of Jujuy. This is the first lithium extraction project to have begun operating in the country. A total investment of US$ 979 million is planned to set up a plant capable of producing 40,000 tonnes of battery-grade lithium carbonate per year. In addition, according to press reports, China's Zijin Mining Group and CAMYEN, the mining company of Catamarca province, are in advanced talks to build a cathode material plant.

For its part, the Government of the Plurinational State of Bolivia announced in June 2023 that the State-owned company Yacimientos de Litio Bolivianos (YLB) had signed agreements with Uranium One Group (Russian Federation) and Citic Guoan (China) to set up two industrial complexes for lithium carbonate production, involving an investment of US$ 1.4 billion. In the same month, the government also announced that Chinese battery manufacturer CATL had committed to an initial investment of US$ 1.4 billion to extract lithium carbonate from the Uyuni and Coipasa salt flats.

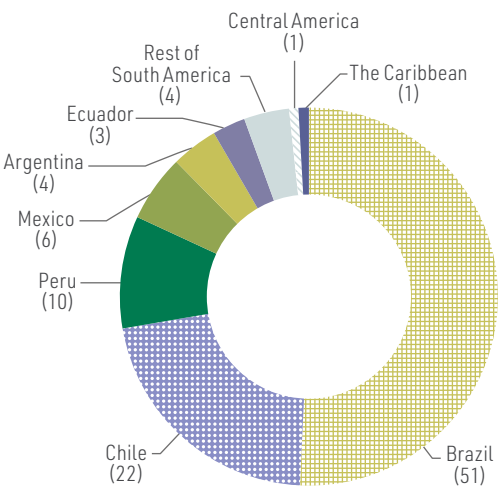
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of InvestChile, "BYD avanza en nueva planta de procesamiento de litio en Chile", 12 July 2023; Bloomberg Línea, "Litio en Argentina: esta sería la *última* inversión de China en la fiebre del oro blanco", 11 July 2023; Minera Exar [online] https://www.mineraexar.com.ar/; Bloomberg Línea, "Gigante chino entra en la carrera para industrializar el litio en Bolivia", 19 June 2023; and Europa Press, "Bolivia recibirá 1.290 millones en inversiones de dos empresas de Rusia y China para su industria del litio", 29 June 2023.

An average of 93% of the region's exports to China between 2000 and 2022 came from South America, reflecting the subregion's abundant raw material endowment. In fact, just three South American countries (Brazil, Chile and Peru) were responsible for 82% of shipments. Mexico accounted for 6%, while both the Caribbean and Central America had shares of less than 1% (see figure II.9.A). Mexico was the region's largest importer from China, with 38% of the total. South American countries accounted for 52%, followed by Central America (7%) and the Caribbean (3%) (see figure II.9.B).

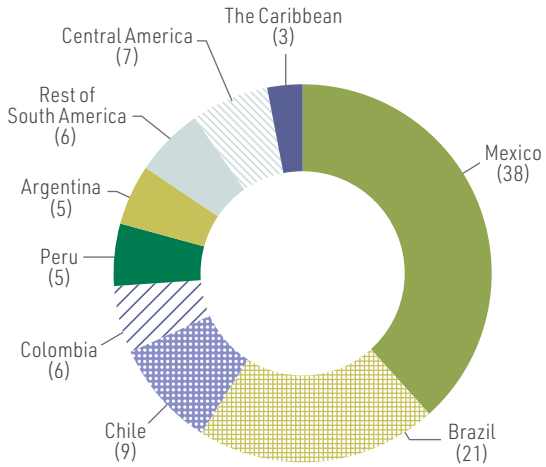
With the sole exceptions of Brazil, Chile and Peru, the region and its various subregions have a persistent trade deficit with China. Mexico's deficit is particularly large and growing (see figure II.10). Mexico has a production and export profile similar to that of China, with which it competes across a vast range of industrial segments (electronics, motor vehicles and parts, machinery and clothing, among others).

Figure II.9
Latin America and the Caribbean: distribution of goods trade with China by country, 2020–2022 averages
(Percentages)

A. Exports

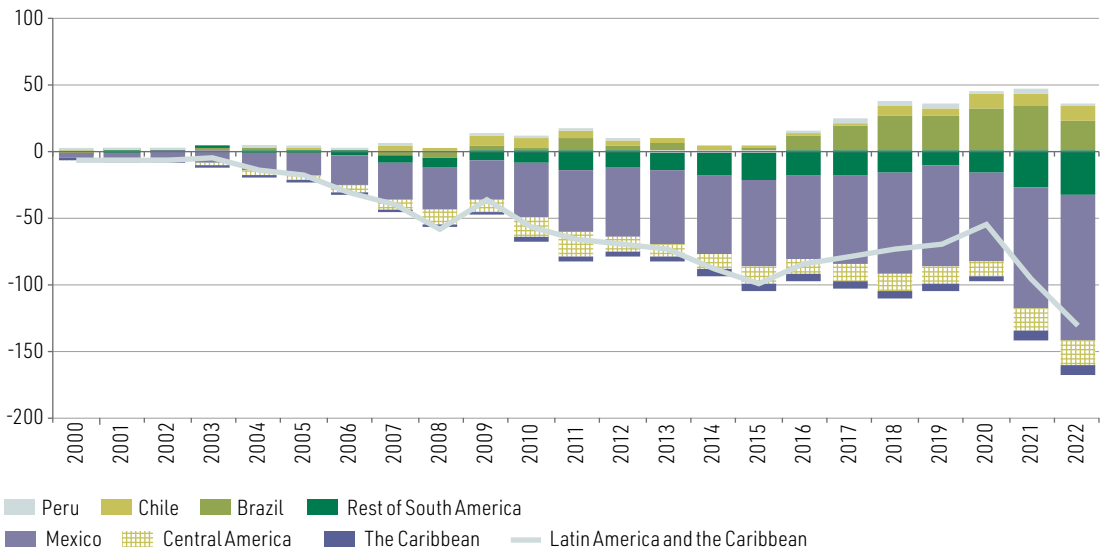


B. Imports



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.

Figure II.10
Latin America and the Caribbean (selected countries and subregions): trade balances with China, 2000–2022
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.

China has become one of the top 2 export markets for 10 countries in the region, most of them South American. In the three-year period 2020–2022, it absorbed an average of between 30% and 37% of the total goods exports of Brazil, Chile and Peru, rates that are among the highest in the world. In contrast, it is still only a secondary destination for shipments from the Central American countries (except Panama) and the Caribbean. By contrast to the situation with exports, China is among the top 3 suppliers for 26 countries in the region (see table II.3).

Table II.3
Latin America and the Caribbean (33 countries): ranking of China as a trading partner, 2000 and 2022, and share of total goods trade, 2020–2022 averages
(Ranks and percentages)

Country	2000	2022	Share of total exports, 2020–2022	2000	2022	Share of total imports, 2020–2022
Latin America and the Caribbean	**14**	**2**	**13.6**	**6**	**2**	**21.0**
South America	**11**	**1**	**25.3**	**7**	**1**	**23.1**
Argentina	6	2	8.7	4	1	20.9
Bolivia (Plurinational State of)	20	7	5.7	7	1	20.5
Brazil	12	1	29.8	11	1	22.0
Chile	5	1	37.2	4	1	25.3
Colombia	36	2	7.3	9	1	24.1
Ecuador	18	2	16.0	10	1	22.6
Paraguay	16	33	11.2	3	1	21.5
Peru	4	1	30.3	9	1	27.6
Uruguay	4	1	21.7	7	2	18.0
Venezuela (Bolivarian Republic of)	35	1	17.9	18	1	25.8
Mexico	**19**	**4**	**1.9**	**6**	**2**	**19.6**
Central America	**46**	**4**	**2.8**	**19**	**2**	**21.0**
Costa Rica	30	8	2.0	15	2	15.2
El Salvador	38	13	1.2	16	2	12.7
Guatemala	48	8	2.4	19	2	15.4
Honduras	86	24	0.3	19	3	10.9
Nicaragua	42	28	0.4	20	2	12.6
Panama	46	1	16.2	25	3	15.3
Cuba	**6**	**2**	**25.4**	**3**	**2**	**11.7**
Dominican Republic	**42**	**5**	**2.4**	**14**	**2**	**16.8**
Caribbean Community	**54**	**11**	**1.7**	**39**	**3**	**8.9**
Antigua and Barbuda	45	11	2.3	27	2	5.3
Bahamas	136	13	0.0	35	5	1.6
Barbados	43	50	0.6	9	5	3.8
Belize	28	37	0.2	18	2	16.3
Dominica	11	14	4.6	26	2	0.5
Grenada	43	37	0.3	18	5	3.1
Guyana	24	9	1.7	6	4	5.5
Haiti	63	16	0.3	10	3	16.4
Jamaica	18	10	1.4	10	2	10.8
Saint Kitts and Nevis	14	8	0.9	29	4	0.3
Saint Lucia	...	37	0.0	21	2	6.8
Saint Vincent and the Grenadines	22	23	0.1	8	2	0.0
Suriname	16	12	1.4	8	4	8.1
Trinidad and Tobago	63	7	2.1	11	4	11.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/ and International Trade Centre (ITC), Trade Map [online] https://www.trademap.org/.
Note: The data for Antigua and Barbuda, the Bahamas, the Bolivarian Republic of Venezuela, Cuba, Dominica, Guyana, Honduras, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines were obtained from mirror statistics. Boxes shaded in pink indicate a share of 15% or more.

The extent to which the region's shipments to China are confined to a narrow set of commodities is corroborated by comparing the number of products exported by the countries of Latin America and the Caribbean to China, to the United States, to the European Union and to the regional market itself. In all cases, the number of products exported to China is the lowest of any of these four destinations, with a particularly marked difference when it comes to intraregional exports. The country in the region that exports the greatest variety of products to China is Brazil, followed at a great distance by Argentina, Chile and Mexico (see table II.4).

Table II.4
Latin America and the Caribbean (25 countries): number of products exported to selected destinations, 2021

	China	Latin America and the Caribbean	United States	European Union (27 countries)
Argentina	409	3 352	1 388	1 479
Bahamas	18	...	...	...
Barbados	13	671	433	98
Belize	1	85	76	25
Bolivia (Plurinational State of)	64	569	240	225
Brazil	1 968	4 358	3 311	3 730
Chile	364	3 260	1 311	1 391
Colombia	234	3 292	2 022	1 380
Costa Rica	182	2 869	2 015	950
Cuba	46	268	3	373
Ecuador	161	2 267	1 344	789
El Salvador	69	2 412	1 076	567
Guatemala	130	3 536	1 449	741
Guyana	40	769	525	175
Honduras	39	1 823	1 083	364
Jamaica	20	382	348	82
Mexico	361	1 448	2 858	503
Nicaragua	52	1 852	974	255
Panama	30	271	144	64
Paraguay	106	1 388	431	397
Peru	266	3 294	1 867	1 555
Dominican Republic	135	2 362	2 278	1 288
Trinidad and Tobago	27	1 769	295	508
Uruguay	140	1 490	567	519
Venezuela (Bolivarian Republic of)	63	958	266	613

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.
Note: Boxes shaded in darker blue show the destination to which the largest number of products was exported. Products are defined at the six-digit level of the Harmonized Commodity Description and Coding System. The data for the Bolivarian Republic of Venezuela, Cuba and Trinidad and Tobago were calculated from mirror statistics. The data for Argentina are from 2017.

Unlike the region's exports to China, imports from the country are highly diversified. In fact, the top 20 products imported by the region from China account for only 26% of total purchases from the country (see table II.5). China is a particularly large supplier of parts and accessories for machines, tools, personal computers, mobile phones, electronic circuits, photovoltaic cells and optical equipment. Other important products include motor vehicles, plastic goods, herbicides and petroleum oils. The list of the main products imported from China includes consumer goods, capital goods and intermediate goods alike. Imports in the latter two categories are mainly for use by local industry.

Table II.5
Latin America and the Caribbean: top 20 product imports from China, 2020–2022 average
(Millions of dollars and percentages)

Rank	Code of the Harmonized Commodity Description and Coding System	Description	Value *(Millions of dollars)*	Share *(Percentages)*	Cumulative share *(Percentages)*	Main destination countries and shares *(Percentages)*
1	847330	Parts and accessories for automatic machines	6 702	2.7	2.7	Mexico (82), Brazil (14)
2	847130	Automatic data processing machines	6 698	2.7	5.3	Mexico (33.8), Chile (14.6), Colombia (13.1), Peru (11.3), Argentina (8)
3	851712	Mobile telephones or radiotelephony equipment	6 062	2.4	7.7	Colombia (15), Chile (13.5), Peru (9.7), Brazil (7), Mexico (4.9)
4	851762	Machines for the reception of voice and images	6 038	2.4	10.1	Mexico (54.7), Brazil (11.8), Argentina (6.5), Colombia (6.9), Chile (6.3)
5	852990	Parts and components for visualization modules	4 428	1.8	11.9	Brazil (28.7), Argentina (7.5), Mexico (6.5), Colombia (2.6)
6	901380	Optical devices	4 085	1.6	13.5	Mexico (98.9)
7	854231	Electronic circuits	3 294	1.3	14.8	Mexico (74.5), Brazil (21.9)
8	850440	Static converters	2 907	1.2	15.9	Mexico (52.2), Brazil (28.9), Argentina (4.3)
9	851770	Parts of conventional and mobile telephones	2 725	1.1	17.0	Mexico (26.2), Argentina (23.9), Brazil (4.7)
10	870322	Touring cars	2 681	1.1	18.1	Chile (37), Ecuador (8.4), Plurinational State of Bolivia (2.2)
11	271019	Petroleum oils	2 481	1.0	19.0	Panama (80), Chile (9), Ecuador (7), Peru (2.4)
12	854140	Photovoltaic cells	2 371	0.9	20.0	Mexico (14.6), Brazil (7.5), Chile (4.2)
13	853400	Printed circuits	2 278	0.9	20.9	Mexico (84.3), Brazil (14.3), Barbados (1)
14	380893	Herbicides, anti-sprouting products and plant-growth regulators	1 927	0.8	21.7	Argentina (7.2), Brazil (6.4), Colombia (4.4), Paraguay (3.8), Plurinational State of Bolivia (3.7), Ecuador (2.3), Peru (2.2)
15	950300	Tricycles, scooters, pedal cars and wheeled toys	1 874	0.7	22.4	Mexico (35.8), Chile (11.3), Brazil (9.2), Panama (9), Peru (8.6), Colombia (5.1), Ecuador (3.2)
16	760612	Aluminium alloy plate, sheet and strip	1 872	0.7	23.1	Mexico (76.6), Guatemala (6.1), Brazil (5.5)
17	851713	Smartphones for wireless networks	1 870	0.7	23.9	Colombia (28), Chile (22), Paraguay (15.2), Peru (13.3), Brazil (8.2), Uruguay (3)
18	392690	Articles of plastic	1 739	0.7	24.6	Mexico (52.6), Brazil (9.7), Chile (7.8), Peru (6.5), Dominican Republic (5.9), Argentina (4.7)
19	630790	Made up textile articles	1 595	0.6	25.2	Mexico (24.1), Chile (11.2), Brazil (9.9), Panama (4.9), Argentina (4.6), Ecuador (4)
20	401120	New rubber tyres for buses and trucks	1 575	0.6	25.8	Mexico (32.4), Paraguay (8.7), Chile (10), Colombia (6.7), Peru (8.6), Guatemala (4.6), Brazil (4.4)
Total			**65 198**	**25.8**		

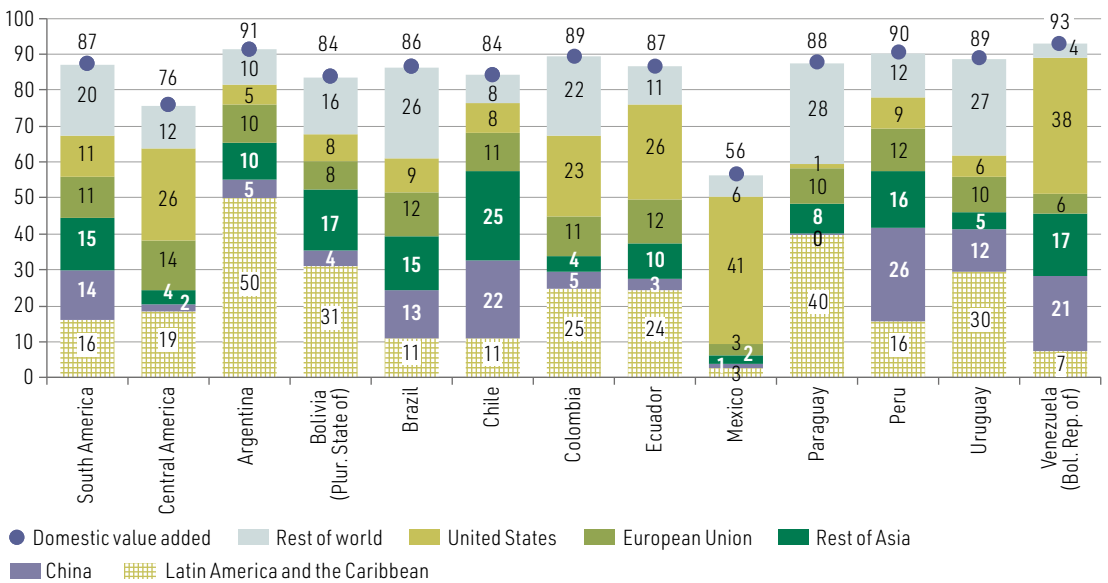
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.
Note: The data for Antigua and Barbuda, the Bahamas, the Bolivarian Republic of Venezuela, Cuba, Dominica, Guyana, Honduras, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines were obtained from mirror statistics.

B. Productive integration between the region and China

To analyse the degree of productive integration between the countries of the region[7] and China, this section calculates the proportion of local value added exported by each country to China and other destinations (forward linkages) and the proportion of value added imported from these same partners that is incorporated into the exports of each country in the region (backward linkages). This captures two essential dimensions of productive integration. First, the local value added exported is indicative of the inputs that a country contributes to the production processes of its trading partners. Second, the imported component of a country's exports represents the degree to which its production apparatus is integrated with the rest of the world. The larger the imported component, the greater the vertical integration.[8]

On average, 87% of the value of exports from South America in 2017 consisted of local value added (see figure II.11). Of this figure, 14 percentage points went to China, which was similar to the share going to the rest of Asia and higher than the share going to the European Union and the United States. For Central America, by contrast, the share of exported local value added going to China was only 2 percentage points out of a total of 76. Lastly, just 56% of the value of Mexico's 2017 exports was local value added, of which a tiny fraction (1 percentage point) went to China. This is evidence of South America's strong forward integration with China, in contrast to Central America and Mexico.

Figure II.11
Latin America (selected countries and subregions): distribution of domestic value added embodied in exports by main destinations, 2017
(Percentages of gross exports)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Asian Development Bank (AsDB), 2017 global input-output matrix.
Note: Central America includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

[7] The analyses in this section are based on information from 17 Latin American countries: Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

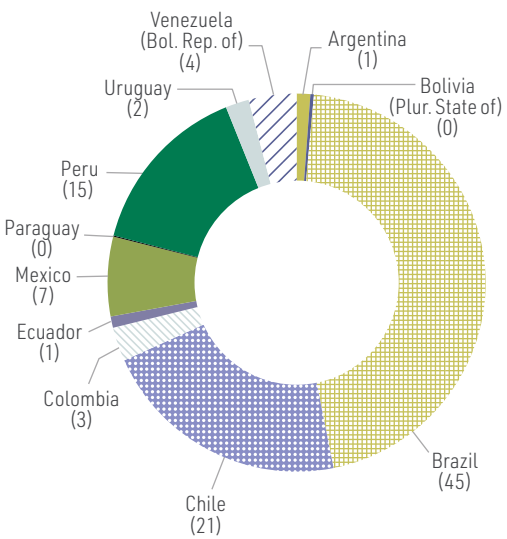
[8] See Durán Lima and Banacloche (2021) for a detailed explanation of the methodology used.

The countries sending a share of more than 20 percentage points of their exported local value added to China were Peru (26 percentage points), Chile (22 percentage points) and the Bolivarian Republic of Venezuela (21 percentage points). In all three cases, the proportion of local value added going to China exceeded the proportion going to the European Union and the region itself, and in the cases of Chile and Peru it also exceeded the proportion going to the United States. In a second group are Brazil and Uruguay, which sent 13 percentage points and 12 percentage points, respectively, of their exported local value added to China. In both countries, the share of local value added exported to China was larger than the share going to the United States or the European Union, and in the case of Brazil it also exceeded the share going to the region itself. At the opposite extreme, Mexico, Paraguay, Ecuador, the Plurinational State of Bolivia and the Central American countries showed the lowest levels of forward linkages with China. Mexico had very strong linkages with the United States, to which it sent almost 75% of its exported domestic value added (41 percentage points out of a total of 56). Colombia, Ecuador and the Bolivarian Republic of Venezuela also exhibited greater forward linkages with the United States than with China.

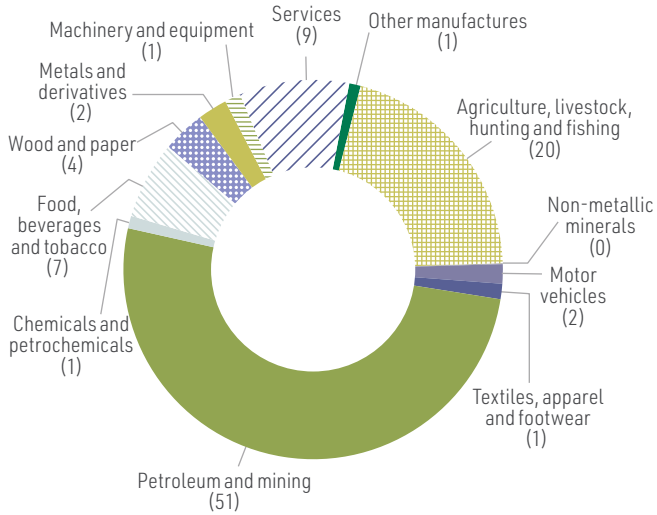
The largest exporters of value added to China are Brazil (45%), Chile (21%), Peru (15%) and Mexico (7%), accounting for almost 90% of the value exported by the 11 countries analysed (see figure II.12.A). The primary sectors dominate the structure of exported value added by major economic sector, led by mining and petroleum (51%). This is followed by agriculture, livestock, hunting and fishing (20%), services (9%) and food, beverages and tobacco (7%) (see figure II.12.B). The prominent share in regional exports of products such as iron ore, copper, zinc, nickel, aluminium, soybeans, beef and some fishery products reflects the strong connection, mainly in South America, with an important group of industries in China, especially iron and steel, agrifood and construction. At the same time, services also have a large share, accounted for by the phenomenon known as "servicification", meaning the growing weight of services in goods trade. A large proportion of the value of the goods exported by the region to China (and the world) comes from inputs of services such as design, research and development (R&D), intermediation, transport and logistics, finance and business intelligence.

Figure II.12
Latin America (11 countries): structure of value added exported to China by country and economic sector, 2017
(Percentages)

A. By country



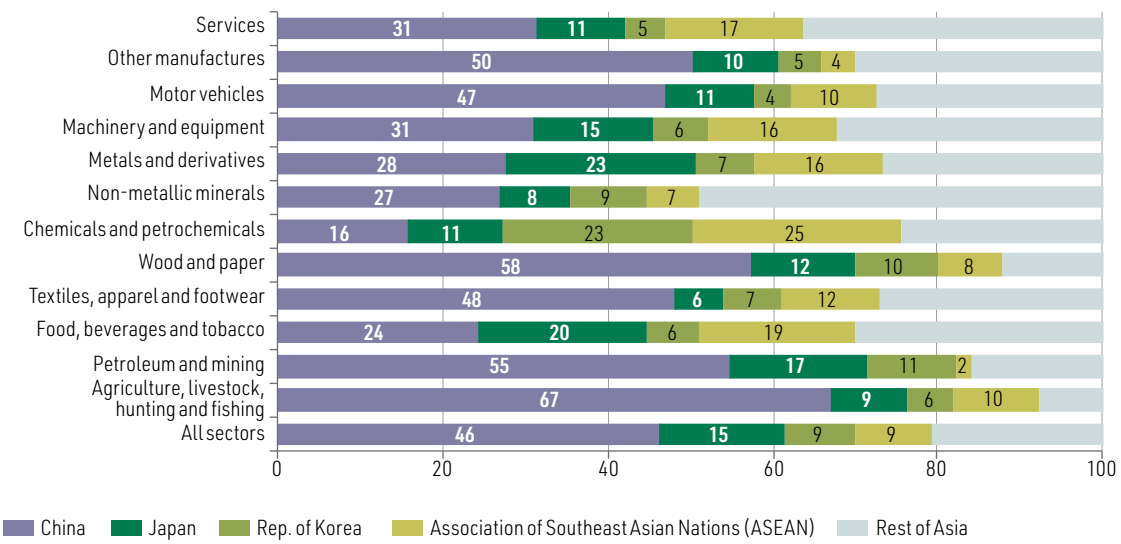
B. By economic sector



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Asian Development Bank (AsDB), 2017 global input-output matrix.

A review of the sectoral structure of the region's exports of value added to Asia shows that the largest shares for China are in agriculture, livestock, hunting and fishing (67%), wood and paper (58%) and petroleum and mining (55%) (see figure II.13). In all these, the share of value added exported to China is higher than the average for the region's overall exports to the country. When a comparison is made with other major partners in Asia, only the countries of the Association of Southeast Asian Nations (ASEAN) are more important for chemical and petrochemical exports, receiving a quarter of the region's total exports to Asia in this sector.

Figure II.13
Latin America (11 countries):[a] structure of value added exported to Asia by major economic sectors, 2017
(Percentages)

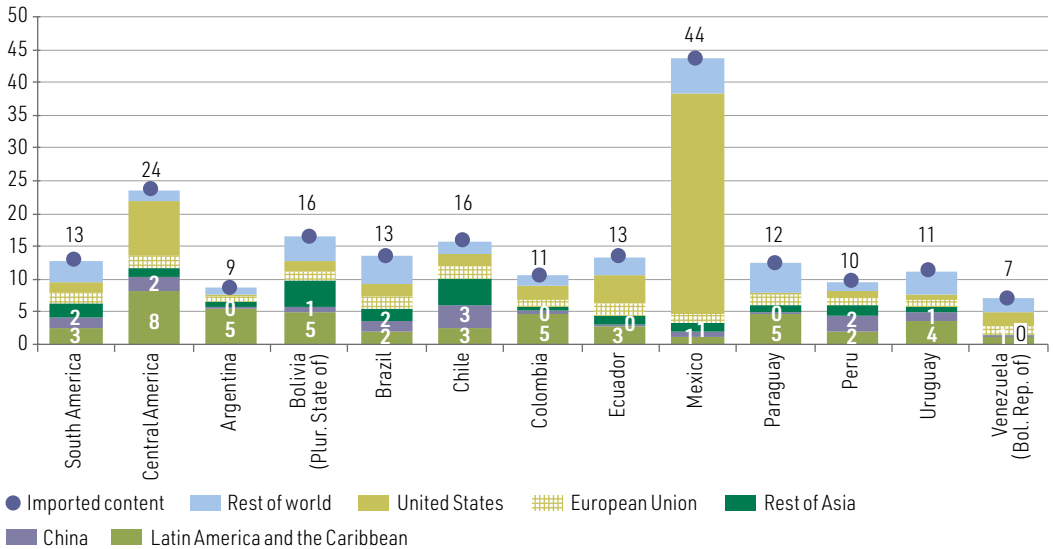


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Asian Development Bank (AsDB), 2017 global input-output matrix.

[a] Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

In contrast to the situation with forward linkages, all the countries of the region exhibit weak backward linkages with China. Of the 13% of imported content incorporated into the exports of South America in 2017, only 2 percentage points came from China (see figure II.14). In the case of Central America, imported content comprised 24% of the value of exports, of which 2 percentage points likewise came from China. Lastly, 44% of Mexico's exports consisted of imported content, of which 34 percentage points originated in the United States and only 1 in China. Individually, Chile and Peru were the countries whose exports had the greatest Chinese content.

Figure II.14
Latin America (selected countries and subregions): distribution of imported content of exports by main origins, 2017
(Percentages of gross exports)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Asian Development Bank (AsDB), 2017 global input-output matrix.
Note: Central America includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

China's small share of the imported content of the region's exports reflects the fact that most Latin American countries incorporate only a small proportion of imported intermediate inputs into their export production.[9] Local demand is the final destination for the bulk of imports, whether of final goods for household consumption (apparel, footwear, medicines and motor vehicles, among other products), inputs for the production of goods to be marketed locally (chemicals, iron and steel piping, spare parts and electronic products, among others) or capital goods. The increasing penetration of Chinese manufactures in the region over the last two decades has been a cause for concern because of its effects on local production and employment, a subject that is addressed in section II.C.

C. The effects of trade with China on regional employment and production

Like the region's exports to China, imports from the country grew at a much faster rate than total imports between 2000 and 2022: 16.8% per year compared to 6.2% per year. Many countries have increased their dependence on products of Chinese origin over the last two decades, a phenomenon that poses challenges for the region's industrial development. Mezquita Moreira (2007) was already warning of this in the early 2000s, observing that, although labour productivity in China was still lower than in countries such as Brazil and Mexico, this gap was much smaller than the wage gap, and moreover was closing rapidly. Durán Lima and Pellandra (2017) showed that the share of

[9] As figure II.14 shows, the main exception is Mexico.

imported final goods and inputs of Chinese origin in the apparent consumption of manufactures[10] had systematically increased in eight countries of the region,[11] from less than 1% in 2000 to 2.1% in 2005 and 3.7% in 2012. This increase appeared to have displaced local final and intermediate goods.

Estimates for Brazil, Chile, Mexico and Peru in the period 2000–2017[12] show the net employment effect of China as positive, with 1.9 million jobs created in those years. This figure includes both job creation due to exports and investment (including infrastructure projects) and job losses due to imports competing with local production. However, while the net impact on employment was positive in all three South American countries, it was negative in Mexico. This is because job creation in primary sectors exporting to China prevailed in Brazil, Chile and Peru, while job destruction in manufacturing sectors that were affected by competition from the country prevailed in Mexico (Salazar-Xirinachs, Dussel Peters and Armony, 2018). Jobs were lost in the textile, apparel and footwear, electronics and electrical goods, machinery and equipment, and chemical and pharmaceutical sectors, among others, with a net reduction of about 688,000 jobs in the four countries considered. Besides this, the completion of investment and infrastructure projects leveraged with Chinese capital contributed to the creation of an estimated 400,000 jobs in the four sectors identified in the period 2000–2017 (Salazar-Xirinachs, Dussel Peters and Armony, 2018).

