

Executive summary

International Trade Outlook

for Latin America and
the Caribbean **2024**

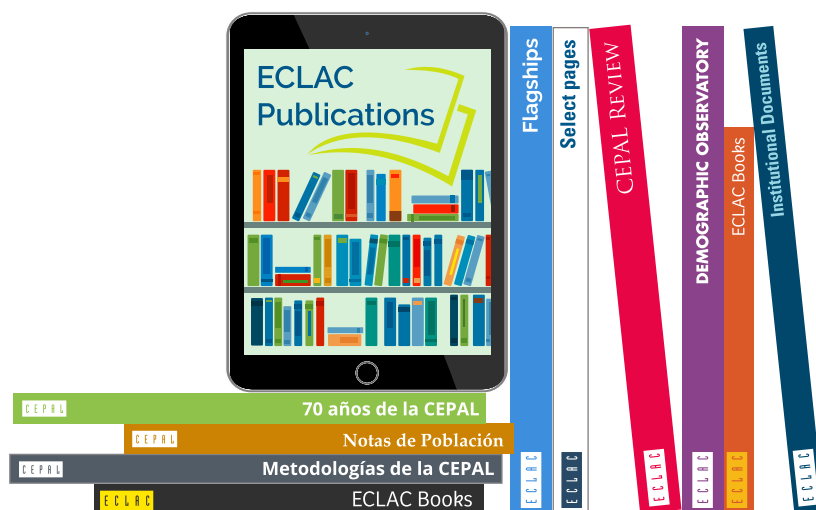
Reconfiguration of global trade
and options for regional recovery



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International Trade Outlook for Latin America and the Caribbean is an annual report prepared by the Division of International Trade and Integration of the Economic Commission for Latin America and the Caribbean (ECLAC).

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A dash indicates that the amount is nil or negligible.

A full stop is used to indicate decimals.

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A slash between years (e.g. 2023/2024) indicates a 12-month period falling between the two years.

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Presentation

The 2024 edition of the *International Trade Outlook for Latin America and the Caribbean* has three chapters. Chapter I reviews the recent performance of global and regional trade. After contracting in 2023, the volume of global trade in goods is set to pick up in 2024, although growth will continue along the same sluggish path registered since the global financial crisis. The weak recovery reflects the combined impact of uncertainty over global economic growth prospects and an environment of rising protectionism, geopolitical tensions and disruptions in shipping. In 2024, regional exports of goods will also bounce back from the slight drop in 2023 and their projected expansion in volume terms will outstrip growth in global trade. Growth in regional goods exports in 2024 will be driven mainly by higher commodity export volumes in South America. Meanwhile, regional services exports will see double-digit growth for the fourth straight year, fuelled primarily by the continued recovery in international tourism. Regional imports of goods and services will expand less than exports, reflecting weak demand amid low economic growth in the region.

Chapter II looks at the role of international trade as the region seeks to ensure food security. Although Latin America and the Caribbean is the world's leading net food exporter, more than a quarter of its population is living with moderate or severe food insecurity and access to a healthy diet is more expensive than in any other region. There is a particularly high prevalence of undernutrition and food insecurity in the Caribbean subregion, which runs a persistent food trade deficit and where food tariffs are highest. Strengthening the contribution of trade to food security in the region requires progress in the following areas: (i) trade facilitation; (ii) regulatory convergence; (iii) improved food trade logistics, especially in the Caribbean; and (iv) a network of preferential trade agreements between the countries and subregions of Latin America and the Caribbean. In addition, the countries of the region should work together in multilateral forums to showcase the contribution of their food exports to global food security.

Chapter III presents an analysis of the role of services —particularly modern, digitally provided services— as a driver of regional exports. Since 2005, growth in services exports from Latin America and the Caribbean has outpaced that of goods exports. However, services exports remain highly concentrated in the tourism sector, with few countries specializing in the export of modern services. The regulatory environment governing trade in services is a key determinant of the buoyancy of this trade. Countries of the region have been making notable efforts at the multilateral, plurilateral, subregional and bilateral levels to ease restrictions and the host of regulations affecting trade in services. Other factors contributing to growth in trade in services include the existence of a sectoral policy with good governance to coordinate support for the sector, access to high-speed broadband connections, the digital transformation of businesses and the public sector, training and upskilling of workers, export promotion and attraction of foreign direct investment, and the tax treatment of services. Efforts in each of these areas need to be scaled up for the region to fully leverage the vast potential offered by trade in services.

Executive summary

A. Weak recovery of global and regional trade

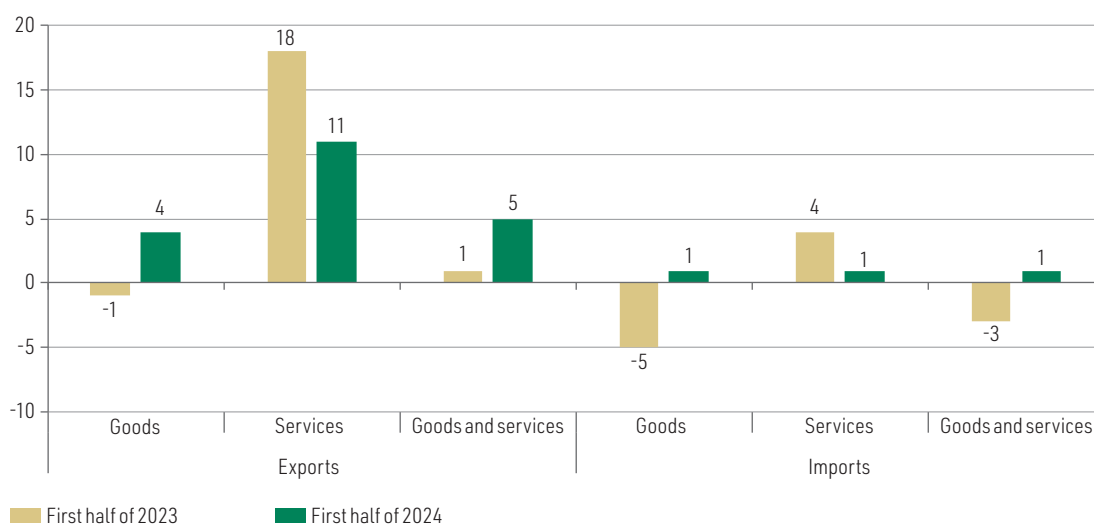
Following a 1.2% decline in 2023, the volume of global trade in goods grew 1% year-on-year for the period January–July 2024.¹ The weak recovery reflects the combined impact of uncertainty over global economic growth prospects and an environment of rising protectionism, geopolitical tensions and disruptions to shipping. The sluggish growth that has plagued global trade in goods for more than 10 years will continue in 2024, remaining well below the average annual growth of 6.2% recorded at the height of globalization, between 1990 and 2007. Growth in global trade in services has outpaced trade in goods since the 2008–2009 global financial crisis, spurred on by increasing cross-border trade in modern services provided online (see section C).

In the first half of 2024, regional trade in goods and services experienced stronger growth relative to the first half of 2023 (see figure 1). The value of exports grew faster year-on-year than imports (5% and 1%, respectively). Meanwhile, the expansion in services exports outstripped goods exports (11% and 4%, respectively). Agricultural products (11%) and mining and oil (11%) were the main contributors to growth in goods exports, while manufacturing exports remained stagnant. Transport and travel services exports rose 11% and 13%, respectively; stronger goods exports drove growth in transport, while the continued recovery of tourism boosted travel services. Other services (mainly modern services) grew 9% compared to the first half of 2023. Regional imports of goods and services, meanwhile, were up just 1% in the first half of 2024. This is indicative of weak demand amid persistent low growth, projected at 1.8% for 2024.

