International Trade Outlook for Latin America and the Caribbean 2024

Reconfiguration of global trade and options for regional recovery

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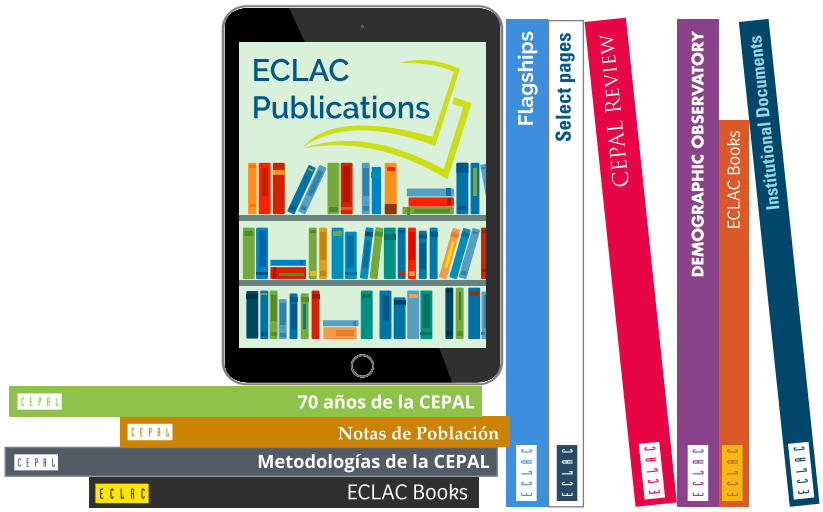

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International Trade Outlook for Latin America and the Caribbean 2024

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).

Preparation of this edition was supervised by Keiji Inoue, Officer in Charge of the Division of International Trade and Integration. José Elías Durán, Sebastián Herreros, Nanno Mulder and Miryam Saade, staff members of the Division, participated in drafting the chapters.

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Explanatory notes for graphs and tables:

- 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. 2023/2024) indicates a 12-month period falling between the two years.
- Individual figures and percentages in graphs and tables may not always add up to the corresponding total because of rounding.

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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

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

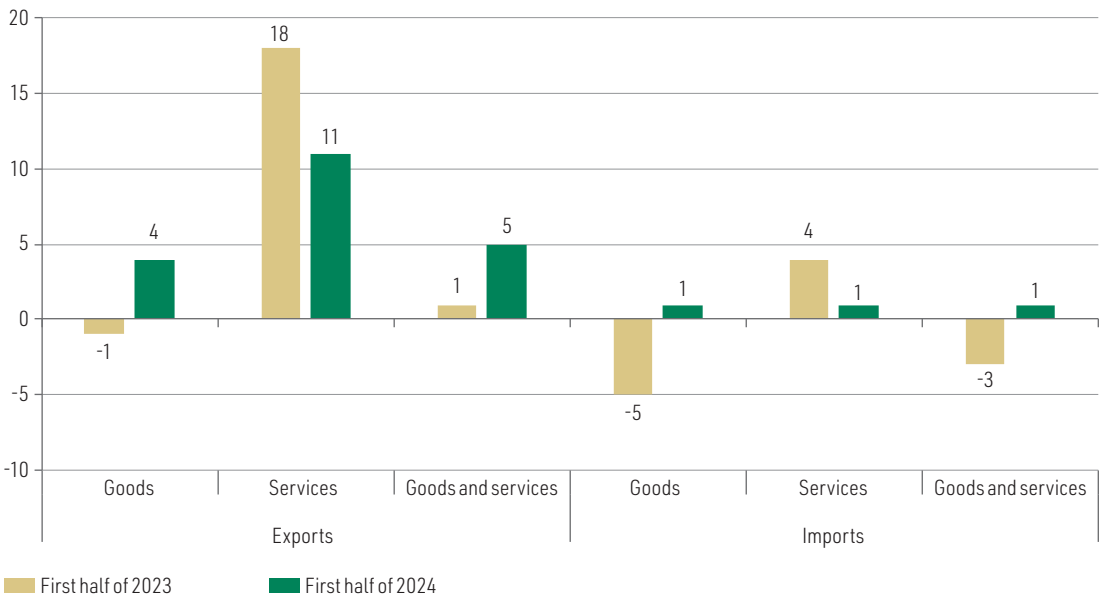
C. The potential of services to boost regional exports

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)

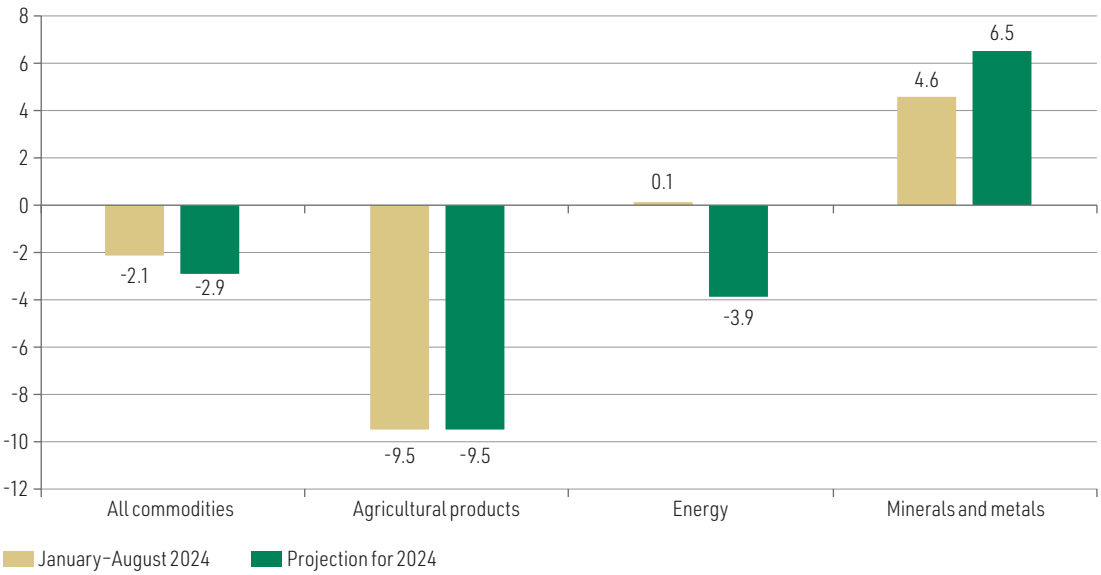


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from central banks, customs services and institutes of statistics of the region.

[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)



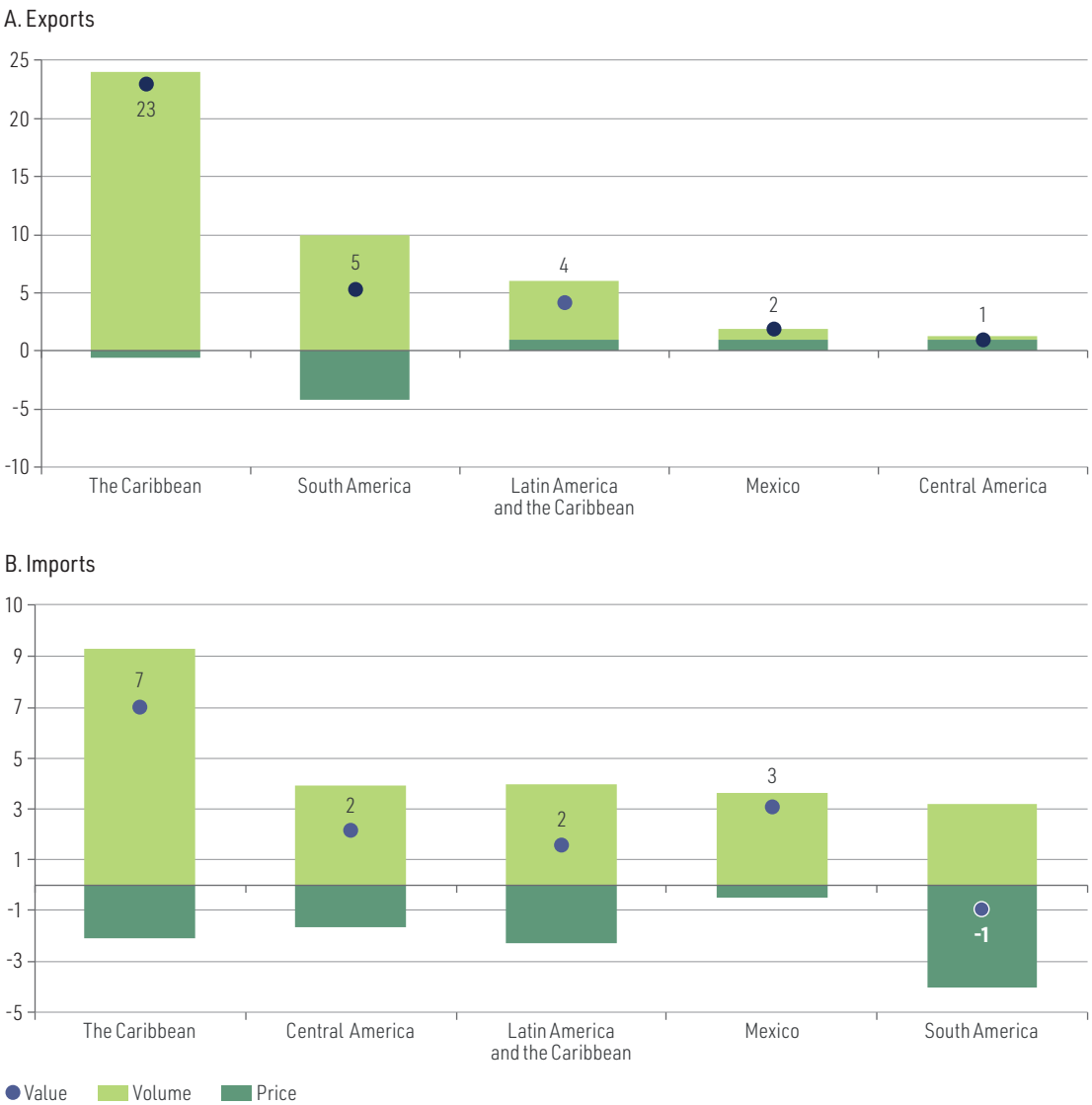
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the World Bank, Bloomberg, The Economist Intelligence Unit, the Buenos Aires Grain Exchange, the Chilean Copper Commission (COCHILCO) and the Agrarian Research and Policy Office (ODEPA) of Chile.

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)



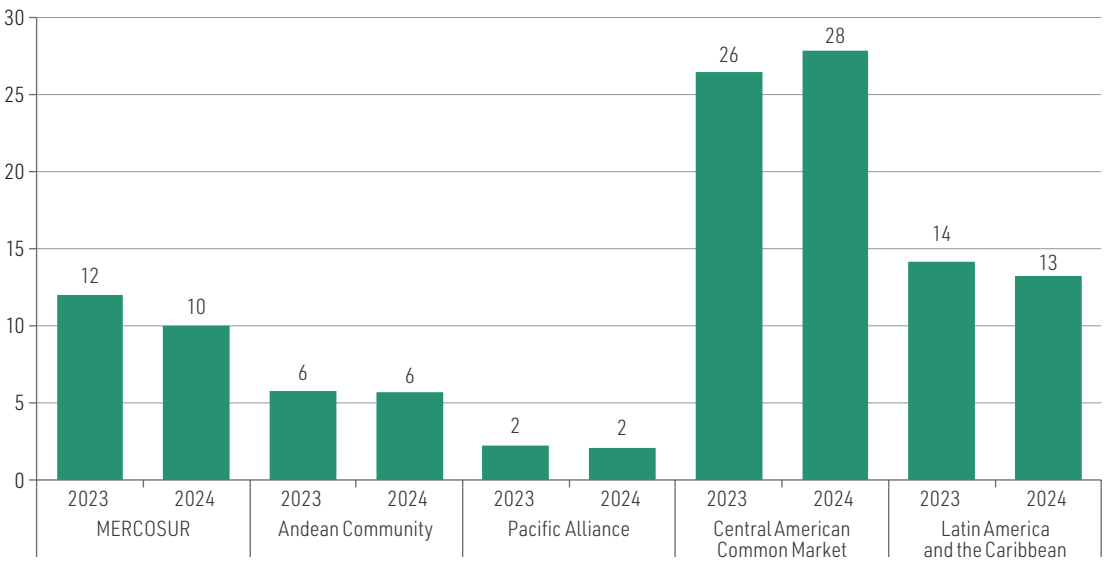
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from central banks, customs services and institutes of statistics of the region.

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). Intraregional 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 intraregional 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 intraregional exports, the intraregional 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%.

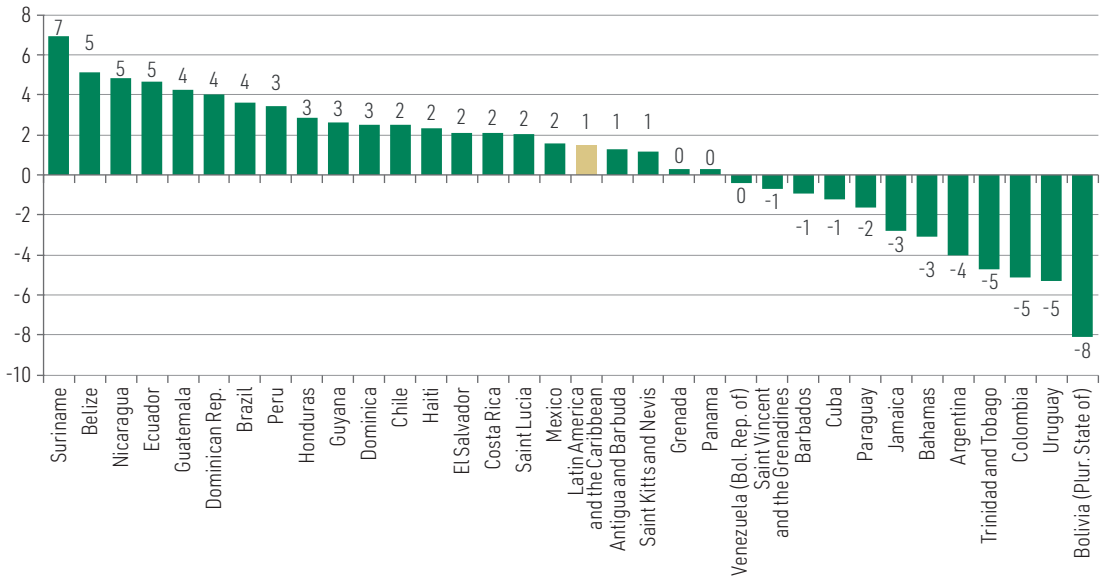
Figure 4
Latin America and the Caribbean and selected blocs: intraregional and intrabloc export ratio, 2023 and projection for 2024
(Percentages)



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.

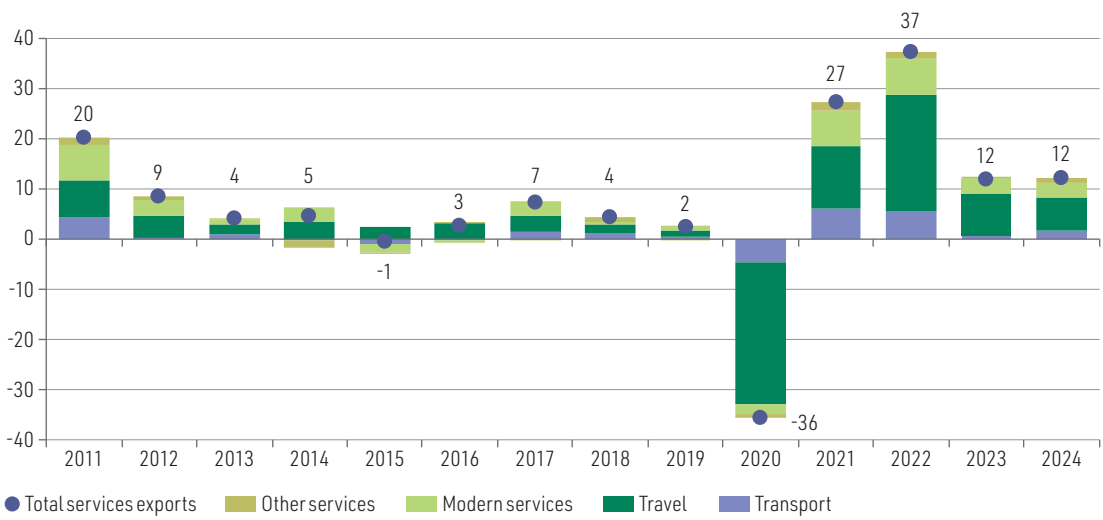
Figure 5
Latin America and the Caribbean (33 countries): projected variation in the terms of trade, 2024
(Percentages)



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.

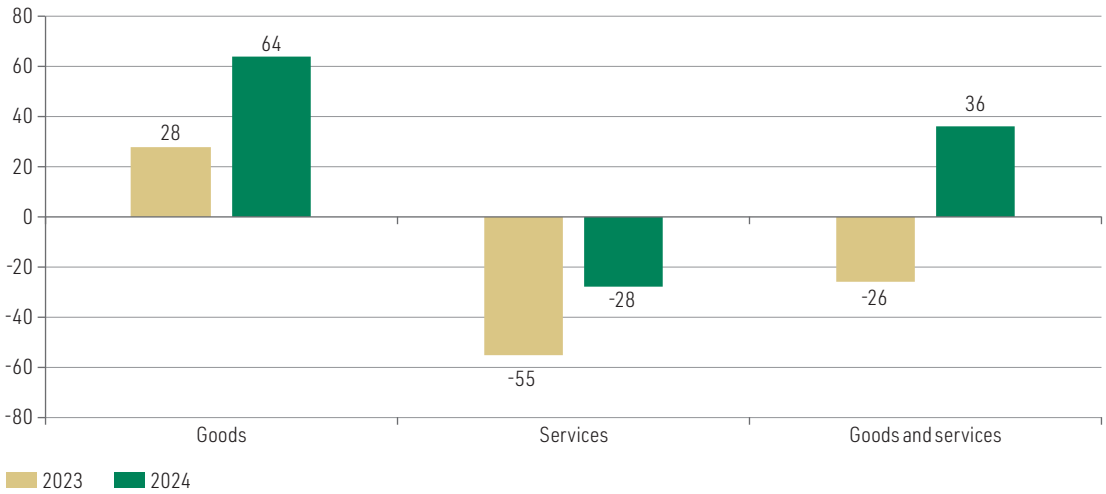
Figure 6
Latin America and the Caribbean: variation in the value of services exports by category, 2011–2023 and projection for 2024
(Percentages)



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

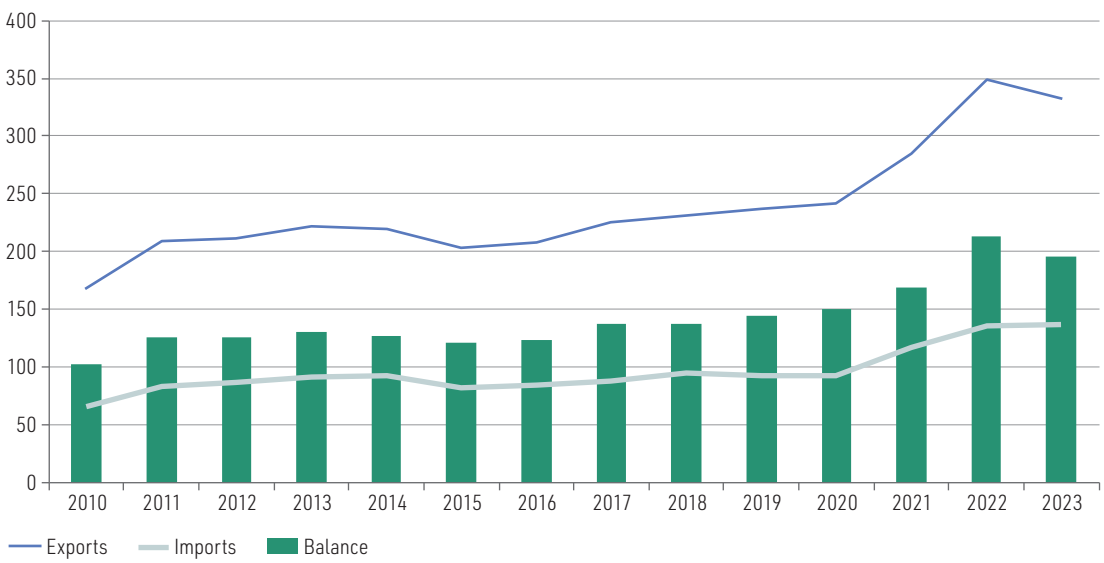
this target worldwide. In Latin America and the Caribbean, hunger affected 41 million people (6.2% of the region's population) in 2023 (up 4.7 million compared to 2019). Of these, 22.8 million (56%) resided in South America, 10.5 million (26%) in Central America and Mexico, and 7.7 million (19%) in the 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)

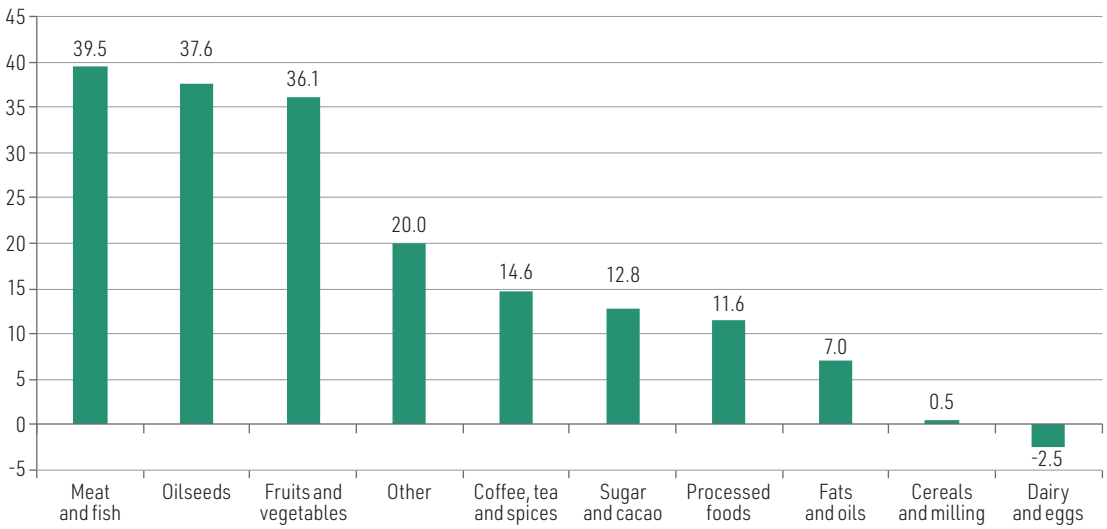


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade database [online] https://comtradeplus.un.org/.