Following the same methodology as applied in Durán Lima and Pellandra (2017), the effect of Chinese competition on the economies of 12 countries in the region was calculated for the period from 2003 to 2022. The results show the share of Chinese imports in the apparent consumption of non-agro-industrial manufactures[13] in the 12 countries as a group rising from 1.6% to 13.1% between the two years, this being the largest increase among the region's main trading partners. The increase in China's share of apparent consumption came at the expense of local manufacturing production, whose share fell from 69.2% to 50.1% over the period (see table II.6). The share of imported inputs in apparent consumption increased from 31% in 2003 to 50% in 2022.

Table II.6
Latin America (12 countries):[a] shares of China and other partners in apparent consumption of non-agro-industrial manufactures, 2003, 2005, 2010, 2015, 2020 and 2022
(Percentages)

Region, grouping or country	2003	2005	2010	2015	2020	2022
Latin America and the Caribbean	3.7	5.2	5.2	4.7	4.5	5.4
China	1.6	2.4	6.4	9.6	11.3	13.1
United States	13.9	12.4	10.1	12.1	12.5	12.7
European Union	4.6	5.0	5.1	6.0	6.6	6.6
Rest of world	6.6	7.7	8.1	9.1	11.2	12.1
World (total imports)	**30.8**	**33.2**	**34.4**	**40.7**	**46.1**	**49.9**
Local production[b]	**69.2**	**66.8**	**65.6**	**59.3**	**53.9**	**50.1**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Industrial Development Organization (UNIDO), "INDSTAT 2 2023, ISIC Revision 3", information on total supply by country and sector [online] https://stat.unido.org/database/INDSTAT%202%202023,%20ISIC%20Revision%203.

Note: Information on the exports and imports of the region's countries from the UN Comtrade Database was used to calculate apparent consumption. The output information for 2022 was estimated from 2021 supply levels given in the United Nations Industrial Development Organization (UNIDO) database and 2022 volume growth rates estimated for the whole of manufacturing, factoring in observed inflation.

[a] Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

[b] The value of the locally produced share of apparent consumption was obtained by calculating the difference between total apparent consumption and total imports. This variable aggregates the total amounts of local production included in the apparent consumption of the 12 countries selected. It does not include the share-out of local production in intraregional trade, which is incorporated into the Latin America and Caribbean total.

10 Apparent consumption is defined as local production plus imports minus exports.

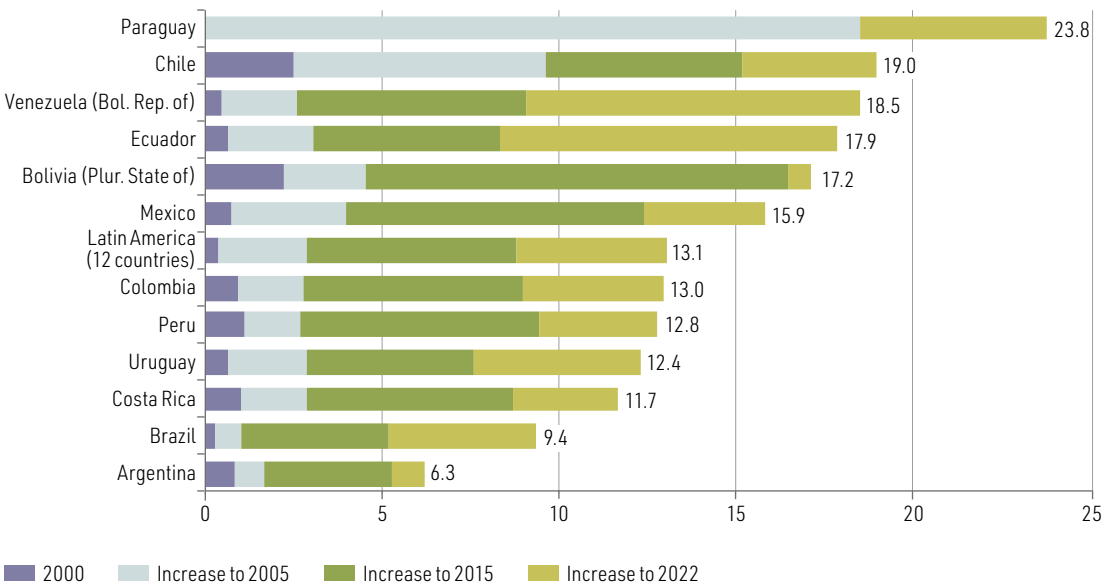
11 Argentina, Brazil, Colombia, Chile, Ecuador, Mexico, Peru and Uruguay.

12 These estimates were arrived at using the input-output methodology, based on the multi-country matrices of the World Input-Output Database (WIOD) for the period 2000–2014, supplemented by the multi-country matrices of the Organisation for Economic Co-operation and Development (OECD) and information on socioeconomic accounts from the WIOD database. For Peru, information from the National Institute of Statistics and Informatics (INEI) was used.

13 The analysis presented here does not include the food, beverages and tobacco sector, where local production accounts for the vast bulk of apparent consumption.

In the early 2000s, Chinese products accounted for a very limited share of household, business and government consumption in the region, averaging no more than 0.5% (Durán Lima and Pellandra, 2017). By 2005, this share had increased to 2.5% regionally and to over 9% in Chile and Paraguay. After another 10 years, in 2015, China's share was up to 9% on average and more than this in several countries (the Bolivarian Republic of Venezuela, Chile, Mexico, Peru, Paraguay and the Plurinational State of Bolivia). Lastly, the most recent estimates, for 2022, show a further increase in China's share in all the countries considered, to an average of 13.1%. The share of Chinese products is lowest in Argentina and Brazil, at under 10% in both cases, and highest in the Bolivarian Republic of Venezuela, Chile, Ecuador and Paraguay, at between 18% and 24% (see figure II.15).

Figure II.15
Latin America (12 countries): China's share of each country's apparent consumption of manufactures, 2000, 2005, 2015 and 2022
(Percentages)

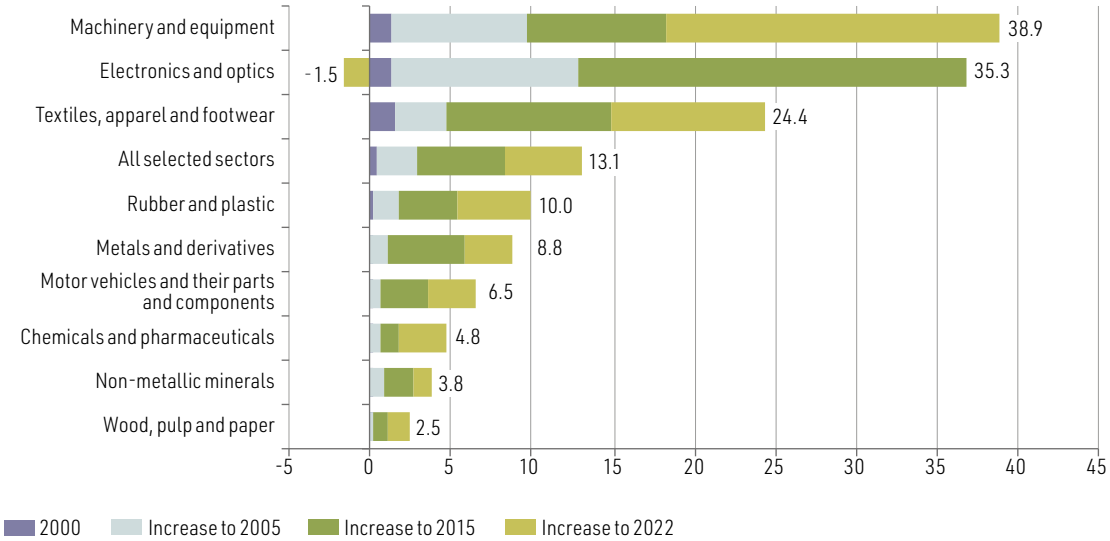


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Industrial Development Organization (UNIDO), "INDSTAT 2 2023, ISIC Revision 3", information on total supply by country and sector [online] https://stat.unido.org/database/INDSTAT%202%202023,%20ISIC%20Revision%203.

Although China's aggregate share of apparent manufacturing consumption now exceeds 10% in most of the countries analysed, there are large differences between sectors. China's strongest penetration is in the machinery and equipment, electronics and optics, and textiles, apparel and footwear sectors, with shares of 38.9%, 35.3% and 24.4%, respectively. In contrast, China's lowest shares of apparent consumption are in the natural resource-related sectors: non-metallic minerals (3.8%) and wood, pulp and paper (2.5%) (see figure II.16).

Mexico and Brazil account between them for 73% and 85% of the region's total supply in the two manufacturing sectors where China has the largest shares of apparent consumption: machinery and equipment, and electronics and optics (see figure II.17). China displaced the United States as the world's leading supplier of electronics products in 2012 and now generates 25% of the sector's global value added and 57% of employment.

Figure II.16
Latin America (12 countries):[a] evolution of China's share of apparent consumption, main manufacturing sectors, 2000, 2005, 2015 and 2022
(Percentages)

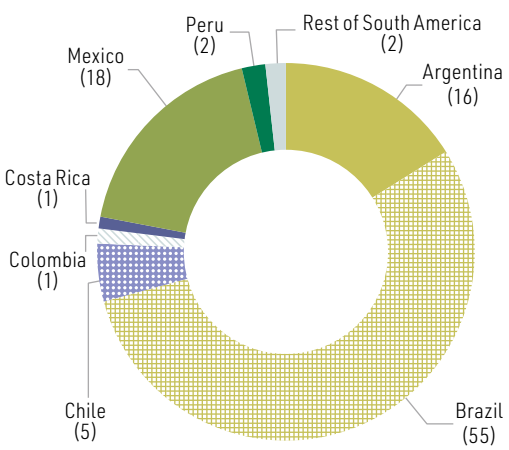


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Industrial Development Organization (UNIDO), "INDSTAT 2 2023, ISIC Revision 3", information on total supply by country and sector [online] https://stat.unido.org/database/INDSTAT%202%202023,%20ISIC%20Revision%203.

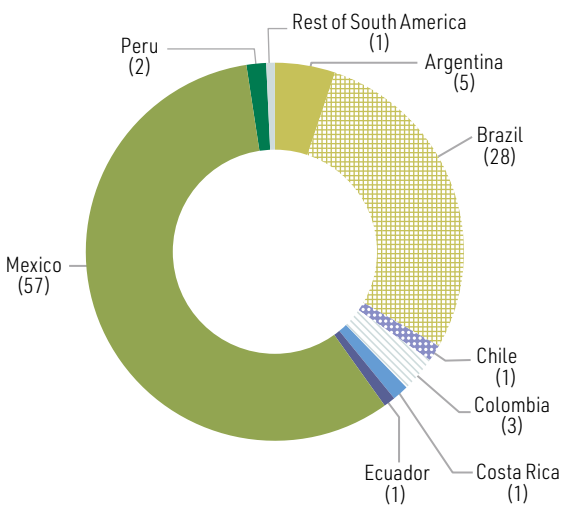
[a] Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

Figure II.17
Latin America (12 countries):[a] distribution by country of the total supply of machinery and equipment and of electronics and optics, 2020–2022 averages, and China's share of apparent consumption in the two sectors, 2000–2022
(Percentages)

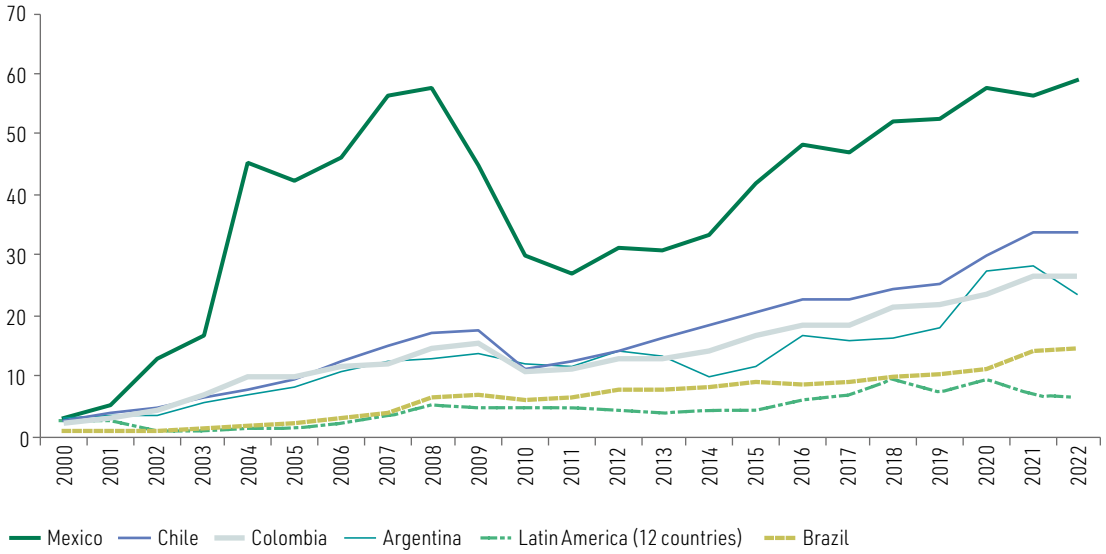
A. Machinery and equipment: distribution by country



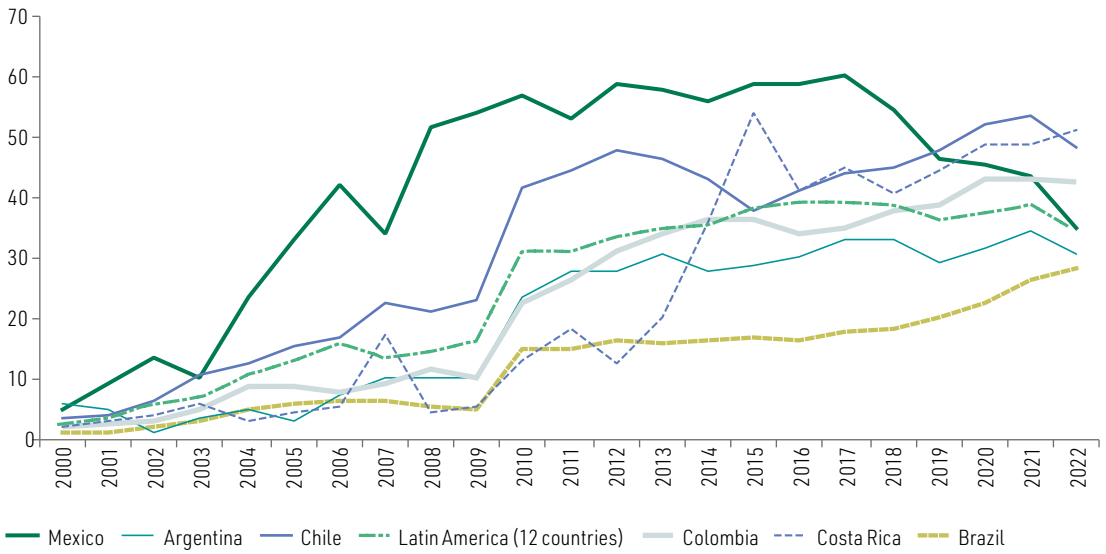
B. Electronics and optics: distribution by country



C. Machinery and equipment: China's share of apparent consumption



D. Electronics and optics: China's share of apparent consumption



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Industrial Development Organization (UNIDO), "INDSTAT 2 2023, ISIC Revision 3", information on total supply by country and sector [online] https://stat.unido.org/database/INDSTAT%202%202023,%20ISIC%20Revision%203.

[a] Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

In Mexico, imports of Chinese machinery and equipment compete not only with local industry (for tools, parts and components of various kinds, electric motors, kitchen utensils, household appliances and other products) but also with similar products imported from the United States and Canada. About one in every three dollars imported by the sector originates in China. The situation is similar in Brazil. Chinese competition in these two countries is mainly in the intermediate and final goods segments, the result being a large trade deficit in both cases.

In other countries that are less developed industrially, such as Argentina, Chile and Colombia, although some local production has also been displaced by Chinese products, the availability of Chinese inputs

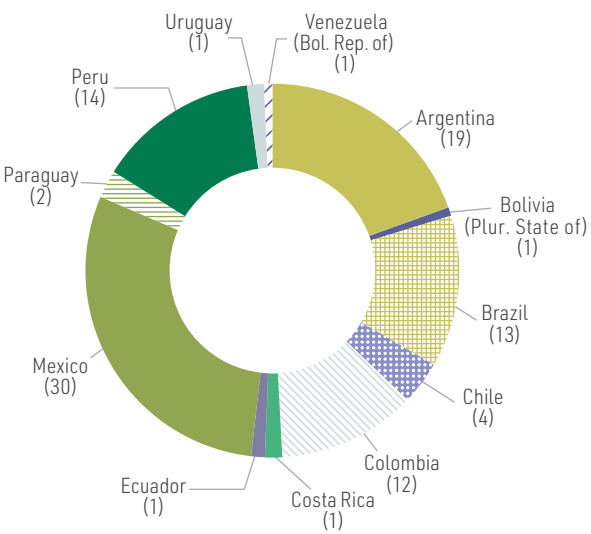
has enhanced the competitiveness of a number of industries, such as textiles and apparel, paper, chemicals and metalworking. The penetration of Chinese manufactures in these countries has also had a negative impact on their imports from the main regional suppliers, especially Brazil and Mexico.

Chinese competition in the region's markets is very strong in the textile, apparel and footwear sector. Especially since the liberalization of world trade in this sector from 2005 onward within the framework of WTO, China has been able to exploit the comparative advantage provided by its abundant labour supply and low wages (Zhang, Kong and Ramu, 2015). Among the countries of the region affected by Chinese competition, Mexico is the largest overall supplier in the sector (see figure II.18.A) and has experienced this competition in all segments (yarns, apparel, garments, and footwear and parts). Although the share of Chinese products in apparent consumption is lower than in Chile, Ecuador and Brazil, firms in the sector have made their concerns known, and the authorities have implemented various measures to afford them some protection, including the filing of a complaint with the WTO Dispute Settlement Body in 2012. Despite this, estimates of the number of jobs destroyed because of import competition range from 68,000 in the period from 2005 to 2017 (Dussel Peters and Armony, 2018) to around 450,000 between 2000 and 2015 (Rodríguez Ceballos, 2015).

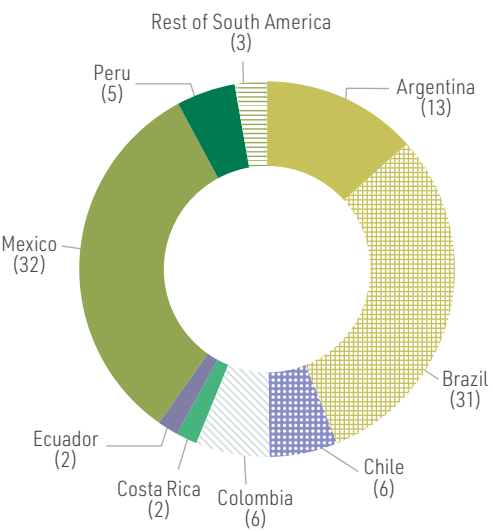
In Chile, the apparent consumption share of Chinese textile products already exceeded 15% in the early 2000s, and by 2011 it had risen to over 60%. Although it was back below 50% as of 2022, Chile still had the second highest penetration of Chinese textiles, apparel and footwear among the countries of the region (see figure II.18.C). The country most affected is Brazil, where Chinese products have made great inroads, even though it maintains average tariffs of 29% for the sector. In 2022, these products had a 57% share of apparent consumption, the highest in the region. In Colombia, textile and apparel sector unions have expressed concern about the adverse situation caused by the loss of sales to competition with China and other Asian economies such as Bangladesh, Cambodia, the Lao People's Democratic Republic, Myanmar and Viet Nam. Together they account for 75% of imports. The main concern is to prevent smuggling, which is estimated at between 30% and 35% of total sales (FENALCO, 2022).

Figure II.18
Latin America (12 countries):[a] distribution by country of the total supply of textiles, apparel and footwear and of rubber and plastic, 2020–2022 average, and China's share of apparent consumption in the two sectors, 2000–2022
(Percentages)

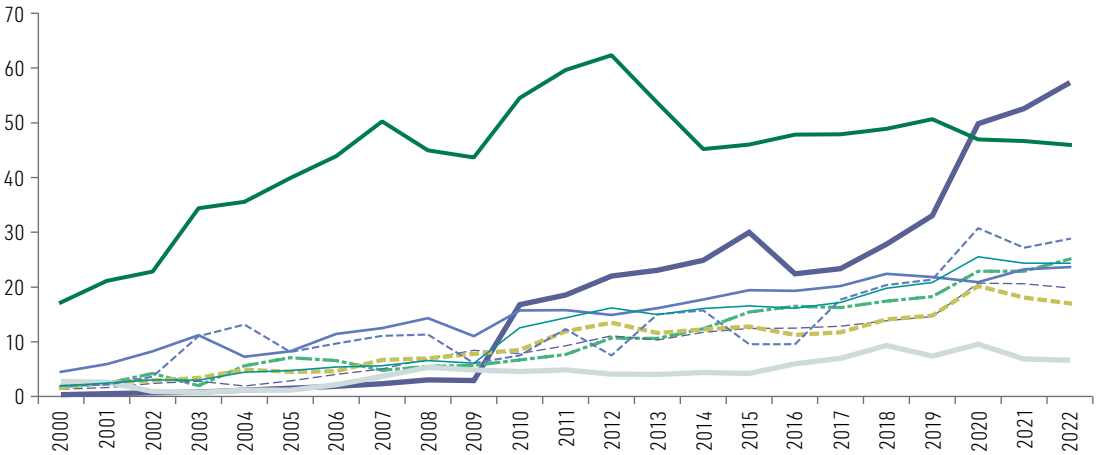
A. Textiles, apparel and footwear: distribution by country



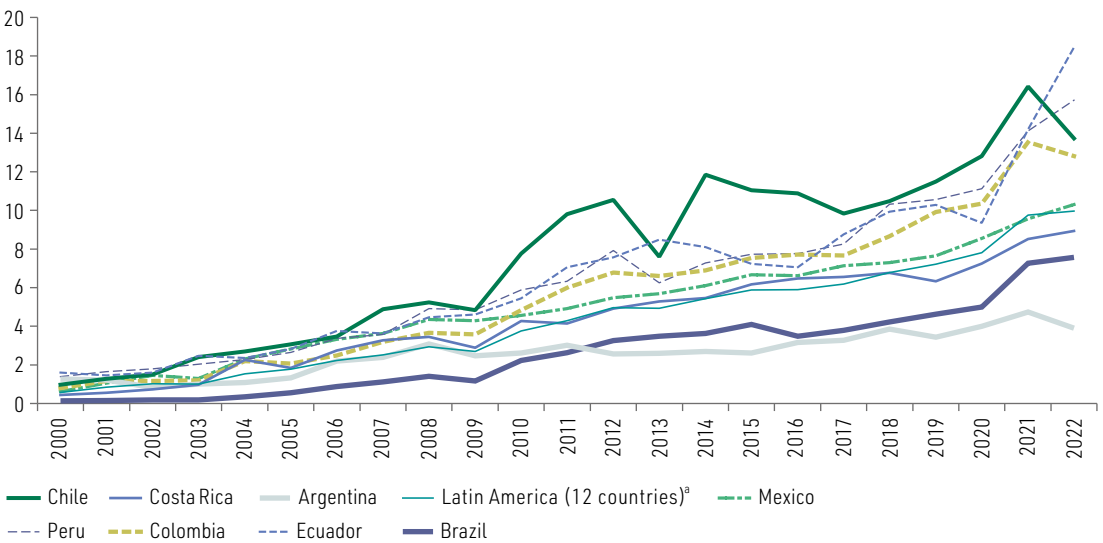
B. Rubber and plastics: distribution by country



C. Textiles, apparel and footwear: China's share of apparent consumption



D. Rubber and plastic: China's share of apparent consumption



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Industrial Development Organization (UNIDO), "INDSTAT 2 2023, ISIC Revision 3", information on total supply by country and sector [online] https://stat.unido.org/database/INDSTAT%202%202023,%20ISIC%20Revision%203.

[a] Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

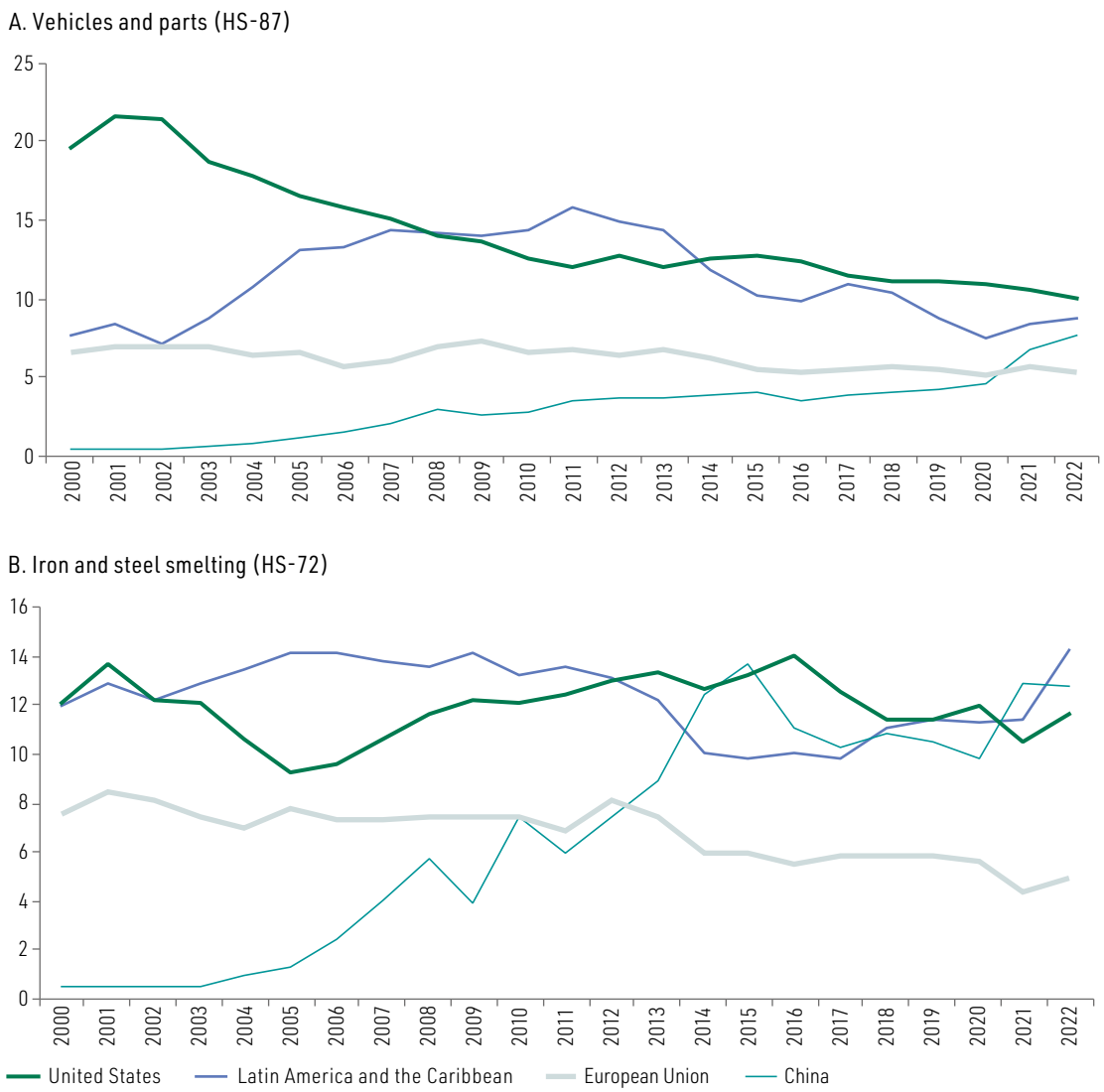
Other countries in the region with large local textile, apparel and footwear industries are Argentina, Peru and Colombia, which together account for 45% of the region's output in the sector. In all three cases, although the apparent consumption share of imports has increased, it has remained at levels close to the regional average, or around 25% in the period 2020–2022. Although this level of imports is of concern to local industries, there is recognition that China is a major supplier of fibres and yarns, two key inputs in the first links of the sector's value chain. Despite having a free trade agreement with China (see section II.D), Peru has not fully liberalized the textile sector. This has somewhat cushioned the effect of Chinese competition on more highly processed final products, for which average tariff

protection of around 8% has been maintained. In the rest of the region's countries, although the volume of Chinese products has increased to the detriment of local suppliers, the average level of Chinese penetration in apparent consumption does not exceed 25%.

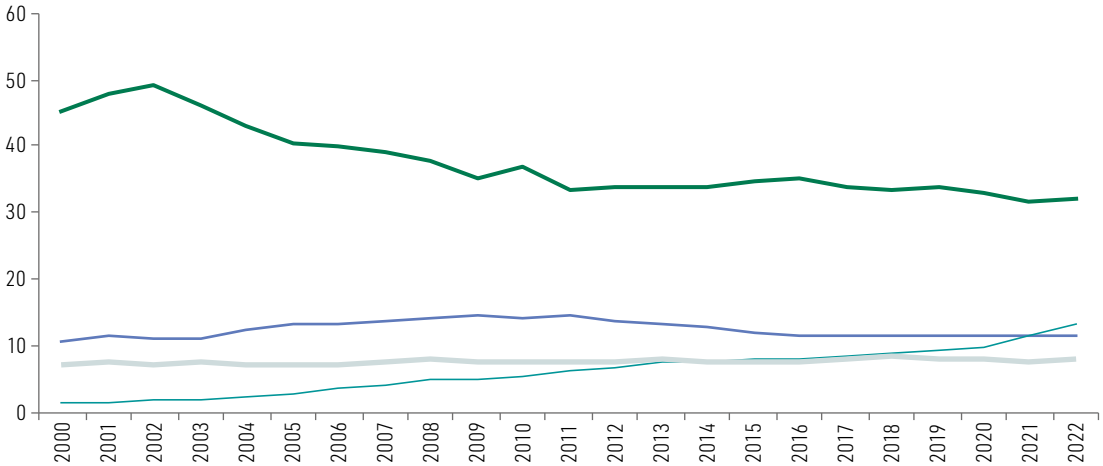
In the rubber and plastic industry, China's apparent consumption share has been growing steadily, although not to the same levels as in the other three industries analysed (see figure II.18.D). China's weight has increased especially in the segment of basic inputs for local industries, such as polymers, polyethylene, polypropylene and polyvinyl chloride. This explains the size of the trade deficits that almost all countries in the region have in this sector (the largest being Brazil's at US$ 10.5 billion).