Figure 1

Latin America and the Caribbean: year-on-year variation in the value of goods and services trade, first half of 2023 and first half of 2024

(Percentages)



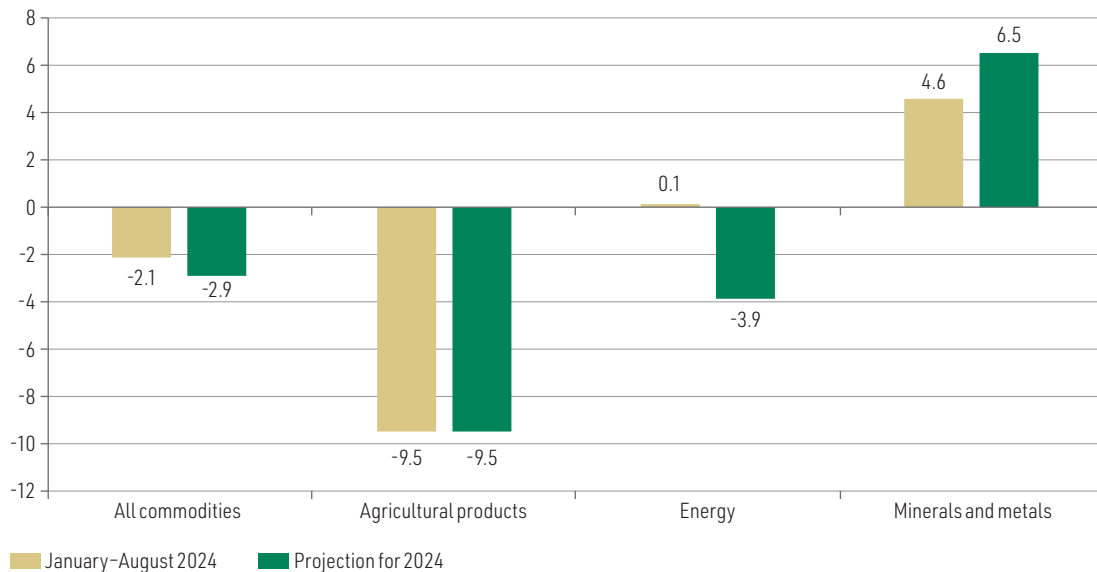
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from central banks, customs services and institutes of statistics of the region.

¹ ECLAC calculations, on the basis of Bureau for Economic Policy Analysis (CPB) of the Kingdom of the Netherlands, World Trade Monitor [online database] <https://www.cpb.nl/en/world-trade-monitor-july-2024>.

Between January and August 2024, the price index for the region's main commodities exports was down by 2.1% year-on-year (see figure 2). On average, agricultural products fell significantly, minerals and metals increased and hydrocarbons were unchanged. The overall decline in this price index for 2024 is projected at 2.9%.²

Figure 2

Latin America and the Caribbean: year-on-year variation in the prices of key commodities exports, January-August 2024 and projection for 2024 (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.

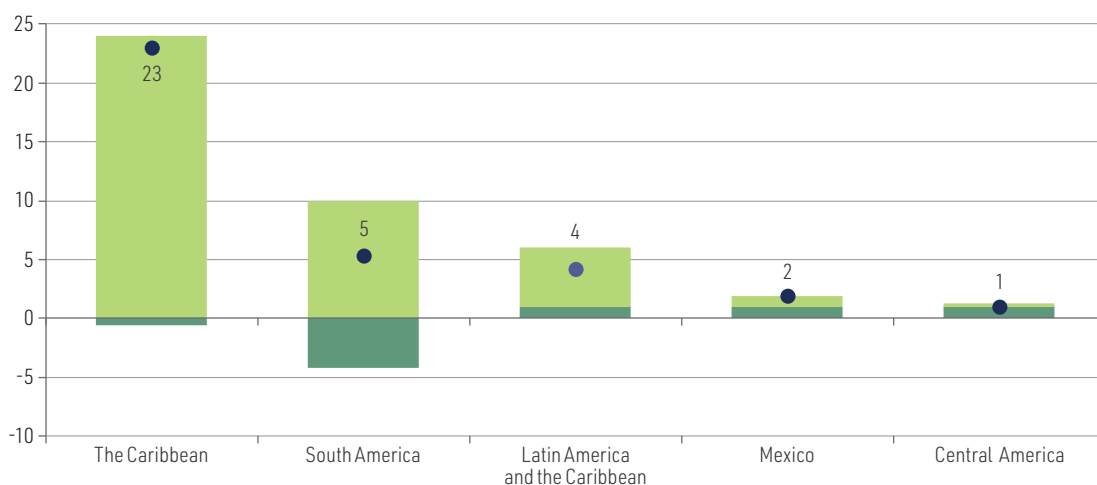
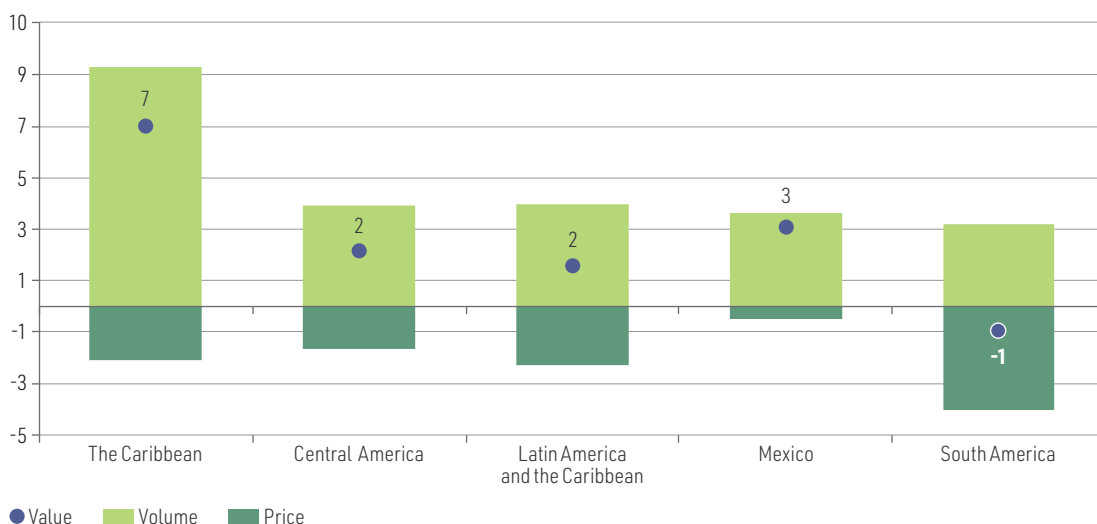
ECLAC projects that the value of goods exports from Latin America and the Caribbean will increase by 4% in 2024 as a result of a 5% increase in volume and a 1% decrease in prices. Growth in imports is projected at 4% by volume and -2% by price, for an overall 2% increase in value (see figure 3). This forecast would amount to a recovery from the regional decline suffered in 2023.

The Caribbean and South America are expected to experience the largest export increases in terms of value and volume. In the Caribbean, the volume of exports is projected to expand by 24% thanks to a marked increase in volume from Guyana (74%) and Suriname (12%). In South America, the volume of exports is expected to increase for agricultural products like soybeans, maize and wheat, which grew at rates of 70%–100% in the first half of the year. This expansion will more than offset falling prices for several South American commodities exports. In Mexico and Central America, the value of exports—which tend to be more heavily concentrated in manufactured goods—is projected to lag behind the regional average, with minimal increases in volume and price. For imports, expanding volumes and falling prices are forecast for all subregions.

² Projections based on information available as at 31 August 2024.

Figure 3

Latin America and the Caribbean, subregions and Mexico: projected rate of change in goods trade by volume, price and value, 2024
(Percentages)

A. Exports**B. Imports**

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

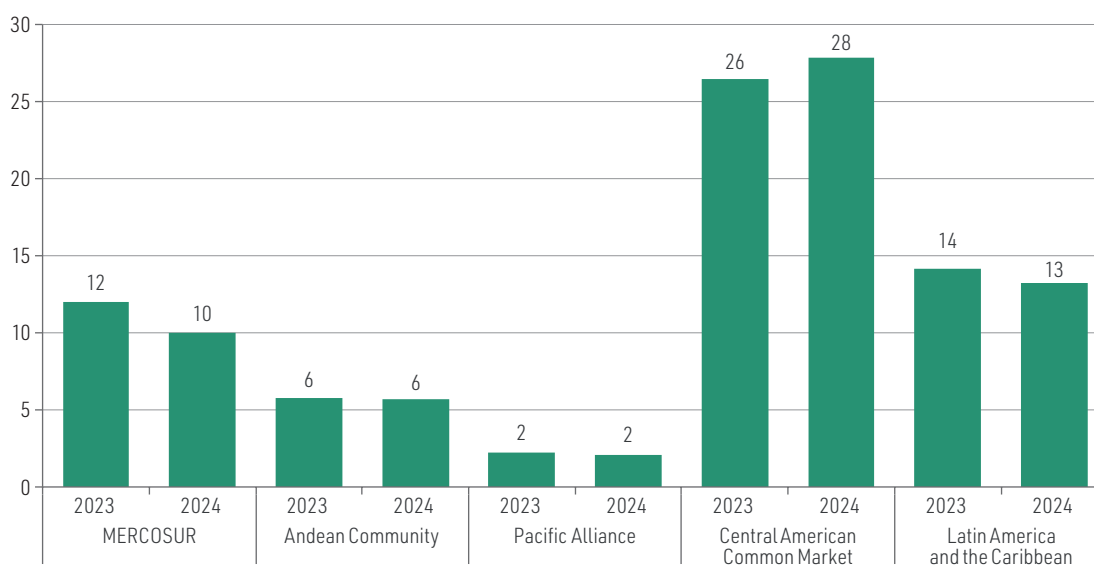
The largest increases in export values in 2024 are projected in Guyana (77%), the Bolivarian Republic of Venezuela (38%), Argentina (21%) and Suriname (18%). All these are attributable mainly to the upsurge in the volume of commodities exports, in particular oil and agricultural products. The value of exports from the region's two largest economies, Brazil and Mexico, is projected to grow by 3% and 2%, respectively. The largest decreases in the value of exports are projected in Panama (71%), owing to the Cobre Panamá mine closure, followed by Trinidad and Tobago (20%), Belize (17%), the Plurinational State of Bolivia (16%) and Cuba (15%). The main factors behind these decreases are the contraction in natural gas and metal exports in the Plurinational State of Bolivia; production declines in sugar cane and molasses and the steep decline in the price of nickel in Cuba; falling exports of food and chemical products in Belize; and a flagging energy sector in Trinidad and Tobago.