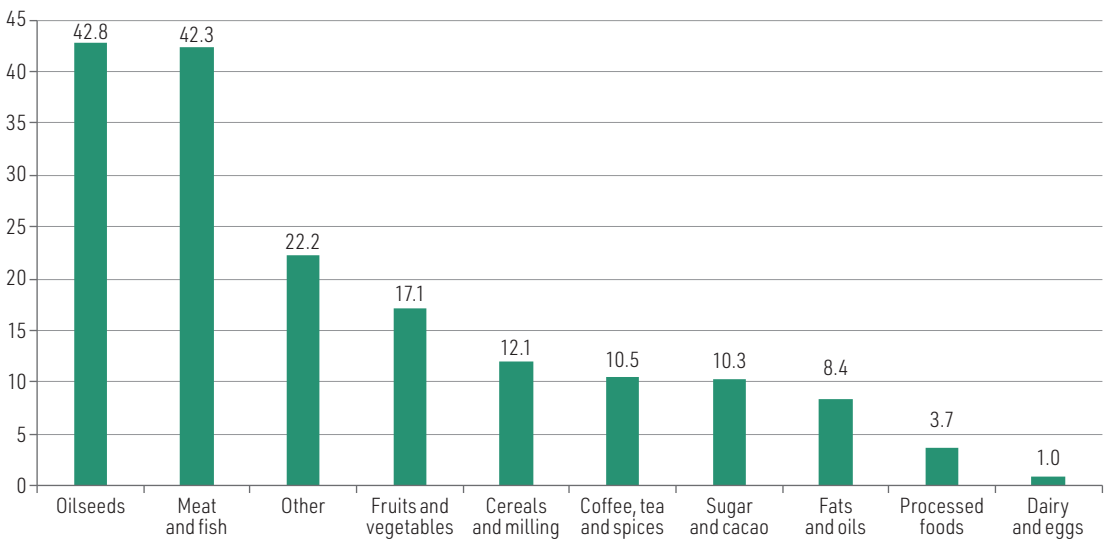
South America's surplus extends to all the major food categories. The Central America and Mexico subregion has the largest surpluses in fruits and vegetables and processed foods, and a large deficit in grains and oilseeds. The Caribbean, meanwhile, is running a deficit in most categories (see figure 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)

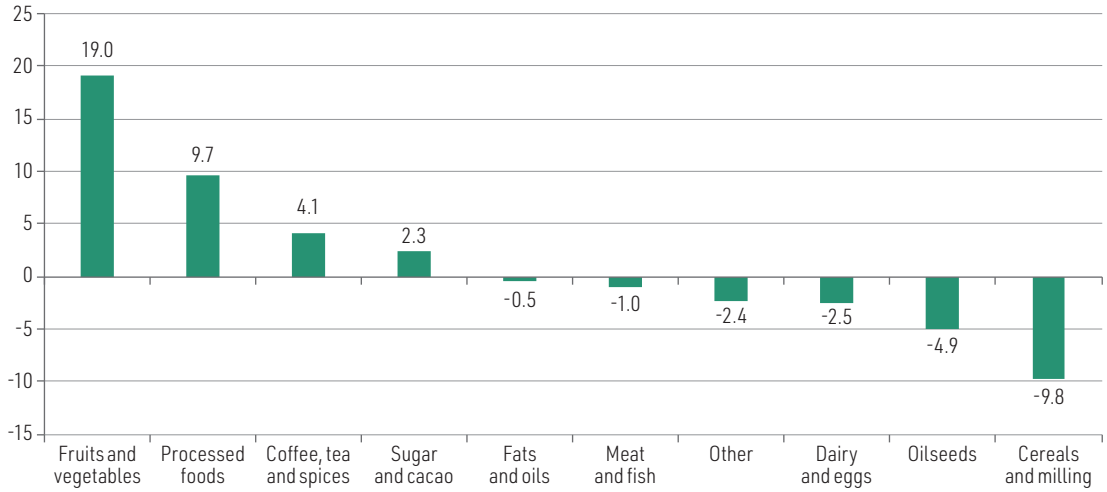
A. Latin America and the Caribbean



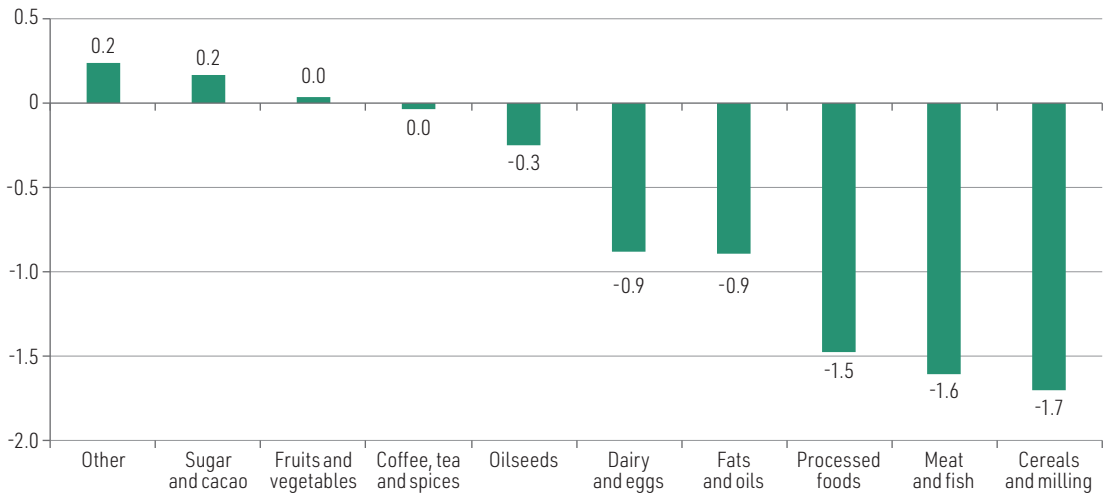
B. South America



C. Central America and Mexico



D. The Caribbean



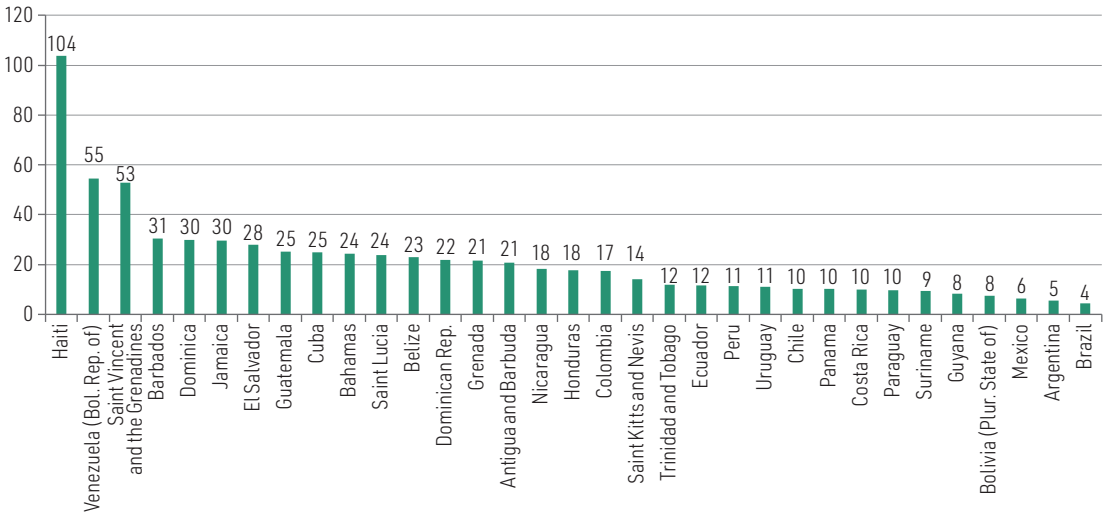
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade database [online] https://comtradeplus.un.org/.

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%). Intraregional 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.

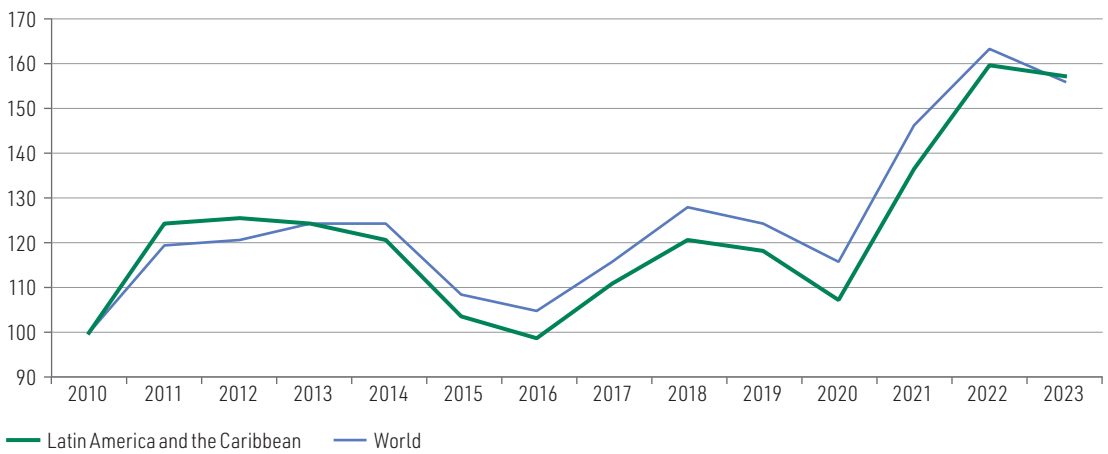
C. The potential of services to boost regional exports

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.

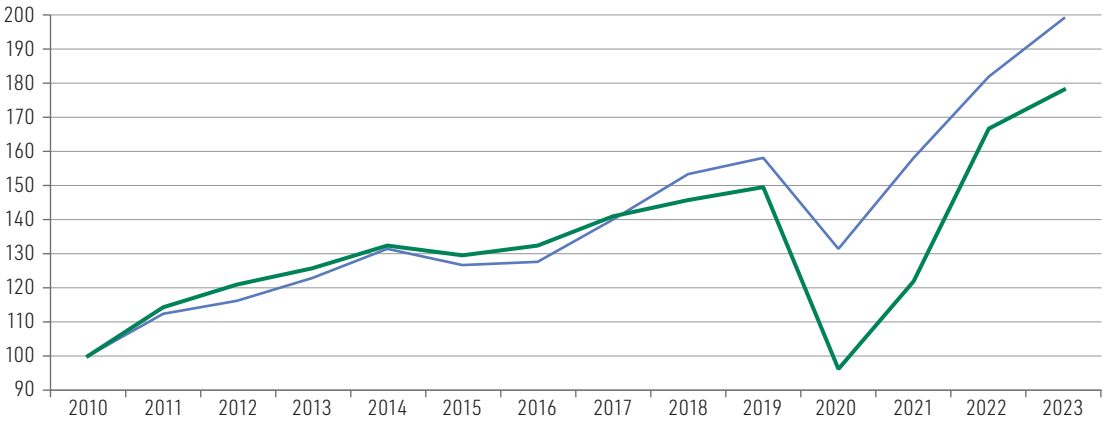
Among subregional blocs, the Pacific Alliance is the largest services exporter, with its travel (especially tourism) and transport sectors performing the strongest (see figure 12.A). MERCOSUR is the second-largest exporter in terms of total services but the top exporter of modern services, accounting 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 12B). 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)

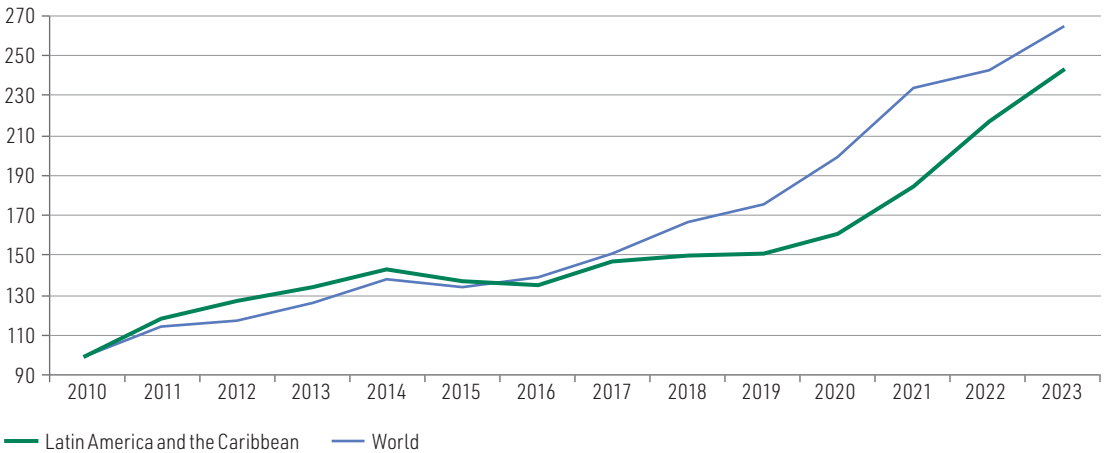
A. Goods



B. Total services



C. Modern services

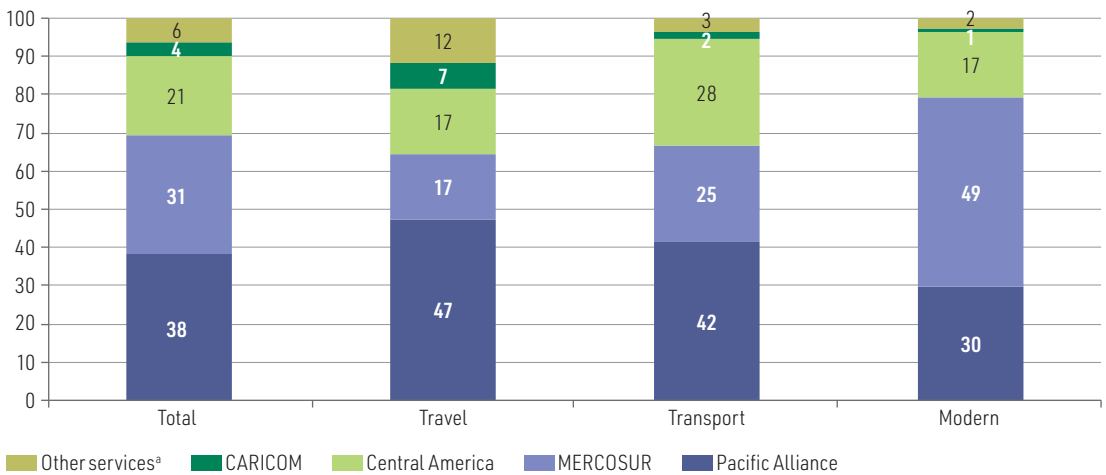


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), WTO Stats [online] https://stats.wto.org/.

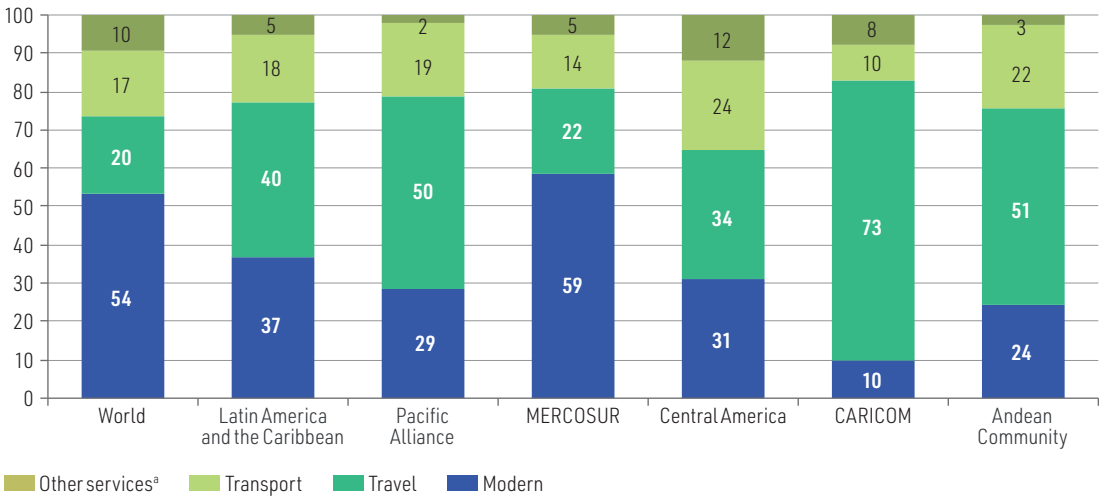
Figure 12

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

A. By services category



B. By bloc

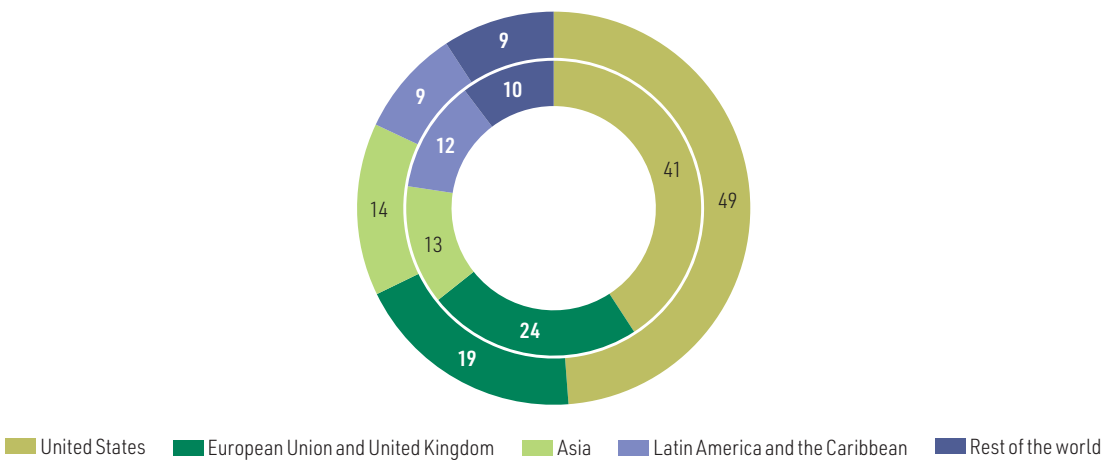


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), WTO Stats [online] https://stats.wto.org/.

[a] Refers to the balance-of-payments categories defined in annex III.A1.

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)



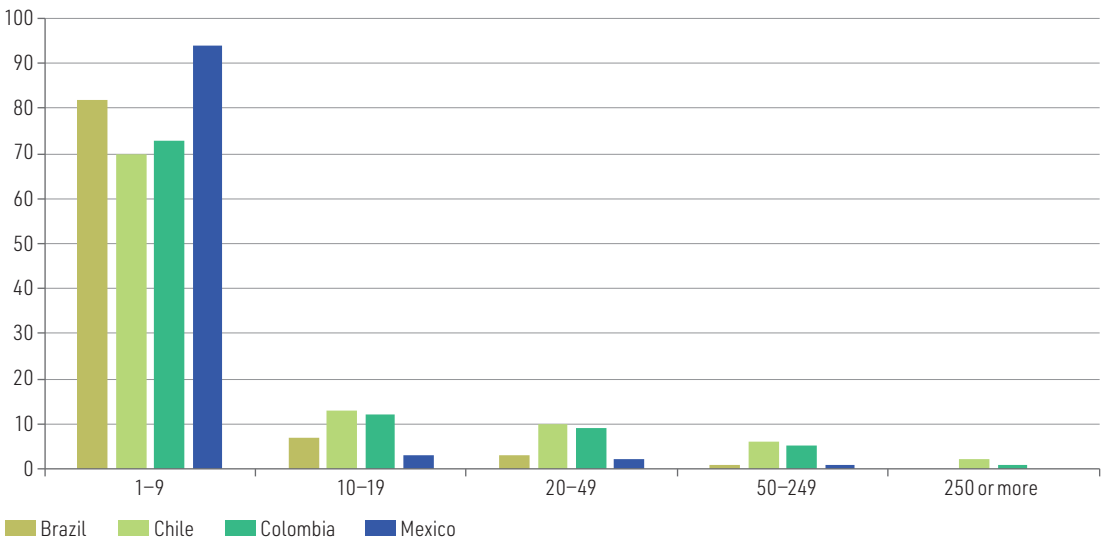
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), WTO Stats [online] https://stats.wto.org/ and Organisation for Economic Co-operation and Development (OECD), "Bulk download of trade datasets" [online] https://www.wto.org/english/res_e/statis_e/trade_datasets_e.htm.

Various policies have boosted 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) 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. 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.

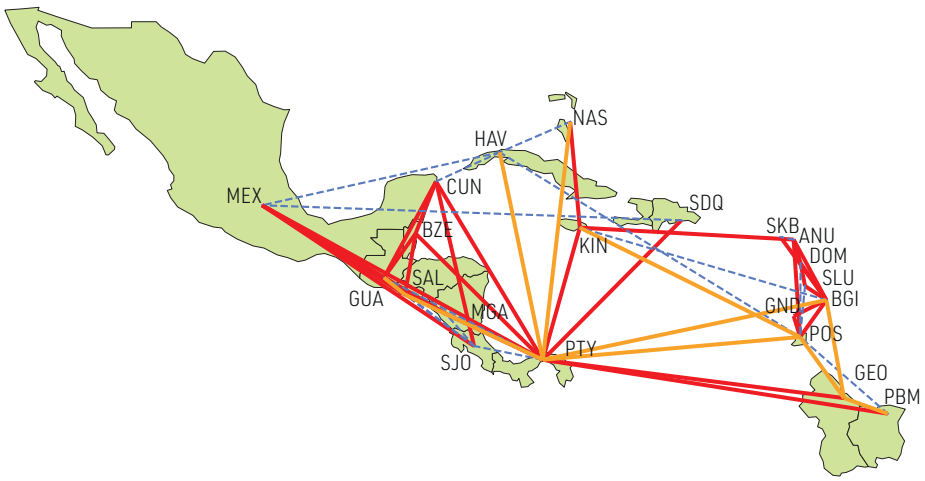
Third, countries need to make progress in regulatory harmonization in order to foster intraregional trade in services. Fourth, the lack of accurate data on trade in services, in particular on digital services and on origin and destination, makes it harder to formulate effective policies. Fifth, some 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]

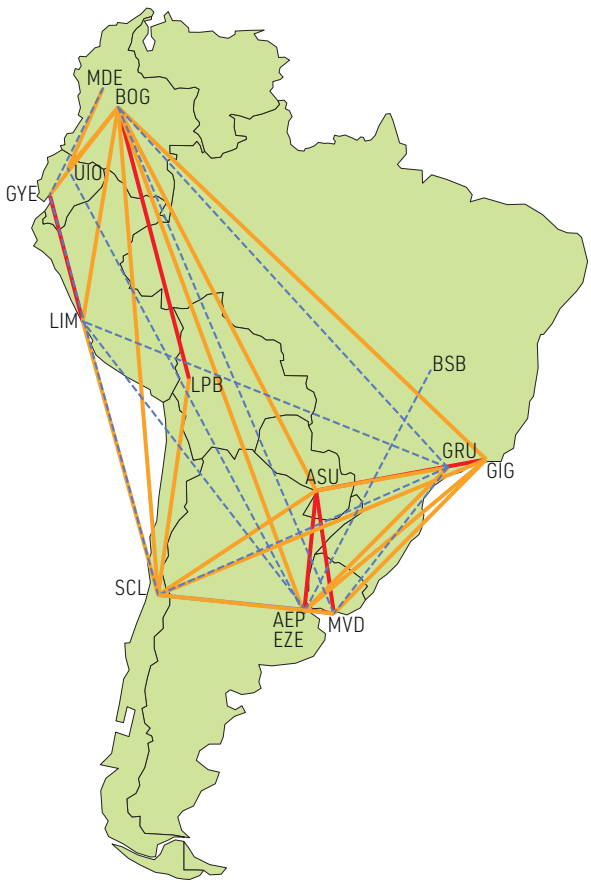
[4] See R. Echandi and M. Kerf, "Affordable air travel in Central America", World Bank Blogs, 17 April 2024 [online] https://blogs.worldbank.org/en/trade/affordable-air-travel-in-central-america-to-enhance-regional-int.