Another way to visualize the growing penetration of Chinese manufactures in the region is to analyse the evolution of total imports by origin since 2000. In the motor vehicles and parts, iron and steel smelting, plastics and plastic products, and organic chemicals segments, for example, China's share of imports has risen strongly at the expense of traditional partners such as the United States and the European Union and of imports from the region itself (see figure II.19).

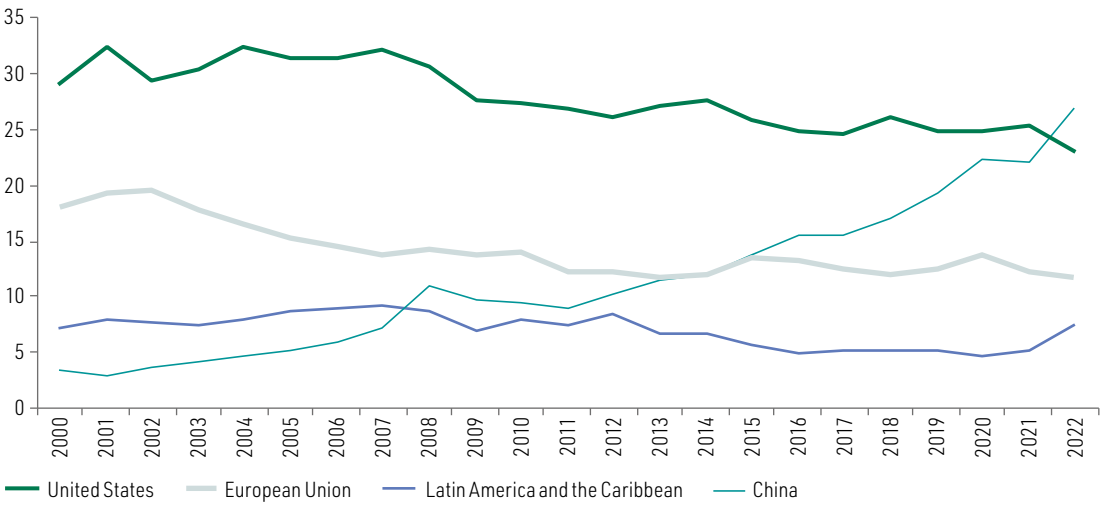
Figure II.19
Latin America and the Caribbean: origin of imports in selected sectors, 2000–2022
(Percentages)



C. Plastics and plastic articles (HS-39)



D. Organic chemicals (HS-29)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.
Note: The codes in brackets are the chapters of the Harmonized Commodity Description and Coding System.

D. Trade agreements and access conditions for regional exports to China

Three countries in the region currently have free trade agreements in force with China, all of them signed more than a decade ago: Chile (in force since 2006), Peru (in force since 2010) and Costa Rica (in force since 2011). There has recently been a renewed interest in the region in deepening trade ties with China by signing such treaties. Ecuador and Nicaragua signed two new agreements with the country, in May and August 2023, respectively, which need to be ratified to enter into force. Likewise, China and Honduras started negotiations on a bilateral free trade agreement in July 2023. In South America, China and Uruguay concluded the feasibility study for a bilateral free trade agreement in 2022, but negotiations have not been launched to date.

Under their respective agreements, Chile, Costa Rica and Peru paid an average import tariff of less than 1% on their imports to the Chinese market in 2020, well below the average most favoured nation tariff applied by the country (7.1%). As is usual in this type of agreement, non-agricultural products are subject to lower average tariffs than agricultural products. However, the latter benefit from a higher preferential margin in absolute terms, since the average most favoured nation tariff charged by China on agricultural imports (12.7%) is twice that charged on non-agricultural products (6.2%) (see table II.7).[14] Other partners competing with the countries of the region in the Chinese market face similar tariff access conditions under preferential agreements, notably Australia, New Zealand and the Association of Southeast Asian Nations (ASEAN) countries, although they benefit from their closer geographical proximity to China.

Table II.7
China: average most-favoured-nation tariffs applied and average tariffs levied on imports from selected partners, 2020
(Percentages)

	All products		Agricultural products		Non-agricultural products	
	Average tariff	Tariff lines exempt from tariffs	Average tariff	Tariff lines exempt from tariffs	Average tariff	Tariff lines exempt from tariffs
Most favoured nation	7.1	12.6	12.7	8.9	6.2	13.2
Chile	0.4	97.6	1.9	94.9	0.1	98.0
Costa Rica	0.5	95.9	2.5	86.6	0.2	97.4
Peru	0.9	93.4	2.5	89.2	0.6	94.0
Association of Southeast Asian Nations (ASEAN)	0.6	94.0	1.6	92.5	0.4	94.3
Australia	0.5	94.6	2.5	87.2	0.2	95.8
New Zealand	0.4	97.9	1.9	94.8	0.1	98.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), *Trade Policy Review. Report by the Secretariat* (WT/TPR/S/415), 15 September 2021.

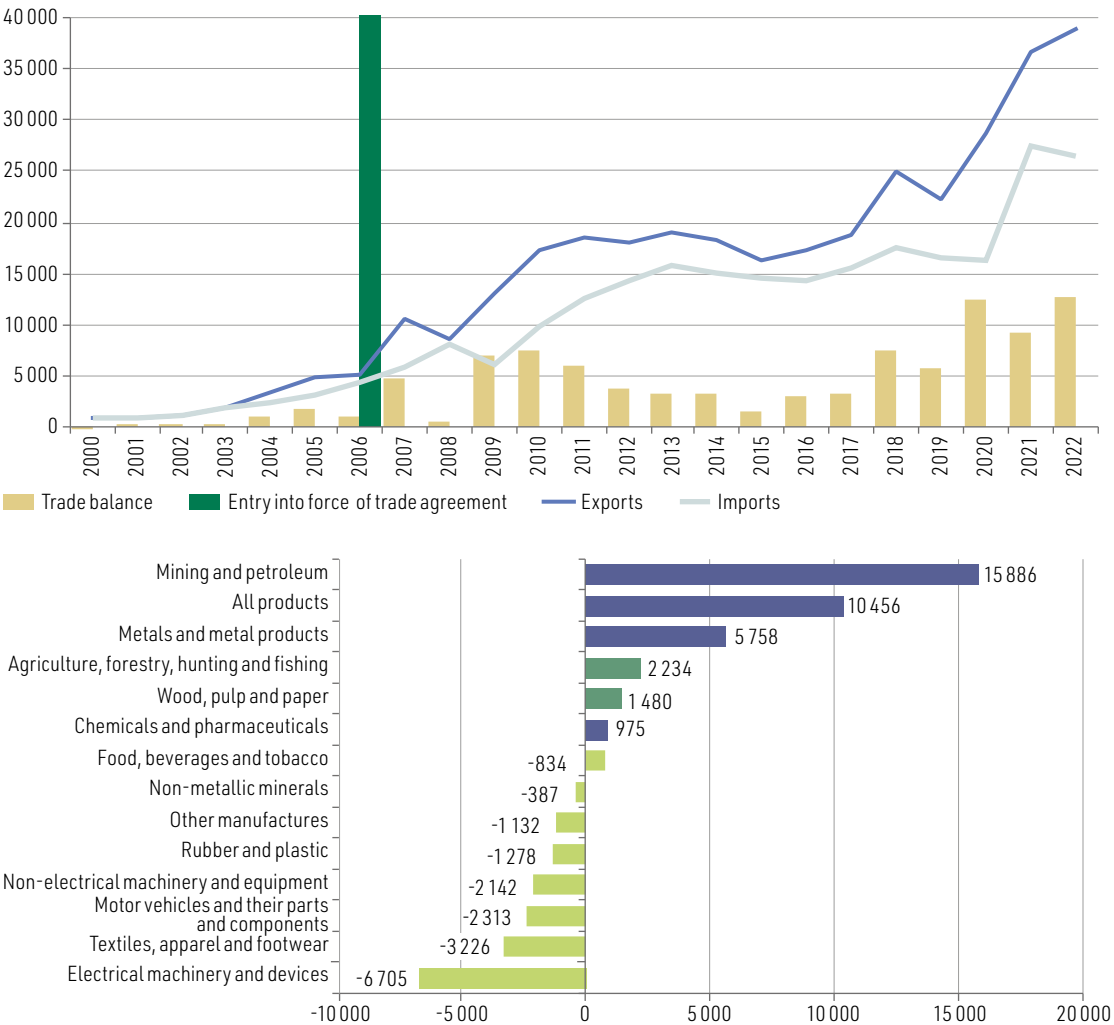
Notwithstanding the considerable benefits that Chile, Costa Rica and Peru have obtained in the form of lower tariffs on their products in the Chinese market, non-tariff barriers of various types persist, notably the sanitary and phytosanitary requirements applicable to agricultural and fishery products. In the case of Chile, for example, there have been found to be undue delays in granting sanitary access for exports of aquaculture products and problems in registering food exporting businesses (SUBREI, 2023). Costa Rica, for its part, has not been able to expand agricultural exports to China to the extent that some studies projected it would after the signing of the agreement (Córdoba and Paladini, 2012; Chen Sui, 2016). This is due to both scale constraints and difficulties in obtaining trading authorizations in China. The two countries' authorities have so far negotiated 15 sanitary and phytosanitary protocols[15] (for frozen pineapple, beef, pork and dehydrated pineapple, among other products), with the aim of making it easier for exporters to comply with China's sanitary and phytosanitary requirements. The main agricultural products exported to China are beef, beef offal and prepared citrus fruits. Coordinated efforts by the National Animal Health Service, the State Phytosanitary Service and the Ministry of Health have enabled Costa Rican companies to export agricultural products to China by speeding up export permits.

[14] The main agricultural products exported by the region to China are subject to most favoured nation tariffs of 50% for cane sugar, 12% for frozen beef and pork, 10% for fresh cherries, 6% for shrimp and 3% for soybeans (WTO, 2023).
[15] See [online] https://www.comex.go.cr/tratados/china/.

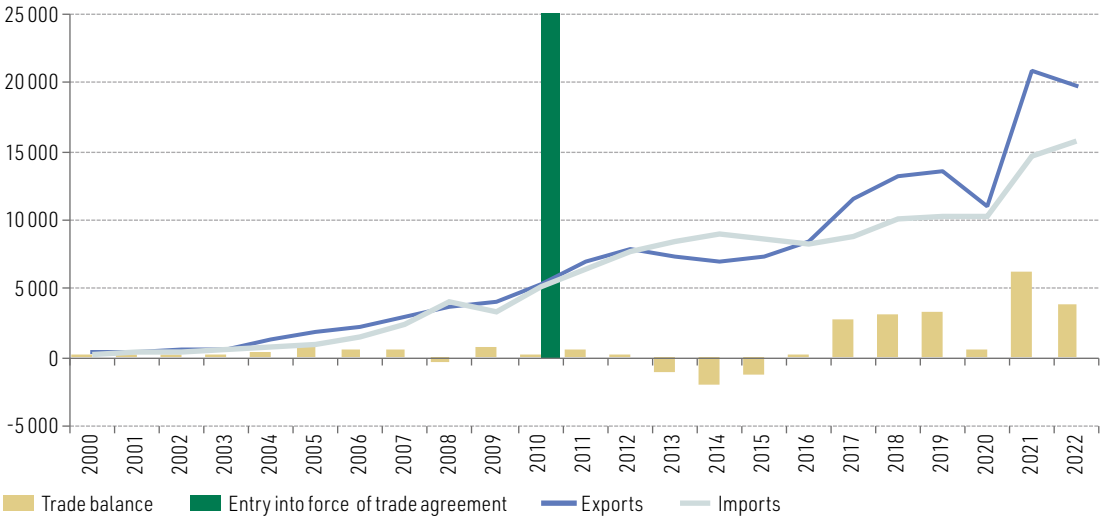
Chile and Peru are the region's second and third largest exporters to China, respectively, and their shipments are strongly dominated by mining products. Costa Rica's shipments, meanwhile, go mainly to the Central American, United States and European markets, and the country's exportable output competes with China's in segments such as medical supplies. So while Chile and Peru's exports to China have been following a clear upward trend since even before their respective agreements came into force, this has not been the case for Costa Rica. Chile and Peru are among the few countries in the region to run a trade surplus with China in the aggregate (mainly owing to their mining surpluses). Costa Rica, on the other hand, has a growing deficit (see figure II.20). As a result of these different trajectories, China's share of Chile and Peru's total exports has increased markedly, in contrast to those of Costa Rica, for which its share has fallen since the bilateral agreement came into force. Imports from China, meanwhile, have sharply increased their share of all three countries' total imports (see figure II.21).

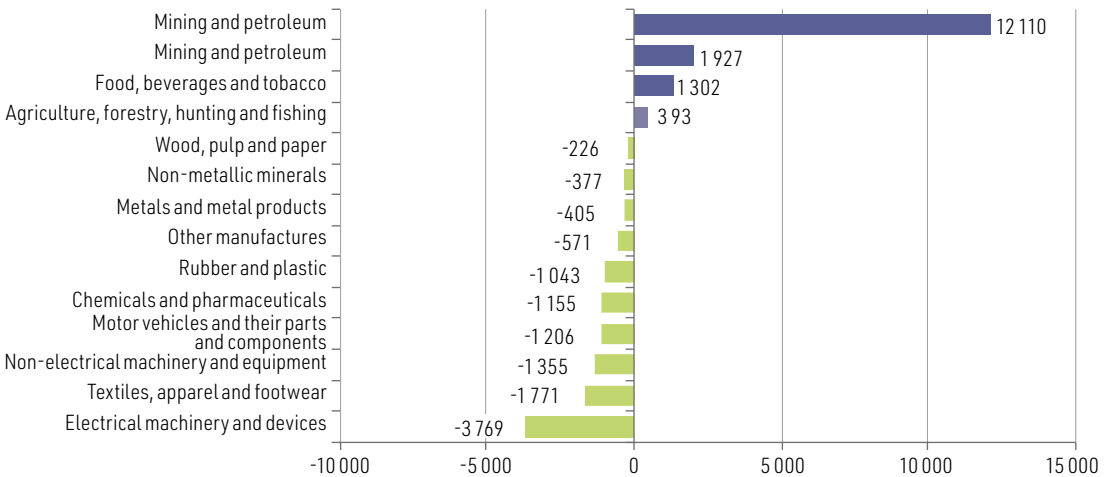
Figure II.20
Chile, Costa Rica and Peru: goods trade with China, 2000–2022, and trade balances by sector, 2020–2022 averages
(Millions of dollars)

A. Chile

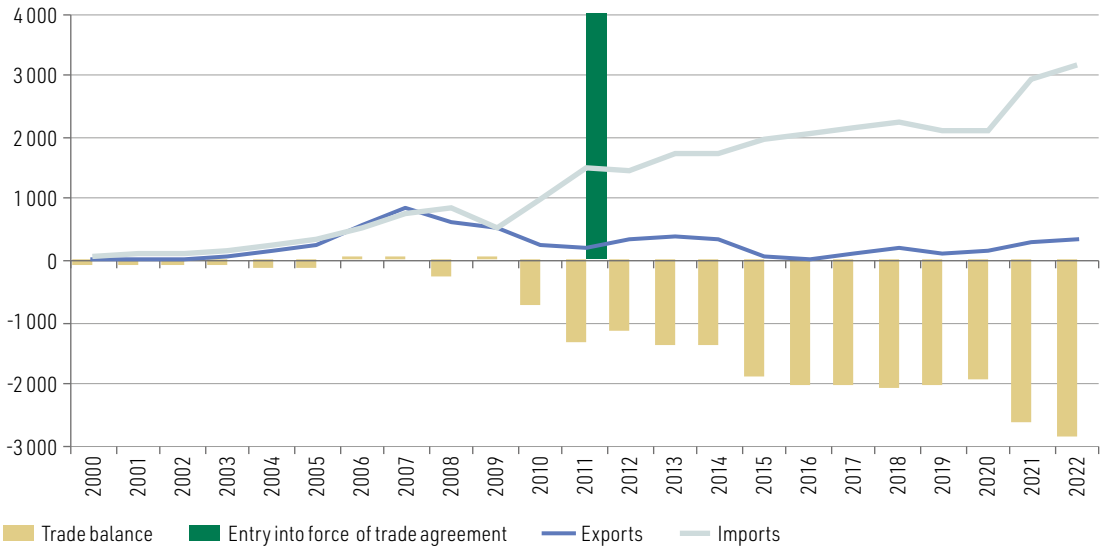


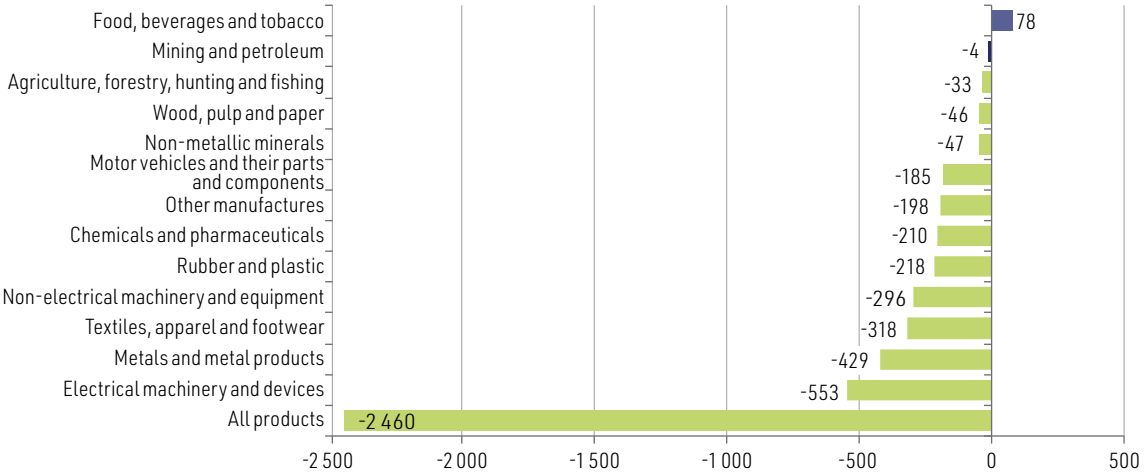
B. Peru





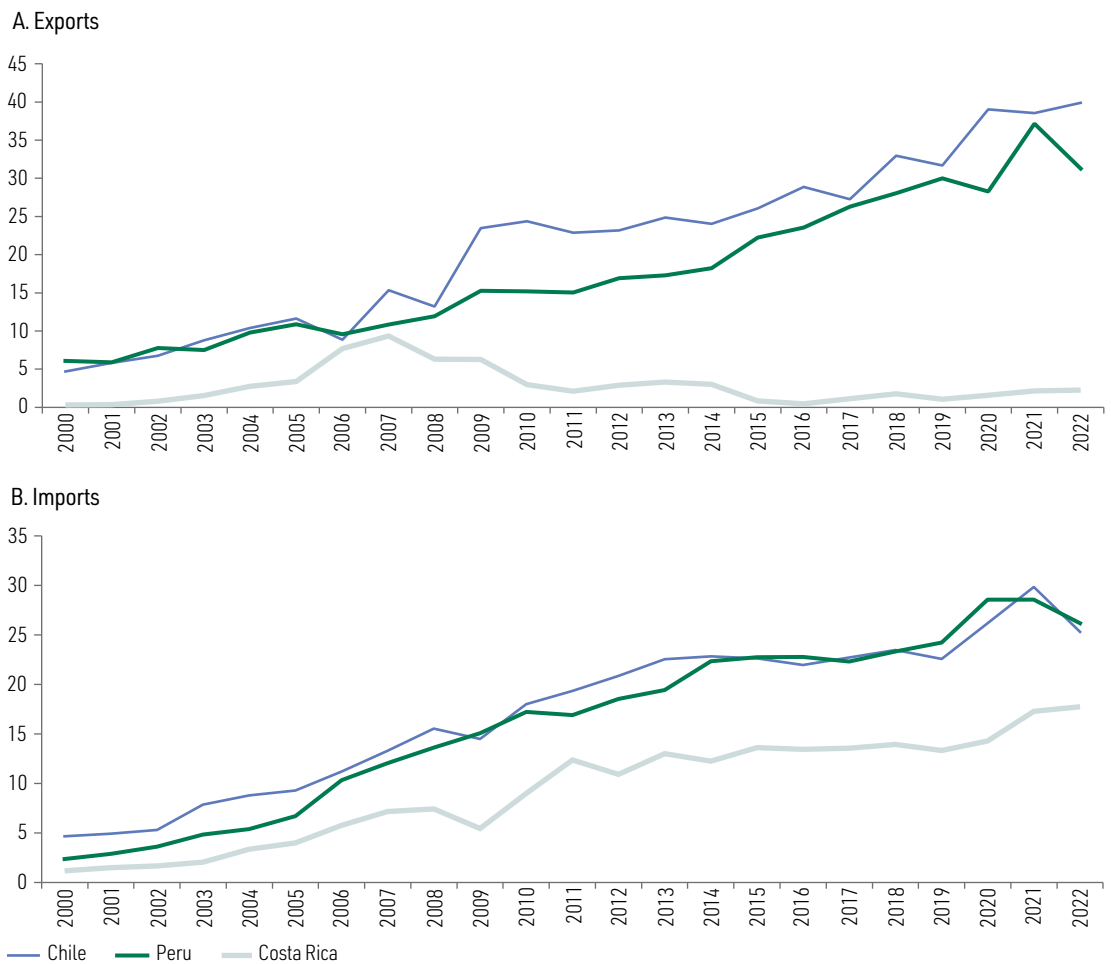
C. Costa Rica





Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/; Commission for the Promotion of Peruvian Exports and Tourism (PROMPERÚ), for Peru; Undersecretariat for International Economic Relations of Chile, for Chile; and International Trade Centre (ITC), Trade Map [online] https://www.trademap.org/, for Costa Rica.

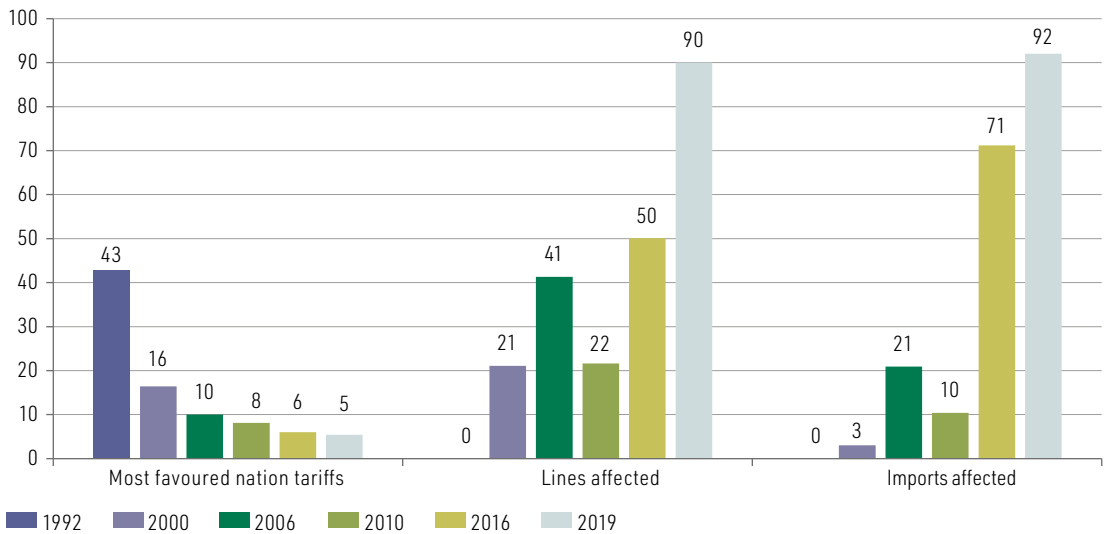
Figure II.21
Chile, Costa Rica and Peru: China's share of total goods trade, 2000–2022
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.

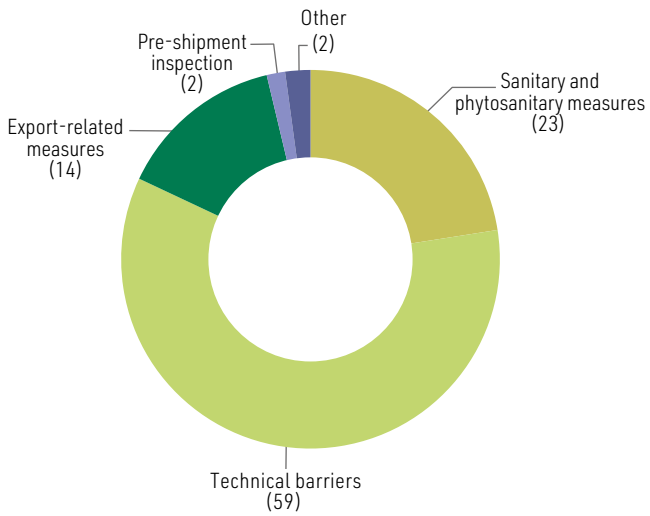
In the context of China's WTO accession process, the country's most favoured nation tariffs were gradually reduced from levels above 40% in 1992 to 16% in 2000 and then to 7.5% in 2022. During this period, China increased its use of non-tariff measures such as pre-shipment inspections, sanitary and phytosanitary measures, technical regulations and quotas. In 2000, prior to WTO accession, the proportion of tariff lines subject to non-tariff measures, also known as the non-tariff measure frequency index, was 21%. This indicator rose to 41% in 2006 and, after falling back to 22% in 2010, increased again to 90% in 2019 (see figure II.22). Of the universe of non-tariff measures applied by China to imports, 59% are technical standards and 23% are sanitary and phytosanitary measures. These two types of measures account for 82% of all non-tariff measures applied by China (see figure II.23). The prevalence of non-tariff measures is particularly high in the agricultural and food sectors, where the literature finds the largest negative effects on trade volume (Shi, 2022).

Figure II.22
China: average most favoured nation tariffs, proportions of tariff lines subject to non-tariff measures and non-tariff measure frequency index values, 1992–2019
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J. Durán Lima, A. Aguiar and I. Ronzheimer, "Economic and social effects of a possible trade agreement between Latin America and the Asia-Pacific region", *International Trade series*, No. 168 (LC/TS.2021/199), Santiago, ECLAC, 2021; M. Li, M. Yu and Z. Yu, "An anatomy of China's non-tariff measures", *Non-tariff Measures: Australia, China, India, Japan, New Zealand and Republic of Korea*, L. Y. Ing, D. P. Rial and R. Anandhika (eds.), Jakarta, Economic Research Institute for ASEAN and East Asia (ERIA), 2022; and United Nations Conference on Trade and Development (UNCTAD), TRAINS database [online] https://trainsonline.unctad.org/home.

Figure II.23
China: distribution of non-tariff measures applied to imports, by major categories, as of May 2020



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of M. Li, M. Yu and Z. Yu, "An anatomy of China's non-tariff measures", *Non-tariff Measures: Australia, China, India, Japan, New Zealand and Republic of Korea*, L.Y. Ing, D.P. Rial and R. Anandhika (eds.), Jakarta, Economic Research Institute for ASEAN and East Asia (ERIA), 2022.

There are 27 institutions in China that can adopt non-tariff measures. As of May 2020, China had issued more than 7,300 such measures, and the two institutions that had imposed the largest number were the Standardization Administration of China (SAC) and the State Administration for Market Regulation (SAMR), with 49% and 31%, respectively, of all measures applied, or 80% between them. The Ministry of Commerce, the Ministry of Agriculture and Rural Affairs and the General Administration of Customs were responsible for 13% of measures (Li, Yu and Yu, 2022).

E. Final reflections

The trade relationship between the region and China over the last two decades presents a mixed picture. In absolute terms, trade has been extraordinarily dynamic, and the remarkable growth of the Chinese economy, especially between 2000 and 2011, fuelled the supercycle of high commodity prices from which much of the region benefited. However, the expansion of trade has not been accompanied by a diversification of the region's exports, which to this day remain largely confined to a small number of commodities. At the same time, the growing penetration of Chinese manufactures has also had conflicting effects in the region: while it has improved the access of its households and companies to a wide range of final, intermediate and capital goods, it has also significantly displaced regional production in a number of segments, with the consequent loss of employment and industrial capabilities. Thus, the commodity export specialization of the region, and of South America in particular, has intensified. This trend is worrying, as it is moving the region away from an export trajectory characterized by a growing incorporation of knowledge into goods and services and greater environmental sustainability.

The Chinese economy has undergone major transformations during the period covered by this chapter, especially since the mid-2010s. As output growth converges on a level of around 5% per year, its sources are progressively shifting from gross fixed capital formation and exports to household consumption, although on this variable China is still well short of the levels of the United States, Europe and Japan. At the same time, a sustained capacity-building effort has made China a first-rate

technological power. Evidence of this is its leadership in sectors vital to the green transition, such as electromobility, and its remarkable advances in artificial intelligence, advanced manufacturing and other areas (Salazar-Xirinachs, 2020).

The current juncture is a good time to reflect on the challenges facing bilateral economic relations in the coming years. From the perspective of Latin America and the Caribbean, export diversification is the main challenge to be met. Acting to alter the structure of trade and investment flows is at least as important as expanding them in absolute terms. However, the profound economic transformations that have taken place in China give no hint of any significant change in the pattern of raw materials for manufacturing that characterizes bilateral trade. While the shares of some commodities in the regional export basket, such as petroleum, may gradually diminish as China moves towards decarbonization of its energy mix, those of others, such as copper and lithium, are likely to increase steadily for the same reason. In this context, the main opportunities for adding value to the region's exports to China in the short term lie in the food sector.

With only 7% of the world's arable land, China has to feed 18% of the world's population, and as early as 2004 it became a net food importer. Its food self-sufficiency ratio fell from 93.6% to 65.8% between 2000 and 2020 and is projected to fall further, to around 59%, by 2030 (Liu, 2023; Wang, 2022). The country has been going through a process of intense urbanization and expansion of the middle class that has boosted demand for safe, varied and high-quality food. In 2020, the urban population represented 61% of the total, a proportion that is projected to reach 71% in 2030 and 80% in 2050 (United Nations, 2018). Moreover, the middle-class population was already estimated at around 730 million in 2016 and is projected to reach 1.2 billion by 2027, equivalent to 84% of the total population (Kharas and Dooley, 2020).