By sector, agricultural exports are projected to see the largest increase in their value in 2024 (11%), followed by mining and oil (5%) and manufacturing (3%). Among the region's main trading partners, China, the United States and the rest of Asia are expected to account for the largest increases in the value of exports from Latin America and the Caribbean (5%, 4% and 4%, respectively). Intra-regional exports, meanwhile, are expected to shrink by 5%. Projected average growth of imports from China and other Asian economies is particularly strong, at 7%. However, the value of intra-regional imports and imports from the United States is expected to fall, and any change in the value of imports from the European Union will likely be negligible.

With the projected decline in intra-regional exports, the intra-regional trade ratio is expected to fall from 14% in 2023 to 13% in 2024 (see figure 4). Among the subregional blocs, a decline in the intrabloc trade ratio is projected in the Southern Common Market (MERCOSUR) (from 12% to 10%), owing mainly to weak demand in Argentina. In contrast, only the Central American intrabloc trade ratio—the highest in the region—is projected to grow in 2024, to 28%.

Figure 4

Latin America and the Caribbean and selected blocs: intra-regional and intrabloc export ratio, 2023 and projection for 2024
(Percentages)

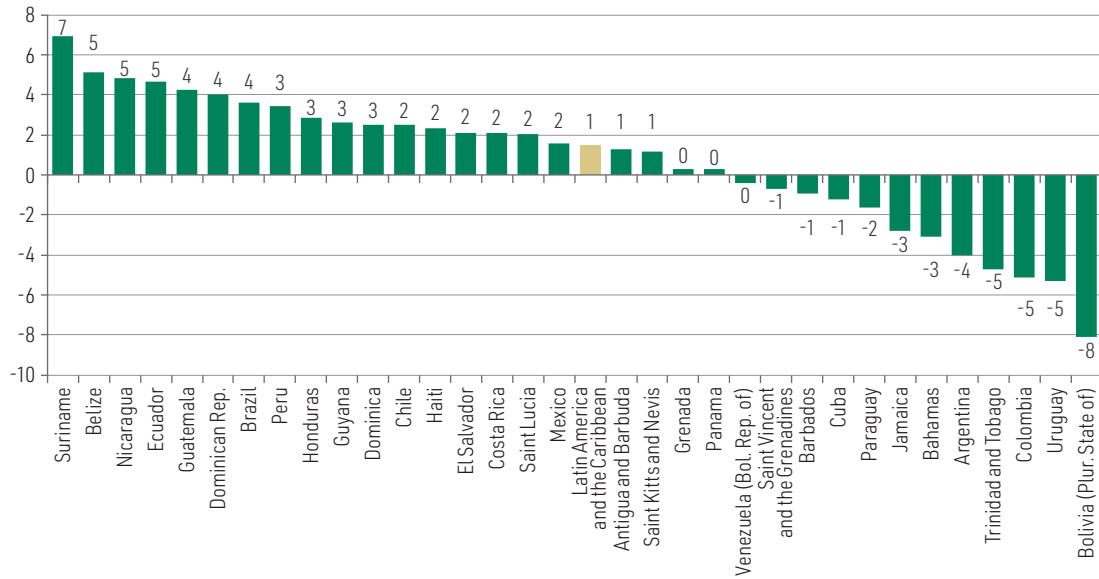


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from central banks, customs services and institutes of statistics from the region.

The region as a whole is projected to record a 1% increase in its terms of trade in 2024, as goods export prices are expected to fall less than import prices. More than half of the region's countries will see a positive impact on their terms of trade (see figure 5). Central American countries and the non-oil producing Caribbean countries will be boosted by a positive shock as they are net importers of hydrocarbons and food, the two goods categories with the largest price drops. By the same token, terms of trade are expected to deteriorate the most for net agricultural exporters, such as Argentina, Paraguay and Uruguay, and hydrocarbon exporters will experience a projected 2% decrease, with the most significant falls in the Plurinational State of Bolivia, Colombia and Trinidad and Tobago.

Figure 5

Latin America and the Caribbean (33 countries): projected variation in the terms of trade, 2024
(Percentages)

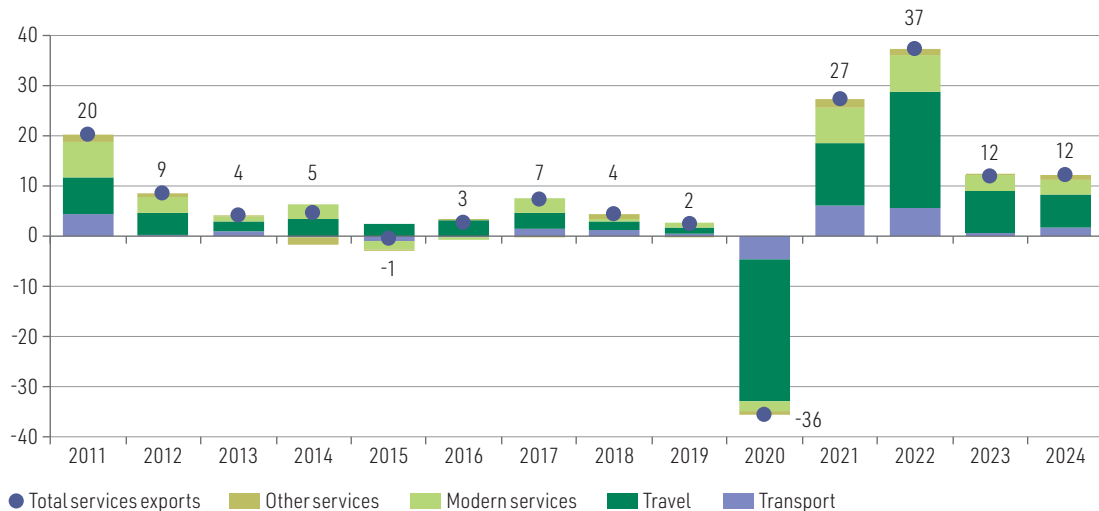


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from central banks, customs services and institutes of statistics from the region.

A 12% increase in the value of regional services exports is projected for 2024 (see figure 6), exceeding the growth recorded from 2012 to 2019. Travel and modern services are expected to account for more than 80% of that expansion (7 percentage points and 3 percentage points, respectively). Regional growth in services imports, in contrast to exports, is projected at just 1% in 2024, which is consistent with sluggish growth in the region’s economy overall.