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), "Airfares" [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.

CHAPTER

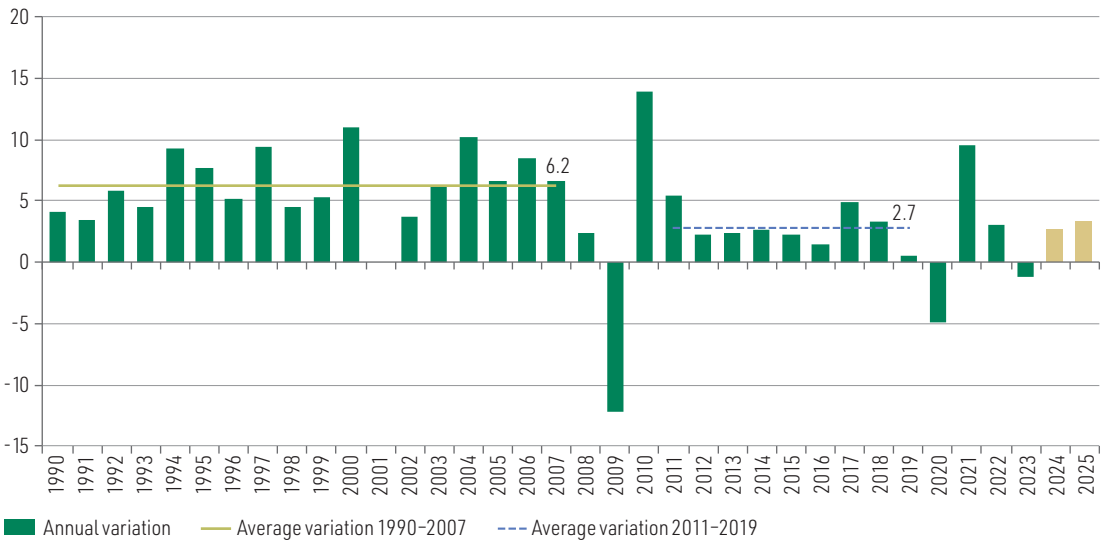
I

Weak recovery of both global and regional trade

A. Following the slump in 2023, global goods trade stages a tentative recovery in the first half of 2024

In 2023, global trade in goods contracted by 1.2% in volume, in the midst of geopolitical tensions, disruptions to some of the world's main maritime trade routes, high energy prices and inflation rates that remained above their trend of recent decades, albeit lower than in 2022. In terms of value, global goods trade —which represents 75% of worldwide trade in goods and services— declined more steeply (by 5.1%). In April 2024, the World Trade Organization (WTO) released its projections for global goods trade in 2024 and 2025, which envisage a modest recovery, with volume expansions of 2.6% in 2024 and 3.3% in 2025 (WTO, 2024). These figures are similar to the 2.7% annual rate at which world trade in goods grew on average in 2011–2019, after the global financial crisis and before the outbreak of the coronavirus disease (COVID-19) pandemic (see figure I.1). Consequently, if these projections materialize, world trade will continue on the sluggish path that it has been following for more than a decade, far from the 6.2% annual average expansion recorded during the globalization boom of 1990–2007.

Figure I.1
Annual variation in volume of global goods trade, 1990–2023, and projections for 2024 and 2025
(Percentages)

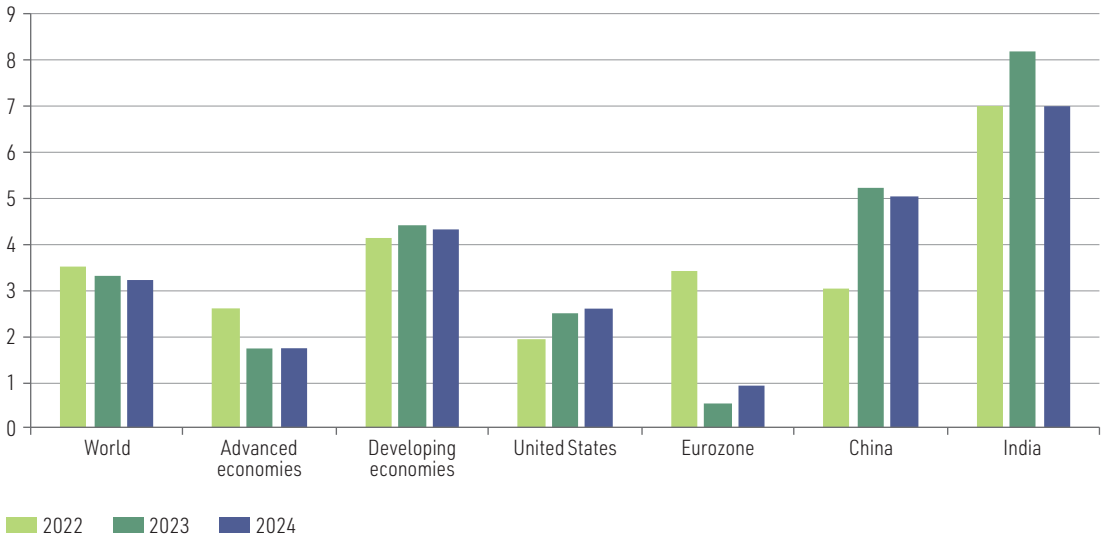


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), WTO Stats [online database] https://stats.wto.org/ and "WTO forecasts rebound in global trade but warns of downside risks", 10 April 2024 [online] https://www.wto.org/english/news_e/news24_e/tfore_10apr24_e.htm.

In the first half of 2024, the volume of global goods trade —measured as an average of exports and imports— grew by 0.9% relative to the same period in 2023.[1] This figure is well below the WTO projections and world economic growth forecasts for 2024, which foresee an expansion of 3.2% (see figure I.2). The year-on-year variation of gross domestic product (GDP) in the world's three leading economies (China, the United States and the eurozone) in the first half of 2024 has been roughly in line with those projections (see figure I.3).

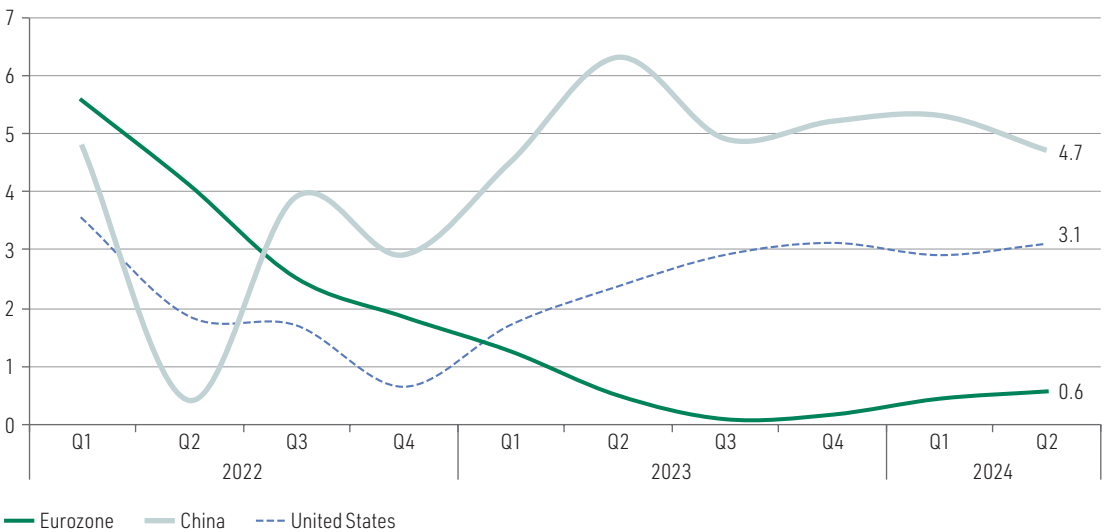
[1] Calculations by the Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bureau for Economic Policy Analysis (CPB) of the Kingdom of the Netherlands, World Trade Monitor [online database] https://www.cpb.nl/en/world-trade-monitor-june-2024.

Figure I.2
World and selected groupings and countries: annual variation in GDP in 2022 and 2023 and projection for 2024
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the International Monetary Fund (IMF), *World Economic Outlook Update: The Global Economy in a Sticky Spot*, Washington, D.C., July 2024.

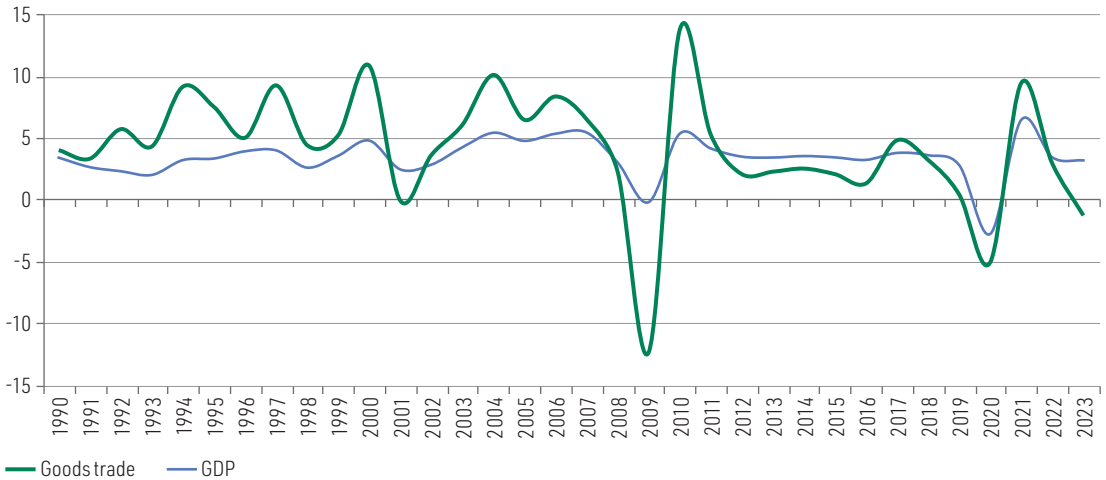
Figure I.3
China, United States and eurozone: variation in GDP relative to same quarter of previous year, first quarter 2022–second quarter 2024
(Percentages)



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

In view of the performance of both variables in the first half of the year, global trade in goods is again expected to lag behind worldwide economic growth in 2024. This has been the case in most years since the global financial crisis, a period in which the pattern prevailing in 1990–2007 was reversed (see figure I.4).

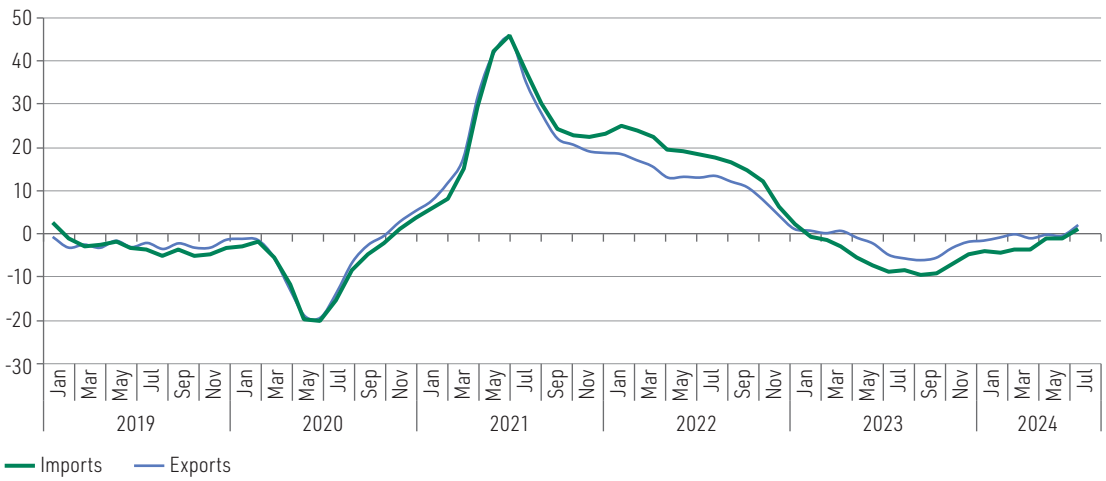
Figure I.4
Variation in global GDP and global goods trade, 1990–2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the International Monetary Fund (IMF), "World Economic Outlook Database", April 2024 and World Trade Organization (WTO), WTO Stats [online database] https://stats.wto.org/.

The incipient recovery of global goods trade in the first half of 2024 can be discerned in the trend of the value of exports and imports of a group of 60 countries that jointly account for over 80% of world trade. In the April–June 2024 quarter, the value of this group's exports and imports grew by 2.1% and 1.2%, respectively, relative to the same quarter a year earlier (see figure I.5). The year-on-year variation in the first half of 2024 was slightly positive for exports (0.4%) and negative for imports (1.3%).

Figure I.5
Selected economies:[a] year-on-year variation in value of goods trade, three-month moving averages, January 2019–June 2024
(Percentages)

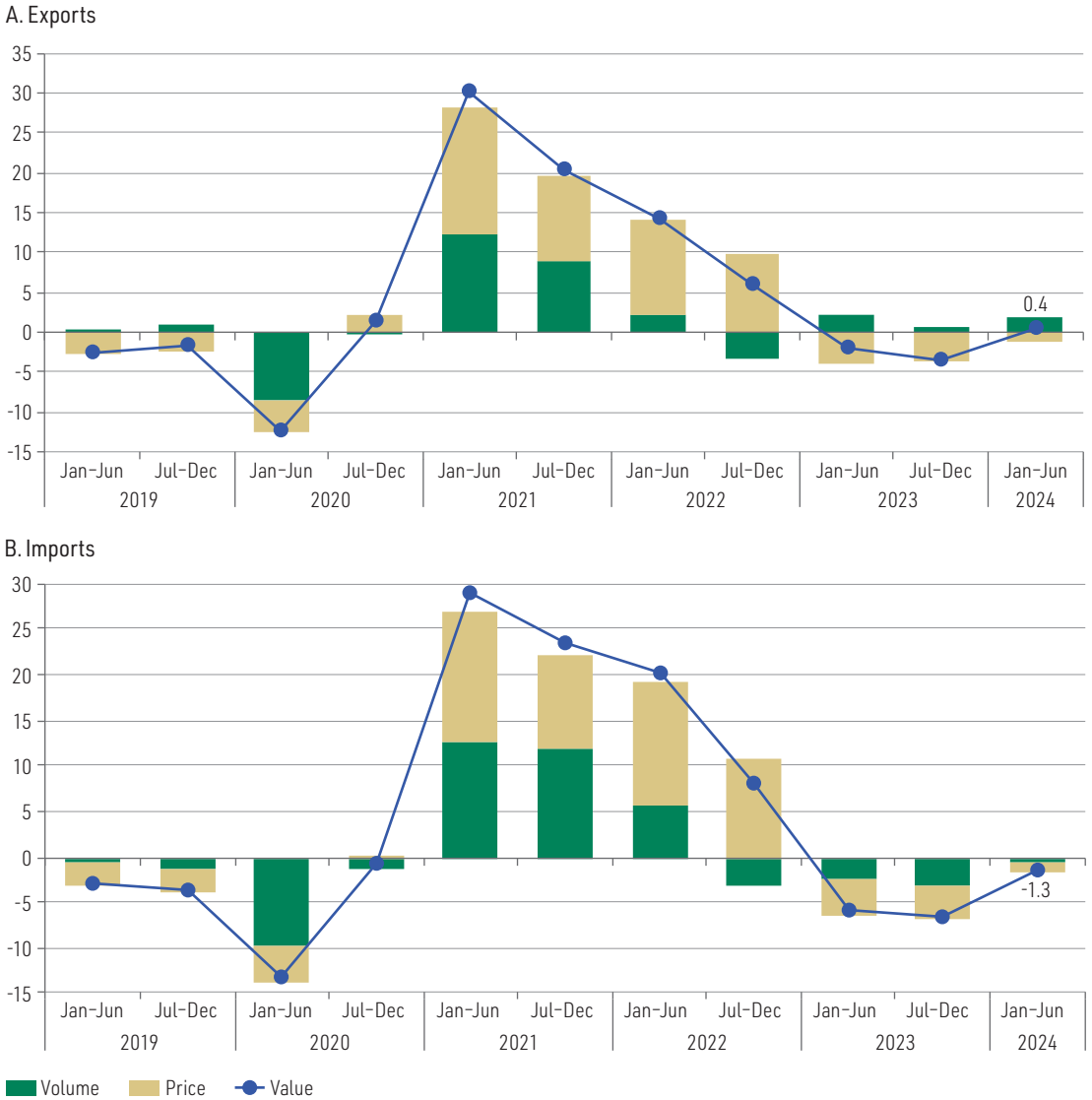


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information of the United States Department of Commerce; United Nations, UN Comtrade Database; International Trade Centre (ITC), Trade Map [online database] https://www.trademap.org/Index.aspx and statistical institutes from the countries.

[a] The 60 economies included are the 27 members of the European Union, together with Australia, Bosnia and Herzegovina, Cambodia, Canada, China, Georgia, India, Indonesia, Japan, Malaysia, New Zealand, Norway, the Republic of Korea, Serbia, Singapore, South Africa, Switzerland, Thailand, Taiwan Province of China, Türkiye, the United Kingdom, the United States, and the following 11 Latin American and Caribbean countries: Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Mexico, Paraguay, Peru and Plurinational State of Bolivia.

A volume and price breakdown of global trade flows since the first half of 2019, before the COVID-19 crisis, shows that, after rebounding in the first half of 2021, trade flows dwindled steadily until 2023 (see figure I.6). This trend was interrupted in the first half of 2024, when export volume rose by 1.8% year-on-year (although the corresponding prices dropped by 1.4%). In the case of imports, the average for the first half of 2024 shows reductions both in both prices (1.0%) and in volume (0.3%).

Figure I.6
Selected economies:[a] year-on-year variation in goods trade, by volume, price and value, January–June 2019 to January–June 2024
(Percentages)



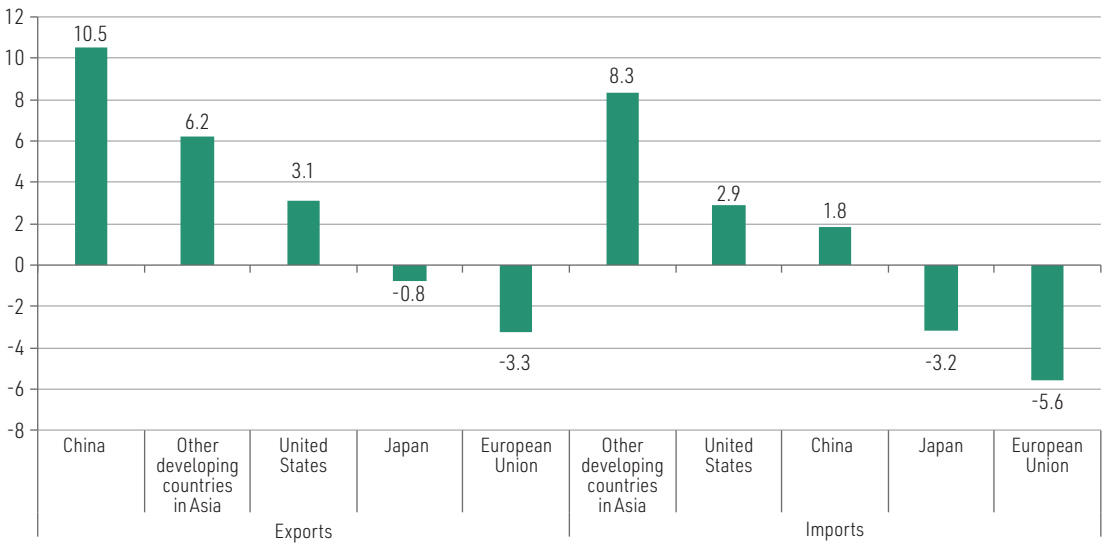
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information of the United States Department of Commerce; United Nations, UN Comtrade Database; International Trade Centre (ITC), Trade Map [online database] https://www.trademap.org/Index.aspx and statistical institutes from the countries.

Note: For the breakdown into volume and price changes, export and import values were deflated using a deflator based on the period January–June 2024, obtained from the volume trade series of the Bureau of Economic Policy Analysis (CPB) of the Kingdom of the Netherlands, World Trade Monitor [online database] https://www.cpb.nl/en/world-trade-monitor-june-2024.

[a] The 60 economies included are the 27 members of the European Union, together with Australia, Bosnia and Herzegovina, Cambodia, Canada, China, Georgia, India, Indonesia, Japan, Malaysia, New Zealand, Norway, the United Kingdom, the United States, the Republic of Korea, Serbia, Singapore, South Africa, Switzerland, Thailand, Taiwan Province of China, Türkiye, and the following 11 Latin American and Caribbean countries: Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Mexico, Paraguay, Peru and Plurinational State of Bolivia.

The rates of change in the volume of goods trade in the first half of 2024 varied widely among the world's major economies. The two largest economies, the United States and China, recorded positive year-on-year growth in both exports and imports (see figure I.7). The increase in United States imports (2.9%) was driven by the sustained momentum of its economy, which grew at a year-on-year rate of 3.0% in the second quarter of 2024, even though interest rates remained high throughout the first half of the year. China's imports increased by less (1.8%), as its domestic demand was hit by persistent weakness in the real estate sector, which has been one of the pillars of that country's growth in the past. Although the Chinese economy grew at a year-on-year rate of 4.7% in the second quarter of 2024, this was less than the 5.0% projected by the authorities, which has cast doubt on its growth prospects for the second half of the year. To make up for weak domestic demand, China boosted its exports significantly, the volume of which grew at a year-on-year rate of 10.5% in the first half of 2024.

Figure I.7
Selected countries and groupings: variation in volume of exports and imports of goods, January–June 2024 relative to year-earlier period
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information of the United Nations, UN Comtrade Database and International Trade Centre (ITC), Trade Map [online database] https://www.trademap.org/Index.aspx and statistical institutes from the countries and the Bureau of Economic Policy Analysis (CPB) of the Kingdom of the Netherlands), World Trade Monitor [online database] https://www.cpb.nl/en/world-trade-monitor-june-2024.