The trends outlined represent a great opportunity for Latin America and the Caribbean, several of whose countries are highly competitive exporters of food to the most demanding markets. With its vast natural and water resources, the region has the comparative advantages to supply China with nutritious, safe and high-quality food. Its attractions as a supplier are enhanced in the context of growing trade tensions between China and the United States and the disruption to world food markets caused by the war in Ukraine. The interest of the region's countries in increasing and diversifying their food exports to China has been an important consideration in the renewed enthusiasm shown by several of them in entering into free trade agreements with the country.

The diversification of Chinese FDI in the region towards non-extractive activities and natural resource processing projects will also play an important role in the effort to add value and knowledge to the region's exports to China and generate new production capacities. Recent announcements of new investment in lithium cathode production and electric vehicle manufacturing are examples that point in this direction. If implemented, they could have a significant impact not only on trade with China, but also on the generation of new intraregional production chains.

The countries of the region face major challenges in the effort to move towards more sophisticated production and export structures that might enable them to overcome the so-called "middle-income trap". In this context, cooperation with China in science and technology should become a central pillar of the economic relationship with the country in the coming years. In this sphere, Salazar-Xirinachs (2020) identifies several promising areas for collaboration, such as renewable energy, digital technologies, advanced manufacturing, biomedicine and biotechnology. There are countries in the region that have made remarkable progress in all these areas, opening up opportunities to intensify collaboration with China. Cooperation in science, technology and innovation (STI) also features prominently in the China-CELAC Joint Action Plan for Cooperation in Key Areas (2022–2024) adopted by the Community of Latin American and Caribbean States (CELAC) and China at the third China-CELAC Forum, held in December 2021.[16] It should be noted, however, that the growing technological competition between the United States and China may complicate efforts to deepen regional cooperation with the latter in areas considered highly sensitive.

[16] See the text of the China-CELAC Joint Action Plan for Cooperation in Key Areas (2022–2024) [online]. http://www.chinacelacforum.org/esp/zywj_4/202112/t20211213_10467432.htm.

Lastly, the challenging global geopolitical context also holds opportunities for the region in its economic relationship with China. These include the prospect of attracting greater investment as a result of nearshoring by companies interested in exporting to the United States market. Similarly, the region has an abundant endowment of resources critical for the green transition, such as copper and lithium. The interest of the world's major economic powers in accessing these resources gives the region's governments the space to negotiate projects that are not limited to extraction but also incorporate processing and research activities, thus generating new production and technological capabilities in their territories.

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Annex II.A1

Table II.A1.1
Latin America and the Caribbean (32 countries): distribution of goods exports to China by technology intensity, 2020–2022
(Percentages of total exports and millions of dollars)

Region, subregion or country	Commodities	Natural resource-based manufactures	Low-technology manufactures	Medium-technology manufactures	High-technology manufactures	Total
Latin America and the Caribbean	**80.6**	**14.2**	**1.9**	**2.5**	**0.8**	**157 240**
South America	**82.6**	**14.7**	**1.6**	**0.9**	**0.2**	**146 517**
Argentina	92.1	6.6	0.8	0.4	0.1	5 910
Bolivia (Plurinational State of)	93.1	6.2	0.2	0.1	0.3	598
Brazil	89.4	7.0	2.3	1.0	0.3	81 804
Chile	60.1	39.2	0.1	0.6	0.0	32 899
Colombia	83.3	8.5	7.0	1.1	0.1	2 647
Ecuador	92.9	6.9	0.1	0.1	0.0	4 360
Paraguay	5.2	43.2	45.6	3.8	2.2	22
Peru	89.5	10.3	0.1	0.1	0.0	15 482
Uruguay	91.2	7.4	0.8	0.1	0.5	2 005
Venezuela (Bolivarian Republic of)	32.3	31.4	18.2	18.0	0.0	788
Mexico	**51.3**	**4.5**	**2.3**	**30.2**	**11.8**	**7 979**
Central America	**67.6**	**9.0**	**15.4**	**6.1**	**2.0**	**1 683**
Costa Rica	36.0	8.8	8.2	35.5	11.6	279
El Salvador	0.8	94.4	4.1	0.5	0.2	67
Guatemala	22.5	9.8	67.5	0.1	0.0	333
Honduras	43.3	20.4	25.7	9.7	0.9	22
Nicaragua	21.4	72.0	5.2	0.9	0.6	23
Panama	98.6	1.1	0.2	0.1	0.0	960
The Caribbean	**45.9**	**17.8**	**15.7**	**19.3**	**1.3**	**1 061**
Cuba	75.0	24.6	0.1	0.0	0.3	458
Dominican Republic	18.7	13.0	59.2	8.6	0.6	273
Caribbean Community	**28.1**	**12.2**	**1.5**	**54.8**	**3.4**	**330**
Antigua and Barbuda	100.0	0.0	0.0	0.0	0.0	1
Bahamas	25.4	4.5	28.5	12.5	29.0	0
Barbados	0.0	1.5	88.8	0.8	8.8	2
Belize	6.3	29.5	9.4	49.6	5.2	0
Dominica	42.9	6.4	28.0	13.5	9.2	1
Grenada	0.0	0.4	67.5	31.0	1.2	0
Guyana	92.9	7.0	0.0	0.0	0.0	83
Haiti	0.0	26.0	69.0	0.5	4.6	3
Jamaica	60.1	24.0	0.1	15.5	0.4	17
Saint Kitts and Nevis	0.0	0.0	0.0	0.3	99.7	1
Saint Lucia	0.0	33.9	0.0	64.5	1.7	0
Suriname	2.3	97.6	0.0	0.0	0.0	29
Trinidad and Tobago	2.0	0.4	0.0	92.4	5.3	193

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/ and International Trade Centre (ITC), Trade Map [online] https://www.trademap.org/.
Note: The data for Antigua and Barbuda, the Bahamas, the Bolivarian Republic of Venezuela, Cuba, Dominica, Guyana, Honduras, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines were obtained from mirror statistics.

Table II.A1.2
Latin America and the Caribbean: main products exported to China, by country and subregion, 2020–2022 averages
(Percentages of total exports)

Country	Main products	Share of total
Latin America and the Caribbean	**Soybeans (18); copper ore (18); iron ore (15); petroleum (10); refined copper (5)**	**67**
South America	**Soybeans (20); copper ore (17); iron ore (17); petroleum (11); refined copper (6)**	**70**
Argentina	Soybeans (35); beef (27); barley (6); sorghum (5); soybean oil (4)	76
Bolivia (Plurinational State of)	Silver (31); zinc (27); beef (14); lead ores (9); tin ores (4)	86
Brazil	Soybeans (33); iron ore (26); petroleum (17); beef (6); pulp (3)	86
Chile	Unwrought copper (45); refined copper (21); lithium (6); cherries (5); iron ore (4)	82
Colombia	Petroleum (75); ferronickel (7); bituminous coal (5); copper scrap (4); petroleum coke (3)	90
Ecuador	Shrimp (64); unwrought copper (14); petroleum (7); balsawood (4); precious minerals (3)	91
Paraguay	Tanned hides (41); copper waste (18); sawn wood (9); shingles (7); sesame seeds (4)	79
Peru	Unwrought copper (58); iron ores (9); refined copper (8); fishmeal (8); silver (4)	87
Uruguay	Beef (45); soybeans (15); beef cuts (11); beef offal (7); breeding stock (5)	81
Venezuela (Bolivarian Republic of)	Iron ores (26); ferrous products (18); petroleum coke (18); methanol (18); copper scrap (6)	85
Mexico	Copper ores (33); unspecified raw materials (13); tractor parts (9); lead ores (7); tractor gearboxes (3)	65
Central America	**Copper ore (54); ferronickel (13); cane sugar (5); beef and veal (4); medical instruments and appliances (3)**	**79**
Costa Rica	Beef (22); medical instruments (17); needles, catheters for medical use (16); ultrasound scanners (9); beef cuts (8)	72
El Salvador	Cane sugar (92); sweaters (2); aluminium scrap (2); unroasted coffee (2); T-shirts (1)	98
Guatemala	Ferronickel (66); unroasted coffee (11); cane sugar (7); walnuts (7); shirts (3)	94
Honduras	Lead (31); silver (26); connectors for optical fibres (16); coffee (13); sea cucumbers (3)	89
Nicaragua	Peanut oil (33); smoked sea cucumbers (17); metal scrap (10); sawn wood (10); copper scrap (9)	80
Panama	Copper ores and concentrates (95); fishmeal (2); beef (1); tropical timber (1); beef cuts (1)	99
The Caribbean	**Methanol (17); zinc oxide (15); ferronickel (14); zinc ores (11); sugar (9)**	**67**
Cuba	Nickel oxides (34); zinc ores (24); cane sugar (22); silver (10); lobsters (7)	96
Dominican Republic	Ferronickel (55); copper ore (11); medical instruments (7); raw tobacco (6); scrap (6)	84
Antigua and Barbuda	Smoked lobsters (89); live lobsters (9); frozen lobsters (2)	100
Bahamas	Semiconductors (27); coral (25); articles of jewellery (16); electronic devices (11); iron containers (8)	87
Barbados	Medical implants (78); dental prostheses (10); microscope accessories (9); rum (1); motor vehicles (1)	100
Belize	Vehicles (13); power shovels (13); malt beer (12); table fans (12); lemon oils (6)	56
Dominica	Zinc ores (43); cotton T-shirts (20); electrical protective apparatus (6)	79
Grenada	Metal structures (52); iron wire rod (17); motor vehicles (13); bolts (9); hand tools (4)	94
Guyana	Crude petroleum oil (84); aluminium ores (5); wooden stakes (2); wooden props (2); sawn wood (1)	94
Haiti	Cotton T-shirts (30); tanned hides (20); essential oils (14); copper scrap (12); synthetic T-shirts (5)	81
Jamaica	Aluminium ores (31); polymer waste (31); iron and steel waste (19); tinned iron and steel waste (6); lobsters (5)	83
Saint Kitts and Nevis	Control appliances and machinery (85); inductors (11); parts of electrical appliances (2); parts of paper-making machinery (1)	99
Saint Lucia	Fixed resistors with power <= 20 W (58); rum (33); carbon resistors (6); thermometers and pyrometers (2)	97
Suriname	Unprocessed wood (90); sawn wood (5); scrap (1); frozen fish (1)	98
Trinidad and Tobago	Methanol (92); motorized aircraft with tare weight > 15 000 kg (5); natural gas (2)	99

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/ and International Trade Centre (ITC), Trade Map [online] https://www.trademap.org/.
Note: The data for Antigua and Barbuda, the Bahamas, the Bolivarian Republic of Venezuela, Cuba, Dominica, Guyana, Honduras, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines were obtained from mirror statistics.

CHAPTER

III

Trade facilitation in Latin America and the Caribbean: formalities, infrastructure and logistics

Introduction

International trade is subject to a great many documentation requirements, in addition to goods inspection procedures and the payment of various duties and charges. Taken together, these formalities can considerably delay and increase the cost of export, import and transit operations. For example, Gerzee (2022) notes that the documentation required for an individual shipment by sea may involve the exchange of 50 sheets of paper between up to 30 actors, such as exporters, importers, customs, port and sanitary authorities, customs brokers and carriers, among others. The costs in time and money created by cumbersome or duplicative procedures are particularly significant for trade associated with international production networks, which involves multiple border crossings for inputs, parts and components as well as final goods. In this context, trade facilitation has become increasingly prominent on public policy agendas around the world, especially since the World Trade Organization (WTO) Agreement on Trade Facilitation came into force in 2017. The major disruptions to global supply chains caused by the coronavirus disease (COVID-19) pandemic also highlighted the need to ensure that essential goods could move easily across borders.

WTO (n.d.) defines trade facilitation as "the simplification, modernization and harmonization of export and import processes". Similarly, the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) defines it as "the simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment" (ECE, 2012). It should be noted that many of the documents and formalities required for trade in goods serve important purposes, such as tax collection, protection of public health, the environment and the cultural heritage, and the fight against smuggling and drug trafficking. Consequently, the objective of trade facilitation is to make trade faster, less costly and more predictable, while ensuring that these public policy objectives are met. Recent WTO estimates for the period 2017–2019 attribute average increases of 5% in world trade in agricultural products, 1.5% in manufacturing trade and 1.17% in total trade to the Agreement on Trade Facilitation (WTO, 2023a).

This chapter provides an overview of progress by the countries of Latin America and the Caribbean in implementing their respective trade facilitation agendas and of the main challenges still to be met in this area. Section A presents the latest available information on the cost of trade formalities for the region as a whole, followed by a review of its progress in implementing trade facilitation measures. This section is mainly based on the results of the fifth United Nations Global Survey on Digital and Sustainable Trade Facilitation, conducted during the first half of 2023 and coordinated in the region by the Economic Commission for Latin America and the Caribbean (ECLAC). Section B then examines the major challenges facing the region as it seeks to improve its transport and logistics infrastructure, an essential prerequisite for smoother trade flows and increased competitiveness. Lastly, section C presents some conclusions and policy recommendations.

A. Trade facilitation in the region: an overview

1. What do the international indicators say?

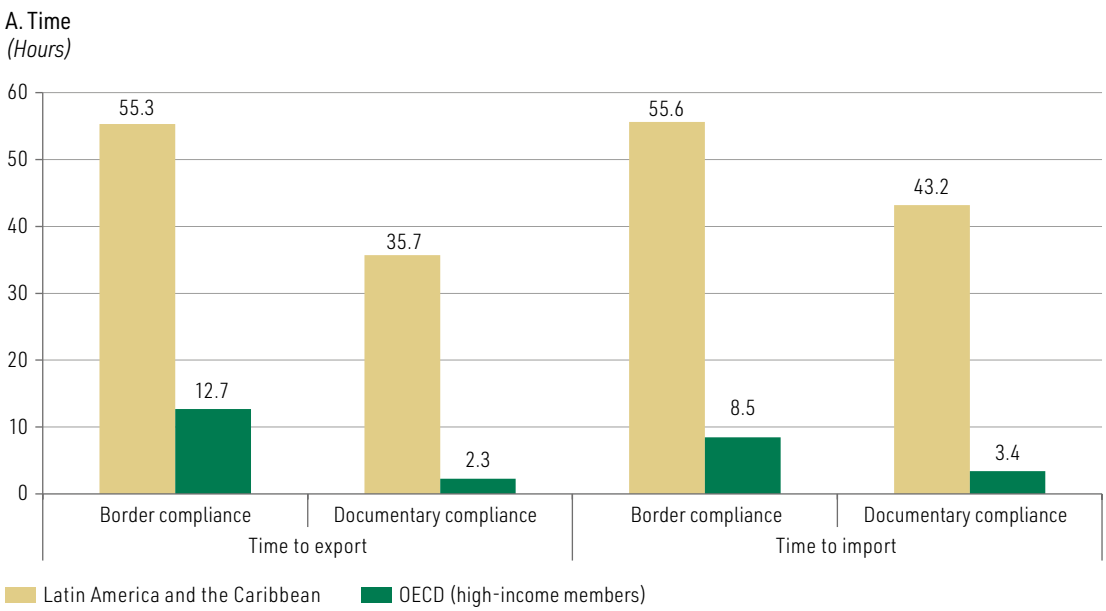
Quantifying the costs of the formalities involved in foreign trade is a very complex task, since by its nature it is a case-by-case exercise. Formalities vary depending on the type of operation (export, import or transit) and also on the specific product involved. Moreover, customs requirements may be supplemented by additional ones relating to sanitary and phytosanitary standards, the environment or intellectual property. The cost of formalities will thus partly depend on each country's export and import profile. Formalities also vary according to the method of transport used and even the characteristics of the companies involved. In an import operation, for example, the likelihood of a

shipment being subject to physical inspection depends on the risk profile not only of the content declared, but also of the importing company. Moreover, while some formalities have a set monetary cost (e.g., the fee for sanitary inspection of a container), costs often take the form of time (the duration of the procedure), whose monetary equivalent is not always obvious.

Given these complexities, any attempt to measure the cost of trade formalities using a common metric that permits cross-country comparisons must involve certain assumptions and simplifications. The best-known example is the World Bank *Doing Business* report (discontinued in 2021), which had near-universal coverage and was designed to assess the quality of each country's business environment. One of its 10 components (cross-border trade) set out to capture the cost and time entailed in the logistical process of exporting and importing goods, on the basis of three elements: documentation requirements, cross-border controls and domestic transport. Given the impossibility of carrying out this exercise for the whole universe of each country's products and trading partners, cases considered representative were chosen. For export operations, the country's main export product was considered, and the main market for that product was taken as the destination. In the case of imports, a common product (vehicle parts) was considered for all countries, even though the country of origin might vary (for each country, the main supplier of that product was taken). Information on costs and times was obtained from questionnaires sent out to freight forwarders, customs agents, port authorities and traders in each country assessed.[1]

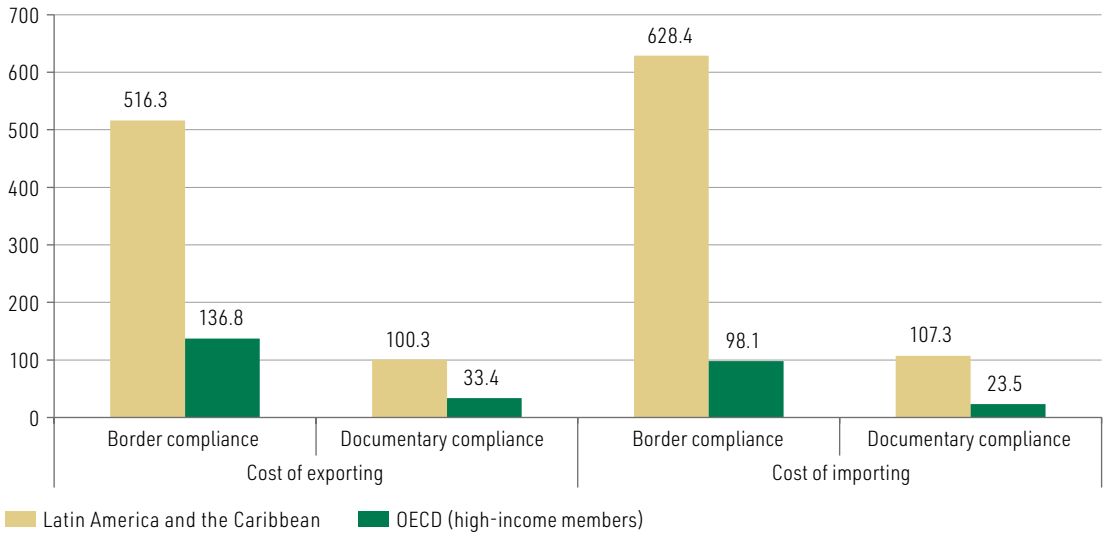
The limitations of the methodology used meant that the findings in the *Doing Business* report only provided an initial approximation of the cost (in money and time) of trade formalities in each country. On the other hand, the use of a common methodology for all countries made it possible to calculate regional averages and to compare the overall performance of the different regions. The findings in the last edition of this report, presenting the situation as of 2019, showed that Latin America and the Caribbean lagged far behind the high-income economies of the Organisation for Economic Co-operation and Development (OECD) (see figure III.1). However, these aggregate results mask great heterogeneity across the countries of the region (see table III.1).

Figure III.1
Latin America and the Caribbean and member countries of the Organisation for Economic Co-operation and Development (OECD): export and import cost and time indicators, 2019



[1] See World Bank (n.d.).

B. Cost
(Dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, Doing Business, 2020 [online database] https://archive.doingbusiness.org/en/data/exploretopics/trading-across-borders.
Note: The values presented are averages for each grouping. Documentary compliance captures the time and cost associated with compliance with the documentary requirements of all government agencies of the origin economy, the destination economy and any transit economies. Border compliance captures the time and cost associated with compliance with the economy's customs regulations and with regulations relating to other inspections that are mandatory in order for the shipment to cross the economy's border, as well as the time and cost for handling that takes place at its port or border.

Table III.1
Latin America and the Caribbean: export and import cost and time indicators, 2019

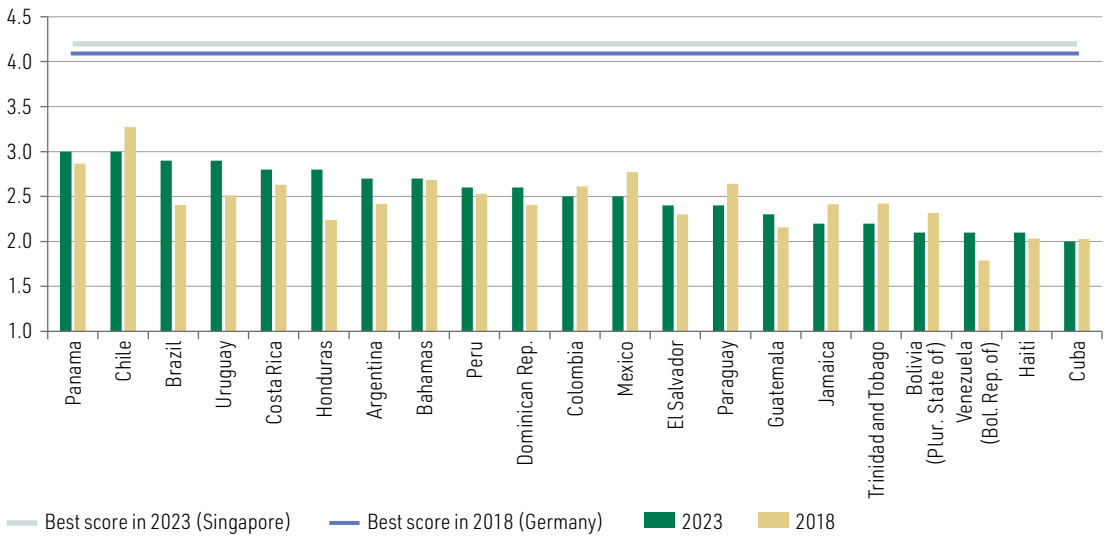
	Export			
	Cost *(Dollars)*		**Time** *(Hours)*	
	Documentary compliance	Border compliance	Documentary compliance	Border compliance
Minimum	15.0	65.0	6.0	16.0
Average	99.5	513.3	36.4	55.6
Maximum	550.0	1 038.0	200.0	120.0
	Import			
	Cost *(Dollars)*		**Time** *(Hours)*	
	Documentary compliance	Border compliance	Documentary compliance	Border compliance
Minimum	30.0	128.0	6.0	6.0
Average	106.5	625.4	44.3	55.7
Maximum	550.0	1 776.0	166.0	114.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, Doing Business, 2020 [online database] https://archive.doingbusiness.org/en/data/exploretopics/trading-across-borders.

Another important international instrument, also designed by the World Bank, is the logistics performance index (World Bank, 2023). One of its six components assesses the efficiency of trade formalities handled by customs and other border control agencies in terms of speed, simplicity and predictability. The assessment is based on the opinions of experts consulted between September and November 2022, and the scale used ranges from 1 (very low) to 5 (very high). The results of the latest version of the logistics performance index provide a more up-to-date picture than the

Doing Business report, but one that is also more subjective. All participants from the region scored between 2 (low efficiency) and 3 (average efficiency) and ranked between positions 47 and 130 out of a total of 139 participating countries. In some cases, the experts consulted perceived the situation as having worsened since the previous version of the logistics performance index, conducted in 2018 (see figure III.2). This could be attributed in part to the disruptions caused by the COVID-19 pandemic in the functioning of customs and other border control agencies.

Figure III.2
Latin America and the Caribbean (21 countries): scores on the customs formalities efficiency component of the logistics performance index, 2018 and 2023
(1: Very low to 5: Very high)



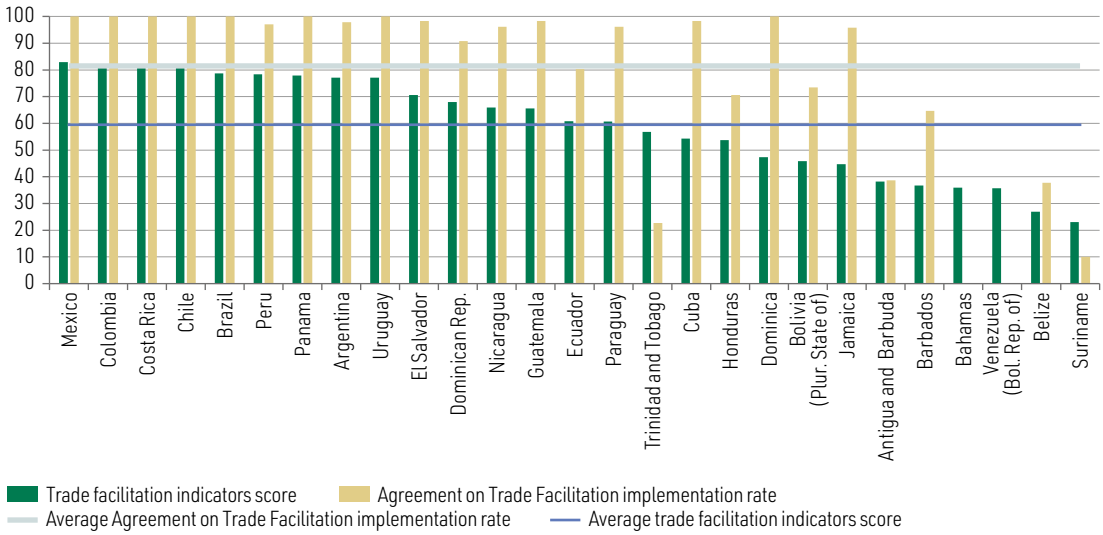
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J.-F. Arvis and others, *Connecting to Compete 2018: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2018, and J.-F. Arvis and others, *Connecting to Compete 2023: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2023.

There are also a number of metrics for assessing the degree of implementation of the trade facilitation agenda in Latin America and the Caribbean. One is the rate of implementation of the provisions of the Agreement on Trade Facilitation, calculated by the WTO Secretariat on the basis of notifications by the countries themselves to WTO.[2] The trade facilitation indicators developed by OECD provide an alternative metric (Sorescu and Bollig, 2022). They measure the degree of compliance with 155 measures, many of which reflect the contents of the Agreement on Trade Facilitation. For this, they rely on a combination of publicly available information and consultations with official sources in the countries assessed. Figure III.3 shows the results for the countries of the region on both indicators. Strikingly, almost all the countries' performance on the trade facilitation indicators lags behind their reported rate of implementation of the Agreement on Trade Facilitation. While the average regional rate of implementation of the Agreement was 82% in April 2023 (six percentage points above the global

[2] See the text of the Agreement on Trade Facilitation [online] https://www.wto.org/english/docs_e/legal_e/tfa-nov14_e.htm.

average), the average score on the trade facilitation indicators was only 60%. This is explained by the fact that formal compliance with the commitments in the Agreement on Trade Facilitation (i.e., the existence of a corresponding regulatory framework) does not necessarily imply full implementation in practice, which is the dimension assessed by the indicators. With few exceptions, the Caribbean subregion performs below the regional average on both indicators.

Figure III.3
Latin America and the Caribbean (27 countries): rates of implementation of the World Trade Organization (WTO) Agreement on Trade Facilitation, as of April 2023, and scores on the trade facilitation indicators of the Organisation for Economic Co-operation and Development (OECD), 2022
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), Trade Facilitation Agreement Database [online] https://www.tfadatabase.org/en, and Organisation for Economic Co-operation and Development (OECD), "Trade Facilitation" [online] https://www.oecd.org/trade/topics/trade-facilitation/.
Note: No information is available on the implementation rate of the Agreement on Trade Facilitation in the Bolivarian Republic of Venezuela or the Bahamas. The Bahamas is not a WTO member.

2. Results of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023

Since 2015, the five United Nations regional commissions have periodically conducted the Global Survey on Digital and Sustainable Trade Facilitation, the main objective of which is to monitor each region's progress in implementing the Agreement on Trade Facilitation and digitalizing trade procedures in general (see box III.1).[3] The main results for the region from the fifth edition of the Global Survey, conducted between January and May 2023 with the participation of governments in 26 countries, are presented below.[4]

[3] The respective global and regional reports are available on the Global Survey website (see [online] https://www.untfsurvey.org/).
[4] See Herreros (2023) for more details on the findings of the fifth Global Survey in the region.

Box III.1

The United Nations Global Survey on Digital and Sustainable Trade Facilitation

The United Nations Global Survey on Digital and Sustainable Trade Facilitation is a joint initiative of the five United Nations regional commissions: the Economic Commission for Africa (ECA), the Economic and Social Commission for Asia and the Pacific (ESCAP), the Economic Commission for Europe (ECE), the Economic Commission for Latin America and the Caribbean (ECLAC) and the Economic and Social Commission for Western Asia (ESCWA). The Survey has been conducted every two years since 2015. The initial focus was on monitoring the different countries' progress in implementing the World Trade Organization (WTO) Agreement on Trade Facilitation, which was concluded in December 2013 and entered into force in February 2017.

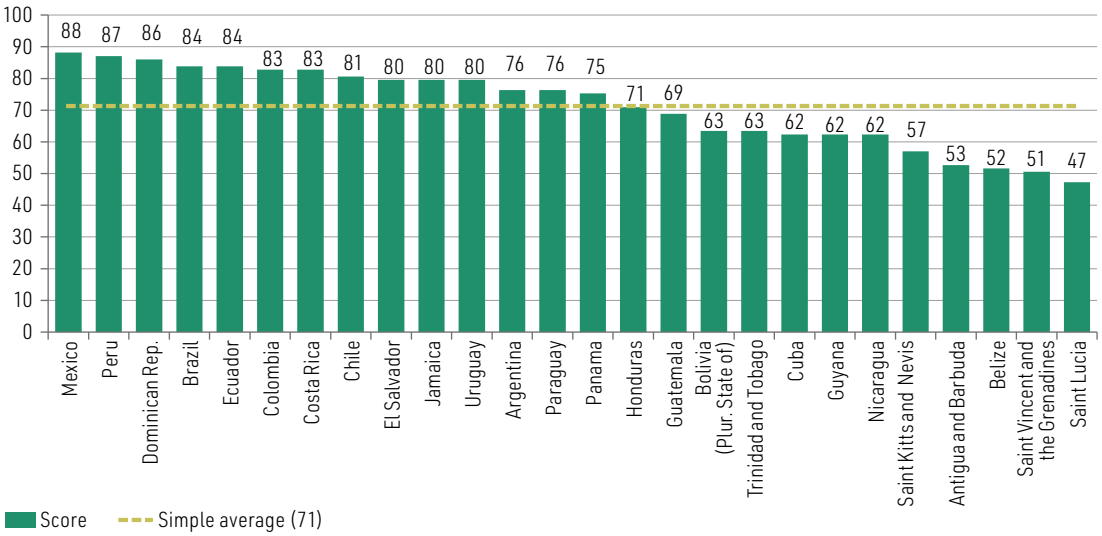
The original core of the Global Survey were questions about 31 measures in the following six categories: transparency, formalities, institutional arrangement and cooperation, transit facilitation, paperless trade and cross-border paperless trade. The measures included in the first four categories almost exactly match the provisions of the Agreement on Trade Facilitation. Most of the paperless trade measures are not specifically included in the Agreement, although implementing them contributes to better implementation of the Agreement via the digitalization of documents and procedures. Over successive editions, the scope of the Global Survey has extended to new areas. The second edition (2017) included questions on trade facilitation for small and medium-sized enterprises (SMEs), agricultural trade facilitation, and trade facilitation and women. The third edition (2019) included questions on the link between trade facilitation and trade finance. The fourth edition (2021), conducted in the context of the coronavirus disease (COVID-19) pandemic, included questions on trade facilitation in times of crisis and pandemic. The fifth edition (2023), lastly, included two new questions, on trade facilitation for e-commerce and trade facilitation and wildlife protection. Thus, the fifth edition of the Global Survey contained 60 questions (see annex III.A1).