Figure 6

Latin America and the Caribbean: variation in the value of services exports by category, 2011–2023 and projection for 2024
(Percentages)

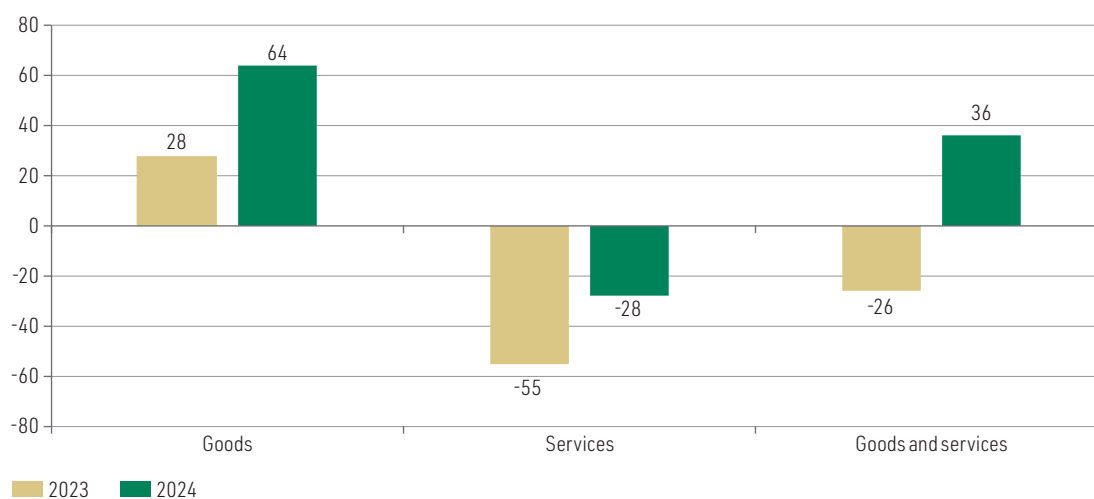


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of balance-of-payments data from the countries.

With its goods and services exports projected to grow more than imports, the region is on course to reverse its US\$ 26 billion trade deficit in goods and services recorded in 2023, ending 2024 with a surplus of just above US\$ 36 billion. Relative to 2023, the region's trade-in-goods surplus is expected to increase, and its trade-in-services deficit to shrink (see figure 7).

Figure 7

Latin America and the Caribbean: balance of trade in goods and services, 2023 and projections for 2024
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of balance-of-payments data from the countries of the region.

In sum, following a decline in 2023 amid contracting global trade, regional goods exports will recover in 2024. Regional export growth in volume (5%) is projected to exceed global trade growth for the year. However, this strong performance is largely explained by increased export volumes for oil, soybeans and other commodities, while manufacturing exports continue to trail behind, losing regional market share to increasing competition from Asia.

The growth rate of regional services exports is set to be in the double digits for the fourth year running, although tailwinds from strong tourism growth are beginning to die down as the sector approaches—or even surpasses, in some countries—its pre-pandemic activity levels. Thus, the diversification and knowledge-intensification of regional goods and services exports remains a complex challenge, made all the more so as geopolitical tensions and rising protectionism call into question the prevailing globalization model of past decades. The implementation of productive development policies with a focus on clusters, sustained over time and based on close public-private cooperation, is an ideal mechanism both for progress in this area and for a more competitive region amid the ongoing reconfiguration of global value chains.

B. The role of trade in the food security of Latin America and the Caribbean

The quest for food security is embodied in target 2.1 of the Sustainable Development Goals: by 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round. However, the successive crises that have buffeted the world economy in recent years have caused setbacks in the pursuit of

this target worldwide. In Latin America and the Caribbean, hunger affected 41 million people (6.2% of the region's population) in 2023 (up 4.7 million compared to 2019). Of these, 22.8 million (56%) resided in South America, 10.5 million (26%) in Central America and Mexico, and 7.7 million (19%) in the Caribbean. The prevalence of hunger in the Caribbean (17.2%) is roughly triple the figure recorded in South America (5.2%) and Central America and Mexico (5.8%). In 2023, 30.3% of adult women in Latin America and the Caribbean suffered moderate or severe food insecurity, 5.2 percentage points higher than the rate for men. Food insecurity also disproportionately impacts rural populations (32.2%) compared to urban populations (26%).

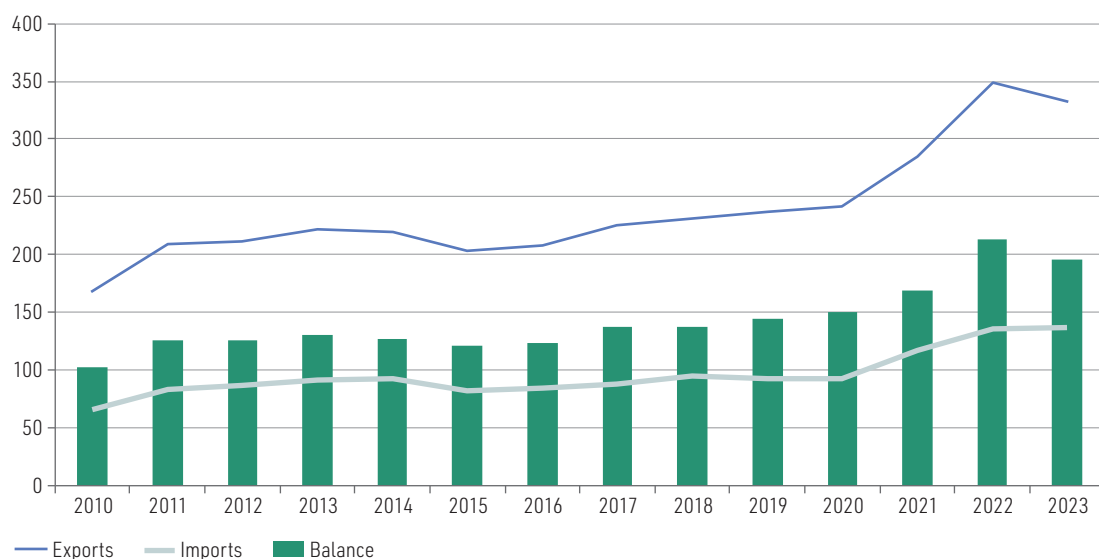
The cost of accessing a healthy diet increased by around 26% worldwide and in the region between 2017 and 2022, as a result of the various shocks that have forced up the prices of food and its inputs. Latin America and the Caribbean is the region in which accessing a healthy diet is most costly: US\$ 4.56 per person per day in purchasing power parity (PPP), which is 15% above the world average. The cost of accessing a healthy diet is especially high in the Caribbean, where it amounts to US\$ 5.16 PPP per person per day (30% above the world average). As a result, in 2022, half of the Caribbean population would have been unable to access a healthy diet, compared to 26% in South America and Central America and Mexico.

International trade plays a crucial role in food security. Imports provide access to food that is impossible or cost-prohibitive to produce locally, whether because of climate conditions or a lack of available land or technology. They can also supplement local production during temporary shocks, such as pest infestation, conflicts or extreme weather. Moreover, the income generated by exports can be used to purchase food, whether produced locally or imported.

Latin America and the Caribbean is the world's leading net food exporter. Its food exports reached a record high of US\$ 349 billion in 2022, then fell by 5% amid the contraction of global trade in 2023 (see figure 8). The region accounted for an average of 15.5% of world food exports between 2020 and 2022, 10 percentage points more than its share of world exports of all goods. South America accounts for the bulk of the region's exports and surpluses, while the subregion comprising Central America and Mexico runs a small surplus and the Caribbean is in a persistent deficit.

Figure 8

Latin America and the Caribbean (33 countries): value of food trade, 2010–2023
(Billions of dollars)



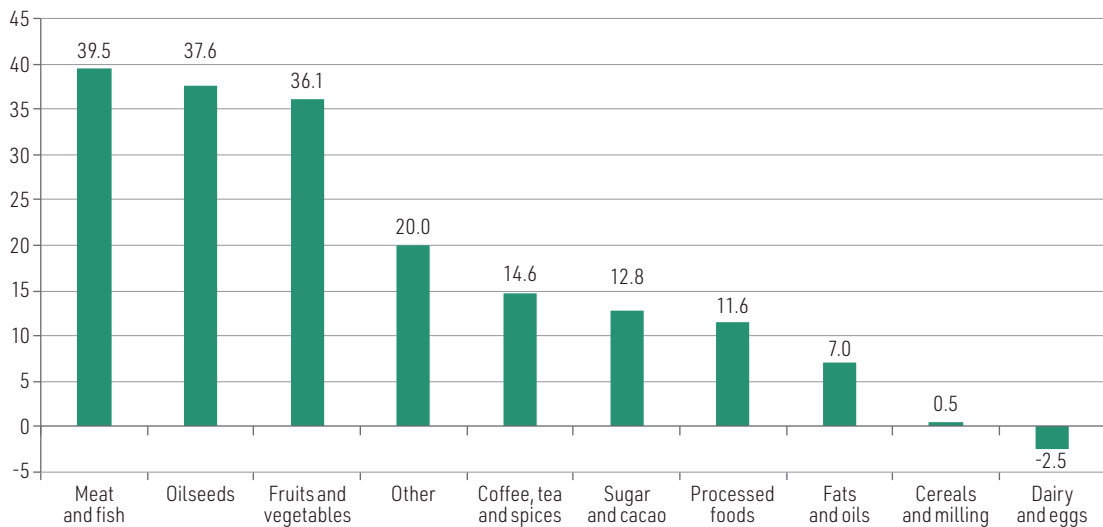
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade database [online] <https://comtradeplus.un.org/>.