Aside from China, the foreign trade of other developing economies in Asia, as a whole, also grew vigorously in the first half of 2024, with year-on-year volume increases of 6.2% in exports and 8.3% in imports. India and several Southeast Asian economies are leading the way in this group. India's economy is projected to grow by 7.0% in 2024, more than double the projected expansion of world output, while the five largest economies of the Association of Southeast Asian Nations (ASEAN), as a whole, are projected to grow by 4.5% (IMF, 2024a). The exports of developing economies in Asia have been driven strongly by demand from the United States, where imports in recent years have shifted relatively from China to countries such as India and Viet Nam (see section D). An analysis of the bilateral imports of selected countries and regions in the first half of 2024 confirms that the strongest growth is occurring in the developing economies of Asia, where the ASEAN member countries and India compensate for the weakness of imports in Japan and the Republic of Korea (see table I.1).

Table I.1
Selected countries and groupings: year-on-year variation in goods imports by main origin, January–June 2024
(Percentages)

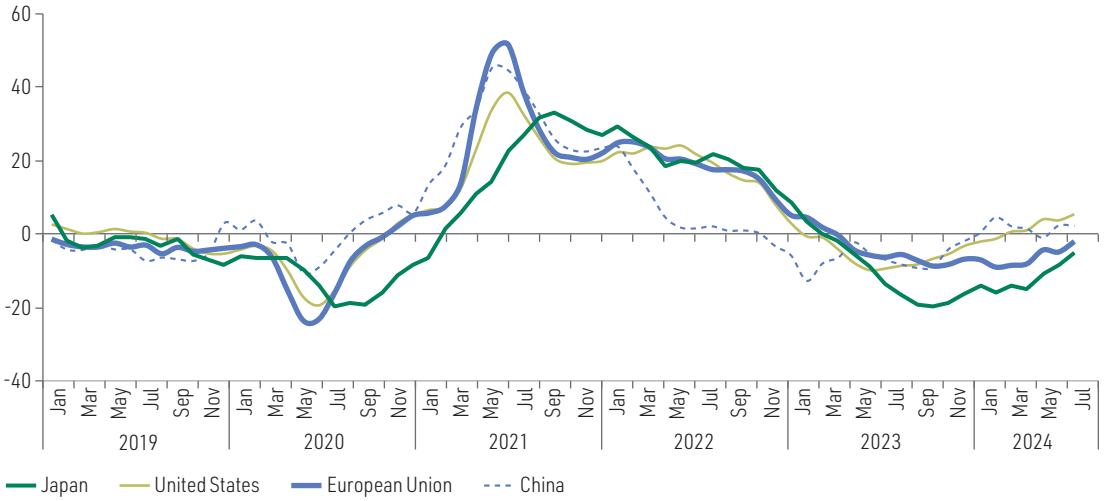
Importer \ Exporter	United States	European Union	Latin America and the Caribbean	China	Japan	Association of Southeast Asian Nations (ASEAN)	Other Asian economies	Rest of the world	World
United States		2.9	5.3	-2.0	2.1	8.4	13.4	-3.3	3.0
European Union	-2.6	-3.7	-0.1	-8.5	-8.9	-3.8	-6.8	-10.9	-5.6
Latin America and the Caribbean	-2.7	0.2	-5.0	9.4	-7.9	2.4	-3.0	2.2	0.7
China	-6.4	-5.6	3.2		-4.1	1.6	3.7	4.1	1.7
Japan	1.6	-8.9	-9.9	-9.8		-10.6	-19.4	-11.8	-10.9
Republic of Korea	-3.3	-12.1	-17.6	-6.1	-7.3	-3.7	-1.8	-6.7	-6.5
Association of Southeast Asian Nations (ASEAN)	7.5	-2.8	15.7	10.9	-7.3	0.5	12.5	11.4	6.7
Other Asian economies	5.6	-10.4	11.2	9.2	1.3	11.0	8.8	3.4	5.6
Africa	-9.9	0.5	0.0	-11.5	-7.5	-8.9	-12.7	-5.6	-5.4
Rest of the world	-3.0	0.9	1.3	-7.0	-4.0	1.5	-3.8	-5.6	-2.3
World	**-0.8**	**-3.1**	**1.9**	**0.3**	**-3.5**	**2.1**	**3.2**	**-3.8**	**-1.3**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information of the United States Department of Commerce; United Nations, UN Comtrade Database; International Trade Centre (ITC), Trade Map [online database] https://www.trademap.org/Index.aspx and statistical institutes from the countries.
Note: Positive values are shaded in blue.

In contrast to the cases mentioned above, foreign trade in the European Union and Japan performed weakly in the first half of 2024, with the volume of their exports and imports both declining. In the European Union, economic activity remains subdued, without having fully recovered from the adverse effects on energy costs caused by the conflict in Ukraine. The economic recovery has been very slow, owing mainly to the weakness of the German economy, which again posted negative growth (of 0.1%) in the second quarter relative to the first quarter of the year. Given that 60% of European Union exports remain within the single market, the weakness of its demand is having a major impact on both imports and exports. In addition, Japan's economy contracted by 0.6% in the first quarter of 2024 relative to the last quarter of 2023, before expanding by 0.8% in the second quarter of 2024. The weakness of domestic demand in Japan has been compounded by the sharp depreciation of the yen against the dollar, owing to the interest rate differential with the United States. As a result, the volume of Japan's imports shrank by 3.2% in the first half of the year. As of June 2024, goods imports in both the European Union and Japan —measured in dollars— continued to decline year-on-year (see figure I.8).

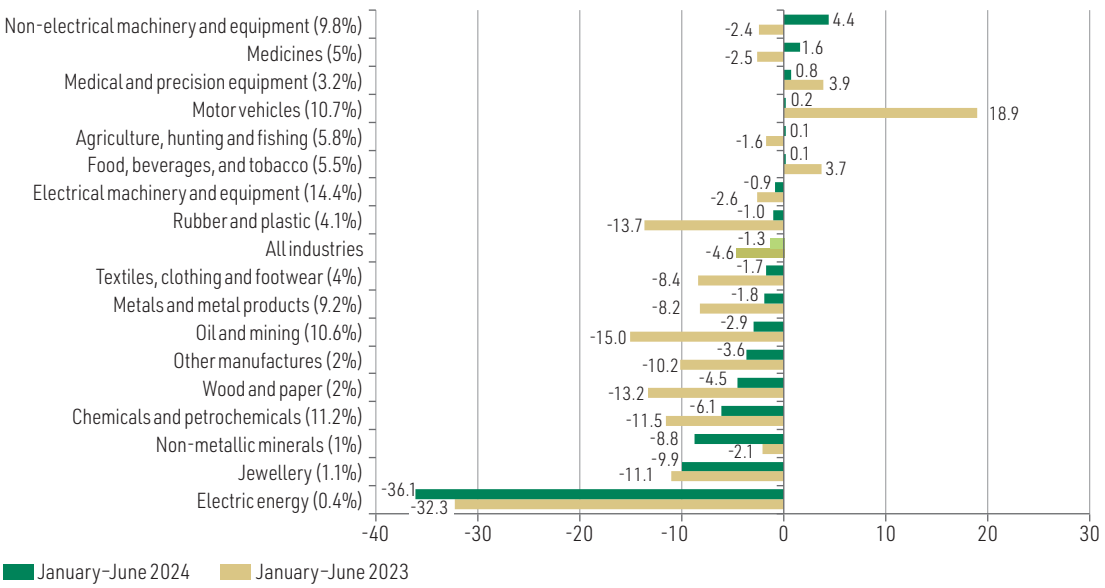
In the first half of 2024, imports of goods from most industries declined worldwide. Only machinery and non-electrical equipment, medicines, and medical and precision equipment recorded year-on-year import growth of more than 0.5% (see figure I.9). In the case of the automotive and food industries, imports essentially flatlined. At the other extreme, the drastic reduction in electricity imports for the second consecutive year is due mainly to the European Union's efforts to reduce its power generation costs and to become less energy-dependent on the Russian Federation. In the first half of 2024, 74% of power generation in the European Union was based on renewables, while the shares of gas (13%) and coal (9%) dropped to historical lows (Abnett, 2024).

Figure I.8
United States, European Union, China and Japan: year-on-year variation in value of goods imports, January 2019–June 2024
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information of the United States Department of Commerce; United Nations, UN Comtrade Database and International Trade Centre (ITC), Trade Map [online database] https://www.trademap.org/Index.aspx.

Figure I.9
Selected economies:[a] year-on-year variation in value of goods imports, by economic sector, January–June 2024 and 2023
(Percentages)

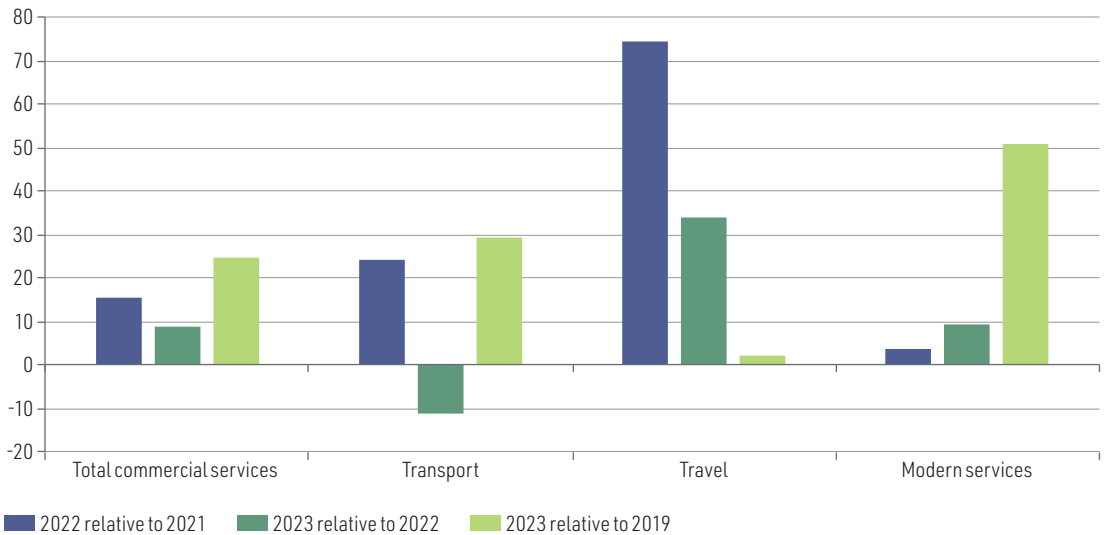


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information of the United States Department of Commerce; United Nations, UN Comtrade Database; International Trade Centre (ITC), Trade Map [online database] https://www.trademap.org/Index.aspx and statistical institutes from the countries.
Note: The figures in parentheses represent the sector's share of global goods imports in 2023.
[a] The 60 economies included are the 27 members of the European Union, together with Australia, Bosnia and Herzegovina, Cambodia, Canada, China, Georgia, India, Indonesia, Japan, Malaysia, New Zealand, Norway, the United Kingdom, the United States, the Republic of Korea, Serbia, Singapore, South Africa, Switzerland, Thailand, Taiwan Province of China, Türkiye, and the following 11 Latin American and Caribbean countries: Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Mexico, Paraguay, Peru and Plurinational State of Bolivia.

B. Global trade in services remains more buoyant than goods trade

In contrast to the contraction in global goods exports, in 2023 global exports of commercial services —which accounted for 25% of worldwide exports of goods and services in that year— grew by 8% in value terms. This expansion was driven strongly by the robust growth of travel services (+34%), reflecting the sustained recovery of international tourism, having slumped by 62% in 2020 following the outbreak of the COVID-19 pandemic. Meagre economic growth and geopolitical tensions in 2023 appear not to have affected consumer spending on travel (WTO, 2024). In fact, in 2023 the value of global exports in the tourism sector slightly exceeded its 2019, pre-pandemic level (see figure I.10), although this is not yet the case for the number of international tourist arrivals, which is also discussed in this section. Travel accounted for one-fifth of global exports of services in 2023.

Figure I.10
Variation in value of global exports of commercial services, by category, 2021–2023
(Percentages)



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

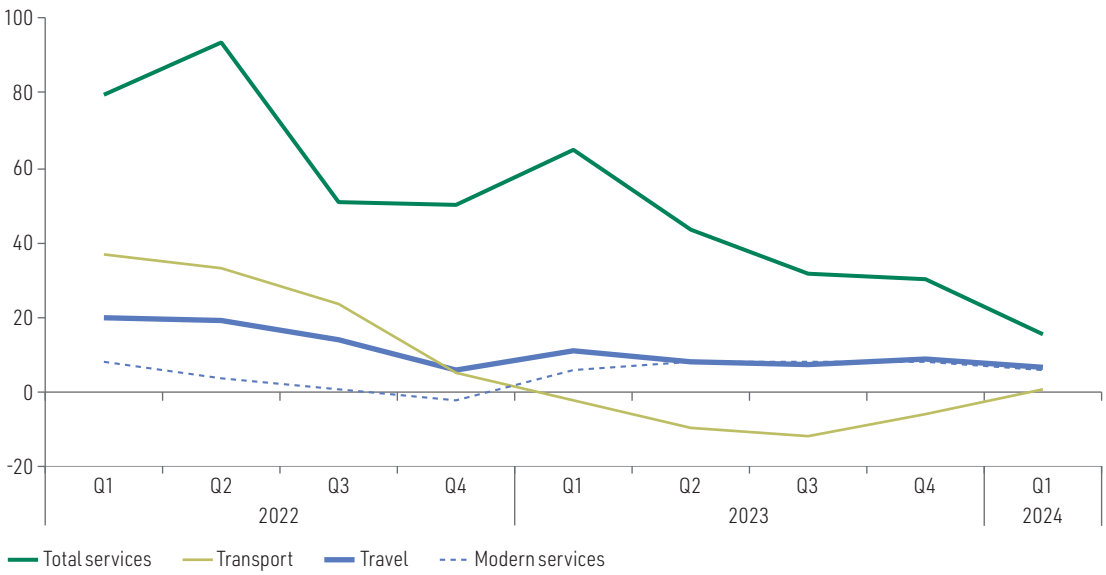
Modern services were the second most dynamic category of global services trade in 2023, expanding by 9%. This is the only major services category in which trade did not contract during the pandemic, which reflects the fact that modern services are mostly delivered online. These services accounted for 54% of global services exports in 2023. The subcategories of modern services posting the highest growth rates in 2023 were insurance (+17%), computer services (+10%) and information services (+10%). In the first of these, the rise in insurance premia reflects the current international environment characterized by geopolitical tensions, health risks, supply chain disruptions and frequent natural disasters. Meanwhile, the increase in exports of information technology services is being driven by strong demand for software, cloud and cybersecurity services, and the expansion of Internet traffic. Several economies have recorded year-on-year growth of more than 20% in these exports (WTO, 2024).

The value of global exports of transport services decreased by 11% in 2023, reflecting the fall in the volume of global goods trade that occurred in that year, together with a reduction in maritime freight rates to pre-pandemic levels until November 2023, when attacks on merchant ships in the Red Sea

reversed the downward trend (see section C). In fact, cargo transport, mostly by sea, accounts for nearly two-thirds of the value of all transport services. Passenger transport trended more positively in 2023 thanks to the buoyancy of international tourism, with global flight frequency increasing to 94% of its pre-pandemic level (WTO, 2024).

Quarterly data spanning early 2022 until the first quarter of 2024 show that, following the initial post-pandemic recovery in 2022, global imports of services continued to grow at year-on-year rates of between 5% and 9% in 2023 and in the first quarter of 2024 (see figure I.11). However, there are significant differences among the three main categories: travel slowed once its post-pandemic recovery was complete, while transport services decreased in 2023 before recovering in the first quarter of 2024; in contrast, modern services have grown more steadily.

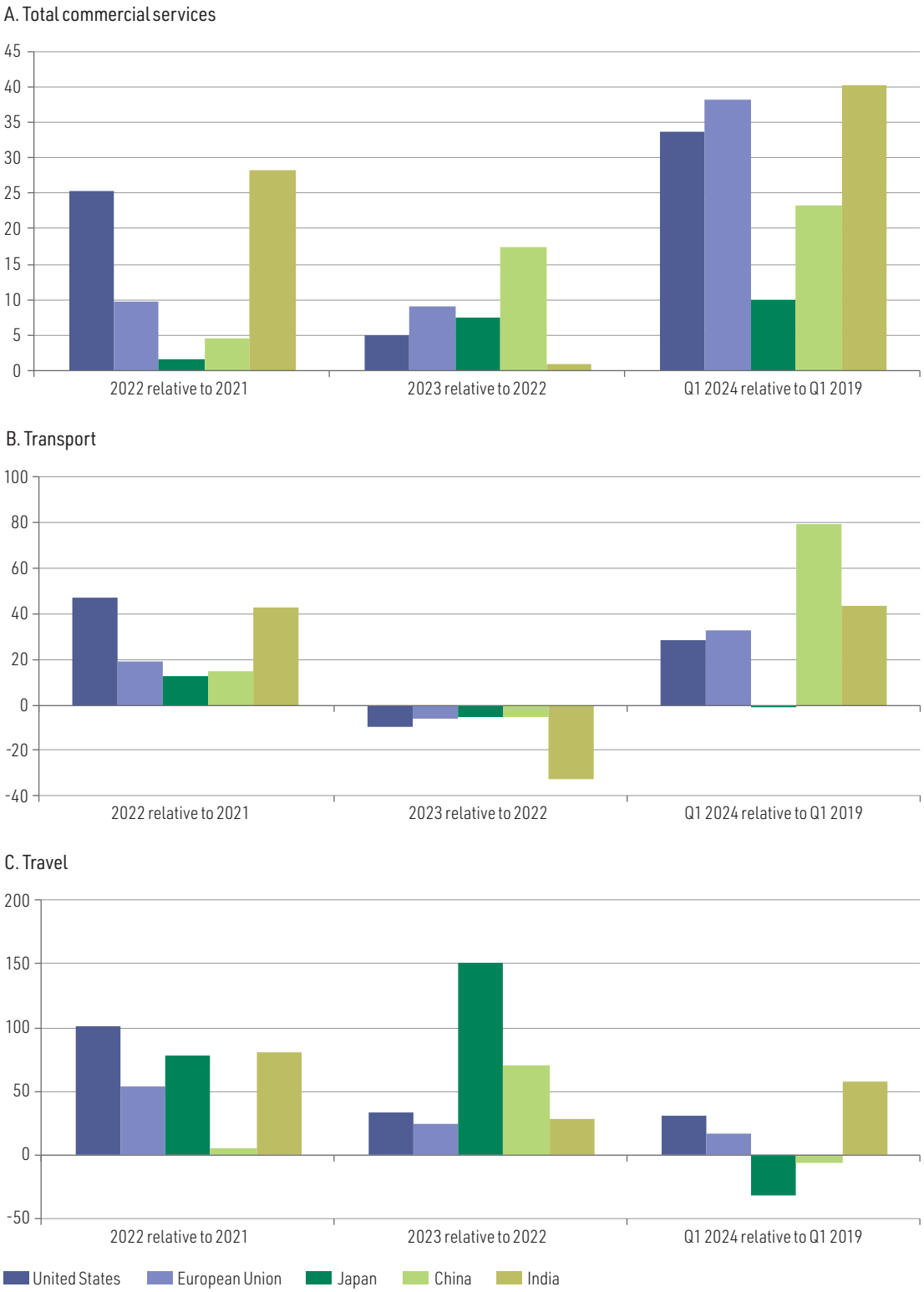
Figure I.11
Year-on-year variation in value of services imports of world's main importers,[a]
first quarter of 2022–first quarter of 2024
(Percentages)



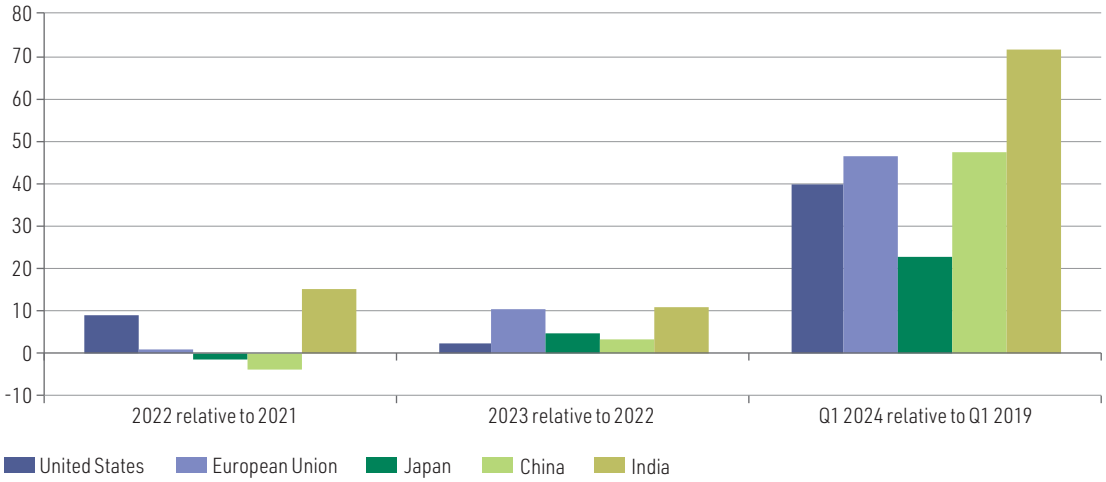
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), "Balance of Payments and International Investment Position Statistics (BOP/IIP)" [online] data.imf.org.
[a] The data refer to 96 economies that accounted for 81% of global imports of services in 2023.

Among the main markets, China led the growth of services imports in 2023 with a 17% expansion, owing mainly to a 71% increase in its international travel expenditure. The European Union was the second most dynamic market, with growth of 9%, fuelled mainly by its international purchases in the travel (25%) and modern services (10%) categories. The third most buoyant market was Japan (7%), mainly as a result of a 151% increase in purchases of travel services. In all of the countries analysed, and also in the European Union, the value of transport services imports decreased in 2023. In the first quarter of 2024, these countries and the European Union generally surpassed their pre-pandemic levels of services imports (first quarter of 2019), except for Japan in transport and China and Japan in travel (see figure I.12).