The Global Survey questionnaires were sent out in January 2023 to governments across the region. For each measure, the questionnaire asked whether it was fully implemented, partially implemented, implemented on a pilot basis or not implemented. After being independently checked by ECLAC, each response was assigned a preset value for the purposes of comparison between countries and regions. Thus, for each measure, the response "fully implemented" scored three points, "partially implemented" two points, "on a pilot basis" one point and "not implemented" zero points. Each country's overall score is the sum of its scores for each of the 31 questions constituting the original core of the survey, and the implementation rate is the score obtained divided by the maximum possible score (93 points, representing full implementation of all 31 measures).

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

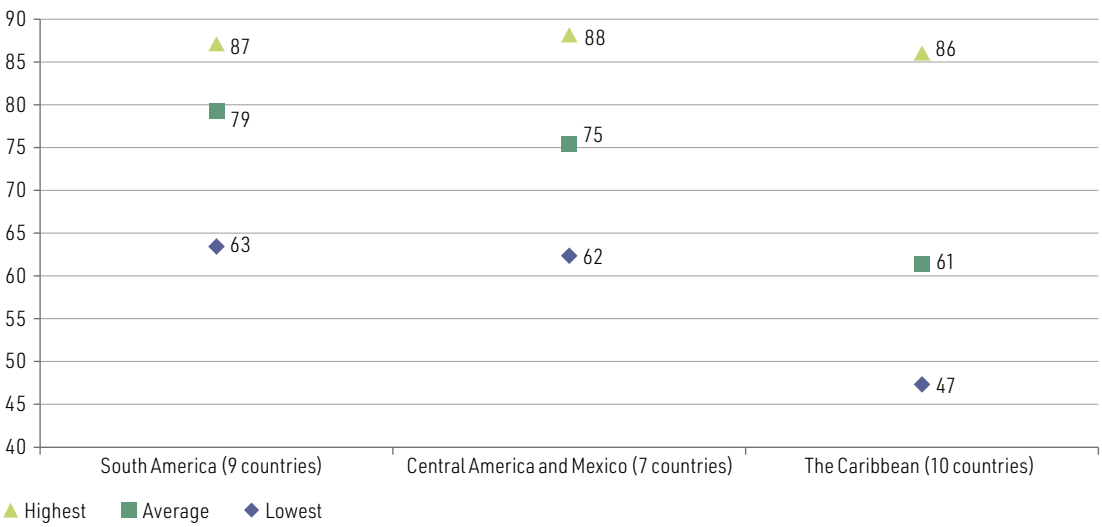
Latin America and the Caribbean had an average implementation rate of 71% across the 31 core measures of the 2023 Global Survey (see figure III.4). This figure is slightly higher than the average for the 163 countries that participated in the Global Survey, which was 69% (United Nations, 2023). There is considerable dispersion of results in the region, with a difference of 41 percentage points between the best-rated country (Mexico, with 88%) and the worst-rated (Saint Lucia, with 47%). Of the 11 countries with scores below the regional average, eight were in the Caribbean, including the bottom five. This confirms the gap between the performance of this subregion, particularly the countries of the Organisation of Eastern Caribbean States (OECS), and that of South America, Central America and Mexico (see figure III.5).

Figure III.4
Latin America and the Caribbean (26 countries): total scores in the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023
(Percentages of the maximum possible score)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023.

Figure III.5
Latin America and the Caribbean (26 countries):[a] highest, average and lowest scores in the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023, by subregion
(Percentages of the maximum possible score)

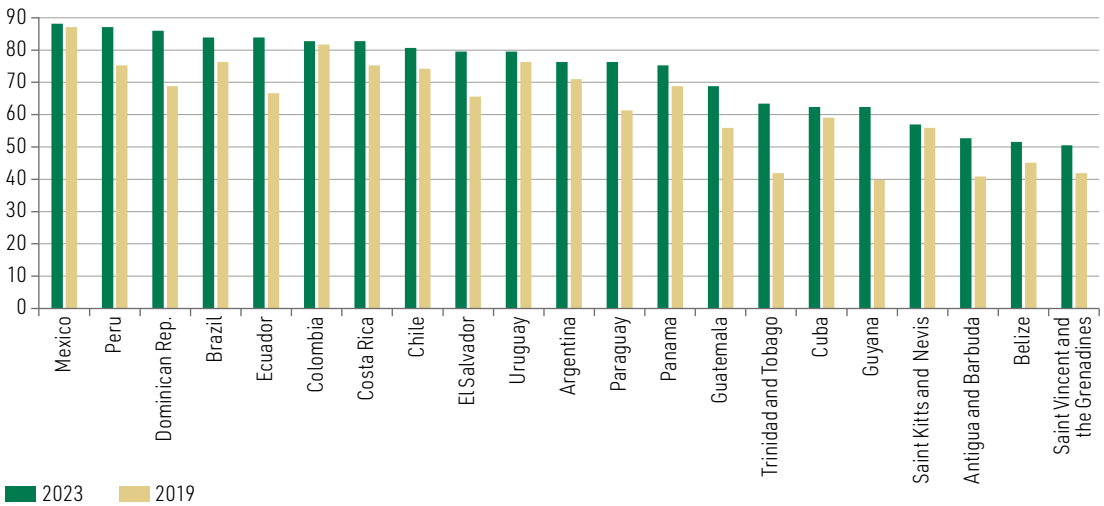


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023.

[a] Antigua and Barbuda, Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago and Uruguay.

Since there are differences among the groups of countries participating in each edition of the Global Survey, it is not possible to directly compare regional averages over time. However, the performance of a group of 21 countries in the 2019 and 2023 editions reveals that progress has been made, despite the challenging situation the region went through because of the COVID-19 pandemic (see figure III.6). The average implementation rate increased from 63% to 73% between the two years, with nine countries increasing their rate by 10 percentage points or more. The largest increases were in Guyana and Trinidad and Tobago (23 and 22 percentage points, respectively), followed by the Dominican Republic and Ecuador (17 percentage points each). This progress largely reflects the gradual implementation of commitments contained in the Agreement on Trade Facilitation that countries in the region did not act on immediately when it entered into force in February 2017.

Figure III.6
Latin America and the Caribbean (21 countries): total scores in the United Nations Global Survey on Digital and Sustainable Trade Facilitation, 2019 and 2023
(Percentages of the maximum possible score)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation, 2019 and 2023.
Note: The 2019 scores for Cuba, Saint Kitts and Nevis and Uruguay are from the 2021 Global Survey.

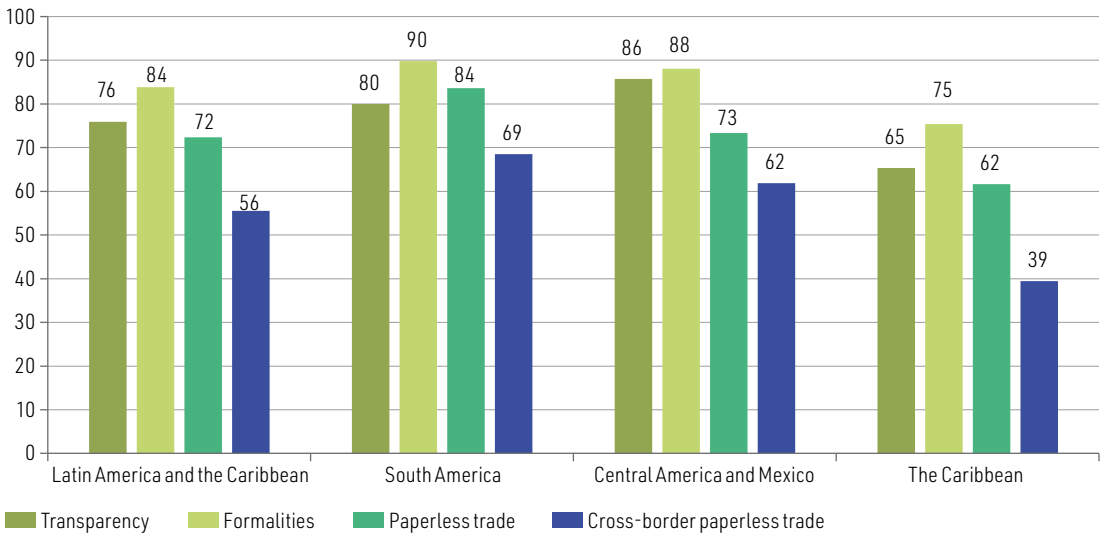
The performance of each country in the Global Survey is influenced by a number of variables, including per capita income, the size of the economy, institutional capabilities, the extent of participation in global or regional value chains, geographical characteristics (e.g., if it is an island or landlocked country) and membership of trade or integration agreements that contain trade facilitation commitments. On this last point, it should be noted that most of the countries in the region with the highest scores in the Global Survey have signed free trade agreements with developed country partners such as the United States and the European Union. These agreements include trade facilitation chapters whose provisions are in some cases more demanding than those of the Agreement on Trade Facilitation. Furthermore, as will be seen below, the various subregional integration mechanisms have made progress in harmonizing and simplifying export, import and transit procedures and in sharing the various documents essential to these operations electronically across borders.

The region exhibits differentiated levels of implementation of the different categories of trade facilitation measures.[5] The highest levels of implementation are in the formalities and transparency categories (see figure III.7 and table III.2). This is mainly because the measures in both categories

[5] See annex III.A2 for a brief description of the measures in each category.

almost exactly match provisions in the Agreement on Trade Facilitation, for which the level of implementation in the region is now high. At the other extreme, the lowest levels of implementation are in the paperless cross-border trade category. This finding is not surprising, as these are generally measures that require not only the support of a sophisticated technological infrastructure, but also close cooperation between the authorities of the countries exchanging documents electronically. The performance gap between the Caribbean and the rest of the region is observed in all categories.

Figure III.7
Latin America and the Caribbean (26 countries):[a] average scores in the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023, by subregion and category of measures
(Percentages of the maximum possible score)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023.
[a] Antigua and Barbuda, Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago and Uruguay.

Table III.2
Latin America and the Caribbean (26 countries):[a] measures with the highest and lowest implementation rates in the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023
(Percentages)

Category	Most implemented measures	Implementation rate	Least implemented measures	Implementation rate
Transparency	Stakeholders' consultation on new draft regulations	86	Advance rulings on tariff classification and origin	69
	Publication of existing import-export regulations on the Internet	82	Appeal procedures for customs rulings	69
Formalities	Post-clearance audits	92	Facilitation measures for authorized operators	80
	Risk management Pre-arrival processing Acceptance of paper or electronic copies	87	Publication of average release times	67
Institutional arrangements and cooperation	National trade facilitation committees	92	Alignment of formalities and procedures with neighbouring countries at border crossings	61
	Legislative framework for border agencies cooperation	87	Government agencies delegating border controls to customs authorities	10

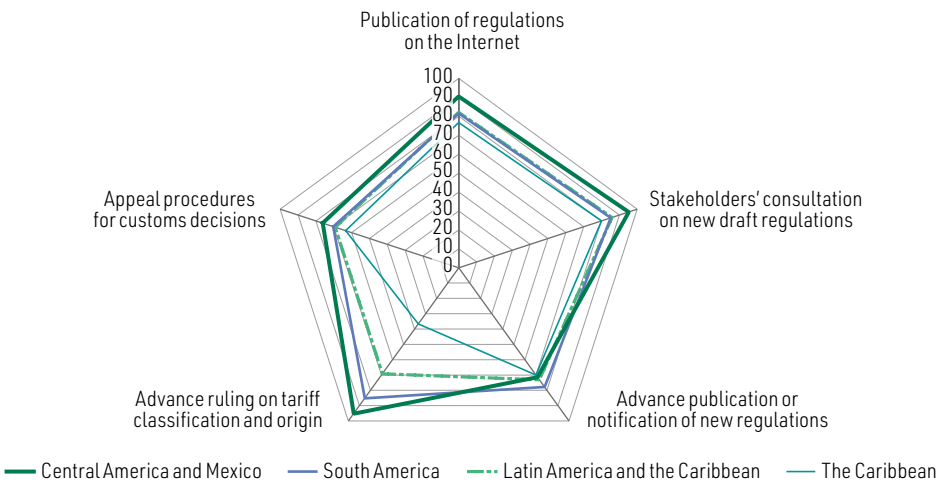
Category	Most implemented measures	Implementation rate	Least implemented measures	Implementation rate
Paperless trade	Automated customs system	97	Electronic application and issuance of certificates of origin	47
	Internet connection available to border agencies Electronic submission of air cargo manifests	89	Electronic application for customs refunds	41
Cross-border paperless trade	Laws and regulations for electronic transactions	86	Electronic exchange of sanitary and phytosanitary certificates	46
	Digital certificates issued by authorized entities	67	Electronic exchange of ustoms declarations	42

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023.

[a] Antigua and Barbuda, Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago and Uruguay.

The three subregions exhibit fairly similar implementation rates for four of the five measures that make up the transparency category: publication of existing import-export regulations on the Internet, stakeholders' consultation on draft regulations, the publication or notification of new regulations before they come into force, and the existence of procedures for appealing customs decisions, be they administrative or judicial (see figure III.8). As regards the issuance of advance rulings on the tariff classification and origin of imported goods, by contrast, there is a large gap between the implementation rates in Central America and Mexico and in South America (95% and 85%, respectively) and those in the Caribbean (37%). The importance of this measure, provided for in article 3 of the Agreement on Trade Facilitation, lies in the fact that advance rulings are binding. They therefore provide operators with certainty as to the treatment that will be given to goods upon entry into the importing country with respect to the aspects included in the relevant ruling.

Figure III.8
Latin America and the Caribbean (26 countries):[a] average rates of implementation of transparency measures, by subregion, 2023
(Percentages)

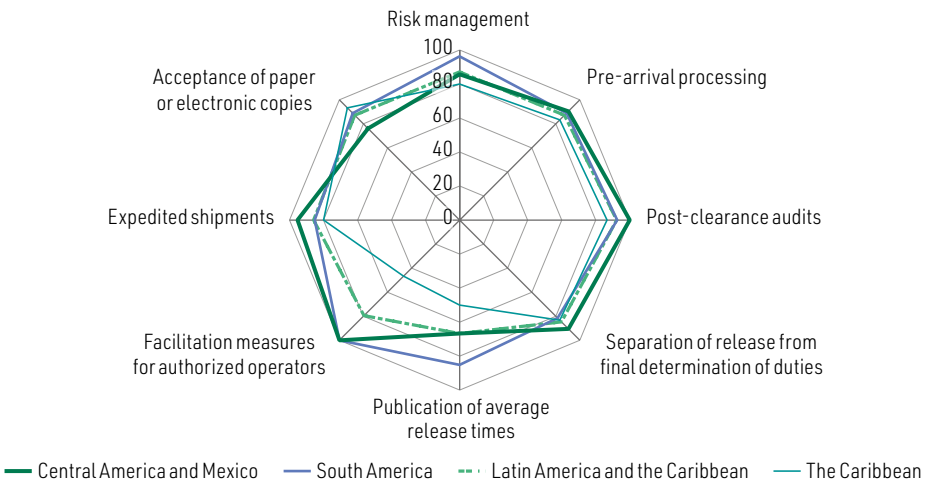


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023.

[a] Antigua and Barbuda, Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago and Uruguay.

Where formalities are concerned, the three subregions exhibit fairly similar implementation rates for six of the eight measures in this category: the use of a risk management system for customs control, pre-arrival processing of imported goods, post-clearance audits, separation of the release of goods from the final assessment of duties and other fees, facilities to expedite the release of urgent shipments entering by air, and acceptance of copies of documents required for export, import or transit (see figure III.9). The Caribbean performs much less well than the other subregions on the remaining two measures: publication by customs of average release times for goods and, especially, facilitation measures for authorized economic operators. While all participating countries in South America, Central America and Mexico reported having fully operational authorized economic operator programmes, the implementation rate of such programmes among Caribbean participants was only 47%.

Figure III.9
Latin America and the Caribbean (26 countries):[a] average rates of implementation of formality measures, by subregion, 2023
(Percentages)

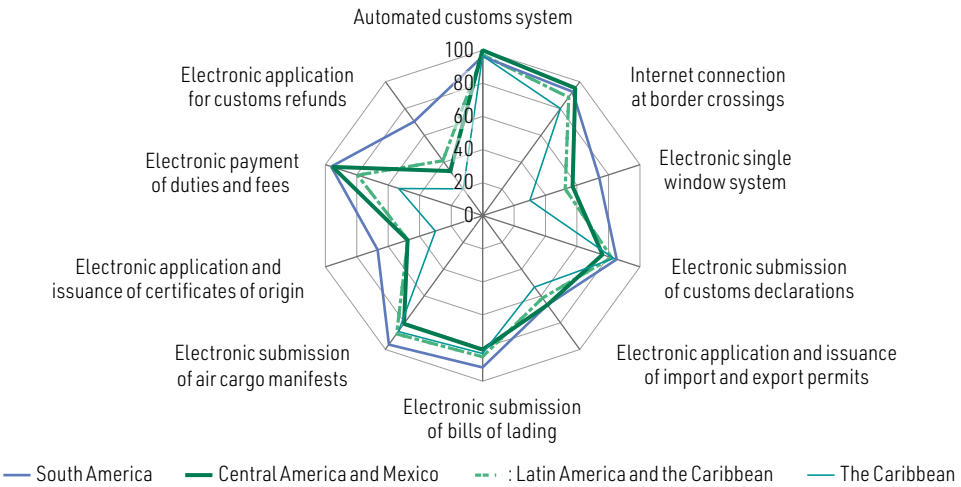


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023.

[a] Antigua and Barbuda, Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago and Uruguay.

The paperless trade category includes 10 measures, relating both to specific electronic transactions and to the availability of the information and communications technology (ICT) infrastructure needed to carry them out. The region's performance in this area is more heterogeneous than in the previous two categories (see figure III.10). On the one hand, almost all the countries participating in the Global Survey reported having a fully operational automated customs system. These systems, such as the successive versions of the Automated System for Customs Data (ASYCUDA) developed by the United Nations Conference on Trade and Development (UNCTAD) since the 1980s, represent the first link leading to the subsequent establishment of an electronic single window for international trade (Koh Tat Tsen, 2011). Also in the area of infrastructure, Internet availability for customs and other control agencies at border crossings is around 90%. Electronic payment of customs duties and other fees, and electronic filing of customs declarations and sea and air cargo manifests, show implementation rates of 80% or more. In contrast, implementation is only 62% when it comes to electronic application and issuance of licences and permits. At the lower end of the spectrum are electronic application and issuance of certificates of origin (47%) and electronic application for customs refunds (41%).

Figure III.10
Latin America and the Caribbean (26 countries):[a] average rates of implementation of paperless trade measures, by subregion, 2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023.
[a] Antigua and Barbuda, Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago and Uruguay.

The establishment of an electronic single window for international trade plays a crucial role in the switch to paperless trade, as it provides the platform for implementing most of the other measures. The single window is an information technology platform that allows parties involved in trade and transport to submit the documentation and information required for the import, export or transit of goods through a single entry point. It also ideally allows a large number of formalities associated with foreign trade operations to be completed, such as paying for various services and obtaining permits and licences. The electronic single window for international trade is one of the most complex measures in the Agreement on Trade Facilitation to implement in terms of financial, technological and inter-agency coordination requirements. This is shown by the results of the 2023 Global Survey. Six years after the Agreement entered into force, the average regional rate of implementation of the electronic single window for international trade was only 53%, and nine countries reported that they still did not have this instrument in place (see table III.3).

The region is also highly heterogeneous when it comes to paperless cross-border trade (see figure III.11). The most widely implemented measure in this category is the existence of laws for electronic transactions (86%, with implementation levels at or above 80% in all subregions). This legislation is essential to provide a legal underpinning for cross-border trade transactions involving the use and transmission of documentation in digital format.[6] The next most implemented measure is the existence of agencies authorized to certify the authenticity of electronic signatures in commercial transactions (67%, but only 27% in the Caribbean). The other three measures in this category have much lower implementation rates: electronic exchange of certificates of origin (49%), of sanitary and phytosanitary certificates (46%) and of customs declarations (42%). Because it is often the interoperability of national electronic single windows that makes it possible to exchange such documents electronically, the fact that these do not exist in a number of countries limits the scope for applying the practice across the board.

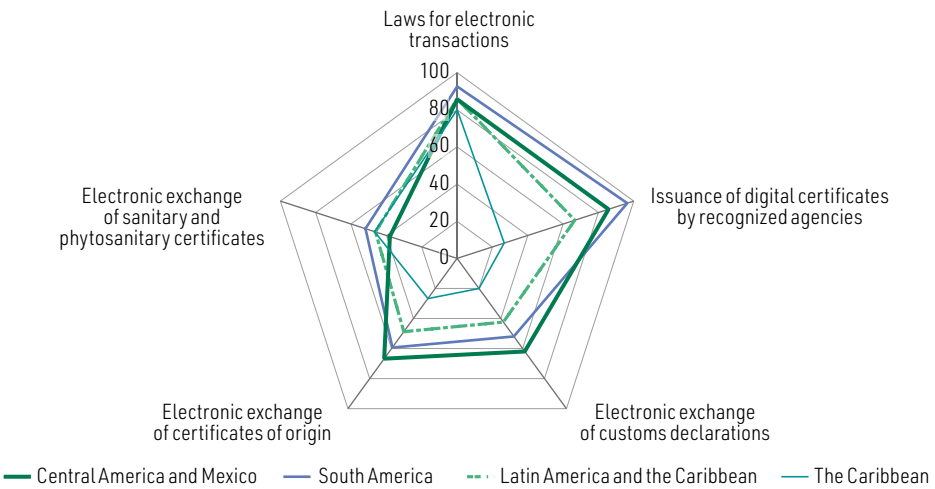
[6] The instruments prepared by the United Nations Commission on International Trade Law (UNCITRAL), in particular the Model Law on Electronic Commerce (1996), the Model Law on Electronic Signatures (2001) and the United Nations Convention on the Use of Electronic Communications in International Contracts (2005), have been a key reference in the drafting of these laws in the region and globally. See [online] https://uncitral.un.org/en/texts/ecommerce.

Table III.3
Latin America and the Caribbean (26 countries): status of implementation of electronic single windows for international trade, as of May 2023

Fully implemented[a]	Partially implemented	Not implemented
Brazil	Argentina	Antigua and Barbuda
Colombia	Chile	Belize
Costa Rica	Cuba	Bolivia (Plurinational State of)
Dominican Republic	Ecuador	Guyana
Mexico	El Salvador	Honduras
Paraguay[b]	Guatemala	Nicaragua[c]
Peru	Jamaica	Saint Kitts and Nevis
	Panama	Saint Lucia
	Trinidad and Tobago	Saint Vincent and the Grenadines
	Uruguay	

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023.
[a] The electronic single window for international trade is considered fully implemented when, according to the information provided by the country concerned: (i) all relevant stakeholders are connected to it and (ii) all government agencies with competences related to international trade are required to participate.
[b] Paraguay has one electronic single window for exports and another for imports.
[c] On 28 March 2023, the National Assembly of Nicaragua approved the law creating the Single Window for International Trade of Nicaragua (VUCEN).

Figure III.11
Latin America and the Caribbean (26 countries):[a] average rates of implementation of paperless cross-border trade measures, by subregion, 2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023.
[a] Antigua and Barbuda, Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago and Uruguay.

The Economic and Social Commission for Asia and the Pacific (ESCAP) has developed tools to assess countries' technical and legal preparedness for paperless cross-border trade. In 2022, Mexico became the first country in Latin America and the Caribbean to apply these tools (see box III.2). Other Latin American countries have expressed interest in undergoing the assessment to identify possible gaps and areas for improvement.

Box III.2

Mexico: legal and technical preparedness for paperless cross-border trade

In Asia and the Pacific, many countries are implementing cross-border paperless trade to improve their competitiveness, facilitate growing cross-border e-commerce and fully integrate into the digital economy. In this context, the countries of that region adopted the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific in May 2016, and it entered into force in February 2021. To support the countries' efforts to prepare and implement the agreement, the Economic and Social Commission for Asia and the Pacific (ESCAP) produced two questionnaires to measure their legal and technical preparedness for paperless trade. The legal questionnaire is designed to assess the extent to which a country's laws accommodate international paperless trade. It also serves to identify possible legal gaps and highlight measures that may be needed to ensure that laws support cross-border paperless trade. The technical questionnaire is to assess how well prepared a country is to support cross-border paperless trade in terms of the necessary technological infrastructure, meaning the implementation of electronic systems and a paperless environment within the country and the capacity of its systems to exchange data across borders with other trading partners. The results can be used to identify possible gaps and recommend measures for improving the technical environment. To date, studies based on these questionnaires have been published for 18 countries in Asia and the Pacific.[a] In Latin America and the Caribbean, the first study was conducted for Mexico in 2022.

The responses to the legal questionnaire show that Mexico has a solid legal framework which fully recognizes electronic transactions, as well as the principles of technology neutrality, party autonomy, international compatibility and functional equivalence of data messages and electronic signatures. Regarding the protection and privacy of personal data, most of its regulations follow the main international standards. International commitments on e-commerce in agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the Agreement between the United States of America, the United Mexican States, and Canada (USMCA) and the Pacific Alliance also support the national legal framework. However, some aspects of paperless international trade are not specifically regulated and have to be dealt with using general civil, administrative or criminal laws that are not entirely clear on the subject of electronic transactions or procedures. The quality, ownership and confidentiality of information transmitted in the paperless trading system are some of these aspects.

With regard to its technical preparedness, the study shows that Mexico has several electronic systems in place, such as the Electronic Customs System (SEA) and the Mexican Foreign Trade Single Window (VUCEM). Both systems have evolved over the last three decades to support paperless cross-border trade. Virtually all aspects of cross-border trade in goods (import, export and transit) are covered by these systems. The country has become one of the leaders in the region because of its tendency to continuously improve electronic systems and automate processes related to international trade. The study presents a number of recommendations as part of the assessment to highlight areas of opportunity and promote continuous improvement.

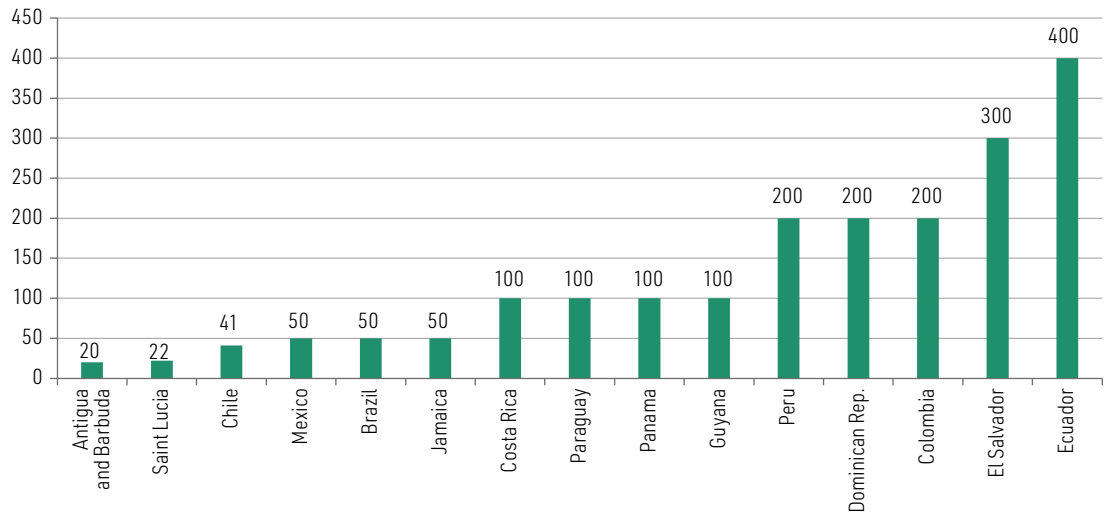
There have been found to be areas of opportunity in the institutional framework for greater engagement and participation by the private sector in the objectives of the National Trade Facilitation Committee and for the dissemination of knowledge and awareness-raising among customs users regarding the implementation of measures and new functionalities of SEA and VUCEM. Lastly, Mexico could act more quickly to extend its cross-border data exchange success stories to more trading partners, as it has highly developed, tested and functional systems in place.

Source: L. García Seimandi and V. M. Almiray Jaramillo, "La preparación legal y técnica para el comercio transfronterizo sin papel: el caso de México", *Project Documents* (LC/TS.2022/202/Rev.1), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2023.

[a] See [online] https://www.unescap.org/our-work/trade-investment-innovation/trade-facilitation-digital-trade/paperless-trade.

In the area of cross-border e-commerce facilitation, 15 of the 26 participating countries reported having a *de minimis* regime for shipments purchased through express mail services. Under this regime, shipments valued at less than the respective *de minimis* threshold are subject to simplified customs procedures and exempted from import duties. Most thresholds are in the range of US$ 50 to US$ 200 (see figure III.12).

Figure III.12
Latin America and the Caribbean (15 countries): *de minimis* thresholds applicable to postal imports, as of May 2023
(Dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023.
Note: Other conditions for duty-free treatment besides the value of each shipment may apply. For example, some countries have set a maximum weight per package or a maximum number of shipments per year that can benefit from the *de minimis* regime.

Besides what has been achieved by individual countries in the region, progress has been made through regional or subregional cooperation, examples being mutual recognition of national authorized economic operator programmes and cross-border electronic exchange of documents. Such initiatives multiply the effect of national developments by facilitating trade flows within the region and with the rest of the world, thereby enhancing the participation of the Latin American and Caribbean countries in regional and global value chains.