South America's surplus extends to all the major food categories. The Central America and Mexico subregion has the largest surpluses in fruits and vegetables and processed foods, and a large deficit in grains and oilseeds. The Caribbean, meanwhile, is running a deficit in most categories (see figure 9). In 2020–2022, 15 of the region's countries recorded a surplus in their food trade. This group includes all the South American countries (except the Bolivarian Republic of Venezuela), Mexico, the Central American countries (except El Salvador and Panama) and Guyana. In 2022, countries with trade surpluses accounted for 88% of the region's population.

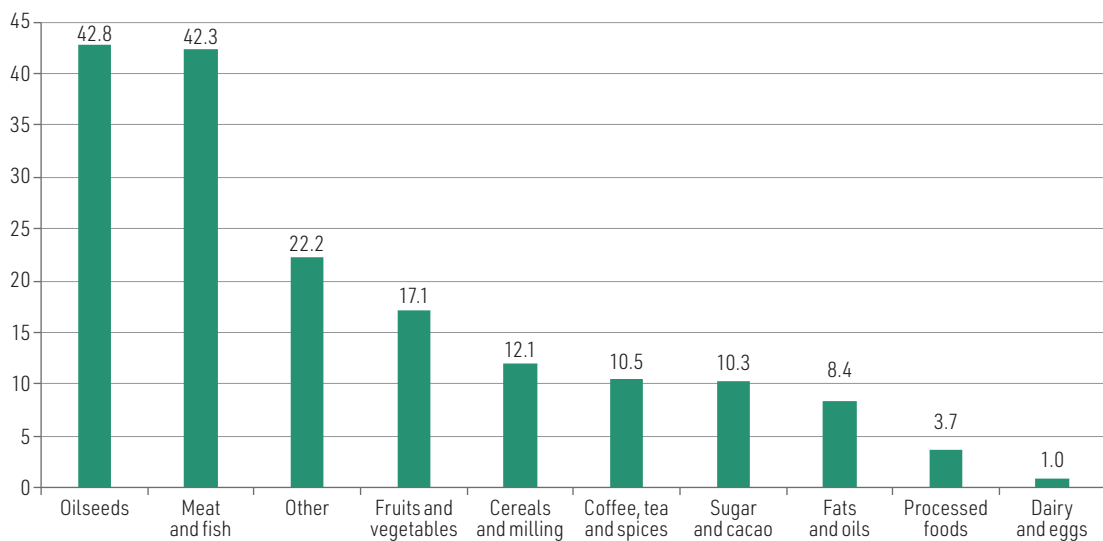
Figure 9

Latin America and the Caribbean (33 countries) and subregions: food trade balances by major categories, average for 2020–2022
(Billions of dollars)

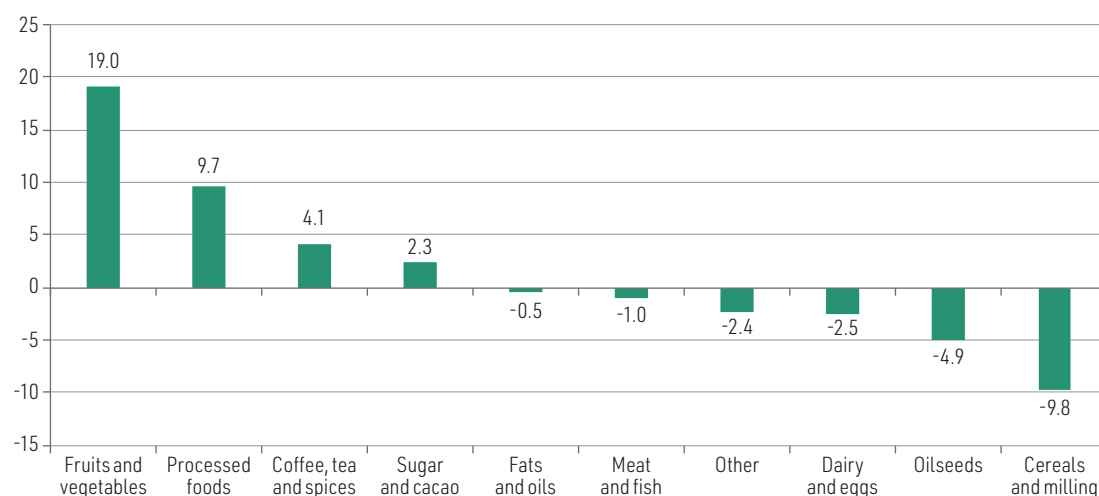
A. Latin America and the Caribbean



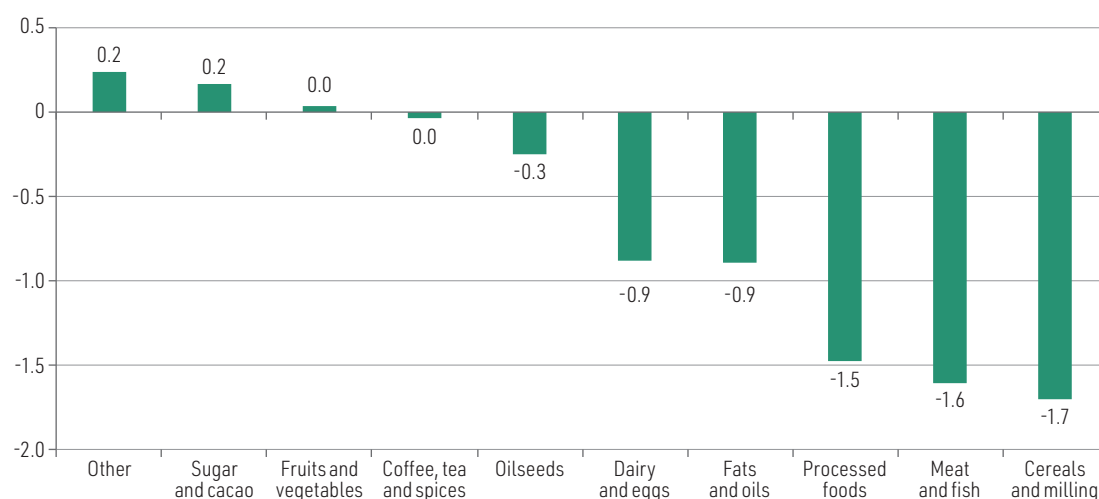
B. South America



C. Central America and Mexico



D. The Caribbean



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

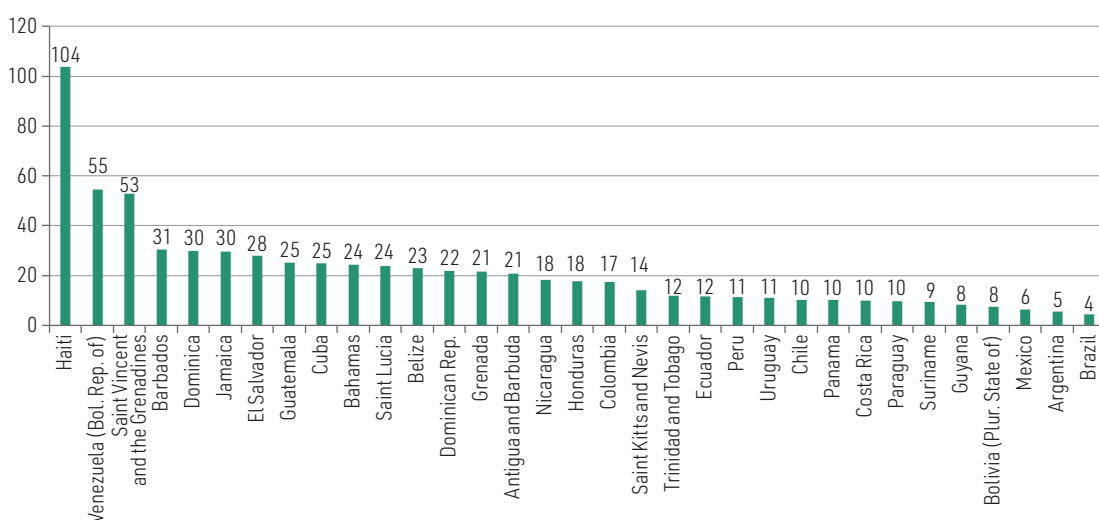
The geographical distribution of the region's food trade displays marked differences between exports and imports. In the case of exports, the main destinations are extraregional: the United States (with a 21% share in 2022), China (19%) and the rest of Asia (21%). Intra-regional trade accounted for 14% of the region's exports. Imports, by comparison, are much more concentrated geographically, with 78% sourced from either the region itself (41%) or the United States (37%) in 2022. The United States is the main source of imports for Mexico and the Caribbean.