Figure I.12
Selected countries and regions: variation in value of services imports, by category, 2022–first quarter of 2024
(Percentages)



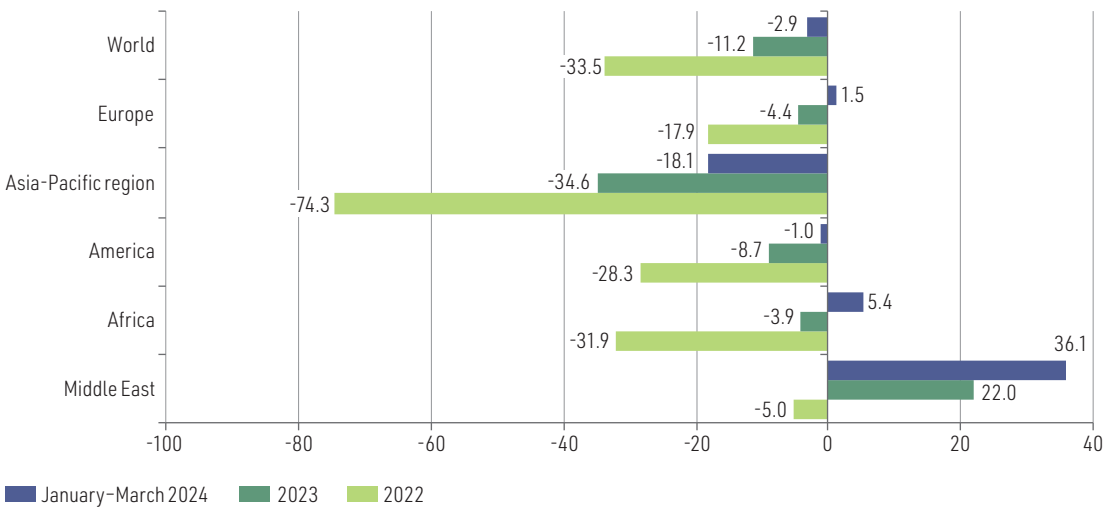
D. Modern services



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), "Balance of Payments and International Investment Position Statistics (BOP/IIP)" [online] data.imf.org.

In the first quarter of 2024, global tourism —measured by the number of international tourist arrivals— attained 97% of its pre-pandemic (first quarter of 2019) level, thereby confirming the recovery that has been ongoing for the past few years. According to the World Tourism Organization (UN Tourism, 2024), an estimated 285 million tourists travelled in that period worldwide —20% more than a year earlier. The strongest growth was recorded in the Middle East, where in the first quarter of 2024 the number of tourists surpassed the level of the same period of 2019 by 36%. Europe and Africa also reported higher figures than before the pandemic, while Asia and the Pacific and America recovered 82% and 99% of their previous levels, respectively (see figure I.13). A full recovery of world tourism is anticipated by mid-2024 (UN Tourism, 2024).

Figure I.13
World and selected regions: variation in number of international tourist arrivals, 2022–first quarter of 2024
(Percentages relative to 2019 levels)

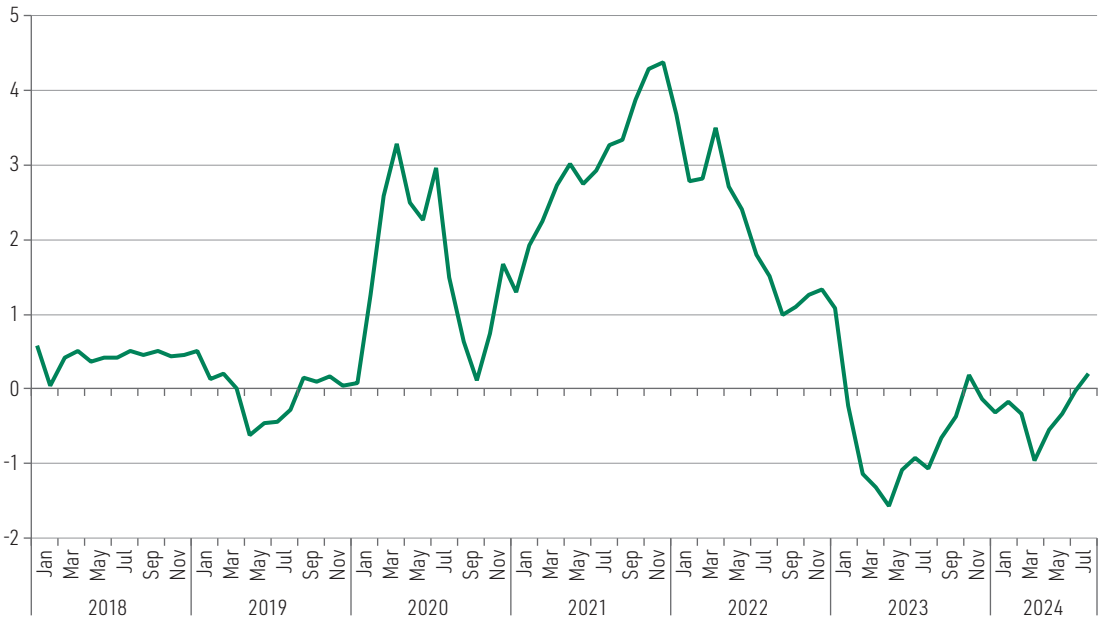


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Tourism Organization, *UN Tourism World Tourism Barometer*, 2024 [online] https://www.unwto.org/un-tourism-world-tourism-barometer-data.

C. New disruptions to global shipping emerge

International shipping, which mobilizes approximately 80% of global goods trade by volume, continues to face major disruptions. Although the sector indicators showed signs of recovery relative to their pre-pandemic levels in 2022, new disruptions have emerged in the main maritime routes since 2023, such as those resulting from the conflict in Gaza and the drought that has affected traffic through the Panama Canal. This is reflected by recent trends in the Global Supply Chain Pressure Index (see figure I.14), which combines data on transport costs with manufacturing sector indicators.[2]

Figure I.14
Global Supply Chain Pressure Index, January 2018–July 2024
(Standard deviations from historical average since 1997)

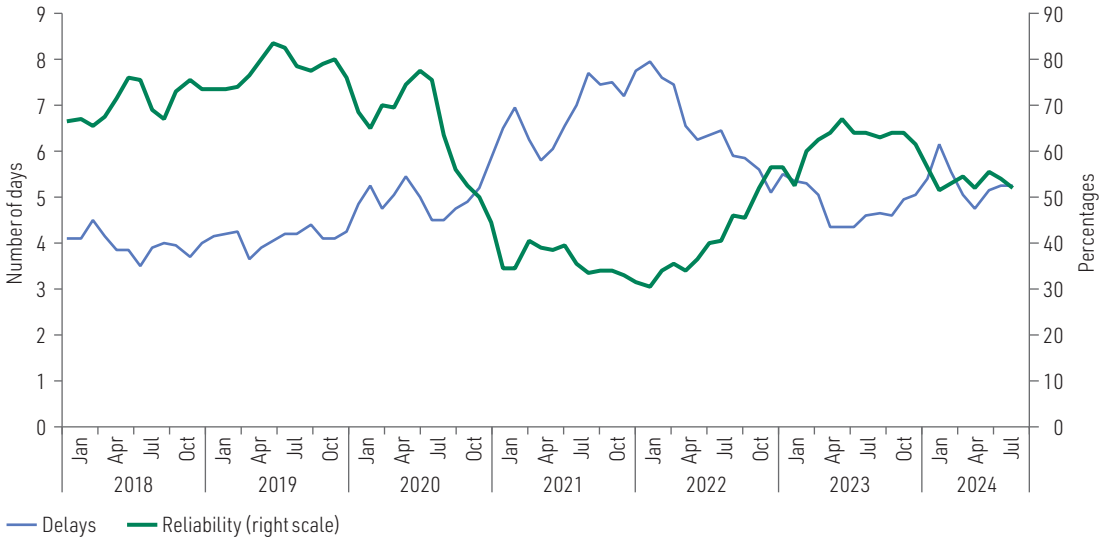


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Federal Reserve Bank of New York.
Note: Level 0 means that the index is at its historical mean value. Positive values indicate the number of standard deviations by which the index is above this, while negative values represent the opposite.

Other indicators that can be used to track disruptions to international shipping logistics are the reliability of container shipping itineraries[3] and the average number of days' delay with which vessels arrive at their destinations.[4] As shown in figure I.15, the reliability of container ship arrivals fell to a low in January 2022 at the height of the pandemic. Since then, it has improved gradually, as pressure on supply chains has eased. This positive trend was interrupted in June 2023, when factors such as the drought in the Panama Canal and geopolitical tensions in the Middle East affected major shipping lanes, heightening operational uncertainty and raising logistics costs.

2 Transport costs are measured using data from the Baltic Dry and Harpex indices, together with air freight cost indices obtained from the United States Bureau of Labor Statistics. The index also draws on survey data from the Purchasing Managers' Index of manufacturing firms in China, the eurozone, Japan, the Republic of Korea, Taiwan Province of China, the United Kingdom and the United States.
3 The reliability of maritime itineraries is calculated on the basis of 34 different trade routes.
4 To estimate the average number of days' delay, Sea-Intelligence measures more than 12,000 vessel arrivals per month.

Figure I.15
Global average delays due to late arrival of vessels, and reliability of scheduled maritime itineraries, monthly averages, January 2018–July 2024
(Number of days and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of de Sea-Intelligence, "Global schedule reliability", septiembre de 2024 [en línea] https://sea-intelligence.com/press-room/283-global-schedule-reliability-drops-by-2-1-percentage-points-in-july.

The average number of days' delay with which ships arrive at their destinations has been trending in line with the reliability index. In January 2022, delays peaked at approximately eight days, before starting to diminish as supply chain pressures eased and logistics conditions improved. However, starting in April 2023, various disruptions have hampered the recovery, leading to an increase in delays. In particular, these have had a major impact on routes through the Panama Canal, where drought-imposed restrictions affected vessel traffic and caused a knock-on effect on shipping worldwide (see box I.1).

Box I.1
The impact of the drought on traffic through the Panama Canal

The Panama Canal, one of the world's most important trade routes connecting the Atlantic and Pacific Oceans, has been suffering the effects of an unusual drought since 2023, owing to low rainfall attributable to the El Niño climate phenomenon (UNCTAD, 2024). The canal uses approximately 7 billion litres of water per day —obtained from the reservoirs of the Gatun and Alajuela lakes— to operate its locks, so the reduction in rainfall has posed major challenges for the maintenance of regular operations (WWA, 2024). The extreme reduction in water levels resulted in restrictions on both the number of vessels that could pass through the canal each day and the weight of cargo they could carry (Barnes and others, 2024). According to information from Clarksons Research, January 2024 saw a 49% decrease in transits through the canal relative to the peak level recorded in December 2021.

Under normal conditions, the Panama Canal handles approximately 3% of the world's seaborne trade and 46% of the containers transported between northeast Asia and the eastern seaboard of the United States (Mundo Marítimo, 2024). As a result, restrictions in the canal have had global impacts and have forced vessels to take longer routes. This has led to lengthier delays at other ports and has increased the demand for road and rail transport, thereby adding to transport costs and greenhouse gas emissions (WWA, 2024).

The Panama Canal Authority is evaluating both short- and long-term solutions to optimize the use of water required by the canal, identify alternative sources, and increase storage capacity. In 2024, additional efforts have been made to restore the canal's capacity, increase the draft of ships that can transit the canal, and take full advantage of the rainy season (Panama Canal Authority, 2024). An example of this is the August announcement of an increase in the maximum draft to 50 feet (15.24 metres) for vessels transiting the Neopanamax locks (MercoPress, 2024). Although rains have started to replenish the reservoirs, climate variability and the need to secure sustainable water sources remain major challenges. WWA (2024) notes that climate change trends in relation to El Niño are uncertain, but are likely to continue to generate low rainfall in the future, which could result in low water levels again unless adaptation measures are adopted.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Panama Canal Authority, "Advisory To Shipping No. A-27-2024", July 2024 [online] https://pancanal.com/wp-content/uploads/2024/08/ADV27-2024-Monthly-Canal-Operations-Summary-July-2024.pdf; C. Barnes and others, *Low water levels in Panama Canal due to increasing demand exacerbated by El Niño evento*, Grantham Institute for Climate Change, May 2024 [online] https://spiral.imperial.ac.uk/handle/10044/1/111007; MercoPress. South Atlantic News Agency, "Canal de Panamá anuncia aumento de calado a 50 pies", 2024 [online] https://es.mercopress.com/2024/08/16/canal-de-panama-anuncia-aumento-de-calado-a-50-pies; United Nations Conference on Trade and Development (UNCTAD), "Unprecedented shipping disruptions raise risk to global trade, UNCTAD warns", 22 February 2024 [online] https://unctad.org/es/news/la-unctad-advierte-que-las-perturbaciones-superpuestas-provocan-desafios-sin-precedentes-para; Mundo Marítimo, "Canal de Panamá necesitará al menos el resto de este año para recuperarse de la sequía de 2023", 3 April 2024 [online] https://www.mundomaritimo.cl/noticias/canal-de-panama-necesitara-al-menos-el-resto-de-este-ano-para-recuperarse-de-la-sequia-de-2023; World Weather Attribution (WWA), "Low water levels in Panama Canal due to increasing demand exacerbated by El Niño event", May 2024 [online] https://www.worldweatherattribution.org/low-water-levels-in-panama-canal-due-to-increasing-demand-exacerbated-by-el-nino-event.

Compounding the above, geopolitical tensions in the Middle East have continued to affect shipping in 2024. In the face of Yemeni Houthi attacks on merchant ships transiting the Red Sea, shipping lines had to divert their routes to circumnavigate the Cape of Good Hope at the southern tip of Africa, which lengthens journeys by thousands of kilometres and adds considerably to travel times. This change has had a direct impact in terms of increased transport costs and delays in the delivery of essential components for global supply chains.

Disruptions to global supply chains since 2020 have affected containerized seaborne trade significantly. Latin America and the Caribbean was the region most affected and its cargo volume in 2020 was 6% less than in 2019, owing to global disruptions and the regional GDP contraction of 6.9%. In 2023, several regions, such as Sub-Saharan Africa, Asia and the grouping comprised of the Indian subcontinent and the Middle East, surpassed their 2019 trade levels. However, others such as Latin America, Australasia and Oceania and Europe remained below pre-pandemic levels (see table I.2).

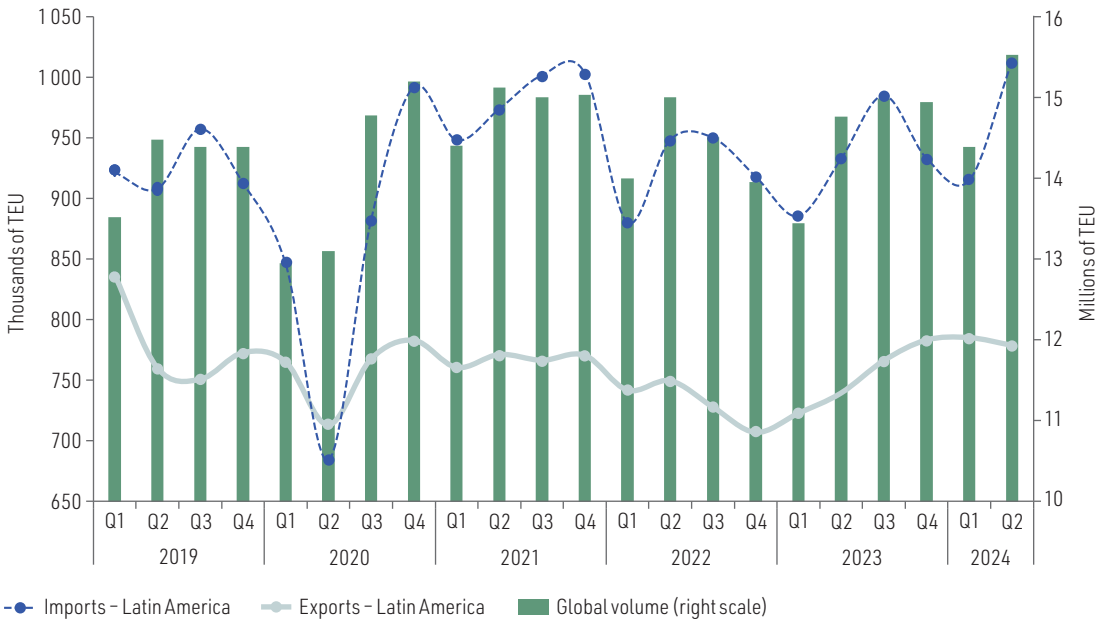
Table I.2
International containerized seaborne trade volume index, by subregion, 2019–2023
(Index: base year 2019 = 100)

	2019	2020	2021	2022	2023
Sub-Saharan Africa	100.0	96.4	98.3	98.1	107.0
North America	100.0	100.5	110.4	102.4	100.4
Latin America	100.0	94.3	102.6	97.1	98.9
Australasia and Oceania	100.0	100.6	101.8	97.2	96.8
Europe	100.0	97.0	102.1	94.6	93.6
Asia	100.0	99.9	106.7	104.3	105.0
Indian Subcontinent and Middle East	100.0	96.9	97.9	101.5	111.6
World	**100.0**	**98.7**	**104.9**	**101.2**	**102.4**

Source: E. Barleta, M. Saade Hazin and R. Sánchez, "Informe portuario 2023-2024: señales mixtas en el comercio y los puertos y nuevas disrupciones en la logística internacional marítima de contenedores", *FAL Bulletin*, No. 407, 2024, forthcoming.

Global containerized seaborne trade fluctuated significantly between 2020 and 2024, owing to factors such as the pandemic, geopolitical tensions and logistical challenges. Its cargo volume has closely tracked the growth of the world economy. As shown in figure I.16, in the first quarter of 2020, international seaborne trade diminished sharply owing to the disruption of supply chains, port closures and slack global demand. As noted above, Latin America was one of the hardest hit regions, as the regional GDP contraction and health restrictions had major effects on the movement of goods. However, as the global economy started to recover in 2021, cargo volumes rebounded, although logistical bottlenecks continued to occur, resulting in delays and increased transport costs.

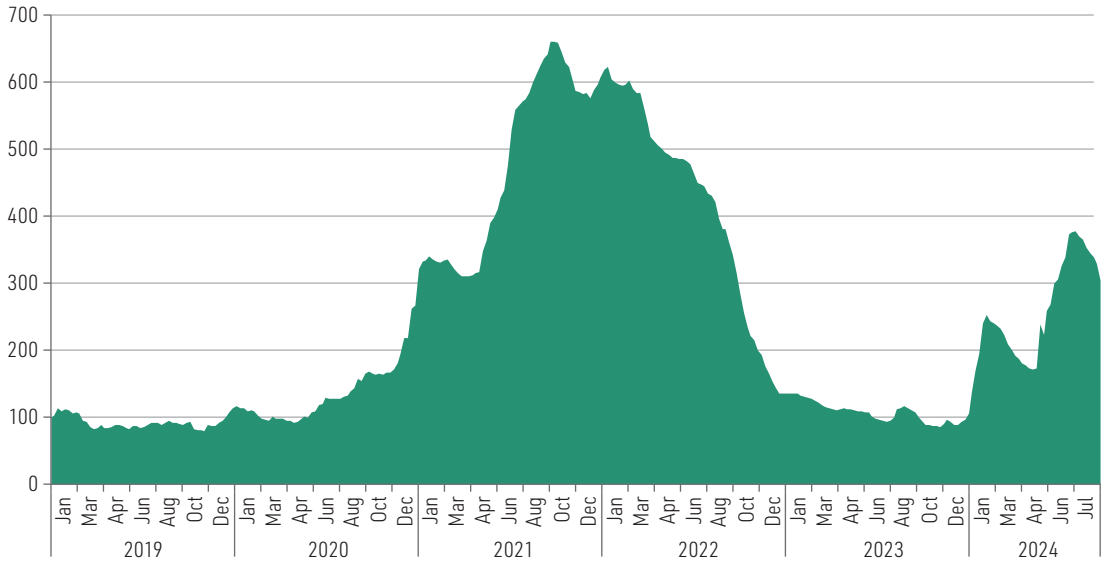
Figure I.16
World and Latin America: variation in volume of international containerized seaborne trade, first quarter 2019–second quarter 2024
(Thousands and millions of 20-foot equivalent units (TEU))



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

The disruption of global supply chains as from 2020 pushed up maritime freight rates nearly eightfold between April 2019 and September 2021 (ECLAC, 2023a). After falling sharply in 2022 as global transport conditions normalized, rates attained post-pandemic lows in October 2023. However, the aforementioned shocks have caused a further spike in prices, which have since displayed great volatility (see figure I.17).

Figure I.17
Index of composite weekly average spot freight rates for maritime containers, January 2019–July 2024
(January 2019 = 100)



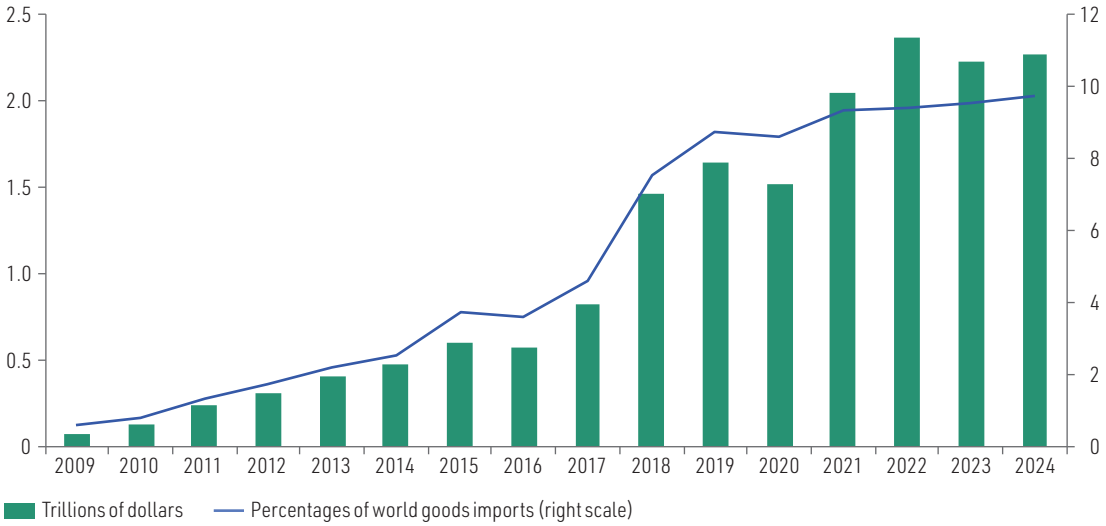
Source: E. Barleta, M. Saade Hazin and R. Sánchez, "Informe portuario 2023-2024: señales mixtas en el comercio y los puertos y nuevas disrupciones en la logística internacional marítima de contenedores", *FAL Bulletin*, No. 407, 2024, forthcoming.

D. Trade restrictions continue to increase

The factors that have dampened the growth of world trade over the last decade and a half include the waning of support for open trade —and globalization generally— in some of the main advanced economies, along with geopolitical tensions between the United States and China, and the weakening of the multilateral trading system (ECLAC, 2023a and 2023b). All of this has resulted in an increasing tendency to impose tariffs and other barriers: whereas in 2009 less than 1% of global imports of goods were subject to restrictive measures, since then the proportion has risen almost continuously and is estimated at close to 10% in 2024 (see figure I.18). This figure could rise substantially in the coming years, depending on the outcome of the presidential elections to be held in the United States —the world's leading goods importer— in November 2024. One of the candidates, former President Donald Trump, has proposed in his campaign to levy a 10% tariff on all goods imports except those from China which would be subject to a 60% rate (Wolff, 2024).