Authorized economic operator programmes in the region vary in terms of their requirements for certification, the types of companies that can participate (exporters, importers, transporters, customs brokers, etc.), the benefits they provide and their duration, among other variables. Mutual recognition agreements are therefore important to ensure that a company which has been certified as an authorized economic operator in its home country can enjoy the same (or similar) benefits in other countries where it operates. During the last decade, the countries of the region have concluded a number of mutual recognition agreements with one another (usually in the framework of their respective subregional integration agreements) and also with some of their major extraregional partners (see box III.4). An important development in this context was the signing in May 2022 of a regional mutual recognition agreement between the customs services of 11 countries in Latin America and the Caribbean,[7] with other countries in the process of accession. Customs in eight countries of the region are also exploring solutions based on blockchain technology for the automated and secure exchange of information on authorized economic operators under their respective mutual recognition agreements (see box III.3).

[7] See [online] https://www.aduana.cl/aduana/site/docs/20221003/20221003162651/1587_22_secretaria_general_aprueba_arreglo_oea.pdf.

Table III.4
Latin America and the Caribbean (16 countries): agreements concluded for mutual recognition of authorized economic operators, as of May 2023

Country	Latin American and Caribbean partners	Extraregional partners
Argentina	Mutual recognition agreement of the Southern Common Market (MERCOSUR) Regional mutual recognition agreement[a] Mutual recognition agreement between the Pacific Alliance and MERCOSUR (under negotiation) Uruguay	China (under negotiation)
Bolivia (Plurinational State of)	Regional mutual recognition agreement Uruguay	
Brazil	Mutual recognition agreement of MERCOSUR Regional mutual recognition agreement Mutual recognition agreement between the Pacific Alliance and MERCOSUR (under negotiation) Mexico Peru Uruguay	China United States
Chile	Mutual recognition agreement of the Pacific Alliance Regional mutual recognition agreement Mutual recognition agreement between the Pacific Alliance and MERCOSUR (under negotiation)	China
Colombia	Mutual recognition agreement of the Pacific Alliance Regional mutual recognition agreement Mutual recognition agreement of the Andean Community Mutual recognition agreement between the Pacific Alliance and MERCOSUR (under negotiation) Uruguay	United States (under negotiation)
Costa Rica	Regional mutual recognition agreement Mutual recognition agreement of Central America[b] Mexico	China (under negotiation)
Dominican Republic	Regional mutual recognition agreement Guatemala	United States Republic of Korea
Ecuador	Mutual recognition agreement of the Andean Community Regional mutual recognition agreement (in the process of accession) Guatemala	
El Salvador	Mutual recognition agreement of Central America	
Guatemala	Regional mutual recognition agreement Mutual recognition agreement of Central America Dominican Republic Peru	United States Taiwan Province of China
Honduras	Mutual recognition agreement of Central America	
Mexico	Mutual recognition agreement of the Pacific Alliance Mutual recognition agreement between the Pacific Alliance and MERCOSUR (under negotiation) Brazil Costa Rica	Canada Hong Kong (China) Israel Republic of Korea United States
Panama	Mutual recognition agreement of Central America Regional mutual recognition agreement (in the process of accession) Ecuador (under negotiation)	
Paraguay	Mutual recognition agreement of MERCOSUR Regional mutual recognition agreement Mutual recognition agreement between the Pacific Alliance and MERCOSUR (under negotiation)	
Peru	Mutual recognition agreement of the Pacific Alliance Regional mutual recognition agreement Mutual recognition agreement of the Andean Community Mutual recognition agreement between the Pacific Alliance and MERCOSUR (under negotiation) Brazil Guatemala Uruguay	Canada Republic of Korea United States

Country	Latin American and Caribbean partners	Extraregional partners
Uruguay	Mutual recognition agreement of MERCOSUR Regional mutual recognition agreement Mutual recognition agreement between the Pacific Alliance and MERCOSUR (under negotiation) Argentina Bolivia (Plurinational State of) Brazil Colombia Peru	China Republic of Korea United States

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023.

[a] Signed between the customs services of Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Guatemala, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

[b] The members are Costa Rica, El Salvador, Guatemala, Honduras and Panama.

Box III.3

The contribution of blockchain to trade facilitation

Blockchain technology allows transactions to be securely recorded and tracked using complex mathematical structures that are almost impossible to falsify. Each chain has blocks that are connected together to store this information. Each block contains information about transactions and a code (hash) that identifies it and connects it to the previous block.

Blockchain can facilitate trade by increasing the reliability and security of transactions. This is crucial to data and intellectual property protection for the products traded. Once a transaction is recorded in the blockchain, the data structure is immutable and shared. This ensures a high level of security and trust in trade transactions, because it prevents fraud and data manipulation. In addition, the transparency of the blockchain enables parties to effectively verify and audit transactions. The use of blockchain can also make it possible to track where products originate and how they move along the supply chain. This is particularly beneficial in sectors such as the food industry, where the provenance of food can be traced and its safety and quality assured. The ability to trace and verify the authenticity of products fosters international trade and strengthens trust between the various actors involved.

Despite its benefits, large-scale use of blockchain in trade confronts three main challenges. First, its implementation requires a thorough understanding of the technology and an appropriate technological infrastructure. Technical issues such as the scalability of the technology and the interoperability of different information technology systems need to be solved. Second, a good data governance structure is needed. In this context, concerns about the reliability and security of companies' business and financial data need to be addressed. The third challenge is that blockchain implementation requires cooperation between a number actors, which means overcoming regulatory and cultural hurdles to achieve widespread adoption.

A concrete example of the application of blockchain to facilitate trade in Latin America is the Cadena project, which is supported by the Inter-American Development Bank (IDB) and has been implemented since 2018 between the customs authorities of the four member countries of the Pacific Alliance (Chile, Colombia, Mexico and Peru) and those of Costa Rica, Ecuador, Guatemala and the Plurinational State of Bolivia. It is a blockchain solution that enables the secure, real-time sharing of information on companies certified as authorized economic operators between customs authorities that have signed mutual recognition agreements for their authorized economic operator programmes. This gives these companies faster access to the benefits associated with authorized economic operator certification in the different markets they operate in.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of S. Concuera and others, "El potencial aporte del *blockchain* para la facilitación de comercio en América Latina", unpublished.

Considerable progress has also been made with electronic document exchange at the subregional level, especially in the framework of the Pacific Alliance, the Central American Common Market (CACM) and the Southern Common Market (MERCOSUR) (see table III.5).[8] The members of the Pacific Alliance have made their respective electronic single windows for foreign trade interoperable, and as a result have been able to electronically exchange phytosanitary certificates since 2017 and certificates of origin since 2018. They are currently working to enable the electronic exchange of customs declarations and sanitary certificates. For their part, the Central American countries electronically exchange the document known as the Central American Single Declaration (DUCA), which also serves as a preferential certificate of origin for trade between the countries of the subregion. Again, the transmission of sanitary and phytosanitary certificates is in the pilot phase as part of the establishment of the Central American Digital Trade Platform (PDCC). To this end, in October 2020 the Central American countries harmonized the formats of their respective sanitary and phytosanitary certificates. In the case of MERCOSUR, the four founding members exchange customs declarations and certificates of origin electronically. Within the Andean Community, the Andean Community Interoperability (INTERCOM) project, aimed at facilitating and digitalizing trade between the four member countries, including electronic transmission of documents, is in its early stages.

Table III.5
Latin America and the Caribbean (selected groupings): situation with the electronic exchange of certificates of origin, sanitary and phytosanitary certificates and customs declarations, as of May 2023

Grouping	Certificates of origin	Sanitary and phytosanitary certificates	Customs declarations
Pacific Alliance	Operative	Operative (phytosanitary certificates) In pilot phase (sanitary certificates)	In pilot phase
Andean Community	Ongoing project	Ongoing project	Ongoing project
Caribbean Community (CARICOM)	Partially operative[a]	No	Partially operative
Central American Common Market (MCCA)	Operative	In pilot phase	Operative
Southern Common Market (MERCOSUR)	Operative (also with Chile)	Operative only for phytosanitary certificates between Argentina and Paraguay	Operative

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023, and L. Veiga and others, "Estudio de factibilidad y brecha para promover la interoperabilidad de las Ventanillas Únicas de Comercio Exterior de los países del Mercosur y Alianza del Pacífico", *Nota Técnica*, No. IDB-TN-02448, Washington, D.C., Inter-American Development Bank (IDB), 2022.
[a] Jamaica and Trinidad and Tobago currently issue digital certificates of origin for export to CARICOM countries.

In sum, the findings of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023 indicate that Latin America and the Caribbean has made considerable progress in implementing the commitments of the Trade Facilitation Agreement. The group of 26 participating countries has average implementation rates of 80% or more on 18 of the 31 core measures in the Global Survey, particularly in the two categories most closely aligned with the provisions of the Agreement: formalities and transparency. Both geographically and thematically, however, progress is uneven. For one thing, the results reveal the major challenges, mainly in terms of financial and human resources, faced by small Caribbean economies in implementing trade facilitation reforms. International cooperation can play a crucial role in overcoming these constraints by providing technical and financial assistance. Moreover, despite undeniable progress in recent years, the region as a whole still has a great deal of room to improve its trade digitalization performance. To this end, it is crucial to accelerate the implementation and interoperability of electronic single windows.

The almost universal establishment of national trade facilitation committees in the region is very positive. These bodies are crucial to successfully address the challenges arising from the cross-cutting nature of trade facilitation. Although this concept tends to be associated exclusively with the work of

[8] The countries of the region are also increasingly exchanging the electronic phytosanitary certificates (ePhytos) created by the International Plant Protection Convention (IPPC) in their trade with partners both in and beyond the region. See [online] https://www.ephytoexchange.org/landing/.

customs services, in practice it involves many other bodies that carry out border inspections or issue documents necessary for foreign trade operations. Such agencies do not always have the facilitation of trade flows among their main mandates, however. Consequently, it is crucial for national trade facilitation committees to be carefully designed if they are to secure the commitment of political authorities (when inter-agency conflicts need to be resolved, for example) and if public-private coordination is to be effective. These committees also play a key role in identifying technical or financial assistance needs and in presenting well-structured requests to potential donors.

Given that implementation of the Trade Facilitation Agreement is now well advanced in the region on the whole, it is important for national trade facilitation committees to focus on measuring its impact on the basis of performance indicators and not simply compliance. They should also play a key role in the design and implementation of paperless trade strategies over and above what is stipulated in the Agreement. There is no single institutional model for meeting these challenges.[9] Each country will need to gradually develop the structure, membership and governance that best suit its own needs and circumstances. It is important, therefore, for the countries of the region to monitor and regularly evaluate the functioning of their national trade facilitation committees with a view to making the necessary improvements.

B. The role of transport and logistics infrastructure in achieving more efficient and sustainable trade

The objective of this section is to present an overview of the progress made by the countries of Latin America and the Caribbean in implementing their respective agendas for transport infrastructure and international trade logistics, and the main challenges remaining in this area. Improvements to transport and logistics conditions are essential to make the region's trade more fluid and to increase its international competitiveness. Constraints in this area have been a constant in the region's history, largely owing to its particular geographical, economic and demographic conditions. The COVID-19 pandemic highlighted these shortcomings even more and underlined the differences between countries, as well as their vulnerability to external shocks.

The region's poor economic growth over the past decade, averaging 0.7% per year between 2014 and 2022, has translated into low levels of public investment and thence an infrastructure stock that is insufficient to boost growth and promote productive development (ECLAC, 2023a). This situation calls into question the ability of most of the countries to make the investments needed to close the infrastructure gap. It will be more difficult for some countries than for others, whether because of their financial situation, the current state of their infrastructure, their social requirements or their relative isolation (as in the case of landlocked countries, for example, or those with natural obstacles to land communication).

1. The state of connectivity and transport infrastructure

An economy's trade costs are determined by a set of variables including transport costs, which in turn largely depend on the infrastructure available. This includes not only port facilities, airports, border crossings and international roads, but also domestic transport infrastructure and the availability of quality logistics services at a competitive cost. A number of studies indicate that the lack of quality logistics infrastructure has resulted in costs being higher in Latin America and the Caribbean than in other regions, especially when the comparison is with more developed countries. For example, the cost

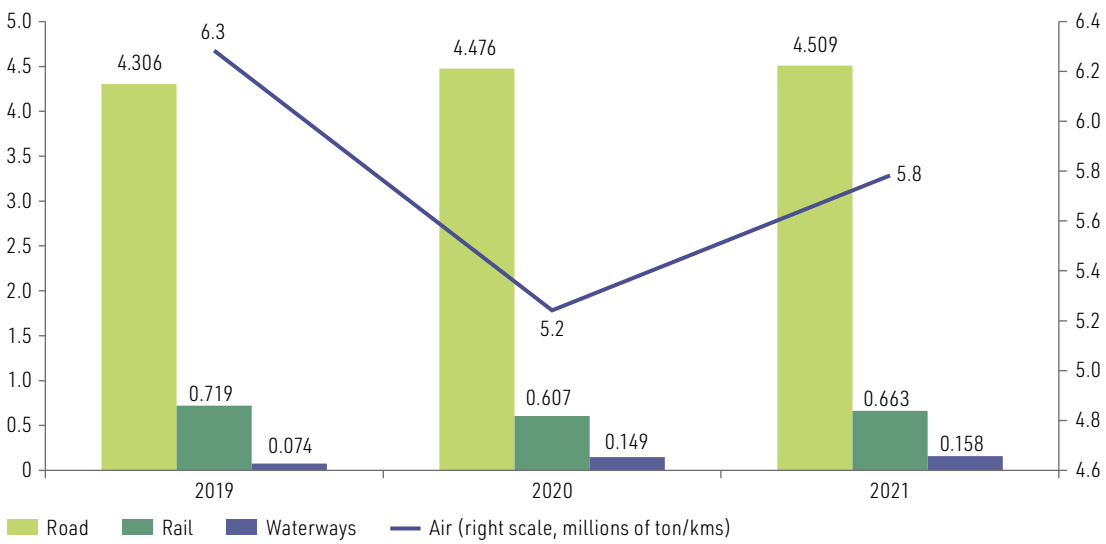
[9] For a comparison of the various institutional arrangements in effect in the region, see the UNCTAD Database for National Trade Facilitation Committees [online] https://unctad.org/topic/transport-and-trade-logistics/trade-facilitation/committees-around-world. A summary of the main challenges for national trade facilitation committees in Latin America is outlined in WTO (2023b).

of logistics services (road, rail, marine, air and urban transport) ranges from 10 to 15 cents per ton/km, while in Australia and Canada it is 5 cents per ton/km and in Spain and the United States it is as low as 4 cents per ton/km (Barbero and Guerrero, 2017).

In Latin America, deficiencies in transport infrastructure have a negative impact on trade flows (Sanguinetti and others, 2021). The differences between countries are very marked in terms of the quantity, efficiency and quality of their transport infrastructure. For example, while over 90% of the road network is paved in countries such as Panama, Mexico and Uruguay, the level is around 20% in others such as the Plurinational State of Bolivia and Colombia (Sanguinetti and others, 2021). Infrastructure deficiencies are even more visible in the poorest and most isolated areas. In rural Paraguay, for example, more than half the population (58%) does not have access to a road that is passable all year round within two kilometres of their homes. In Peru, 63% of inhabitants do not have easy access to a good road (ECLAC, 2023b).

The region is characterized by the predominance of road transport for freight movement, accounting for an average of 85% of freight transported in the three-year period 2019–2021 (see figure III.13). The volume of rail and air freight fell in 2020, when the pandemic broke out, while road transport held up well because it was used to supply food, medical inputs and other essential goods. Inland waterway transport increased, although it accounted for only 3% of all freight moved in 2021.

Figure III.13
Latin America and the Caribbean: cargo volumes, by transport method, 2019–2021
(Billions and millions of ton/kms)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, Regional Knowledge Management Platform for the Sustainable Development Goals in Latin America and the Caribbean, "SDGs in Latin America and the Caribbean: Statistical knowledge management hub" [online] https://agenda2030lac.org/estadisticas/index.html.

To assess the current state of the region's connectivity and transport infrastructure, both in the internal networks it uses to distribute goods and in its capacity to export and import them, some indices that measure land connectivity (AC&A and CENIT, 2020) and logistics performance (World Bank, 2023) will now be presented.

AC&A and CENIT (2020) designed a system that brings together 18 indicators grouped into 6 categories: territorial coverage; quality and safety; productivity and operating costs; modal balance for the optimization of logistics; environmental and social sustainability; and institutional framework and

public-private participation. This framework was applied in 11 countries of the region: Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay. The details of each category are given below.

- **Territorial coverage.** This reflects the extent of the population's access to transport infrastructure. The indicators used for this are kilometres of total network per km^2, kilometres of total network relative to population, kilometres of total paved network per km^2 of surface area and percentage of the country's rural population with access to passable roads.
- **Quality and safety.** This measures whether the infrastructure is of high enough quality for safe travel. To this end, it includes perceptions of the road and rail network,[10] the percentage of the main network that is paved, motorways as a percentage of the main network, and accidents relative to the total number of vehicles. With regard to this last indicator, it should be noted that more than 80,000 people die in road traffic accidents in the region every year, which translates into an annual regional rate of 14.1 injuries and 0.9 deaths per 1,000 vehicles (WHO, 2018). On an international comparison, the region's rate stands at the global average. WHO (2018) estimates that the costs of road accidents worldwide represent between 1% and 3% of GDP.
- **Productivity and operating costs.** This includes indicators that provide a measure of the services provided by infrastructure to businesses, including kilometres per hour between nodal points and the trade- and transport-related infrastructure quality component of the logistics performance index.
- **Modal balance for the optimization of logistics.** This seeks to capture the availability of the different modes of land transport and the degree to which they complement each other to provide a better service. To this end, it measures the share of rail in freight transport and capacity usage on rail networks.
- **Environmental and social sustainability.** This incorporates indicators that measure the impact of transport on the environment and the coverage of the network in the most disadvantaged areas, including the average age of the vehicle fleet, carbon dioxide (CO_2) emissions per 1,000 inhabitants and network coverage in disadvantaged regions.
- **Institutional framework and public-private participation.** This measures the extent of private sector participation in transport infrastructure investments and the government's performance in managing these. It includes the percentage of the network under concession, the assessed performance of public-private partnerships (PPPs) and perceived government effectiveness.

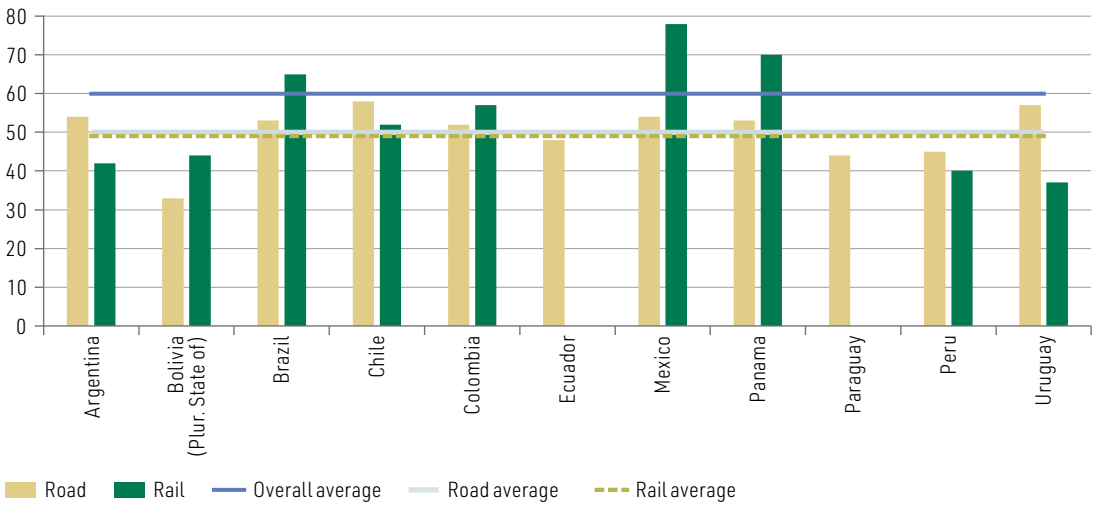
For each of these indicators, the resulting measure is an index ranging from 0 to 1, where 0 indicates a complete lack of performance and 1 full performance. AC&A and CENIT (2020) highlight two points regarding the choice of indicators. First, they consider the indicators for rail and road transport systems both together and separately. Second, they stress that the selection of indicators was made on the basis of data availability. The authors add that it would be theoretically possible to have higher-quality indicators, but the necessary information is not available for the region, which makes them impossible to estimate. To strengthen this aspect, they recommend supporting the development of transport indicators in the region, as the Infralatam initiative has done in the area of investment.

As can be seen in figure III.14, Brazil, Mexico and Panama scored the highest for overall performance and exceeded the regional average on both road and rail transport. They are followed by a group comprising Argentina, Chile, Colombia and Uruguay. Lastly, the countries scoring lowest are the Plurinational State of Bolivia, Ecuador, Peru and Paraguay.[11]

[10] Quality perception indicators for road and rail networks are regularly produced by the World Economic Forum (see Schwab, 2019). The basic source of these data is an executive opinion survey.

[11] The study yielded heterogeneous results for the six indicators across the different countries, allowing the strengths and weaknesses of their respective land transport systems to be assessed (see annex III.A3).

Figure III.14
Latin America (11 countries): land transport indicators, overall and disaggregated by rail and road transport systems, 2020
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of AC&A and CENIT, *Análisis de inversiones en el sector transporte terrestre interurbano latinoamericano a 2040*, Caracas, Development Bank of Latin America and the Caribbean (CAF), 2020.

For road transport systems, Argentina, Brazil, Chile, Panama and Uruguay scored highest, followed by Colombia and Ecuador. With respect to rail transport, Mexico scored considerably better than the rest of the countries because of its high coverage and perceived quality, the importance of freight and private participation in management. The country was followed by Brazil, Colombia and Panama, which maintain efficient rail systems. The development of rail systems in Argentina, Chile, Peru, the Plurinational State of Bolivia and Uruguay, on the other hand, is very limited. Lastly, Ecuador and Paraguay lack rail freight systems and therefore scored zero. The authors of the index argue that the countries where the two modes of transport (road and rail) have been most successfully developed have public-private participation models.

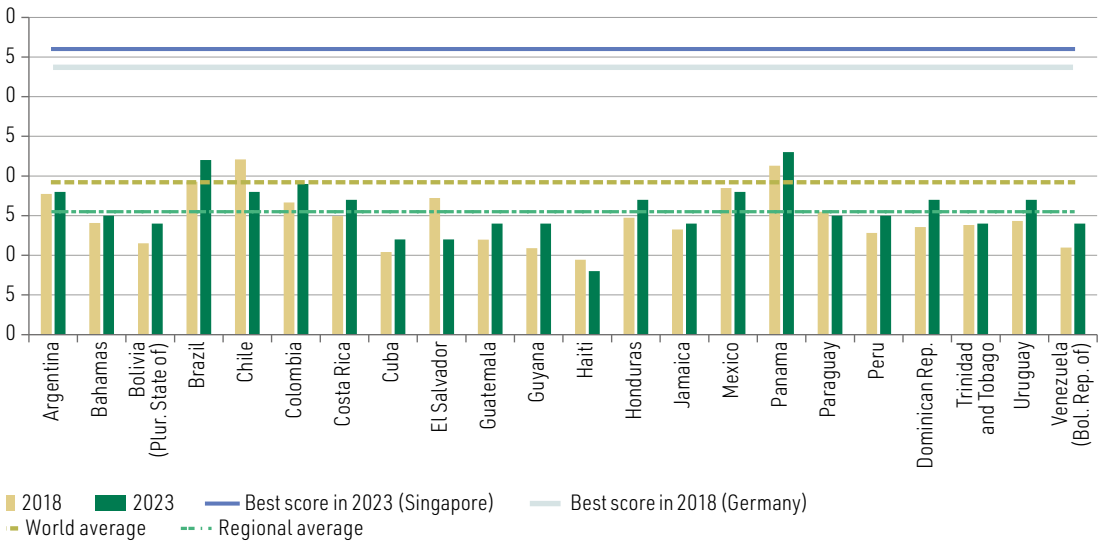
The World Bank logistics performance index provides a broader look at countries' connectivity beyond their borders (World Bank, 2023). The index breaks down into six components: (i) the efficiency of customs and border management clearance, (ii) the quality of trade- and transport-related infrastructure, (iii) the competence and quality of logistics services, (iv) the ability to track and trace consignments, (v) the timeliness of shipments and (vi) the ease of arranging competitively priced international shipments. The assessment is based on the opinions of experts consulted between September and November 2022, and the scale used ranges from 1 (very low) to 5 (very high). Both at the aggregate level and in the different components, there is a performance gap between developed and developing countries, with high-income economies having the 12 best scores on the index.[12] In the region, Brazil scored highest, followed by Panama, Chile, Peru, Uruguay, Mexico and Colombia.

The logistics performance index component relating to the quality of infrastructure measures whether this is adequate, whether it is in good condition and whether services that depend on it, such as electricity, fuel and water, are of good quality and affordable. The countries of the region scored between 1.8 and 3.3 and placed between 44 and 137 out of a total of 139 participants. As can be seen in figure III.15, the average for the region (2.6) was below the world average (2.9) and far below the

[12] The top 12 places were taken by Singapore, Finland, Denmark, Germany, the Kingdom of the Netherlands, Switzerland, Austria, Belgium, Canada, Hong Kong (China), Sweden and the United Arab Emirates.

best score, obtained by Singapore (4.3). The countries in the region with the best scores in 2023 were Panama (3.3), Brazil (3.2), Colombia (2.9) and Mexico (2.8), while El Salvador (2.2), Guatemala (2.4) and Haiti (1.8) scored lowest.

Figure III.15
Latin America and the Caribbean (22 countries): logistics performance index scores for the quality of trade- and transport-related infrastructure, 2018 and 2023
(1: Very low to 5: Very high)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J.-F. Arvis and others, *Connecting to Compete 2018: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2018, and J.-F. Arvis and others, *Connecting to Compete 2023: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2023.
Note: The global and regional averages are for 2023.

Very similar results are obtained on the other components of the logistics performance index: the quality and competence of logistics services, the ability to track and trace shipments, the timeliness of shipments, and the availability of international shipments at competitive prices.[13] On all four components, all the countries in the region scored between 2.0 and 3.5 out of a maximum of 5.0 and fell into the same range of positions, from 51 to 135 out of a total of 139 participants. Once again, the Latin America and Caribbean average was below the world average and far below the best score, obtained by Singapore (see annex III.A4).

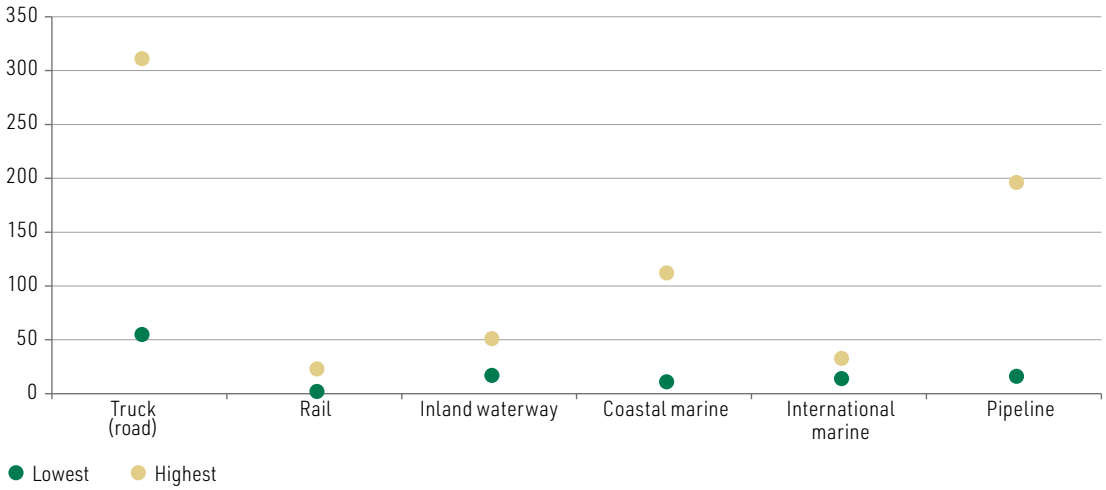
2. The environmental impact of the transport system in the region

Between 1990 and 2022, global CO_2 emissions from transport grew at an average annual rate of 1.7%, faster than any other end-use sector except industry (IEA, 2023). To achieve net zero emissions by 2050, CO_2 emissions from transport would have to decrease by more than 3% per year until 2030. The International Energy Agency (IEA) points to the need both for stricter regulations and fiscal incentives and for considerable investment in infrastructure to enable low- or zero-emission vehicles to operate if this goal is to be reached.

Figure III.16 shows that trucks are the mode of transport that generates the highest CO_2 emissions globally, although the different information sources yield very disparate figures. This confirms the need to adopt other means of transport that have less impact on the environment.

[13] The component related to the efficiency of customs clearance was analysed in section A of this chapter.

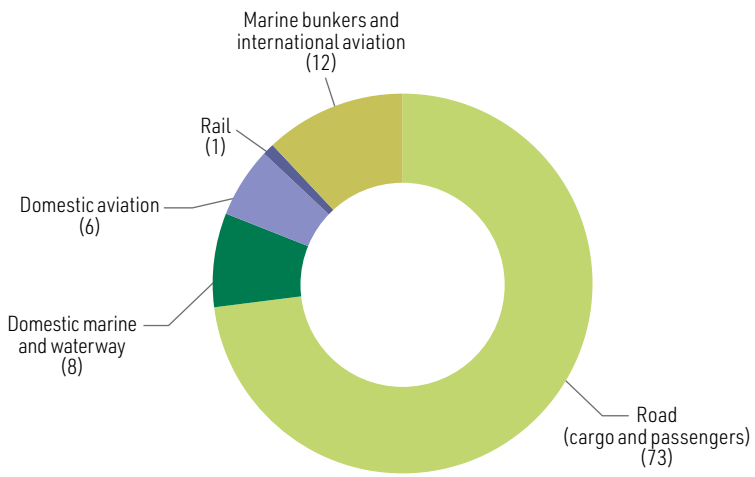
Figure III.16
CO_2 emissions of different modes of goods transport
(Grams per ton per kilometre)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Transport Forum (ITF), *Mode Choice in Freight Transport*, ITF Research Reports, Paris, OECD Publishing, 2022, p. 27, and P. Pérez Martínez and A. Monzón de Cáceres, "Consumo de energía por el transporte en España y tendencias de emisión", *Observatorio Medioambiental*, vol. 11, Technical University of Madrid, 2008, p. 136.
Note: The green dots indicate the lowest value found in the literature and the yellow dots the highest value.