There is a significant overlap between the region's most exported and most imported food products. Both lists include soybeans, soybean cakes and oil, maize, wheat and beef, pork and chicken. All these products are important for satisfying people's nutritional needs, although some are also used for other purposes: in particular, maize, soybeans and soybean cakes are used as livestock and poultry feed, and soybean oil, maize and sugar are used to produce biofuels. In 2020–2022, on average, three quarters of regional imports of soybean oil came from the region itself, as did two thirds of imports of fresh or chilled beef, half of all imports of beans, rice and soybeans, almost 40% of wheat imports, more than one third of maize imports, and over one quarter of imports of powdered milk and poultry meat.

Two indicators that link trade directly with food security are the value of food imports relative to total exports of goods and services, and the cereal import dependency ratio. While the former measures a country's capacity to finance its food imports from export earnings, the latter measures its degree of reliance on imports to supply the population's cereal consumption.³ Both indicators highlight the severe vulnerability of the Caribbean. In 2020–2022, the value of food imports represented more than 20% of total exports in 15 of the region's countries, of which 12 are in the Caribbean (see figure 10). As for the cereal import dependency ratio, imports account for 86%–100% of cereal consumption in all the Caribbean island States, except the Dominican Republic.

Figure 10

Latin America and the Caribbean (33 countries): value of food imports as a share of total exports of goods and services, average for 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/> and United Nations Conference on Trade and Development (UNCTAD), UNCTADstat [online database] <https://unctadstat.unctad.org/EN/>.

The average most-favoured-nation tariff applied to agricultural products in the region was 13.6% in 2023, almost 6 percentage points higher than the rate for non-agricultural products (7.8%). In the majority of the Caribbean countries, average agricultural tariffs are close to 20%, and in some cases higher. In addition, reduced shipping connectivity, high freight costs and limited transportation and logistics infrastructure in the Caribbean are substantial barriers to food trade. Also, food trade is often subject to higher costs arising from non-tariff measures (mainly sanitary and phytosanitary requirements and other technical regulations). Globally, the estimated average cost of complying with these requirements is equivalent to a tariff of 17% for agrifood products, compared to less than 4% in the case of manufactured goods. For Latin America and the Caribbean, estimates indicate that agriculture, hunting and fishing and processed food sectors are subject to the highest tariff-equivalent non-tariff measures in intraregional trade (8.4% and 5.6%, respectively).

Strengthening regional integration is a key contributor to a more stable and lower-cost regional food supply. An integrated regional market expands the supply of food and inputs from nearby sources, which reduces exposure to supply shocks from third markets. In addition, greater regional integration encourages the creation of production chains that promote economic and social development by generating direct and indirect employment, which increases food security.

³ More than 40% of the calories consumed daily in the world come from three cereals: rice, wheat and maize.

To strengthen the contribution of trade to food security in the region, strides should be made in the following areas: (i) trade facilitation (mainly through the full implementation of electronic single windows for foreign trade); regulatory convergence (through the harmonization or mutual recognition of sanitary, phytosanitary and technical standards); (iii) improved food trade logistics, in particular in the Caribbean (e.g. the project to establish a subregional food distribution centre based in Barbados and Guyana); and (iv) a network of preferential trade agreements between the various countries and subregions of Latin America and the Caribbean, exploring modalities for flexible and gradual opening to benefit smaller partners. The countries of the region should also work together in multilateral forums to showcase their food exports' contribution to global food security. This would improve the region's position as a recipient of investment and financing flows to support its transition to increasingly sustainable food production.

C. The potential of services to boost regional exports

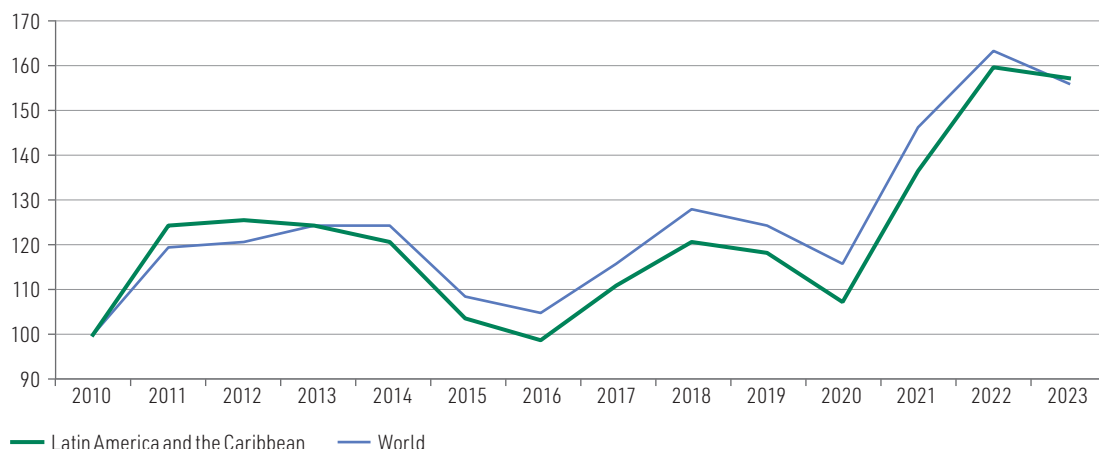
Over the past decade, Latin America and the Caribbean has faced stagnating per capita income growth (just 0.1% annually for the period 2014–2023) and sluggish growth in the volume of goods exports (1.6% annually for the same period). In that context, services exports could be a new driver of external sector growth. Indeed, global and regional services exports, in particular modern services that can be provided digitally, grew faster than goods exports between 2010 and 2023 (see figure 11). In 2023, regional services exports surpassed pre-pandemic levels, totalling US\$ 221.7 billion.

Among subregional blocs, the Pacific Alliance is the largest services exporter, with its travel (especially tourism) and transport sectors performing the strongest (see figure 12.A). MERCOSUR is the second-largest exporter in terms of total services but the top exporter of modern services, accounting for nearly half of regional exports. Central America is a major regional exporter of transport services, owing mainly to the Panama Canal. In 2023, modern services represented 54% of services exports globally but just 37% in Latin America and the Caribbean (see figure 12.B). The bloc with the largest modern services share of total services exports was MERCOSUR (59%), while CARICOM had the smallest share (10%). Tourism is the top services export for all subregional blocs except MERCOSUR, although the sector's share of total services exports has declined in almost all blocs since 2005.

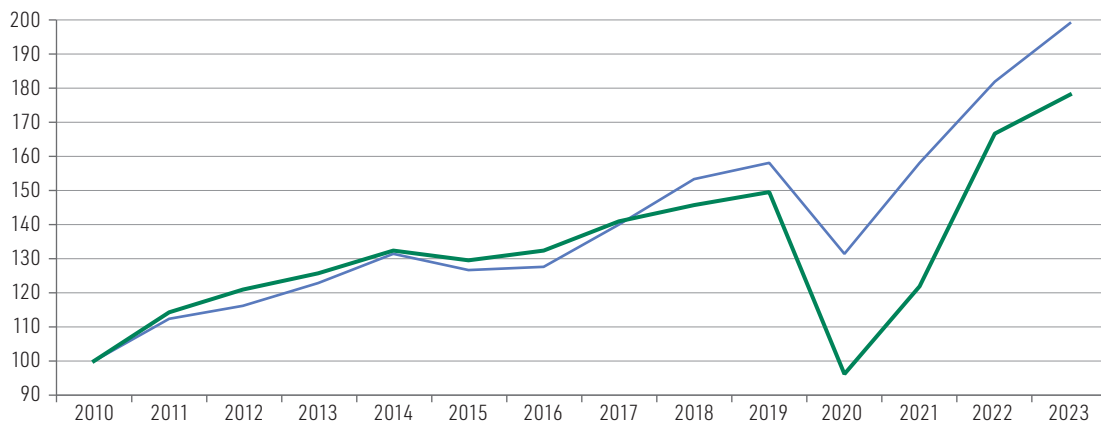
Figure 11

World and Latin America and the Caribbean: value of exports of goods, total services and modern services, 2010–2023
(Index: 2010 = 100)