The increase in tariff barriers is being compounded by the implementation of a growing number of industrial policy measures, especially in the advanced economies and in China (Bown, 2023; Evenett and others, 2024; Irwin, 2023; Rotunno and Ruta, 2024). Although these new industrial policies are based on economic competitiveness considerations, they also pursue objectives linked to strategic autonomy, national security and the energy transition, among others. The main instruments used are subsidies of different types, which tend to target sectors considered strategic, such as those that produce microprocessors, electric vehicles, dual-use (civilian and military) technologies and medical devices.

Figure I.18
Value of global goods trade subject to import restrictions, 2009–2024
(Trillions of dollars and percentages of global goods imports)



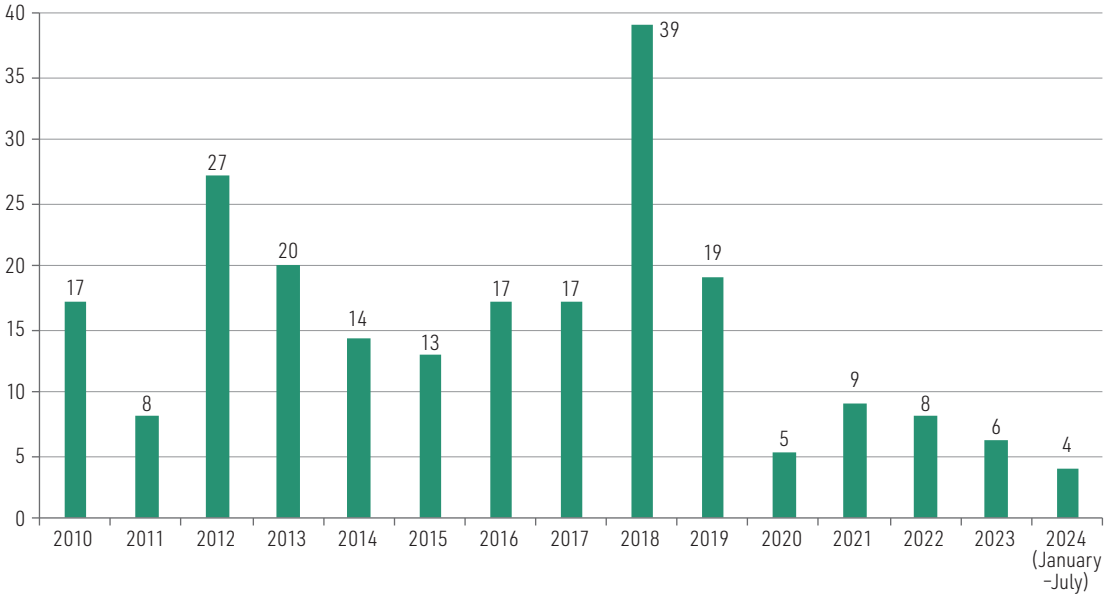
Source: World Trade Organization (WTO), *WTO end-year Trade Monitoring Report*, 23 November 2023, for 2009–2022 and "Trade Monitoring: Latest trends", 8 July 2024, for 2023 and 2024.
Note: The figures for 2024 are WTO Secretariat estimates based on trade measures announced up to mid-May.

According to Evenett and others (2024), 71% of the industrial policy measures implemented by the world's major economies in 2023 have trade-distorting effects impinging on at least 22% of global imports. The proliferation of these measures has raised concerns about a growing "subsidy war" which current WTO rules are inadequate to address (Bown, 2023) and in which most developing countries find it very difficult to compete (Grynspan, 2023). Trade-distorting measures implemented under the new industrial policies also include local content requirements, restrictions on the export of certain technologies and critical minerals, and the tightening of regulations on both inward and outward foreign direct investment.

The deterioration of the policy environment in which world trade unfolds is also reflected in a weakening of adherence to the rules and principles of the multilateral trading system. Several measures implemented by the world's major economies in recent years have been questioned for their potential incompatibility with WTO agreements. Examples include the tariff hikes that China and the United States have implemented reciprocally since 2018, and a number of industrial subsidies granted by the United States under the CHIPS and Science Act and the Inflation Reduction Act, both of 2022 (Harrell, 2024). Partly to avoid a flight of investment to that country, and partly to achieve greater strategic autonomy, several European countries have reacted by increasing their own subsidies for the production of semiconductors, electric batteries and solar panels, among other industries that are considered strategic (*Financial Times*, 2023).

Compounding this, the WTO Appellate Body has been inactive since December 2019, which has seriously impaired the organization's dispute settlement function. As a result, there has been a steep reduction in the number of cases initiated since 2020, a period marked precisely by increasing protectionism (see figure I.19). The Thirteenth Ministerial Conference of the World Trade Organization, held in February 2024, did not make any progress in the talks on reforming its dispute settlement mechanism, nor on any of the main areas of negotiation.

Figure I.19
Number of dispute settlement cases initiated at World Trade Organization, January 2010–July 2024



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), "Chronological list of disputes cases" https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm.
Note: In 2018, an unusually large number of cases arose as a result of the challenges generated by various tariff hikes applied in the United States. These included tariffs applied to steel and aluminium imports from several origins and to various products originating in China.

In May and July 2024, the United States and the European Union, respectively, announced tariff hikes on Chinese products in sectors considered strategic, in both cases including electric vehicles (see table I.3).[5] Following this, in July 2024, China requested the establishment of a WTO panel to review several of the subsidies granted by the United States under its Inflation Reduction Act. In August 2024, China initiated WTO dispute settlement proceedings, challenging the countervailing duties imposed by the European Union on electric vehicles manufactured in that country. The possibility that all of these developments could lead to a new round of measures and countermeasures among the world's major economies poses a considerable risk, not only for the recovery of trade, but also for the world economy at large. This is partly because potential inflationary pressures generated by the rising cost of imported goods could lead central banks to maintain tight monetary policies for longer, which would have a negative impact on consumption and investment (IMF, 2024a). In addition, the accumulation of protectionist measures in a context of considerable geopolitical tensions could fragment the world economy into trade and technological blocs.

The increase in trade barriers is not confined to goods. In recent years, restrictions on cross-border data flows and digital trade have also increased (Cory and Dascoli, 2021; Marwala, 2023). In addition, there is uncertainty about the renewal of the multilateral moratorium on the imposition of customs duties on electronic transmissions after 2026. This moratorium prevents the levying of tariffs on "digital products", such as software or video downloads. All of the above could have an adverse impact on the growth of world trade in services in the coming years (see chapter III).

[5] On 26 August 2024, the Government of Canada announced tariffs of 100% on Chinese electric vehicles and 25% on steel and aluminium originating in that country, arguing that these products benefit from unfair practices. In response, China initiated a dispute settlement case at WTO (World Trade Online, 2024).

Table I.3
United States and European Union: announcements of tariff hikes on selected Chinese products, 2024

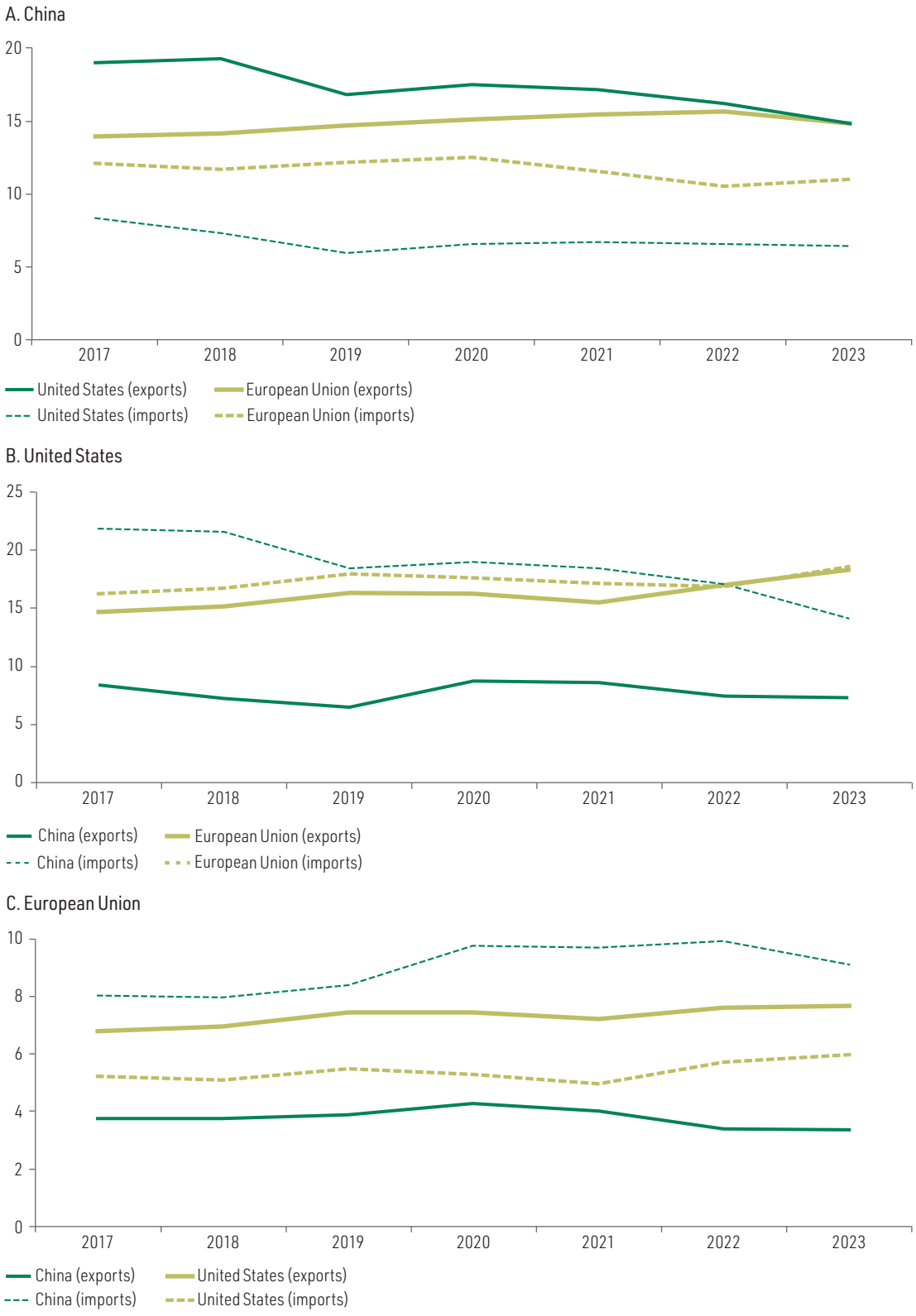
Country or grouping and effective date of increases	Instrument	Sector or product	Tariff increase announced
United States (27 September 2024)	Section 301 of the Trade Act of 1974	Steel and aluminium	From a current range of 0% to 7.5%, to 25% by 2024
		Semiconductors	From 25%, to 50% between 2024 and 2025
		Electric vehicles	From 25%, to 100% by 2024
		Lithium-ion batteries for electric vehicles	From 7.5%, to 25% in 2024
		Lithium-ion batteries for other uses	From 7.5%, to 25% in 2026
		Solar panels	From 25%, to 50% in 2024
		Cranes for loading and unloading of goods	From 0%, to 25% in 2024
European Union (4 July 2024)	Investigation into alleged subsidies for electric vehicles exported from China	Battery-electric vehicles (excluding hybrid models)	Imposition of provisional countervailing duties on the following companies: - BYD Company: 17.4% - Geely: 19.9% - SAIC: 37.6% - Other firms: 20.8% and 37.6% These duties are in addition to the 10% most-favoured-nation tariff applicable to electric vehicles of all origins

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of White House, "Fact sheet: President Biden takes action to protect American workers and business from China's unfair trade practices", Washington, D.C., 14 May 2024 and European Commission "Commission imposes provisional countervailing duties on imports of battery electric vehicles from China while discussions with China continue", Press release, 4 July 2024.

E. Significant changes in the geographical patterns of world trade since 2017

The proliferation of trade barriers since 2018, in the midst of rising geopolitical tensions among some of the world's major economies, have started to be reflected in changes in the geographical patterns of world trade. While the United States and China have reduced their direct trade interdependence, the United States and the European Union have increased theirs (see figure I.20). For example, the share of the United States as a destination for China's total exports of goods retreated from 19.0% in 2017 to 14.8% in 2023. As a counterpart, China's share of total United States imports fell from 21.9% in 2017 to 14.1% in 2023. In contrast, the European Union's share of total goods exports from the United States increased from 14.7% in 2017 to 18.3% in 2023, while its share of total United States imports grew from 16.2% to 18.6% over the same period. The United States has also increased its share of the European Union's total goods trade, albeit to a lesser extent, since about 60% of this takes place between its own members.

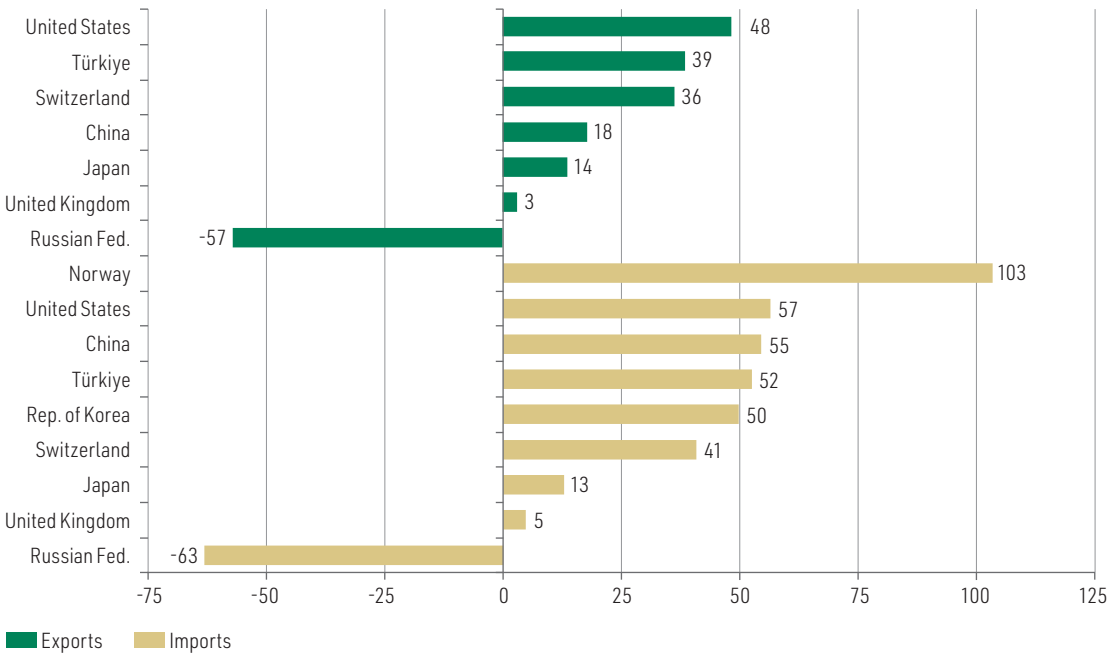
Figure I.20
China, United States and European Union (27 countries): reciprocal shares in total goods trade, 2017–2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database.

Additional information on changes in the geographical patterns of world trade can be obtained by considering the partners with which the trade of China, the European Union and the United States has grown by most (and by least) in recent years. In the case of the European Union, trade with the Russian Federation collapsed following the restrictions imposed by both sides following the outbreak of the war in Ukraine.[6] In particular, the reduction in oil and gas imports from the Russian Federation has been offset by increased purchases from Norway and the United States. Trade with the United Kingdom has also been subdued, impacted by its exit from the European Union in 2020 (see figure I.21).

Figure I.21
European Union (27 countries): variation in value of goods trade with major partners, 2017–2023
(Percentages)

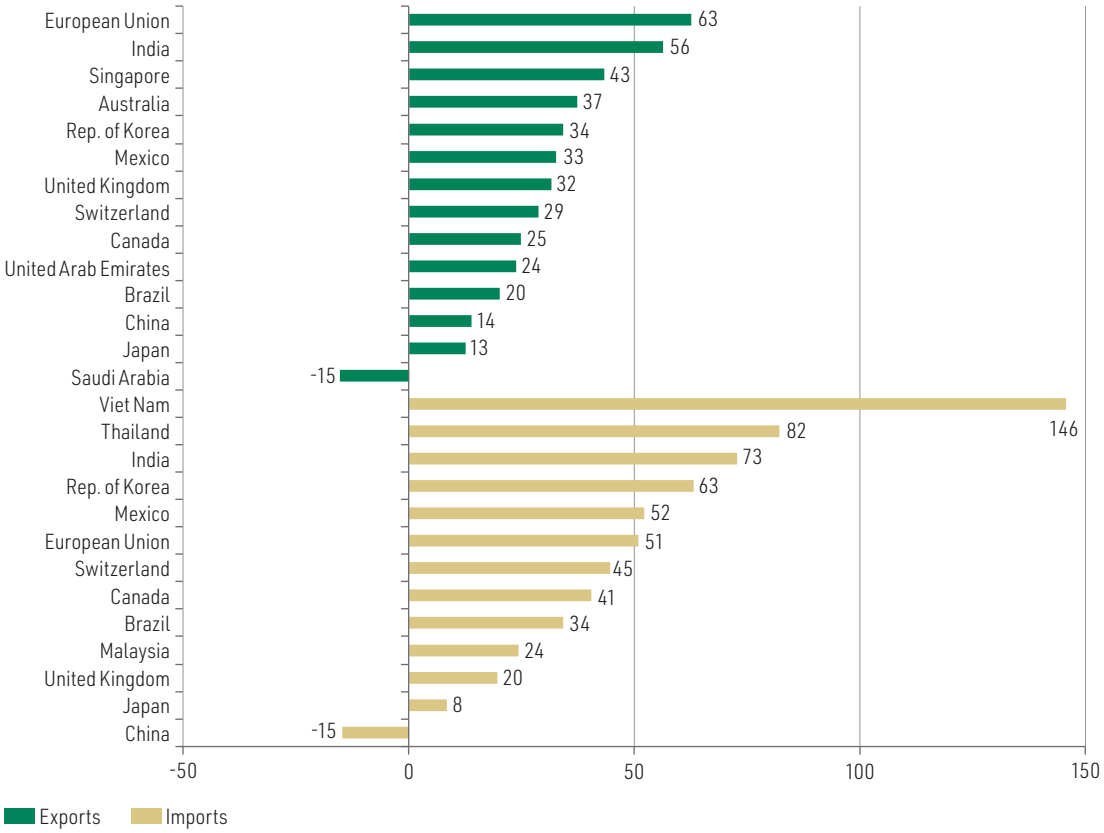


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database.
Note: All partners that had at least a 1% share of EU exports or imports in 2017 are included, except its own member countries.

In the case of the United States, imports from China declined by 15% since 2017, while imports from countries such as India, Thailand and Viet Nam, which have positioned themselves as alternative suppliers of manufactures, increased sharply (see figure I.22). However, in absolute terms, the main beneficiary of the reduction in United States imports from China has been Mexico. Between 2017 and 2023, United States imports from Mexico grew by 52%, to a value of US$ 480 billion. As a result, Mexico overtook China as the main source of United States imports in 2023. Moreover, since 2017, exports from the United States to China have grown much less than its shipments to markets such as the European Union, India, the Republic of Korea, Mexico and the United Kingdom.

[6] However, there are signs that some of the exports that were being made directly from the European Union to the Russian Federation before the outbreak of the war in Ukraine are now being channelled through countries such as Armenia, Türkiye and the Central Asian republics (*The Economist*, 2024).

Figure I.22
United States: variation in value of goods trade with major partners, 2017–2023
(Percentages)



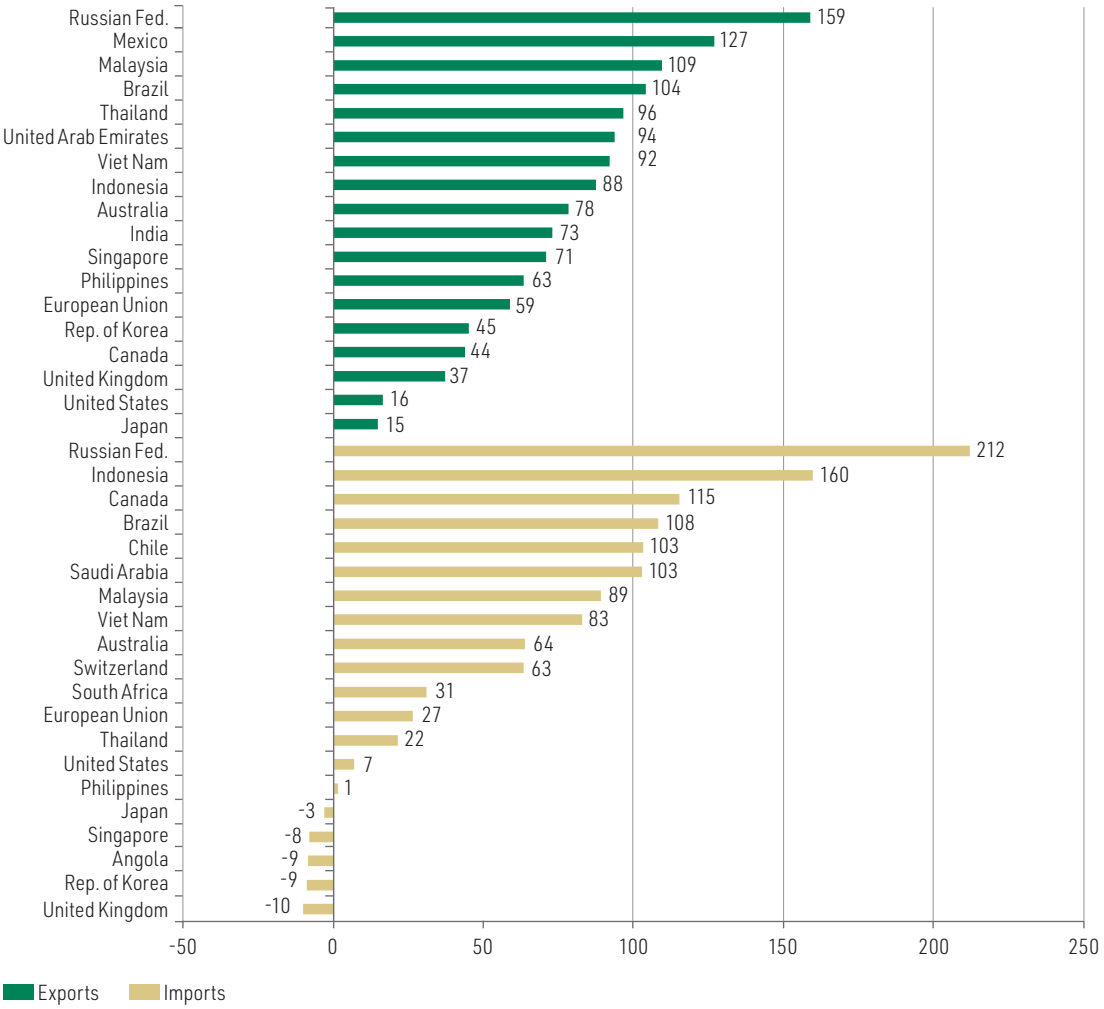
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database.
Note: Includes all partners that had at least a 1% share of United States exports or imports in 2017.