In Latin America and the Caribbean, the transport sector is responsible for a high proportion of fuel-related greenhouse gas emissions. According to IEA (2020), CO_2 emissions from transport accounted for 38.2% of the total in Central and South America in 2019, which was much higher than the global share (24.1%). According to Viscidi and O'Connor (2017), the CO_2 emissions of the transport sector in the region were highly concentrated in road transport (73%), with much smaller shares for marine and inland waterway transport (8%) and air transport (6%). Only 1% came from rail transport (see figure III.17).

Figure III.17
Latin America: distribution of CO_2 emissions by mode of transport, 2017
(Percentages)



Source: L. Viscidi and R. O'Connor, "The energy of transportation: a focus on Latin American urban transportation", *Energy and Transportation in the Atlantic Basin*, P. Isbell and E. Álvarez Pelegry (eds.), Washington, D.C., Center for Transatlantic Relations, Johns Hopkins University, 2017.

According to Vergara, Fenhann and Schletz (2015), within the road transport category, freight and passenger transport are responsible for half of total CO_2 emissions apiece. Heavy trucks stand out for their high CO_2 emissions, contributing 28% of the road transport total (see table III.6). In the passenger segment, private cars are the largest source of CO_2 emissions, while the bus fleet accounts for less than 10% of road transport emissions.

Table III.6
Latin America: size and estimated emissions of the domestic road transport fleet, 2015

Mode	Number of vehicles *(Millions)*	Distance travelled annually per vehicle *(Thousands of kilometres)*	Fuel use efficiency *(Kilometres per litre)*	CO_2 equivalent emissions *(Metric tons)*	Share of CO_2 equivalent emissions *(Percentages)*
Private cars	59.4	12	11.0	150	31
Taxis	2.2	60	11.0	27	6
Motorcycles	10.7	12	...	5	1
Standard buses	0.6	40	3.8	12	2
Articulated buses	0.02	60	3.8	1	0
Minibuses	1.0	40	2.8	33	7
Light trucks	5.0	13	3.2	47	10
Medium trucks	5.4	22	2.7	77	16
Heavy trucks	2.5	50	2.5	134	28
Total	86.8			486	100

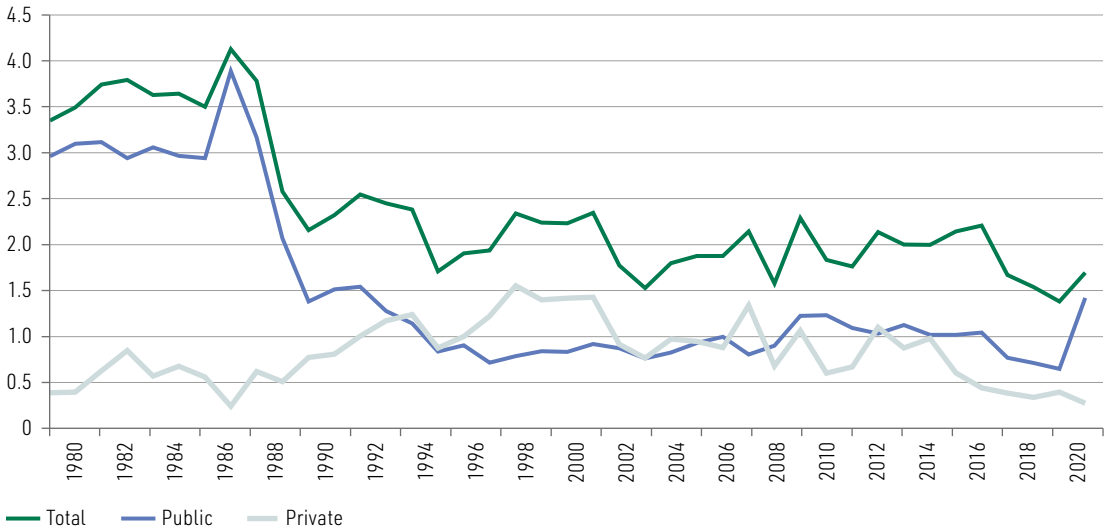
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of W. Vergara, J. Fenhann and M. Schletz, "Zero carbon Latin America - A pathway for net decarbonisation of the regional economy by mid-century", *Vision Paper*, UNEP DTU Partnership, 2015.

3. Infrastructure investment and financing

While logistical competitiveness and access to appropriate means of transport for the population requires more investment than the region has historically achieved, total investment in infrastructure has contracted steadily since its peak in the 1980s, when it reached 4.1% of GDP (see figure III.18). Total infrastructure investment (public and private) is currently some 2% of GDP, at a time when the region's countries need to upgrade their infrastructure to revive the economy.

It will be very challenging for the region to bridge the gaps between the current situation and what is needed to achieve the Sustainable Development Goals (SDGs) by 2030. Sánchez and others (2017) argued that the region would need to invest at least 4.7% of GDP per year in four infrastructure sectors (transport, electricity, telecommunications, and water and sanitation) between 2016 and 2030 under a 3.2% GDP growth scenario, while annual investment of 6% of GDP would be needed under a 3.9% growth scenario. More recently, ECLAC (2022, p. 150) has stated: "A recent literature review estimates the region's investment requirements for the provision of infrastructure services as equivalent to between 2% and 8% of GDP per year; and that the annual spending needed to address a variety of social challenges is 5% to 11% of GDP." This adds up to between 7% and 19% of annual GDP on top of what is currently being spent (Galindo, Hoffman and Vogt-Schilb, 2022). More conservative studies put the figure at around 4% of GDP in emerging economies and 15% of GDP in the group of low-income countries (ECLAC, 2022). Either way, these are significantly higher amounts than are currently being spent on infrastructure.

Figure III.18
Latin America (6 countries):[a] public and private sector infrastructure investment, 1980–2020
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Infralatam, "Public Investment in Economic Infrastructure" [online] http://infralatam.info/en/home/; C. Calderón and L. Servén, "The effects of infrastructure development on growth and income distribution", *Policy Research Working Papers*, No. 3400, Washington, D.C., World Bank, 2004; and World Bank, Private Participation in Infrastructure (PPI) Database [online] http://ppi.worldbank.org.

Note: Includes investments in transport (roads and railways), electricity, telecommunications, and water and sanitation. Data are weighted averages from 1980 to 2014 for Argentina, Brazil, Chile, Colombia, Mexico and Peru. Private investment from 2015 onward only includes Argentina, Brazil, Colombia, Mexico and Peru. Data on public-private concessions or investments are not included.

[a] Argentina, Brazil, Chile, Colombia, Mexico and Peru.

The population of Latin America and the Caribbean is projected to increase from 665 million in 2023 to 751 million in 2056, before beginning to decline.[14] The demand for transport is therefore expected to keep increasing in the coming years. To support this greater demand, more infrastructure investment is needed within a framework of sustainability and efficiency. The challenge will thus be to finance the investments required to meet the transport needs of users and businesses in a way that minimizes negative externalities and without accumulating excessive debt.

Given the high levels of public debt in the region (ECLAC, 2023a), there has been growing interest in public-private partnerships to generate greater resources and thus accelerate infrastructure projects. In this connection, the Economic Commission for Europe (ECE) has developed the Public-Private Partnerships Evaluation Methodology for the Sustainable Development Goals (see box III.4).

Despite their attractiveness, public-private partnerships are not necessarily viable or the best financing alternative in all cases. There is also funding available from other sources that can be tapped as long as risk, return and creativity requirements are met. For example, institutional investors, including pension funds, are a major potential source of capital for investing in transport infrastructure over the long term. Other forms of financing include partnerships with international donors, development banks and other multilaterals (such as the Green Climate Fund), which can help governments attract private capital to finance projects with a high economic and social impact. For less "bankable" infrastructure projects, other investment vehicles such as blended funds and green bonds can bundle projects with varying degrees of financial attractiveness or allocate risk differently for different types of investors, with development banks taking on more risk or accepting slightly lower rates of return than private investors, for example. Governments can also use various risk mitigants, such as loan guarantees, and transaction enablers, such as offtake agreements, to increase private investment in sustainable infrastructure (UNPD, 2021).

[14] CEPALSTAT data [online] https://statistics.cepal.org/portal/cepalstat/index.html?lang=en.

Box III.4

Public-private partnerships for the Sustainable Development Goals

The Economic Commission for Europe (ECE) has developed the Public-Private Partnerships Evaluation Methodology for the Sustainable Development Goals in partnership with more than 100 experts from the public and private sectors, academia and non-governmental organizations. It is expected to be a useful tool for governments, the private sector and a variety of organizations and to be applicable to all sectors and all categories of public-private partnership projects, be they small or large-scale and conducted within individual countries or across borders.

The methodology designed by ECE can be used at any stage of the public-private partnership life cycle, from project identification (original conception or idea) to project development and implementation, commissioning and eventual decommissioning (disposal). However, the earlier it is applied the better, and the greater its contribution will be, because it is in the early stages of projects that changes can be made most flexibly and at the lowest cost.

The initiative offers an online platform with a self-assessment questionnaire to score infrastructure projects on their compliance with the Sustainable Development Goals (SDGs). Thus, projects are assessed on the basis of five desirable outcomes (access and equity, economic efficiency and fiscal sustainability, environmental sustainability and resilience, replicability and stakeholder participation), with 23 indicators and 104 open questions (evaluation criteria). A panel of different authorities and experts assesses whether projects actually meet the criteria to qualify as public-private partnerships for the SDGs.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Economic Commission for Europe (ECE), "UNECE PPP and Infrastructure Evaluation and Rating System (PIERS)" [online] https://unece.org/ppp/em.

4. Options for more efficient and sustainable regional transport

The barriers to achieving better infrastructure and sustainable connectivity are diverse. Besides the availability of financial resources, it is crucial for governments to plan and use these resources strategically, without losing sight of the impacts that infrastructure can have on the environment. These are particularly evident in the case of road transport, which has historically been a priority on the region's investment agendas. The reasons are obvious, as it allows resources to be focused on interconnecting regions on several levels. Roads and highways connect populations, which need local roads, but also use primary routes for heavier and longer-distance connections. However, the focus on road investment has sidelined other alternatives that can be cleaner and more efficient.

Besides the obvious answer of expanding and renewing road infrastructure, there are at least two alternatives for improving transport under current conditions. One is to explore other transport options. Alternatives such as ferries, waterways and airships are not new, but, like trains, they have great potential to play an even greater part in the challenge of improving transport, while helping to mitigate the pollution and congestion generated by road transport. Some studies and developments that are important for the prospects of greater regional integration are presented below.

The second alternative is the integration of the different modes of transport into properly interconnected systems capable of exploiting the advantages of each mode and the existing infrastructure in a single multimodal system. Section III.B.4.d presents the case of the corridors being established in South America.

(a) Ferries

Ferries are a mode of transport with great connectivity potential that can provide an efficient and often less polluting solution. In the Caribbean, where vessels smaller than large commercial cargo and passenger ships must be used for regional transport, ferries are common and offer short-haul options

suitable for transporting relatively light cargoes. Ferries also have great potential in Central America. On 10 August 2023, the cargo ferry between Puerto de La Unión in El Salvador and Puerto Caldera in Costa Rica began operating. This solution promises to cut distances and costs by offering an alternative to road transport, which involves longer routes (see box III.5).

Box III.5

The cargo ferry between Puerto de La Unión in El Salvador and Puerto Caldera in Costa Rica

On 10 August 2023, almost a decade after the start of the project for a ferry between Puerto de La Unión in El Salvador and Puerto Caldera in Costa Rica, Blue Wave, a private company, began cargo transport activities between the two countries (Llambías, 2023). The company's vessel Blue Wave Harmony will travel twice a week between the two ports. It is far quicker to make the journey by sea (between 16 and 24 hours) than by land, as has been done up to now, passing through Nicaragua and Honduras (between four and five days). The ferry can transport around 100 trucks with an average length of between 18 and 20 metres, their drivers remaining on board so that on arrival at the port of destination they can continue by road to make final delivery. Depending on the size of the truck, the cost of the trip ranges from US$ 1,145 to US$ 1,360 per leg, to which services such as electricity for refrigerated cargo and cabins for the drivers can be added (Llambías, 2023).

According to the Secretariat for Central American Economic Integration (SIECA), the implementation of this new logistics route promises to boost several economic sectors, including the production of paper for household use, packaging goods, prepared foods and dairy products. This ferry service will contribute significantly to revitalizing trade between El Salvador and Costa Rica, which currently stands at something over US$ 680 million annually (Lima-Mena, 2023).

In summary, the deployment of the ferry offers a number of advantages that include cutting travel times, boosting trade, reducing negative environmental impacts associated with road transport and enhancing the competitiveness of products by lowering transport costs (Gutiérrez Arias, 2020). As a fast and effective short-haul transport solution, ferries have the potential to expand rapidly to other nearby countries, such as Guatemala, Mexico and Panama (INCOP, n.d.).

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of V. Gutiérrez Arias, "El proyecto del ferry entre El Salvador y Costa Rica", elsalvador.com, 17 October 2020 [online] https://historico.elsalvador.com/historico/765383/puerto-la-union-ferry.html; Costa Rican Pacific Ports Institute (INCOP), "Ferri entre El Salvador y Costa Rica" [online] https://incop.go.cr/ferrisvcr/; F. Llambías, "Cómo puede beneficiar a El Salvador y Costa Rica el nuevo ferry que los unirá sin pasar por Honduras y Nicaragua", BBC News Mundo, 10 August 2023 [online] https://www.bbc.com/mundo/articles/c0w169ke74ro; F. Lima-Mena, "Publicación de Francisco A. Lima-Mena, LL.M", LinkedIn, 2023 [online] https://es.linkedin.com/posts/flimamena_el-ferri-entre-el-salvador-y-costa-rica-es-activity-7094356615646076928-YFAT [accessed on 4 September 2023].

(b) Inland waterways

Temer, Muraro and Paz (2023) point out that, despite having only 12% of the planet's total land area, South America has a river runoff equivalent to 25% of the global total, and the volume of water in its rivers represents almost half (47%) of all the world's watercourses. This is due to the vast size of its major river basins, forming a system usable for river navigation with a total length of more than 50,000 km. However, the region has a low level of physical river integration, with the notable exception of the Paraguay-Paraná waterway. The three main river basins (those of the Amazon, the River Plate and the Orinoco), which cover most of South America's territory, present untapped opportunities for river interconnection, potentially interacting with the various road, rail and airport networks. In this context, it is feasible to build an enhanced system of sustainable river navigation in the region and to explore the advantages of intermodality in regional logistics.

(c) Airships

Airships are another mode of transport with great potential to mitigate the impact of climate change, among other benefits. This technology offers technical capabilities that can help to significantly improve mobility and logistics networks in isolated areas, particularly in small island developing States (SIDS) (ESCAP/ECLAC, 2021). According to this study, airships do not compete with other means of transport, but rather complement them, improving co-modality and synchro-modality.[15] They also play an important social role by improving connectivity and accessibility, both domestically and externally.

As discussed in ESCAP/ECLAC (2021) and Gómez Paz and Sánchez (2022), among the main advantages of airships are: (i) the potential to achieve operational solutions with minimal physical contact (reduced need for on-board crew), (ii) a low environmental impact owing to the use of non-flammable gases (reduction of greenhouse gas emissions) and (iii) the ability to respond effectively to climate-related challenges and natural disasters. In addition, airship technology provides greater flexibility and has lower nodal infrastructure investment requirements than traditional modes of transport, while being able to adapt to difficult terrain and adverse weather conditions. Airships do not have to operate along road or shipping routes, which reduces travel times and allows them to access places that cannot be easily reached by other modes of transport. The size of airships means they can have large cargo compartments, with speeds higher than those of conventional shipping. They can also have a higher cargo capacity than many models of trucks and aircraft serving relatively small communities.

(d) Multimodal corridors

Besides the potential offered by the various modes of transport individually, the implementation of road, road-rail, rail and waterway corridors in the region can strengthen connectivity between multiple countries, opening up spaces for trade and productive integration and reducing the risk of shortages or interruption to supply chains. Road corridors also promise to be a particularly effective solution to the relative isolation of landlocked South American countries. Paraguay and the Plurinational State of Bolivia face major challenges because of their lack of access to seaports and consequent remoteness from international markets. Higher trade costs relative to their neighbours negatively affect their economic competitiveness and limit their ability to attract investment, finance, technology and services, elements that are considered essential to economic transformation (Sánchez, 2023).

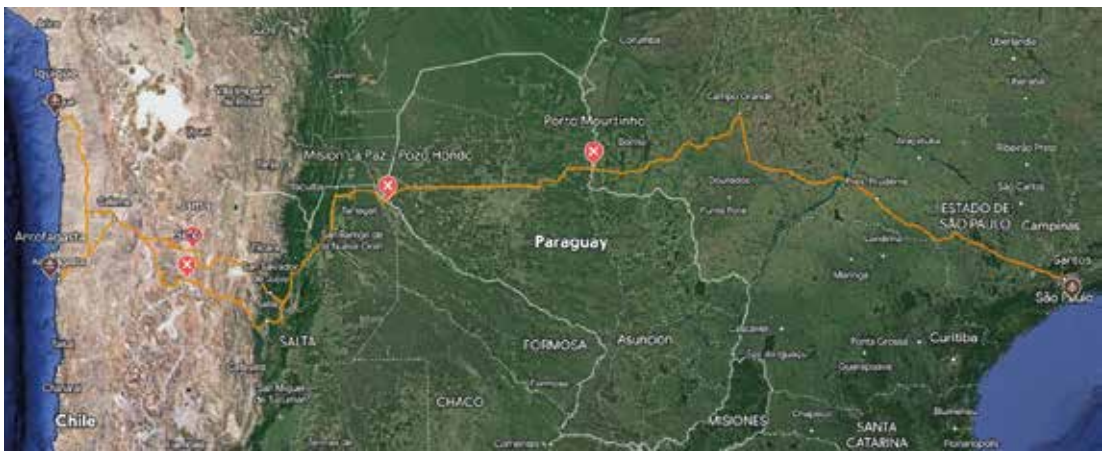
The two main corridor projects being developed in South America, the bioceanic corridor and the rail corridor, involve coordination of efforts by different countries with a comprehensive, multimodal vision. The aim is to link a road corridor between the Atlantic and Pacific oceans with another corridor featuring new railways and to integrate both with the subregion's waterway system.

(i) The bioceanic road corridor

The bioceanic corridor is located near the tropic of Capricorn and crosses the core of the Integration Zone of the Centre West of South America (ZICOSUR), taking in Argentine provinces, Brazilian states, departments of the Plurinational State of Bolivia, Paraguay and Uruguay, and regions of Chile and Peru (MAPFRE Global Risks, n.d.) (see map III.1). The construction of this corridor is meant to transform the region into a logistics hub of international importance by providing the shortest route between Chilean ports on the Pacific Ocean and the Brazilian port of Santos on the Atlantic Ocean (MOPC, n.d.).

[15] Co-modality aims to maximize the efficient use of all modes of transport (road, rail, water and air), while synchro-modality efficiently and flexibly integrates all modes of transport to move goods in real time.

Map III.1
South America: bioceanic road corridor



Source: Financial Fund for the Development of the River Plate Basin (FONPLATA), "Paraguay: FONPLATA funds key project for the realization of the regional interoceanic highway", 21 December 2020 [online] https://www.fonplata.org/en/news/21-12-2020/paraguay-fonplata-funds-key-project-realization-regional-interoceanic-highway.

The corridor is designed initially to have three road sections, and studies on its potential impact on surrounding markets have yielded promising results. In Brazil, several locations in Campo Grande (Mato Grosso do Sul state) are seen as potential logistics hubs for exports to Asia, as well as storage and distribution sites for imports from Asia and other markets. In Argentina, there has been interest in establishing logistics centres in the provinces of Jujuy and Salta. In Chile, there is a major opportunity for a public-private partnership that can capitalize on the flow of goods to diversify the country's production, which until now has been predominantly oriented towards mining (MAPFRE Global Risks, n.d.).

According to Parkinson (2023), the bioceanic corridor will reduce the physical isolation of certain regions, integrating underexploited areas and revitalizing spaces where production activity is latent. It will also favour the implementation of multimodal logistics solutions, integrating road, rail and waterway transport. Other expected benefits of the project include:

- Reducing logistics costs and travel times, which is beneficial for cargo in general and especially for perishable goods.
- Exporting products from Argentina, Brazil, Chile and Paraguay efficiently and more cheaply to Asia, the west coast of the American continent and Oceania.
- Stimulating the integration of regional producers and the creation of favourable conditions for projects of participation in global value chains.
- Promoting investments in national logistics and transport systems thanks to multimodality.

According to Rodríguez Laconich and Lupano (2021), the bioceanic road corridor is the most important project being carried out by the Ministry of Public Works and Communications (MOPC) of Paraguay in the Chaco region. The project uses the turnkey approach and involves an investment of US$ 445 million. The construction of this corridor is of great strategic value for Paraguay, as it has the potential to turn the country's western region into an international logistics hub by providing the shortest route between Chilean and Brazilian ports (Rodríguez Laconich and Lupano, 2021).

The initial phase of the corridor (section 1) was presented and inaugurated in Paraguay in February 2022. Construction began on 11 February 2019, and 275 kilometres of asphalted highway have now been built between the towns of Loma Plata (department of Boquerón) and Carmelo Peralta (department

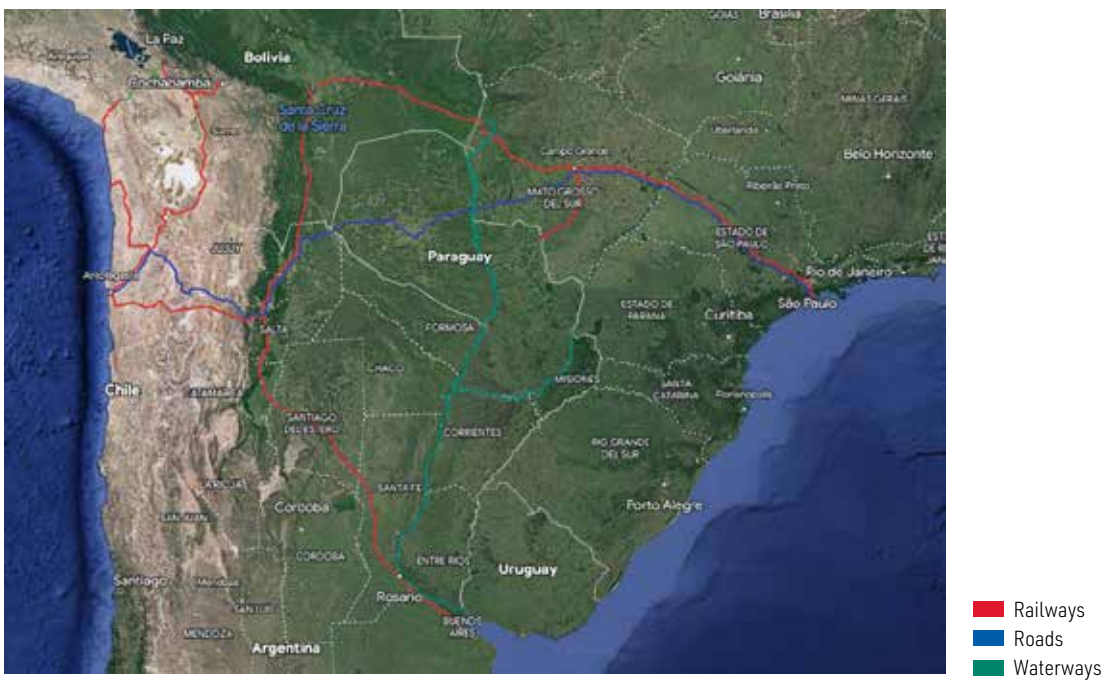
of Alto Paraguay) (MOPC, 2022). In March 2023, four contracts were signed with companies that will begin construction of section 3. This will be at the western end of route PY15 and run from Mariscal Estigarribia to Pozo Hondo, a town on the border with Argentina. The eastern section of the road will connect with the bridge of the bioceanic route. The 102 kilometre long section 2 will run from Cruce Centinela to Mariscal Estigarribia, with a planned investment of approximately US$ 110 million. It is scheduled to be built after section 3, since the recently upgraded PY09 road already functions as a detour route connecting to the latter. This third segment will be 225 kilometres long and entail an estimated investment of some US$ 355 million (Itaipú Binacional, 2023).

Once construction of all phases of the route is complete, it will connect the most important seaports on the Pacific and Atlantic oceans, lead to the creation of 2,500 additional jobs and open up a wide range of opportunities for the communities of the Paraguayan Chaco (MOPC, n.d.). This project is also expected to benefit indigenous communities, as it includes improvements in productive infrastructure, mobility and transport, as well as training and capacity-building programmes (STP, 2022).

(ii) The central bioceanic rail corridor

The purpose of this is to connect the port of Santos in Brazil, on the Atlantic Ocean, and the port of Ilo in Peru, on the Pacific Ocean (see map III.2). This link will not only lower exporting and importing costs, but will provide a sustainable means of transport that integrates coherently with the river routes of the Plate and Amazon basins (PARLASUR, 2017). For the two landlocked South American countries, this corridor and the bioceanic road corridor will open up connections within the region and to international trade. In particular, the rail corridor is a priority project for the Plurinational State of Bolivia.

Map III.2
South America: road, rail and waterway corridors



Source: J. C. Parkinson, "Multimodalidad en el transporte", presentation at the seventh Latin American and Caribbean Meeting of Port Logistics Communities, 22–25 August 2023, Santiago, Latin American and Caribbean Economic System (SELA)/Development Bank of Latin America and the Caribbean (CAF)/Economic Commission for Latin America and the Caribbean (ECLAC).

(iii) Paraná-Paraguay-Uruguay waterway

Map III.2 shows how the road corridor integrates with the rail corridor and the Paraná-Paraguay-Uruguay waterway. This is the river system formed by the Paraguay and Paraná rivers from the port of Cáceres in Brazil to the port of Nueva Palmira in Uruguay, including the mouths of the Paraná River and the Tamengo channel, a tributary of the Paraguay River, shared by the Plurinational State of Bolivia and Brazil (Muñoz Menna, 2012). Its total length is approximately 3,400 kilometres and its area of direct influence is 1.75 million km^2, with a population of around 17 million inhabitants (Muñoz Menna, 2012). This territory has great potential to integrate regions where various crops (soybeans and their derivatives, cotton, sunflower and wheat, among others), minerals and industrial products are produced.

The morphology of these rivers makes them a natural waterway which, unlike most of the world's great river valleys, presents only a very shallow slope that does not require lock systems to be constructed to allow fluvial transport. Muñoz Menna (2012) adds that the use of natural river transport creates a natural basis for integration via the balanced development of the region's economies. On this basis, he highlights three advantages of river transport: (i) environmental protection, since it significantly reduces greenhouse gas emissions (each of the barges used on the waterway can transport 1,500 metric tons, equivalent to the carrying capacity of 60 trucks); (ii) lower costs than other alternatives (freight costs are approximately US$ 0.035 per ton/km by road, US$ 0.025 per ton/km by rail and US$ 0.010 per ton/km by waterway); and (iii) large energy savings.

C. Conclusions

Progress with trade facilitation is crucial for Latin America and the Caribbean for a number of reasons. Since small and medium-sized enterprises (SMEs) in the region are particularly penalized by administrative barriers to trade, reducing such barriers is conducive to the internationalization of these firms and to intraregional trade, in which SMEs have a strong presence. The resulting increase in the number of firms participating in international trade may in turn contribute to export diversification. Furthermore, the expeditious movement of intermediate and final goods across borders is essential for the smooth functioning of international production networks. Progress with trade facilitation can therefore help to attract new investment from multinational companies that are considering relocating some of their operations to the region as part of nearshoring processes. Moreover, by fostering transparency and reducing the face-to-face interaction usually associated with bureaucratic procedures, trade facilitation can contribute to greater State efficiency and the fight against corruption.

The COVID-19 pandemic had mixed effects on trade facilitation efforts in the Latin American and Caribbean countries. On the one hand, in some countries it slowed down progress towards the full implementation of authorized economic operator, electronic single window and other such measures. On the other hand, the digitalization of documents and processes was accelerated to minimize physical contact. While a number of these measures were originally conceived as temporary to deal with the pandemic, a large proportion have continued to be implemented now that the health crisis is over in view of the associated cost and time savings.

The great progress made by individual countries in the region will have a larger impact on trade flows and productive integration if this progress can be coordinated among a number of countries. There have been a variety of promising developments in this regard in recent years, mainly at the subregional level. This is the case, for example, with the cross-border electronic exchange of trade documents and data and the growing number of agreements on mutual recognition of national authorized economic operator systems. Stepping up these efforts should be a priority in the coming years. Also, given the recent experience of the pandemic and the increasing frequency of extreme

weather events impacting international supply chains, the countries of the region should increase their levels of preparedness through concerted actions at regional level. The negotiation of a regional agreement on trade facilitation and paperless trade could be a useful vehicle to this end.

In addition to streamlining trade procedures and formalities, the countries of the region need to progressively deal with the infrastructure gaps that have been highlighted by various international indicators and that limit their development prospects. This means not only increasing the regional infrastructure stock, but also allocating adequate resources to the maintenance and repair of existing infrastructure, improving technical and regulatory frameworks and preparing for the challenges of climate change and the extreme events accompanying it. However, increasing the amounts allocated to infrastructure investment is a major challenge given the context of fiscal stringency facing most countries in the region. Different innovative financing options therefore need to be explored, particularly those associated with the development of green infrastructure.

The region's countries have traditionally favoured the development of road transport over other modes. However, multimodality has great potential that should be harnessed to enhance the advantages of each mode of transport in an integrated, more efficient and less polluting system. Alternatives such as rail, ferries, airships and river transport can make a major contribution to this. A promising example of multimodality are the ongoing projects to develop bioceanic integration corridors in South America. These initiatives may particularly benefit the region's landlocked countries by facilitating their access to the Atlantic and Pacific coasts and thence their participation in international trade.

In sum, trade facilitation requires simultaneous progress in streamlining trade procedures, improving infrastructure for the various modes of transport and ensuring the availability of quality transport and logistics services at competitive costs. In the absence of substantive progress in all three dimensions, the impact of improvements in any one of them will necessarily be limited. For this reason, national trade facilitation committees should include all three in their work agendas, seeking to maximize synergies between them.