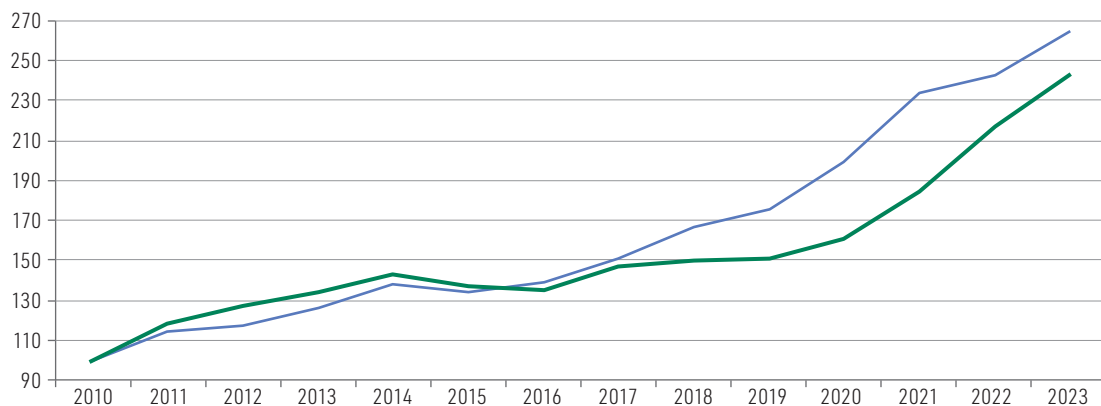
A. Goods



B. Total services



C. Modern services



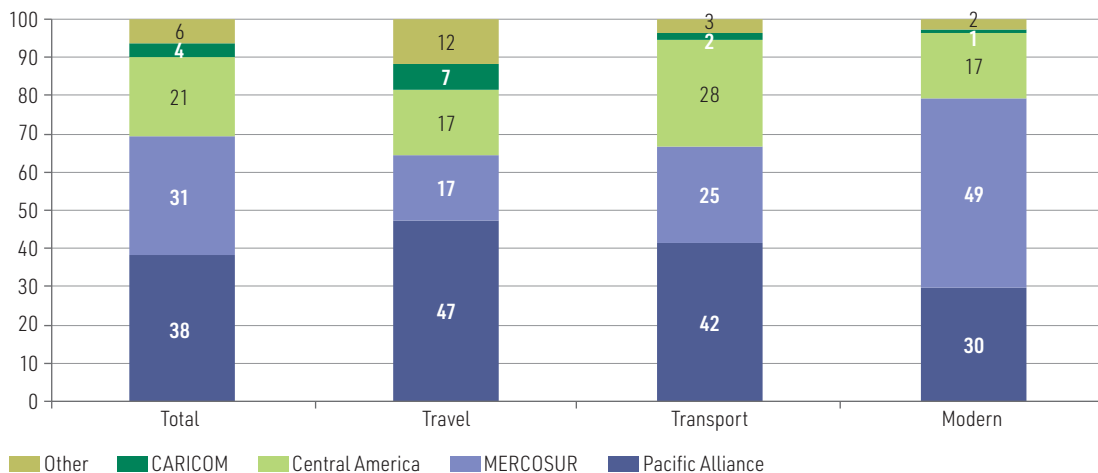
— Latin America and the Caribbean — World

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), WTO Stats [online] <https://stats.wto.org/>.

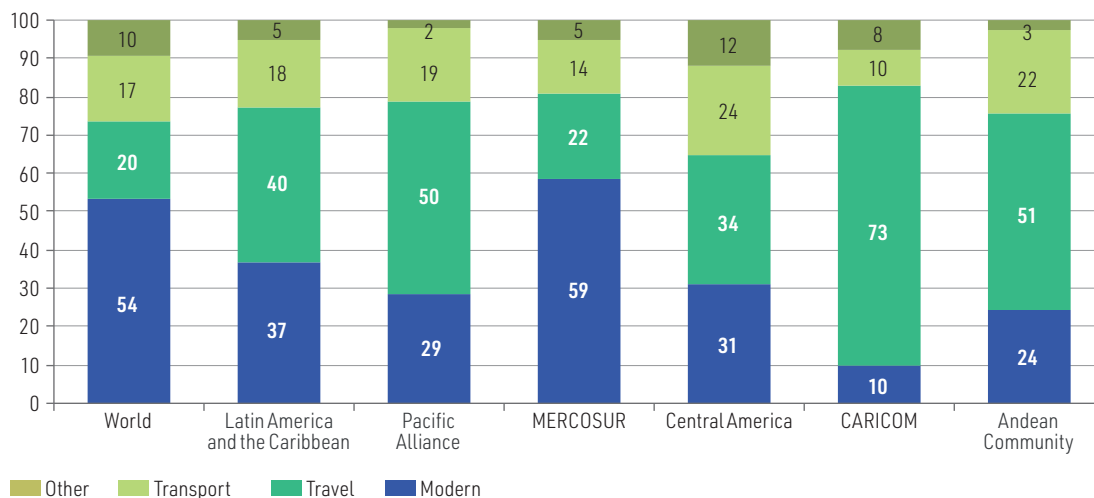
Figure 12

Latin America and the Caribbean (selected blocs): composition of services exports by category and bloc, 2023 (Percentages)

A. By services category



B. By bloc

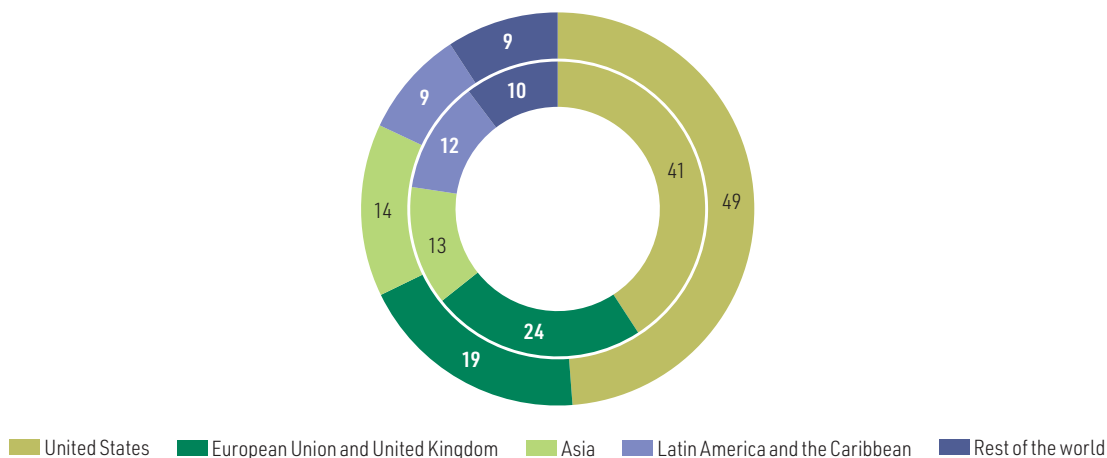


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), WTO Stats [online] <https://stats.wto.org/>.

The United States is the main destination for regional services exports, accounting for 49% of the total in 2021 (see figure 13). It was also the fastest-growing market between 2005 and 2021 (annual average of 6.3%) and the quickest to recover from the pandemic. It was followed by Asia, which grew by an annual average of 5.7% during the period (admittedly, from a low starting point). Intraregional export growth was less robust (3% annually), which explains the region’s share falling from 12% in 2005 to 9% in 2021.

Figure 13

Latin America and the Caribbean (selected subregions): distribution of services exports by destination market, 2005 and 2021 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), WTO Stats [online] <https://stats.wto.org/> and Organisation for Economic Co-operation and Development (OECD), “Bulk download of trade datasets” [online] https://www.wto.org/english/res_e/statis_e/trade_datasets_e.htm.