Lastly, China has seen triple-digit growth in shipments to markets such as the Russian Federation, Mexico, Malaysia and Brazil since 2017 (see figure I.23).[7] In particular, its exports to the Russian Federation —including vehicles— have benefited from the reduction in that country's imports from the European Union owing to the conflict in Ukraine. Chinese imports from the Russian Federation (more than 70% of which consist of oil) have also been the most dynamic among that country's main suppliers.

The remarkable growth of China's exports to Mexico since 2017 partly reflects the desire of Chinese firms to circumvent the high tariffs they have faced in the United States since 2018. According to a study by investment bank UBS, half of the growth in Mexican imports from China since 2017 represent the triangulation of intermediate goods destined ultimately for the United States. The other half would be explained mainly by an increase in the share of Chinese vehicles in the Mexican market (*La Jornada*, 2024). Similarly, the considerable increase in Chinese exports to countries such as Malaysia, Thailand, Viet Nam and Indonesia may be indicative of increased use of Chinese inputs in exports of manufactured goods from these countries to the United States, either by local firms or by Chinese firms with a presence there (Alfaro and Chor, 2023; Hoang and Lewis, 2024).

[7] While United States imports from China decreased by 15%, from US$ 526 billion to US$ 448 billion between 2017 and 2023, the latter country's statistics record a 16% increase in shipments to the United States over the same period (from US$ 430 billion to US$ 501 billion).

Figure I.23
China: variation in value of goods trade with major partners, 2017–2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database.
Note: Includes all partners that had at least a 1% share of China's exports or imports in 2017.

F. The region's foreign trade shows signs of a slight recovery

1. Overview

In the first half of 2024, the region's foreign trade in goods and services grew faster than in the year-earlier period (see table I.4). In value terms, the year-on-year growth of exports (5%) outpaced that of imports (1%). In addition, services exports grew much faster (11%) than goods (4%). In the case of goods exports, in the first half of 2024 growth was stronger in the primary sectors, where shipments increased at double-digit rates. In contrast, manufacturing exports continued to flatline as they have done since the first half of 2023.

Table I.4
Latin America and the Caribbean:[a] year-on-year variation in value of goods and services trade by major sector, first half of 2021–first half of 2024
(Percentages)

		January–June 2021	January–June 2022	January–June 2023	January–June 2024
Exports	**Goods and services**	**27**	**24**	**1**	**5**
	Goods	**31**	**22**	**-1**	**4**
	Crop and livestock products	10	28	-5	11
	Mining and oil	55	17	-4	11
	Manufacturing	29	22	1	0
	Services	**2**	**45**	**18**	**11**
	Transport	10	35	8	11
	Travel	-16	114	31	13
	Other services	9	15	11	9
Imports	**Goods and services**	**28**	**33**	**-3**	**1**
	Goods	**31**	**31**	**-5**	**1**
	Capital goods	21	19	6	4
	Intermediate inputs	33	25	-5	1
	Consumer goods	27	28	1	7
	Fuels	45	85	-19	-13
	Services	**10**	**43**	**4**	**1**
	Transport	48	54	-13	-3
	Travel	-39	152	35	10
	Other services	5	21	9	-1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries' central banks, customs services and institutes of statistics.
[a] In the case of goods trade, information is included for 31 countries (all of the region's countries except Cuba and Haiti). In the case of services, information was available for 30 countries (all of the region's countries except Belize, the Bolivarian Republic of Venezuela and Cuba). In the cases of Guyana, Haiti, Jamaica, Nicaragua, Suriname, and Trinidad and Tobago, estimations were made for the second quarter of 2024.

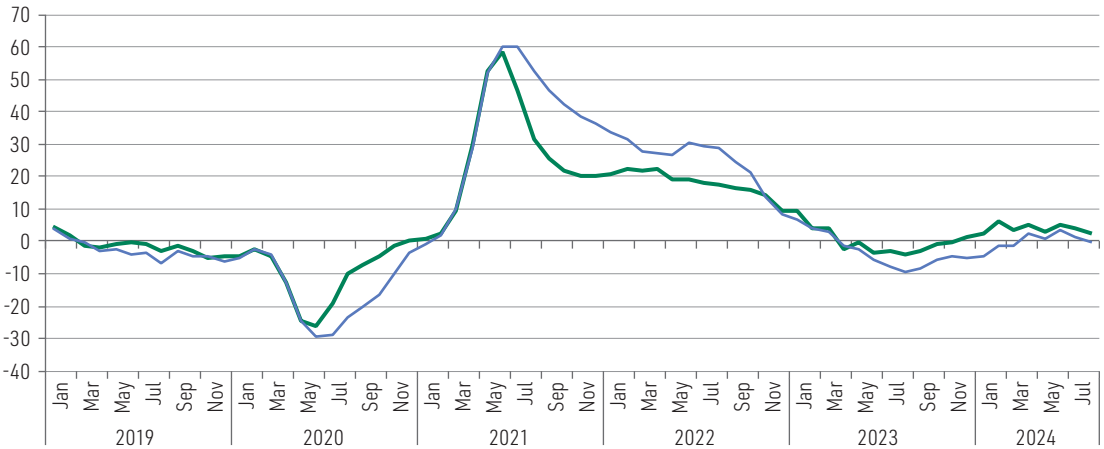
The buoyancy of regional goods exports in the first half of 2024 is due mainly to an increase in the volume exported of commodities such as oil, copper, gold and various crop products —the latter explained mainly by the recovery of harvests following the drought that affected Argentina, Uruguay and other countries in 2023.

Meanwhile, regional imports of goods and services grew by just 1% in the first half of 2024 —evidencing slack demand in a context of persistently low growth, in which regional output is expected to expand by only 1.8% in 2024 (ECLAC, 2024). Foreign purchases of fuels were down by 13%, while imports of intermediate goods virtually stagnated. As a result of the lack of demand for imported goods, imports of transport services also contracted during the first half of the year. However, this was offset by the growth of travel imports (10%), while imports of other services fell by 1%.

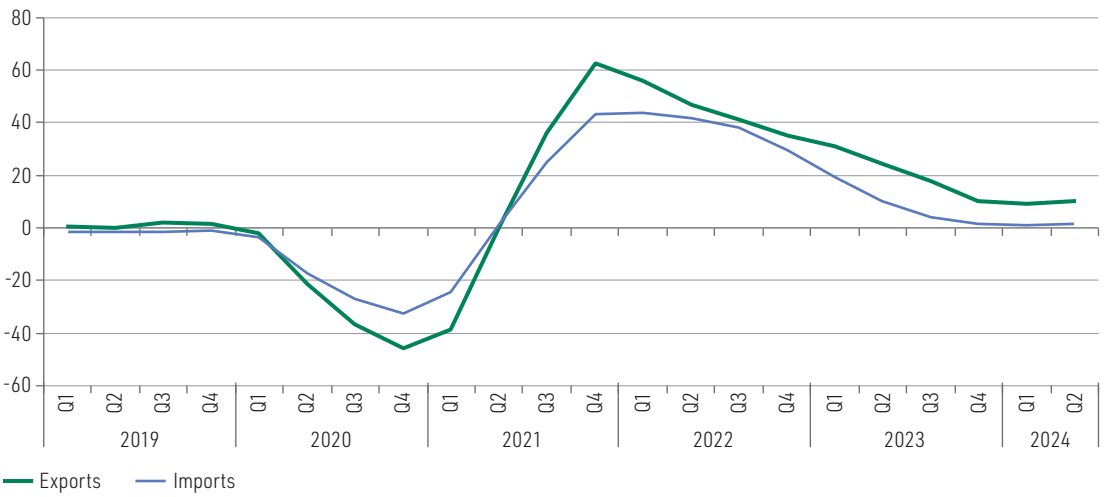
Regional trade in goods and services have followed similar paths in recent years. Both suffered a deep contraction in the wake of the COVID-19 pandemic, followed by a considerable statistical rebound and then a lengthy slowdown stretching into the second half of 2023. Lastly, from the second quarter of 2024 onward, their trends have become plateau-shaped (see figure I.24). In both cases, imports have been muted owing to the region's weak economic growth.

Figure I.24
Latin America and the Caribbean: year-on-year variation in value of goods and services trade, rolling quarters, 2019–2024
(Percentages)

A. Goods (January 2019–August 2024)



B. Services (first quarter of 2019–second quarter of 2024)



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

A review of the behaviour of regional goods exports in the first half of 2024, by sector and subregional grouping, confirms that the primary sectors have generally been the most dynamic. For example, exports of the agriculture, hunting and fishing sector grew at double-digit year-on-year rates in the Southern Common Market (MERCOSUR), the Andean Community and the Pacific Alliance; as did those of the oil and mining sector in MERCOSUR, the Central American Common Market (CACM) and the Caribbean (see table I.5). In contrast, various intermediate input and capital goods sectors have performed poorly —mainly in the sectors of non-metallic minerals, metals and metal products, textiles, clothing and footwear, and rubber and plastics, where shipments either declined outright or else increased by less than 1% in most of the subregions. In contrast, services exports grew at double-digit rates in most cases.

Table I.5
Latin America and the Caribbean and selected groupings: year-on-year variation in goods and services exports, by major sector, first half of 2024
(Percentages)

	MERCOSUR	Andean Community	Pacific Alliance	CACM	The Caribbean	Latin America and the Caribbean
Goods	**5**	**3**	**2**	**-5**	**32**	**4**
Agriculture, hunting and fishing	13	15	10	-14	-7	10
Oil and mining	37	0	7	14	64	19
Food, beverages and tobacco	6	-10	0	-6	-6	2
Textiles, clothing and footwear	-5	-6	-6	-6	-17	-6
Wood and paper	11	-8	3	-8	28	7
Chemical and petrochemical	26	9	-19	-1	-2	5
Medicines	-12	-3	3	9	-16	-5
Rubber and plastic	-6	3	3	2	3	1
Non-metallic minerals	-4	-3	-5	2	-20	-4
Metals and by-products	-15	-11	-8	-9	-14	-11
Machinery and equipment	-10	24	12	5	-3	9
Machinery and electrical equipment	1	3	0	-3	0	0
Medical and precision equipment	6	6	4	6	22	5
Automobiles and auto parts	-20	23	9	-7	109	4
Other manufacturing	-61	0	-1	-11	-3	-35
Services	**8**	**13**	**12**	**11**	**13**	**11**
Transport	18	12	19	-1	32	14
Travel	14	14	11	25	8	13
Construction	10	-35	-35	0	-50	1
Insurance and pension services	-26	20	-5	18	11	-7
Financial services	34	13	16	-8	34	14
Charges for the use of intellectual property	-6	29	20	0	0	3
Telecommunications and information services	3	22	16	17	47	10
Other business services	4	14	12	14	12	8
Personal, cultural and recreational services	9	51	28	20	0	14
Government goods and services	-4	13	8	1	5	3
Services related to goods	40	-51	46	2	-4	17
Goods and services	**6**	**3**	**4**	**3**	**18**	**5**

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

2. Recent developments and outlook for foreign trade prices in the region

In January–August 2024, the price index of the main commodities exported by the region fell by 2.1% year-on-year. Nonetheless, its recent trend represents an improvement over the same period in 2023, when it registered a year-on-year drop of 14.0% (see table I.6). Of the 23 products included in the index, nine reported price increases relative to the year-earlier period, with some of the largest increases occurring in the minerals and metals group. For example, the price of gold rose by 14.0% on the back of its high demand as a store of value in contexts of inflation and global economic and geopolitical uncertainty (Kane, 2024). Copper and tin prices have also risen as a result of supply

shocks. These include the mid-August strike by workers at the La Escondida copper mine in Chile, and various disruptions that have affected tin mining in Myanmar, Indonesia and the Democratic Republic of the Congo (Becedas, 2024). Moreover, there is high demand for these and other metals associated with electromobility (Hook, Dempsey and Nugent, 2024). In this context, an annual increase of 6.5% in the prices of minerals and metals is projected for 2024.

Table I.6
Latin America and the Caribbean: year-on-year variation in price indices of main export commodities, January–August 2023 and 2024 and variation projected for 2024
(Percentages)

	Share of total goods exports (2023)	Year-on-year variation		Projected variation 2024[a]
		January–August 2023	January–August 2024	
All commodities	**40.0**	**-14.0**	**-2.1**	**-2.9**
Energy	**12.9**	**-24.2**	**0.1**	**-3.9**
Oil	9.9	-23.8	3.8	-2.0
Petroleum products	2.2	-15.2	-5.0	-7.9
Natural gas	0.2	-62.6	-14.6	-15.0
Coal	0.8	-42.2	-28.8	-20.9
Minerals and metals	**12.2**	**-10.2**	**4.6**	**6.5**
Other minerals and metals	1.1	-17.1	-0.3	4.5
Copper	6.2	-10.7	4.5	7.9
Gold	1.8	3.2	14.0	19.0
Iron	2.2	-15.0	-0.7	-7.4
Aluminium	0.1	-23.8	1.1	5.1
Silver	0.2	-8.4	7.9	13.7
Nickel	0.0	-13.1	-27.7	-20.4
Tin	0.1	-34.4	11.3	17.7
Lithium carbonate	0.4	35.2	-71.6	-65.6
Crop and livestock products	**14.9**	**-8.3**	**-9.5**	**-9.5**
Soybean oil	1.8	-33.8	-14.5	-12.0
Bananas	0.6	17.1	-13.8	-17.8
Beef	1.4	-17.2	18.7	21.1
Soybeans	4.6	-10.6	-21.8	-23.5
Coffee	1.1	-12.4	28.0	33.5
Sugar	1.0	19.0	-7.9	-12.9
Fish meal	0.1	15.5	-3.3	-4.3
Corn	1.6	-15.1	-30.2	-26.0
Shrimp and other crustaceans	0.8	-27.9	-19.1	-14.1
Rice	0.2	19.0	19.2	12.0

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 made by ECLAC, on the basis of January–August price trends, daily prices for September, futures price quotations for the fourth quarter of the year for several products traded on exchanges (soybeans, maize, wheat, copper and oil, among others), and observed and expected supply and demand conditions for the selected products.

As of August 2024, the price of crude oil was up by 3.8%, while the prices of its derivative products, mainly gasoline and diesel, were 5.0% lower. Given the uncertainty generated by a potential slowdown in global economic growth, oil prices were more volatile during the first two weeks of September and are expected to fluctuate between US$ 65 and US$ 75 per barrel in the latter part of 2024. Based

on that scenario, the energy export price index is projected to close the year down by an average of 3.9% owing mainly to further price falls expected for oil[8] and continuing reductions in gas and coal prices.

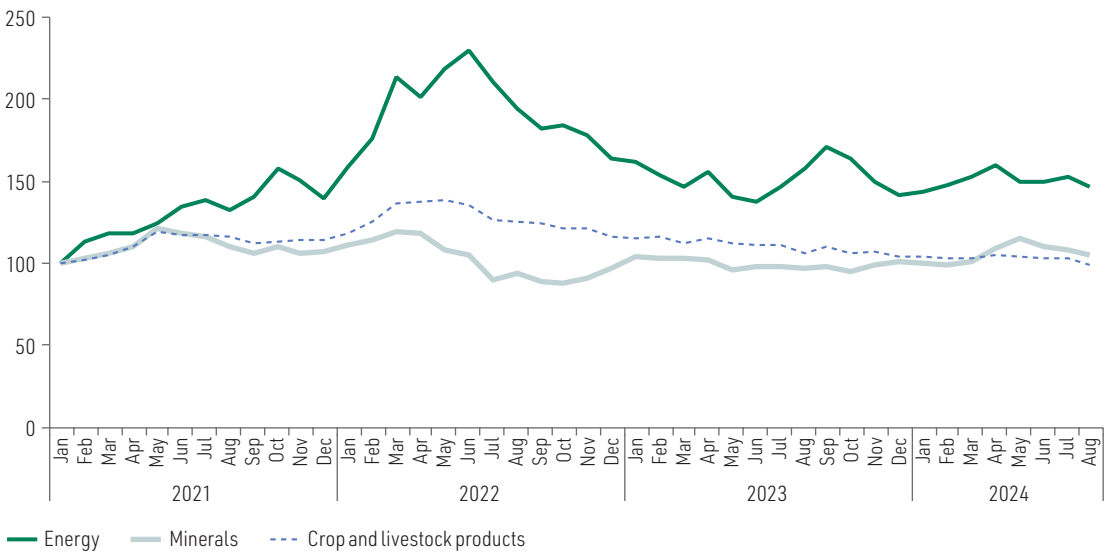
The price index of crop and livestock products decreased by an average of 9.5% in January–August 2024. The steepest falls occurred in maize (30.2%), soybeans (21.8%), shrimp (19.1%) and soybean oil (14.5%). Agricultural commodity prices are not expected to have recovered by late 2024, as futures prices remain weak and are on a downward path. Good harvests and more abundant supply of certain commodities such as soybeans, canola and meat are coupled with reduced Chinese imports of meat and other agricultural products (Depares, 2024; Kenner and others, 2024). The price index for crop and livestock products is thus projected to fall by 9.5% year-on-year.

One price category for which monitoring is crucial is that of fertilizers, because it encompasses products that are major inputs for food production. In general, except for phosphate rock, fertilizer prices have retreated significantly from the peaks attained in the first half of 2022 following the outbreak of the war in Ukraine. However, they remain at levels similar to the 2019 average, and are therefore still historically high.

In the case of imported products, the price indices for the main groups of products imported by the region (40% of the total) for January–August were down by an average of 5% year-on-year, with steeper falls in electronic equipment (14%), chemicals (13%) and petroleum products (6%) (see figure I.25B). The reduction in regional import prices largely reflects the fact that the price indices of China's exports have been declining recently, resulting in outright deflation among a major group of products in the world economy (see box I.2). The composite index calculated for Latin American imports follows the same trend as that calculated for United States imports from China (see figure I.25D).

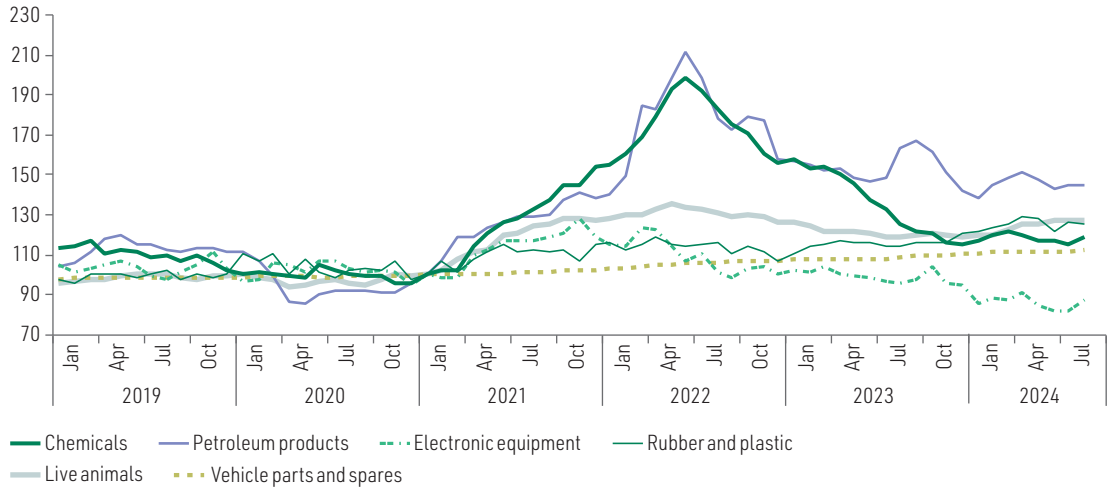
Figure I.25
Latin America and the Caribbean: price indices of selected exported and imported product groups, January 2022–August 2024
(January 2021 = 100)

A. Exports (main groups)

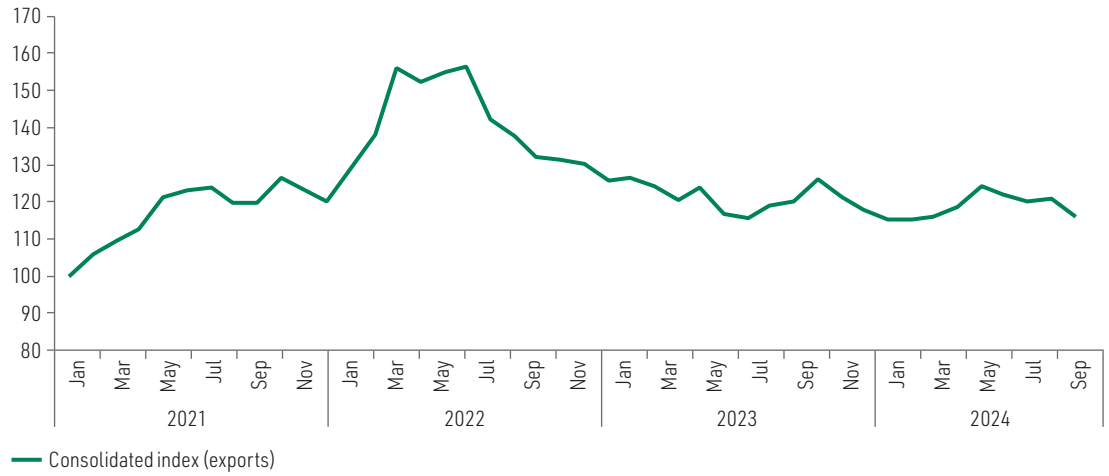


[8] At the time this report was completed (September 2024), the long-term trend of the price of oil was heading down. While worsening tensions in the Middle East have since generated price upticks, the average price in 2024 is projected to be lower than in 2023.

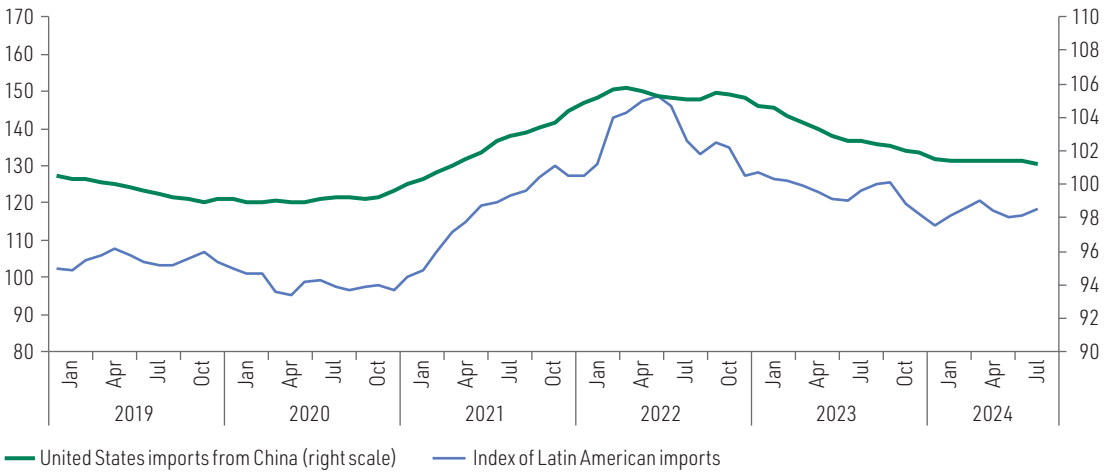
B. Imports (main groups)



C. Exports (composite index)



D. Imports (composite index)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, Commodity Markets database [online] https://www.worldbank.org/en/research/commodity-markets; Bloomberg for exports, and Saint Louis Federal Reserve [online] https://fred.stlouisfed.org/series/CHNTOT; Ministry of Development, Industry, Commerce and Services of Brazil; Central Bank of Chile, and Bank of Mexico for imports.