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Annex III.A1

Table III.A1.1
Questions in the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023 and correspondence with the articles of the Trade Facilitation Agreement

Group and category		Number of question and measure it relates to		Equivalent article in the Trade Facilitation Agreement
General trade facilitation	Transparency	2	Publication of existing import-export regulations on the Internet	1.1 and 1.2
		3	Stakeholders' consultation on new draft regulations (prior to their finalization)	2.2
		4	Advance publication or notification of new trade-related regulations before their implementation	2.1
		5	Advance rulings on tariff classification and origin	3
		9	Procedures to appeal or review decisions by customs and other border control agencies	4
	Formalities	6	Use of risk management to decide whether a shipment is to be physically inspected	7.4
		7	Pre-arrival processing of goods	7.1
		8	Post-clearance audits	7.5
		10	Separation of release from final determination of customs duties, taxes, fees and charges	7.3
		11	Establishment and publication of average release times	7.6
		12	Trade facilitation measures for authorized operators	7.7
		13	Expedited shipments	7.8
		14	Acceptance of paper or electronic copies	10.2.1
	Institutional arrangement and cooperation	1	Establishment of a national trade facilitation committee (NTFC) or similar body	23
		31	Border agencies cooperation	8
		32	Government agencies delegating border controls to customs authorities	
		33	Alignment of working days and hours with neighbouring countries at border crossings	8.2(a)
		34	Alignment of formalities and procedures with neighbouring countries at border crossings	8.2(b)
	Transit	35	Transit facilitation agreements with neighbouring countries	
		36	Limitation of physical inspections of transit goods and use of risk assessment	10.5
		37	Pre-arrival presentation and processing of transit documents and data	11.9
		38	Cooperation between border agencies of countries involved in transit	11.16
Digital trade facilitation	Paperless trade	15	Automated customs system	
		16	Internet connection available to all customs and other border trade control agencies	
		17	Electronic single window system for foreign trade	10.4
		18	Electronic submission of customs declarations	
		19	Electronic application and issuance of licences and permits	
		20	Electronic submission of sea cargo manifests	
		21	Electronic submission of air cargo manifests	
		22	Electronic application and issuance of certificates of origin	
		23	Electronic payment of customs duties and fees	7.2
		24	Electronic application for customs refunds	

Group and category		Number of question and measure it relates to		Equivalent article in the Trade Facilitation Agreement
Digital trade facilitation	Cross-border paperless trade	25	Legal framework that facilitates cross-border electronic transactions (e.g., electronic signature law)	
		26	Recognized certification authorities can issue traders with digital certificates to carry out electronic transactions	
		27	Electronic exchange of customs declarations with other countries	
		28	Electronic exchange of certificates of origin with other countries	
		29	Electronic exchange of sanitary or phytosanitary certificates with other countries	
		30	Paperless collection of payment from a documentary letter of credit	
Sustainable trade facilitation	Trade facilitation for SMEs	39	Trade facilitation measures giving SMEs easy and affordable access to trade-related information have been adopted	
		40	Specific measures enabling SMEs to benefit from the authorized economic operator mechanism have been adopted	
		41	Measures facilitating SME access to the foreign trade electronic single window have been adopted	
		42	Measures to ensure that SMEs are well represented on the NTFC have been adopted	
		43	Other measures have been taken to reduce the costs to SMEs of complying with trade procedures	
	Agricultural trade facilitation	44	Testing and laboratory facilities are available to certify compliance with the sanitary and phytosanitary standards of the country's main trading partners	
		45	National standards and accreditation bodies to facilitate compliance with sanitary and phytosanitary standards	
		46	Electronic application and issuance of sanitary and phytosanitary certificates	
		47	Special treatment for perishable goods	7.9
	Women in trade facilitation	48	The trade facilitation policy/strategy includes special support to increase women's participation in trade	
		49	The government has introduced specific trade facilitation measures to benefit women involved in trade	
		50	Women's membership in the NTFC	
Other trade facilitation	Trade finance facilitation	51	The electronic foreign trade single window facilitates access to trade finance	
		52	Customs or other regulatory authorities are engaged in blockchain-based pilot projects covering trade finance	
		53	Variety of trade finance services available	
	Trade facilitation in times of crisis and pandemic	54	The government has made an agency responsible for implementing and managing trade facilitation in times of crisis and emergencies	
		55	The government publishes emergency trade facilitation measures online	
		56	The country's border agencies coordinate emergency trade facilitation measures with other countries or regional organizations	
		57	The government has implemented additional measures to facilitate paperless trade in times of crisis and emergencies	
		58	The country is prepared with appropriate trade facilitation measures to increase resilience and protect against future crises	
	Trade facilitation for e-commerce	59	Trade facilitation measures have been implemented to facilitate cross-border e-commerce	7.8.2(d)
	Trade facilitation and wildlife protection	60	Permits or certificates under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) can be applied for, issued and exchanged electronically[a]	

Source: United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023.
[a] See [online] https://cites.org/eng/disc/what.php.

Annex III.A2

Main categories of measures included in the United Nations Global Survey on Digital and Sustainable Trade Facilitation

1. Transparency

This category includes Internet publication of laws, regulations, circulars and other regulatory instruments, consultation with the private sector during the preparation of new regulations, publication of such regulations prior to implementation, issuance of advance rulings, and implementation of appeal or review procedures for customs decisions.

An advance ruling is a binding written decision issued by the customs of an importing country, at the request of an interested party (usually an importer or exporter), prior to the arrival of the goods to which the request relates. This ruling establishes the treatment that will be given to the goods upon arrival in the country in relation, at a minimum, to their tariff classification and origin. Other aspects that may be included are the method to be used to determine the customs value of the goods and the applicable tariff treatment. Article 3 of the Trade Facilitation Agreement stipulates that World Trade Organization (WTO) members must publish, at a minimum, the requirements for the application for an advance ruling, the time period by which it will be issued and the length of time for which it will be valid.

Article 4 of the Trade Facilitation Agreement also provides that WTO members must ensure the right of any person to whom customs issues an administrative decision to request review and rectification where appropriate by either a higher administrative authority, a judicial authority or both. WTO members are encouraged to make this article applicable to administrative decisions issued by other border control agencies, such as animal and plant protection services.

2. Formalities

This category comprises the following measures, mainly contained in article 7 of the Trade Facilitation Agreement:

- **Pre-arrival processing.** This allows import documentation and other information necessary for the release of the imported goods to be submitted prior to their arrival, to expedite release.
- **Risk management.** This refers to the methods or practices used by customs to determine which import, export or transit transactions or operators will be subject to controls (e.g., physical inspections) and the type and degree of controls to be applied. The Trade Facilitation Agreement encourages countries to concentrate customs controls on high-risk consignments and to accelerate the release of low-risk consignments, using appropriate selection criteria.
- **Separation of release from final determination of customs duties, taxes, fees and charges.** This allows goods to be released prior to the final determination of these payments, provided that all other regulatory requirements have been met. The customs authorities may require security in the form of a surety, deposit or other instrument.
- **Post-clearance audit.** With a view to expediting the release of goods, the authorities shall check compliance with customs and related laws and regulations by examining the books and records of traders after customs clearance.

- **Establishment and publication of average release times.** Customs are encouraged to calculate and regularly publish information on release times.
- **Trade facilitation measures for authorized operators.** This refers to the granting of certain advantages to companies certified by customs as authorized operators. The advantages offered may include, among others, reduced documentation and physical inspection requirements and deferred payment of customs duties, taxes, fees and charges. Criteria for authorized trader certification include an appropriate record of compliance with customs laws and regulations, financial solvency and supply chain security.
- **Expedited shipments.** A variety of measures are put in place to expedite the clearance of documents and goods imported by express delivery service operators, including the possibility of waiving customs duties for consignments whose value is below a *de minimis* threshold determined by the importing country.
- **Perishable goods.** This refers to the expedited clearance of such goods, for example, by prioritizing them when scheduling inspections.
- **Acceptance of copies.** This means that customs and other agencies accept paper or electronic copies of documents required for import, export or transit.

3. Institutional arrangement and cooperation

This category includes the creation of national trade facilitation committees and coordination, both domestically and internationally, between the agencies in charge of border controls (articles 8, 12 and 23 of the Trade Facilitation Agreement). An example of national cooperation is coordination between the customs service and the animal and plant protection service to carry out simultaneous physical inspection of a shipment. Coordination between countries that share borders to align working days and hours or formalities at their border posts is an example of international cooperation.

4. Paperless trade

The purpose of measures in this category is to facilitate the flow of documentation and streamline trade procedures by the use of information and communications technologies (ICTs) (articles 7 and 10 of the Trade Facilitation Agreement). They include measures such as the use of electronic single windows for foreign trade, electronic payment of tariffs and other related charges, and the application, issuance and cross-border exchange of documents (customs declarations, sanitary and phytosanitary certificates, import licences, environmental authorizations and certificates of origin, among others). Paperless trade has both a domestic and a cross-border dimension. The former is the use of electronic methods to speed up the procedures that traders have to carry out vis-à-vis the authorities in their own country, such as paying customs duties and obtaining various documents. The cross-border dimension is the ability of traders and authorities in two or more countries involved in a trade transaction to exchange documentation digitally.

The cornerstone of paperless trade is the electronic single window for foreign trade. This allows parties involved in trade and transport to submit the information and documents necessary to meet all regulatory requirements related to import, export and transit at a single point of entry. The information provided need only be submitted once, electronically (ECE, 2020). Implementing an electronic single window for foreign trade has multiple benefits. They include reducing the time and cost associated with procedures and making the work of the public agencies involved more efficient, coordinated and transparent. Other benefits include less scope for corruption (since face-to-face interactions are minimized) and a reduction in paper use.

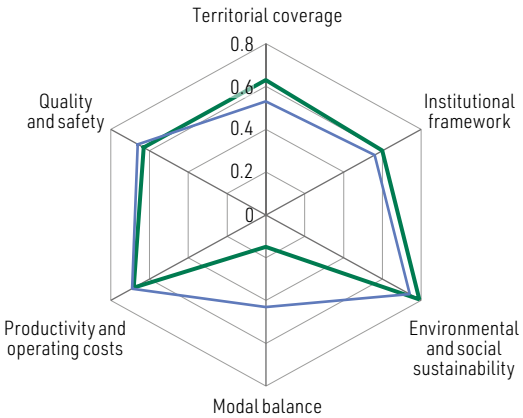
5. Transit facilitation

The measures in this category are aimed at facilitating the movement of goods in transit through the territory of one country to a final destination in another (article 11 of the Trade Facilitation Agreement). They include the provision of physically separate infrastructure (e.g., berths) for transit traffic, pre-arrival submission and processing of transit documents and data, and non-application of technical regulations to goods in transit.

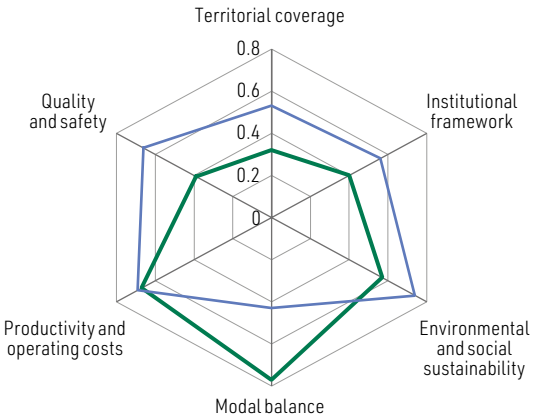
Annex III.A3

Figure III.A3.1
Latin America (11 countries): results of the land transport indicator system, 2020
(Index values between 0 and 1)

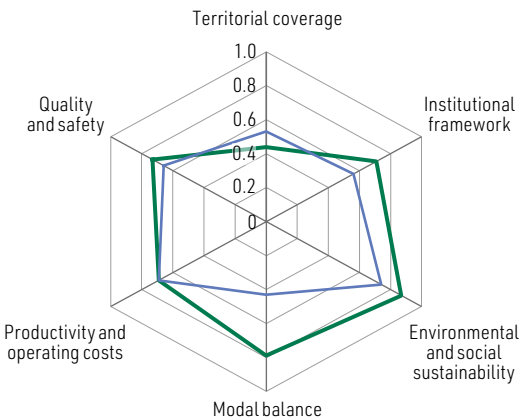
A. Argentina



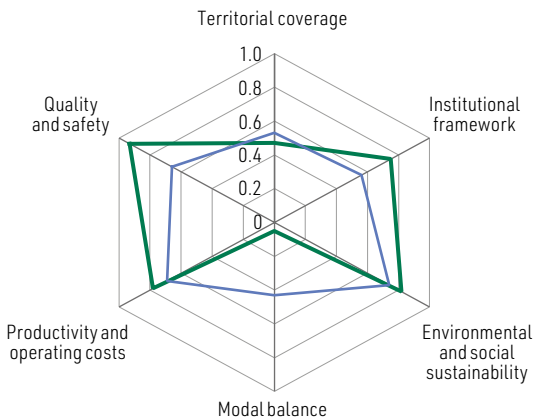
B. Bolivia (Plurinational State of)



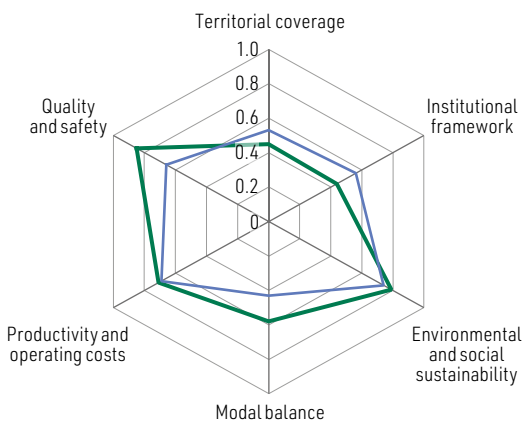
C. Brasil



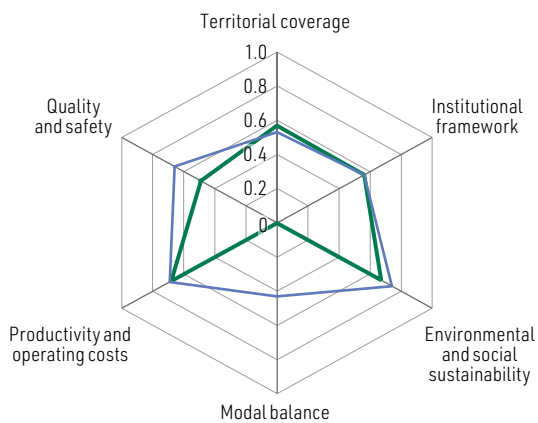
D. Chile



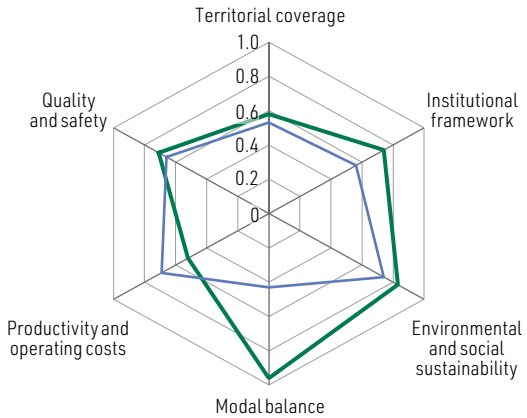
E. Colombia



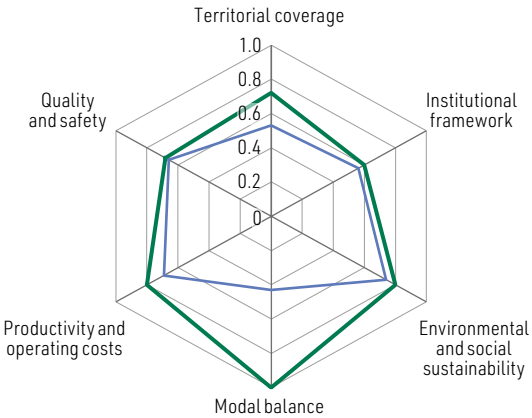
F. Ecuador



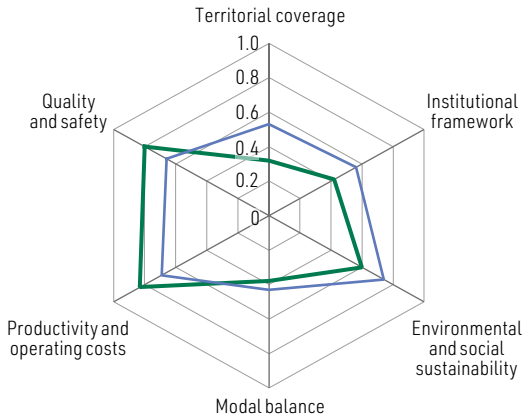
G. Mexico



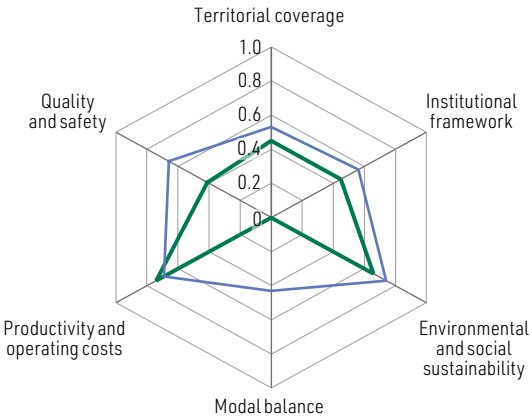
H. Panama



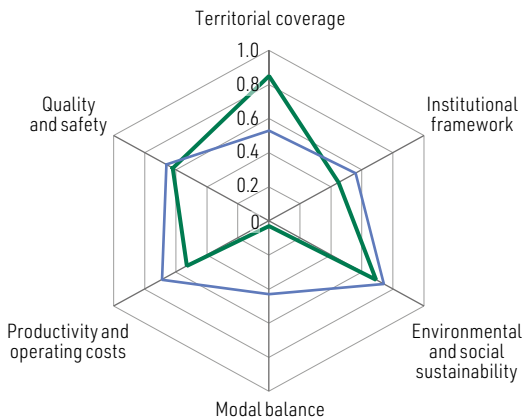
I. Paraguay



J. Peru



K. Uruguay



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of AC&A and CENIT, *Análisis de inversiones en el sector transporte terrestre interurbano latinoamericano a 2040*, Caracas, Development Bank of Latin America and the Caribbean (CAF), 2020.

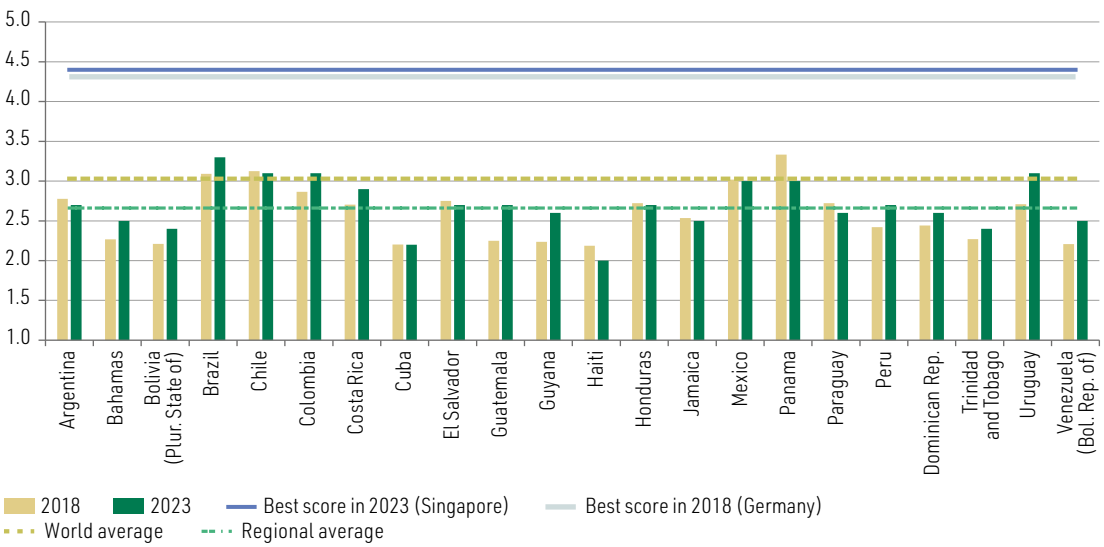
Note: The blue line is the regional average.

Annex III.A4

Latin America and the Caribbean: results in the 2023 logistics performance index

Component: Logistics quality and competence. This measures the quality of logistics services such as the availability and competence of suppliers, the quality and cost of services such as warehousing, handling and value added services, and the use of technology and innovation to improve logistics performance. On this component, the countries of the region obtained scores ranging from 2.0 to 3.3 and placed between 51 and 135 out of a total of 139 participants. The Latin American and Caribbean average was also below the world average (2.7 and 3.0, respectively). As figure III.A4.1 shows, Brazil (3.3), Chile (3.1), Colombia (3.1) and Uruguay (3.1) outperformed the world average, while the Plurinational State of Bolivia (2.4), Cuba (2.2) and Haiti (2.0) were the worst-performing countries in the region.

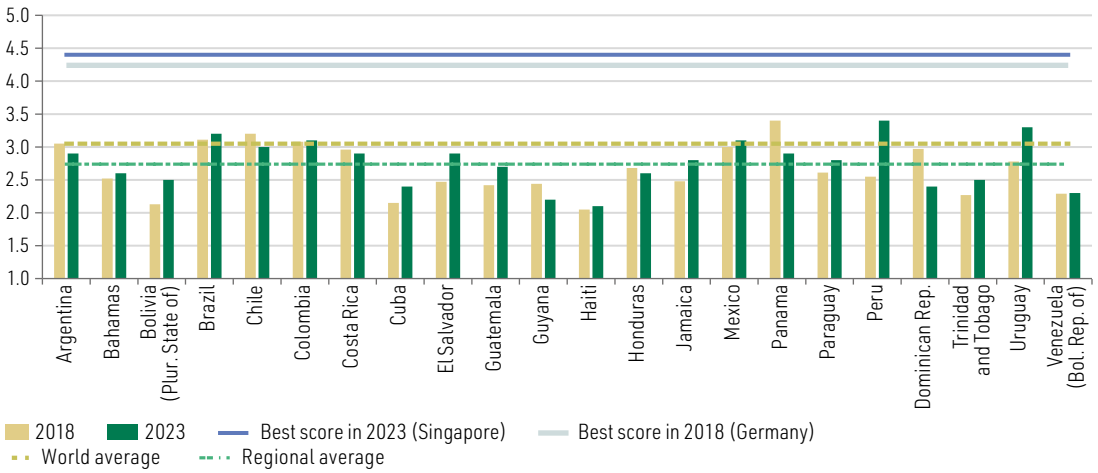
Figure III.A4.1
Latin America and the Caribbean (22 countries): quality and competence of logistics services in the logistics performance index, 2018 and 2023
(1: Very low to 5: Very high)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J.-F. Arvis and others, *Connecting to Compete 2018: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2018, and J.-F. Arvis and others, *Connecting to Compete 2023: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2023.
Note: The global and regional averages are for 2023.

Component: Tracking and tracing of shipments. This covers the availability and quality of information and communications technology (ICT) systems used to track shipments, the reliability and accuracy of tracking data, and the timeliness and thoroughness of delivery-related information. The countries of the region scored between 2.1 and 3.4, ranking from 51 to 135 out of a total of 139 participants. The 2023 average for Latin American and the Caribbean was 2.7, below the global average (3.1). As can be seen in figure III.A4.2, Peru performed particularly well, surpassing the world average with a score of 3.4. Brazil (3.2) and Uruguay (3.3) also improved their performance between 2018 and 2023 and outperformed the global average. Haiti continued to lag far behind the rest of the countries in the region, with a score of 2.1.

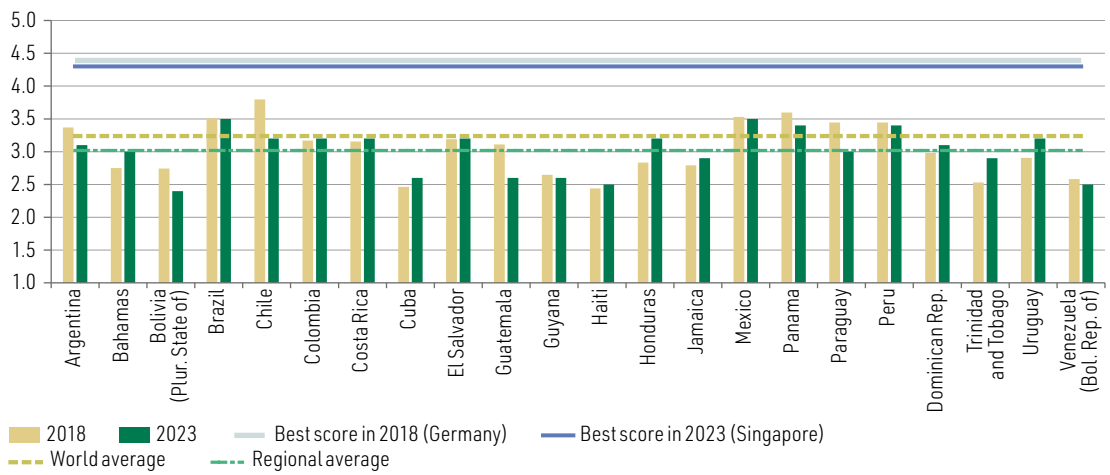
Figure III.A4.2
Latin America and the Caribbean (22 countries): ability to track and trace shipments in the logistics performance index, 2018 and 2023
(1: Very low to 5: Very high)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J.-F. Arvis and others, *Connecting to Compete 2018: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2018, and J.-F. Arvis and others, *Connecting to Compete 2023: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2023.
Note: The global and regional averages are for 2023.

Component: Timeliness of shipments. This measures the average time and variability of the time taken to deliver to recipients, the incidence of delays and interruptions, and the responsiveness and reliability of logistics service providers in managing delivery schedules. The region's countries scored between 2.4 and 3.5 on this component, ranking between 51 and 135 out of a total of 139 participants. Figure III.A4.3 shows mixed results for the countries' performance on this indicator in 2023. The performance of Chile, Colombia and Panama declined between 2018 and 2023, while the Bahamas, Honduras, Trinidad and Tobago and Uruguay showed strong improvements. Honduras and Uruguay actually outperformed the global average (3.2).

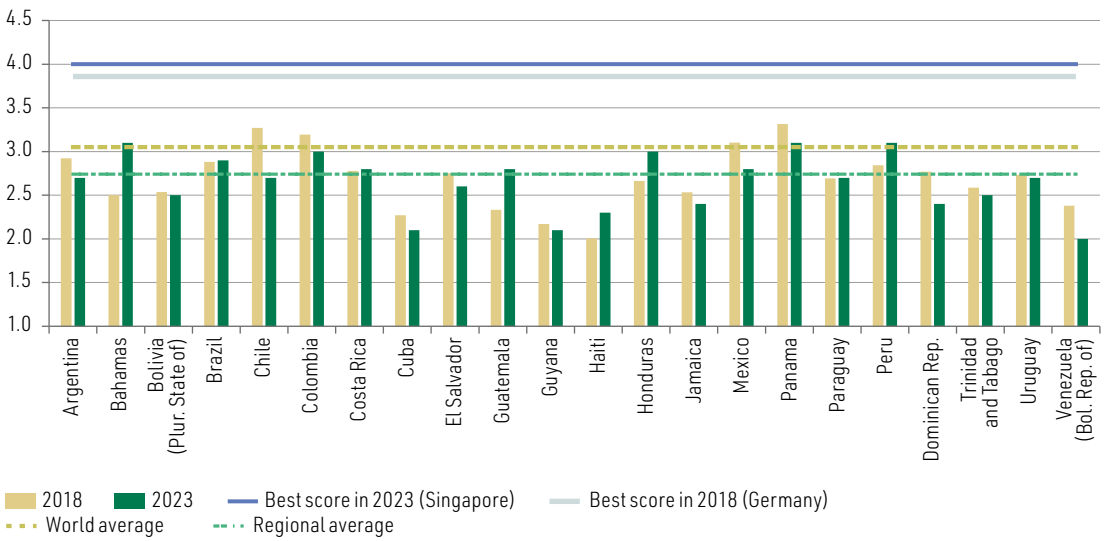
Figure III.A4.3
Latin America and the Caribbean (22 countries): timeliness of shipments in the logistics performance index, 2018 and 2023
(1: Very low to 5: Very high)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J.-F. Arvis and others, *Connecting to Compete 2018: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2018, and J.-F. Arvis and others, *Connecting to Compete 2023: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2023.
Note: The global and regional averages are for 2023.

Component: Availability of international shipments at competitive prices. This component measures the ease of arranging international shipments, on the basis of factors such as the availability and reliability of transport services, the quality and efficiency of documentation and regulatory compliance, and the cost and speed of shipments. The countries of the region obtained scores ranging from 2.0 to 3.1 and ranked between 51 and 135 out of a total of 139 participants. As with all the components presented here, the average for Latin America and the Caribbean (2.7) was below the world average (3.0). As figure III.A4.4 shows, the results for this component were mixed. The Bahamas, Honduras and Peru improved, outperforming not only the regional but also the world average. On the other hand, the scores of Chile, Colombia, Mexico and Panama declined, with Chile and Mexico actually falling further below the world average.

Figure III.A4.4
Latin America and the Caribbean (22 countries): ease of arranging competitively priced international shipments in the logistics performance index, 2018 and 2023
(1: Very low to 5: Very high)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J.-F. Arvis and others, *Connecting to Compete 2018: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2018, and J.-F. Arvis and others, *Connecting to Compete 2023: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2023.
Note: The global and regional averages are for 2023.

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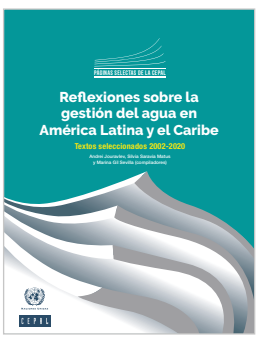

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Human ties and trade, elements
that have shaped the development
of the region.
Bas-relief on the spiral tower
at ECLAC headquarters in Santiago.

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This edition of the *International Trade Outlook for Latin America and the Caribbean* analyses the complex conditions facing the region's trade in 2023, marked by weak global demand, falling commodity prices and the growing interconnections between trade and geopolitics. It also gives an overview of trade relations with China in recent decades: although this trade has expanded significantly, it remains characterized by the exchange of raw materials for manufactures. Lastly, the report examines the progress made and challenges faced by the region in the area of trade facilitation. It concludes that there is a need to redouble efforts in the digitialization of trade documents and processes and to explore innovative financing modalities to improve the region's transport and logistics infrastructure.

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