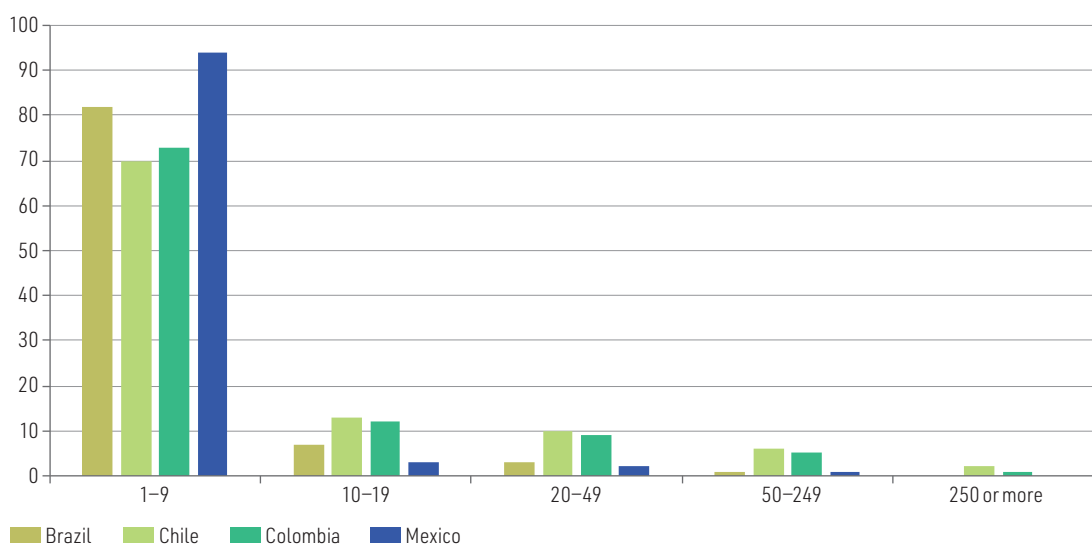
Various policies have stimulated services exports in the region. Most of the region’s countries are parties to trade agreements that promote both services trade and digital trade, itself largely composed of services. Latin American and Caribbean countries participate in nearly one third of existing agreements with digital trade provisions worldwide. The development of broadband has

improved access and increased download speeds, facilitating trade in modern services. Digital skills training programmes have also been implemented (including some that specifically target women), and English-language skills at the basic and intermediate levels have improved in the past decade. In addition, some countries have implemented specific programmes to support services exports and mechanisms to attract foreign direct investment (FDI), including in services sectors.

However, there are also a number of factors detracting from the region's performance in services exports. First, fixed and mobile broadband infrastructure remains insufficient, especially in rural areas, to provide adequate Internet access. Second, digital and English-language skills need to be strengthened. The delay in the digital transformation that businesses need to embark upon to be able to export modern services is partly due to this skills deficit. To wit, in 2020, the majority of small and medium-sized enterprises in four of the region's largest economies did not have a website (see figure 14).

Figure 14

Brazil, Chile, Colombia and Mexico: share of companies without a website, by number of employees, March 2020
(Percentages)



Source: V. Vilgis, V. Jordán and A. Patiño, "Measuring the Internet economy in Latin America: the cases of Brazil, Chile, Colombia and Mexico", *Project Documents* (LC/TS.2023/51), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2024.

Third, countries need to make progress in regulatory harmonization in order to foster intraregional trade in services. Fourth, the lack of accurate data on trade in services, in particular on digital services and on origin and destination, makes it harder to formulate effective policies. Fifth, some countries are parties to few trade agreements that include services provisions. Sixth, most countries do not have specialized programmes to support exports and attract investment in the services sector, and in some cases, policy adjustments are needed to avoid double-taxation of firms.

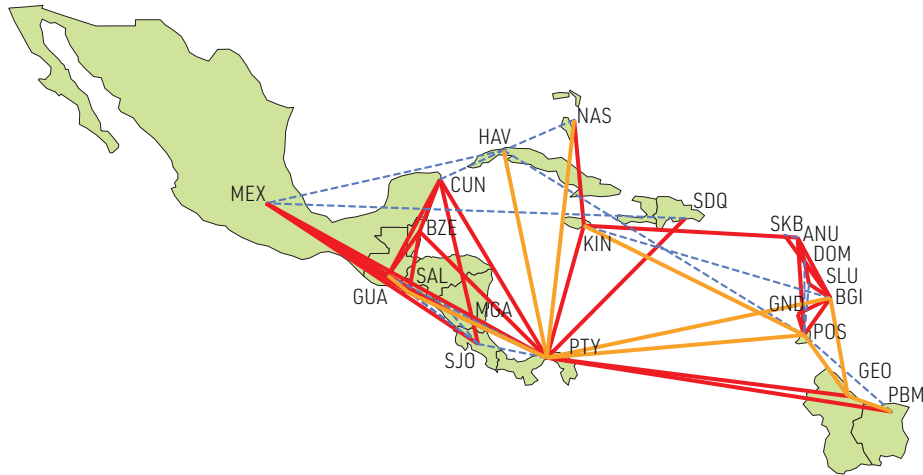
Another factor that especially affects intraregional services trade is the high cost of flights between certain cities, in particular in Central America and the Caribbean (see map 1). Cross-border trade in online services is increasing, but consumers and providers still often need to be physically present to complete transactions. High costs are due in part to a lack of competition and high airport fees for intraregional flights.⁴

⁴ See R. Echandi and M. Kerf, "Affordable air travel in Central America", World Bank Blogs, 17 April 2024 [online] <https://blogs.worldbank.org/en/trade/affordable-air-travel-in-central-america-to-enhance-regional-int>.

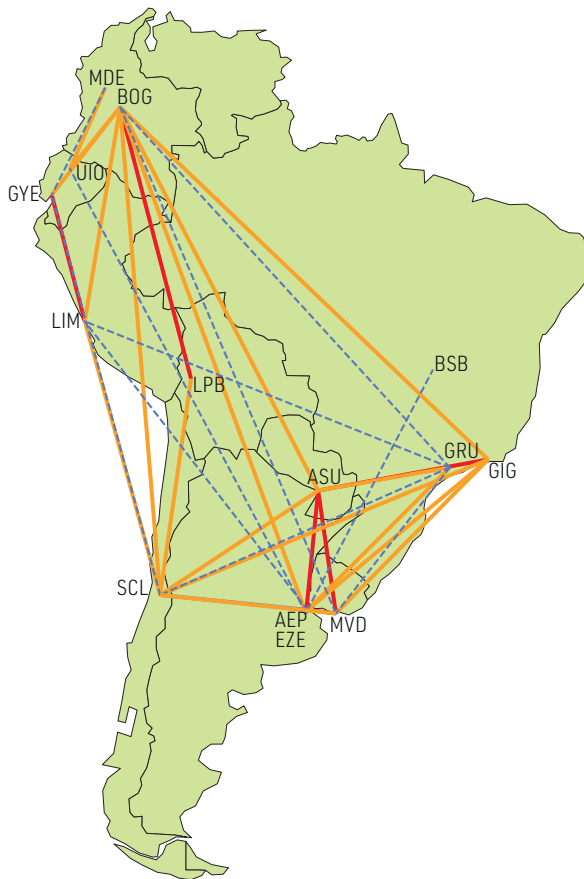
Map 1

Latin America and the Caribbean: cost per kilometre of flights between major cities, 2023
(Dollars)

A. Flights between Central American and Caribbean airports



B. Flights between South American airports



— High — Medium - - - Low

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Official Airline Guide (OAG), "Airlines" [online] <https://www.oag.com/airfare-data>.

Note: High, medium and low costs were calculated by arranging costs in ascending order and dividing the sample in three equal segments.

To harness high global demand for modern services, the countries of Latin America and the Caribbean should strengthen their productive policies and support programmes in partnership with the private sector. One effective strategy is to improve the measurement of services trade, in line with international recommendations, and implement policy frameworks that minimize restrictions on trade and FDI. In addition, trade agreements should be modernized, and subregional integration should be explored as a means to facilitate trade in services and avoid double-taxation. Improving digital literacy is key, and supporting continuous learning programmes is critical to train and equip workers to navigate the rapid technological changes under way. There is also a need for policies that specifically promote services exports, including training programmes, trade missions and branding campaigns. Lastly, FDI attraction is essential to bring in new technologies and improve productivity, generating clusters and value chains to drive growth in the services sector, including exports and linkages.



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 how the complex global context, marked by increased protectionism, geopolitical tensions and shipping disruptions, is affecting the region's international trade. It examines the role of international trade in regional food security—and the lack thereof, especially in the Caribbean—despite the region being the world's leading net food exporter. It also analyses the role of modern services as a driver of exports. Recommendations for the development of modern services include reducing restrictions, harmonizing regulations, developing sectoral policies, advancing digital transformation and attracting foreign direct investment. The importance of productive integration cannot be overstated if the region is to strengthen food security, increase trade in modern services and, at the same time, improve the diversification of the region's export basket.



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