Box I.2

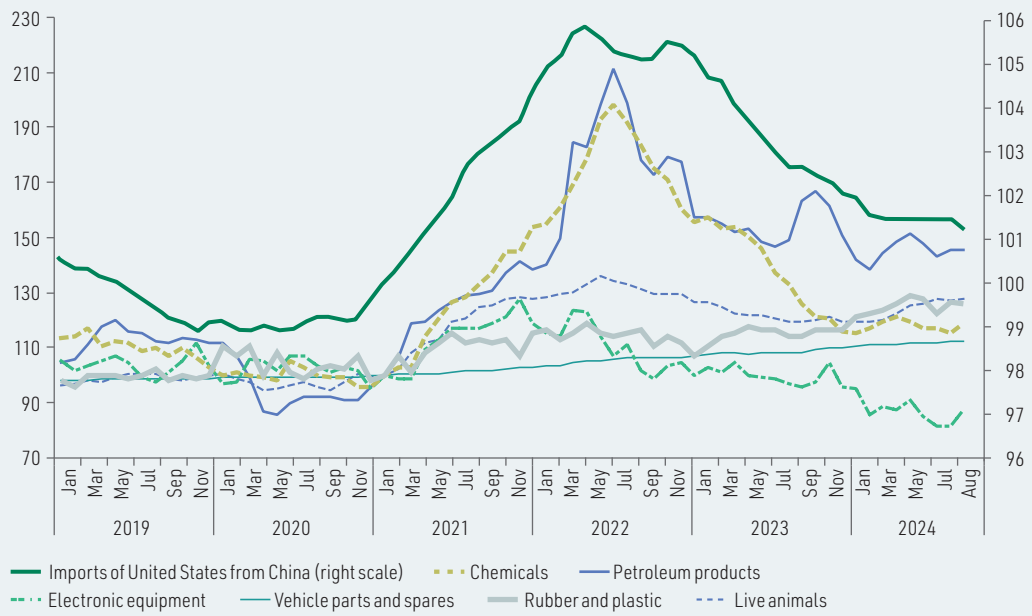
The potential price effect of China's exports on Latin America and the Caribbean

Between May and December 2023, China's export price index fell by 6%, with reductions of over 10% among chemicals, base metals and machinery and equipment. In January–June 2024, the index continued to trend down (by 7.4%) and was well below average export prices in the United States (which fell by 1%), Japan (down by 2.8%) and the European Union (where export prices rose by 0.7% in the same period). This price fall is a phenomenon that occurred previously in 2023, when China's export prices decreased by 18% in the first quarter (Ng, 2023), although the trend eased towards the end of the year. In 2024 thus far, prices have continued to fall gradually.

The fact that China has consolidated its position as a large-scale producer has enabled it to reduce its production costs, thus influencing the prices it offers in international trade. If this low-price phenomenon persists, China could export deflation to international manufacturing markets. Figures already show a reduction in import prices in several economic sectors, especially in South America, where China supplies around 20% of imports in some countries (Brazil, Chile, Ecuador and Peru). Based on information from the statistical institutes and central banks of the region's countries, together with information on the structure of their imports, import price indices were compiled for about 40% of the main import products in the region, as of January 2019. The series for the main product groups show sharp falls (14% for electronic equipment, 13% for chemicals and 6% for petroleum products). The index constructed for the set of selected products declined by 6% between January and August 2024 and the same period in 2023, while the price index of total United States imports from China fell by 2% (see figure below).

Latin America and the Caribbean: trend in import price indices for selected sectors, January 2019–August 2024

(January 2021 = 100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Saint Louis Federal Reserve, information on sectoral price indices for goods imports [online] https://fred.stlouisfed.org/series/CHNTOT; Ministry of Development, Industry, Commerce and Services of Brazil [online] https://balanca.economia.gov.br/balanca/IPQ/index.html; Central Bank of Chile [online] https://www.bcentral.cl/contenido/-/detalle/indicadores-de-comercio-exterior-segundo-trimestre-2024, and Bank of Mexico [online] https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadr&idCuadro=CE187&locale=es.

While import price deflation is good news for firms that import intermediate inputs for their operations, it could also pose difficulties for producers of similar goods in the region, especially in sensitive sectors such as steel, textiles and footwear, and chemicals. For example, in the first half of 2024, Brazil, Chile and Mexico applied surcharges on Chinese steel imports in response to competition with their local production; and recently, in Chile, it was decided to close the operations of a flagship firm, Siderúrgica Huachipato. Mexico also initiated an anti-dumping investigation on footwear imports from China (Ministry of the Interior, 2024).

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of G. Ng "Deflation in China: The spillover effects for global markets", JP Morgan, 28 September 2023 [online] https://www.jpmorgan.com/insights/global-research/international/china-deflation#section-header#3; A. Dieppe, I. Frankovic and M. Liu, "China exports and spillover disinflation: Three scenarios", CEPR, 2024 [online] https://cepr.org/voxeu/columns/china-exports-and-spillover-disinflation-three-scenarios and T. Orlova, *The Latest Export from China is Deflation*, Oxford Economics, 2024 [online] https://www.oxfordeconomics.com/resource/the-latest-export-from-china-is-deflation/; and Ministry of the Interior, "Resolución por la que se acepta la solicitud de parte interesada y se declara el inicio del procedimiento administrativo de investigación antidumping sobre las importaciones de clavos de acero en rollo para pistola originarias de la República Popular China, independientemente del país de procedencia", *Diario Oficial de la Federación*, 18 September 2024.

For the full year, the price index of Latin American and Caribbean export commodities is projected to fall by 2.9%, with no recovery in 2025 in view at the time of completing this report (September 2024). Commodity markets are expected to be highly volatile in the second half of 2024, with prices responding more to potential supply shocks than to upticks in demand, given the weak growth expectations for the global economy (and particularly uncertainty regarding the level of economic activity in China, which is the main market for regional commodity exports). The import price index is projected to decline by an average of 6%. Although the calculated composite indices only cover 40% of regional trade, they are a good predictor of an improvement in the terms of trade during 2024 (see section F.5 of this chapter). Given China's large share of global manufacturing exports, manufacturing import prices are expected to stay low in 2025.

3. Analysis of trade performance by country

The data on goods trade by country for January–June 2024 show export growth in South America, the Caribbean and Mexico, and a reduction in Central America. Colombia and the Plurinational State of Bolivia are the only South American countries reporting reductions in the value of their goods exports (see table I.7). This result was influenced by the sharp fall in coal and gas prices, respectively. Export volumes also decreased in both countries, especially in the Plurinational State of Bolivia.

Table I.7
Latin America and the Caribbean: year-on-year variation in value of goods exports and imports, first half of 2023 and 2024
(Percentages)

	Exports		Imports	
	January–June 2023	January–June 2024	January–June 2023	January–June 2024
Latin America and the Caribbean	**-1**	**4**	**-5**	**1**
South America	**-5**	**4**	**-11**	**-3**
MERCOSUR	**-4**	**5**	**-7**	**-2**
Argentina	-26	14	-8	-27
Brazil	1	1	-7	4
Paraguay	18	1	1	11
Uruguay	-21	5	2	-5
Venezuela (Bolivarian Republic of)	86	140	-26	42

	Exports		Imports	
	January–June 2023	January–June 2024	January–June 2023	January–June 2024
Andean Community	**-9**	**3**	**-14**	**-3**
Bolivia (Plurinational State of)	-22	-22	-1	-15
Colombia	-14	-2	-17	-4
Ecuador	-10	12	-8	-6
Peru	-2	7	-15	1
Pacific Alliance	**2**	**2**	**-4**	**1**
Chile	-1	1	-18	-5
Mexico	4	3	2	2
Central America	**2**	**-5**	**-6**	**4**
Costa Rica	22	7	11	6
El Salvador	-7	-7	-10	1
Guatemala	-8	-1	-7	6
Honduras	-6	-5	-9	2
Nicaragua	3	0	0	13
Panama (excluding the Colón Free Zone)	-7	-74	43	-6
Panama (including the Colón Free Zone)	15	-26	16	-9
Caribbean countries	**-6**	**19**	**-8**	**0**
Cuba	9	-23	-35	2
Dominican Republic	-3	3	-4	2
CARICOM	**-7**	**28**	**-8**	**-1**
Bahamas	28	-67	29	-2
Barbados	41	-6	-3	1
Belize	-24	-5	13	2
Guyana	39	68	-23	-13
Haiti	-22	7	-46	-21
Jamaica	-35	2	-10	-2
Suriname	-13	39	9	-21
Trinidad and Tobago	-24	-4	-18	19
Organization of Eastern Caribbean States (OECS)	**3**	**7**	**7**	**2**
Antigua and Barbuda	0	76	5	1
Dominica	-25	-26	27	-14
Grenada	0	-13	4	-6
Saint Kitts and Nevis	-10	-19	4	-14
Saint Lucia	30	18	11	8
Saint Vincent and the Grenadines.	-7	-10	0	24

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

In Central America, only Costa Rica recorded an increase in goods exports in the first half of 2024 (7%), which reflected the vigorous growth of exports of medical equipment (42%), and to a lesser extent, agricultural and agro-industrial goods, which grew at rates of around 13% and 5%, respectively (PROCOMER/Ministry of Foreign Trade, 2024). This situation contrasts with the reductions seen in the other Central American countries. The largest of these occurred in Panama (74%), a result that largely reflects the closure of the Cobre Panama mine and the consequent interruption of copper exports.

In Honduras, goods exports decreased by 5%, with reductions in coffee (10%), palm oil (34%), bananas (9%) and textile products (70%) (Central Bank of Honduras, 2024). In Guatemala and El Salvador, crop, livestock and food exports declined. In the latter country, manufacturing exports also dropped back by 3.1%, especially sales of textiles and clothing where export volumes were down by between 6% and 30%. Nicaragua's exports flatlined, owing to a combination of volume reductions in products such as textiles (2%), coffee (23%), automotive harnesses (16%) and dairy products (5%), compensated by increases in the prices of gold (15%), silver (11%) and beef (11%) (MIFIC, 2024).

The countries reporting the strongest growth of export value in the first half of the year were Guyana, the Bolivarian Republic of Venezuela and Suriname. In all three cases, larger export volumes, especially of crude oil, are the main cause of the increases. In Guyana, foreign sales of crude oil, the country's main export product (84%), increased by more than 60%, offsetting decreases in the volume of gold, bauxite and timber exports. In the Bolivarian Republic of Venezuela, the growth of exports reflected the granting of licences by the Government of the United States to foreign firms to operate in that country and export oil to the United States.

Among the MERCOSUR countries, Argentina and Uruguay produced the strongest export performance. This is mainly explained by the substantial increase in agricultural export volumes following recovery from the drought that affected them in 2023. Argentina recorded increases of between 70% and 100% in the volume of soybean, maize and wheat exports, which offset sharp price reductions (INDEC, 2024). In the case of Brazil, the largest increases in volumes exported were in cotton (228%), coffee (54%), beef (29%) and crude oil (29%), which offset steep price falls among soybeans (18%), beef (8%) and iron products (10%).

Among countries of the Andean Community, Ecuador and Peru reported export growth rates above the regional average. In Ecuador, the increases in the volume of oil exports (27%), canned fish (20%) and cocoa (21%) more than offset the reductions in the volume exported and prices of bananas. Peru, in contrast, benefited from higher gold and silver prices and an increase in the volume of copper and other exported minerals, together with a rise in the value of fruit and vegetable exports.

Exports from Mexico and Chile posted positive growth rates of 3% and 1%, respectively, in the first half of 2024, albeit below the regional average. As of June, Mexico's exports to the United States had expanded by 3.8%, driven by the buoyancy of automotive exports, which grew by 9.3%. Nonetheless, shipments to the rest of the world declined, especially to the European Union (by 8%) and China (by 9%). Oil exports also were 5.7% lower (INEGI, 2024). In Chile, sluggish export growth in the first half of 2024 reflects a sharp reduction in shipments of industrial products (9.5%), lithium (41.8%), copper cathodes (1.1%) and copper other than concentrates (25%). These reductions were offset by increased exports of copper concentrates, fruit and some foodstuffs (SUBREI, 2024).

In the Caribbean, Barbados, Belize and Trinidad and Tobago reported reductions of between 4% and 6% in their total goods exports. Whereas in Barbados and Belize the steepest falls were in agricultural and agrifood products, in the case of Trinidad and Tobago the main factor driving this result is the reduction in exports of oil, gas and fertilizers.

Regional services exports grew much faster than those of goods in the first half of 2024. Except for the Bahamas, Ecuador and Haiti, all countries recorded positive export growth (see table I.8). This strong overall performance is due mainly to the buoyancy of transport and travel services. In the first quarter of 2024, compared to a year earlier, international tourist arrivals increased by 8.9% in the Caribbean, by 19.1% in Central America, by 11.6% in South America and by 6.9% in Mexico (UN Tourism, 2024).

Table I.8
Latin America and the Caribbean (30 countries): year-on-year variation in value of exports and imports of services, first half of 2023 and 2024
(Percentages)

	Exports		Imports	
	January–June 2023	January–June 2024	January–June 2023	January–June 2024
Latin America and the Caribbean	**16**	**11**	**4**	**1**
South America	**15**	**9**	**0**	**3**
MERCOSUR	**14**	**8**	**4**	**4**
Argentina	20	1	16	-13
Brazil	11	11	1	9
Paraguay	30	4	6	-7
Uruguay	25	0	12	-3
Andean Community	**15**	**13**	**-5**	**3**
Bolivia (Plurinational State of)	31	15	-2	-7
Colombia	14	13	-8	4
Ecuador	13	-8	-6	2
Peru	16	24	-2	2
Pacific Alliance	**17**	**12**	**8**	**-6**
Chile	27	11	-10	0
Mexico	16	11	22	-11
Central America	**15**	**13**	**-3**	**10**
Costa Rica	21	14	3	20
El Salvador	7	41	-9	12
Guatemala	12	14	0	21
Honduras	23	1	-11	3
Nicaragua[a]	-11	6	-1	2
Panama	14	5	-4	-1
The Caribbean	**19**	**11**	**-7**	**7**
Dominican Republic[a]	15	17	-6	-3
CARICOM	**25**	**9**	**-8**	**12**
Bahamas[a]	27	-20	14	-37
Belize	9	14	-18	14
Guyana	70	...	12	51
Haiti[b]	-11	-12	-79	-88
Jamaica	23	14	9	4
Suriname	19	17	-7	52
Trinidad and Tobago	48	15	-45	-5
OECS	**19**	**5**	**3**	**5**
Antigua and Barbuda	11	5	5	6
Dominica	11	10	8	4
Grenada	-7	3	5	5
Saint Kitts and Nevis	68	1	9	3
Saint Lucia	23	5	-6	8
Saint Vincent and the Grenadines	48	2	11	4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries' central banks, customs services and institutes of statistics.
[a] Includes services trade estimates for the second quarter of 2024.
[b] Includes estimations for the first half of 2024.

In the first half of 2024, regional services imports grew much more slowly (1%) than the corresponding exports (11%), owing to the weakness of demand in the region. In Argentina, the Bahamas, the Dominican Republic, Haiti, Mexico, Paraguay and the Plurinational State of Bolivia, imports of services actually declined.

4. Analysis of trade performance by main partners

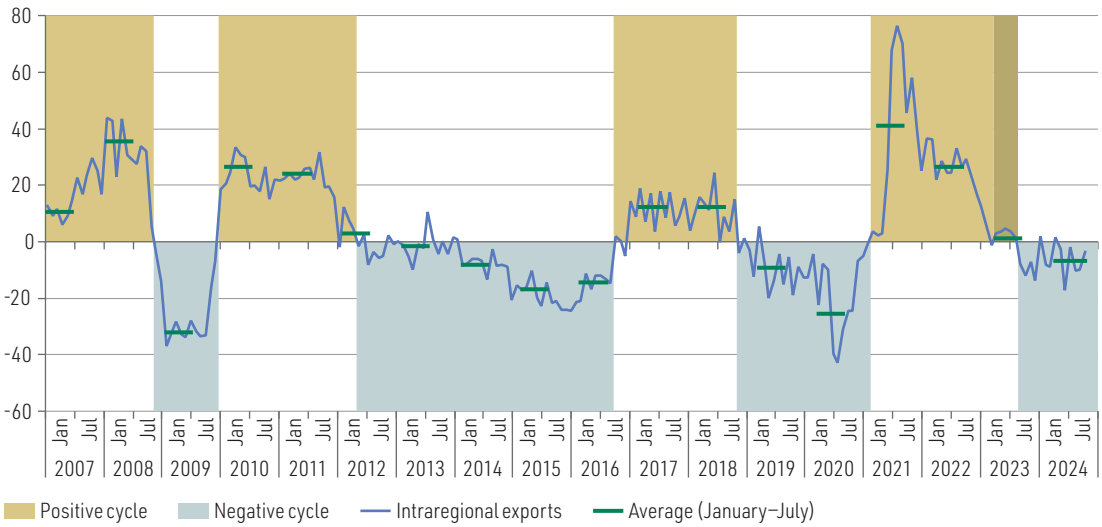
Between January and June 2024, the region's trade flows with major partners displayed a pattern similar to that of total flows —increases in exports and decreases or slight increases in imports (except for those originating in China, the region's second largest trade partner, which grew strongly) (see table I.9). Exports to the United States, the region's leading trade partner, increased most (5%), followed by exports to other Asian countries (5%), China (4%) and the European Union (1%). In contrast, imports from the United States retreated by 3%, while those from the European Union flatlined. These results contrast with the 7% expansion of imports from Asia, driven by purchases from China (10%). Intraregional trade also slumped during the period. The region has now accumulated more than 12 months of negative growth rates in intraregional trade (see figure I.26).

Table I.9
Latin America and the Caribbean: year-on-year variation in value of goods exports and imports by main partner, first half of 2022, 2023 and 2024
(Percentages)

	Exports			Imports		
	January–June 2022	January–June 2023	January–June 2024	January–June 2022	January–June 2023	January–June 2024
World	20	-1	4	29	-5	1
United States	22	5	5	32	-6	-3
European Union	20	2	1	15	9	0
Asia	9	-3	4	24	-7	7
China	5	3	4	29	-10	10
Other Asian economies	17	-11	5	16	-1	2
Latin America and the Caribbean	27	0	-7	32	-1	-5

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

Figure I.26
Latin America and the Caribbean: year-on-year variation in value of intraregional goods exports, January 2007–July 2024
(Percentages)

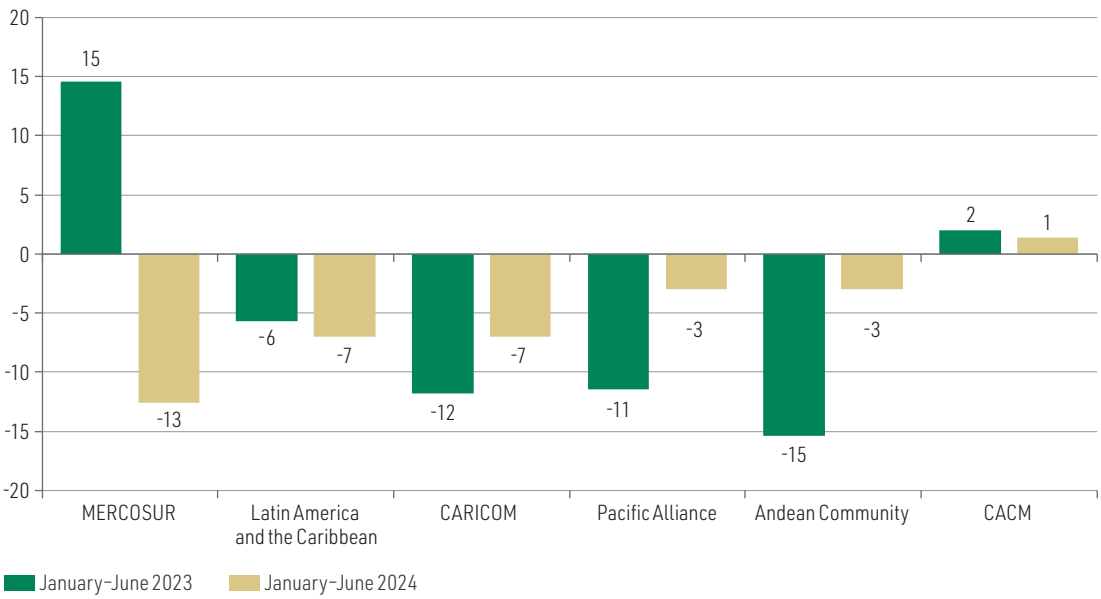


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries' central banks, customs services and institutes of statistics.

In the recent past, the region has experienced three other episodes of deep reductions in intraregional trade. The first occurred during the global financial crisis in 2008–2009. Then, following an upturn in 2010 and 2011, a second downtrend began that lasted for a full five years between 2012 and 2016. After a brief recovery, intraregional trade receded again between late 2018 and late 2020, in a context of global trade weakness exacerbated by the COVID-19 pandemic. Once again, after rebounding from this episode, intraregional trade circuits have continued to decline. The weakness of intra-regional trade has been determined to a significant extent by the meagre growth of the regional economy, which averaged just 0.9% per year between 2014 and 2023.

The reduction in intraregional trade in the first half of 2024 was replicated in trade within all of the main subregional integration mechanisms except for the Central American Common Market (see figure I.27). The largest contraction occurred in MERCOSUR, where exports within that grouping plummeted by 13%, dragged down by the slump in economic activity in Argentina. In the same period, Argentina's imports from MERCOSUR plunged by 35%. The worst-hit sector was manufacturing, especially intermediate and capital goods (metal products, electrical, auto parts and machinery and equipment).

Figure I.27
Latin America and the Caribbean and selected groupings: year-on-year variation in goods exports within each grouping, January–June 2023 and 2024
(Percentages)



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

In the first half of 2024, intraregional trade only grew in the oil and mining and food, beverages and tobacco sectors (3% and 2% respectively), which jointly accounted for just 30% of the value of intra-regional trade in 2023 (see table I.10). The main exception to this pattern was the Central American Common Market, where trade within the grouping increased in most sectors.

Table I.10
Latin America and the Caribbean and selected groupings: year-on-year variation in exports of goods within each grouping, by sector, January–June 2024
(Percentages)

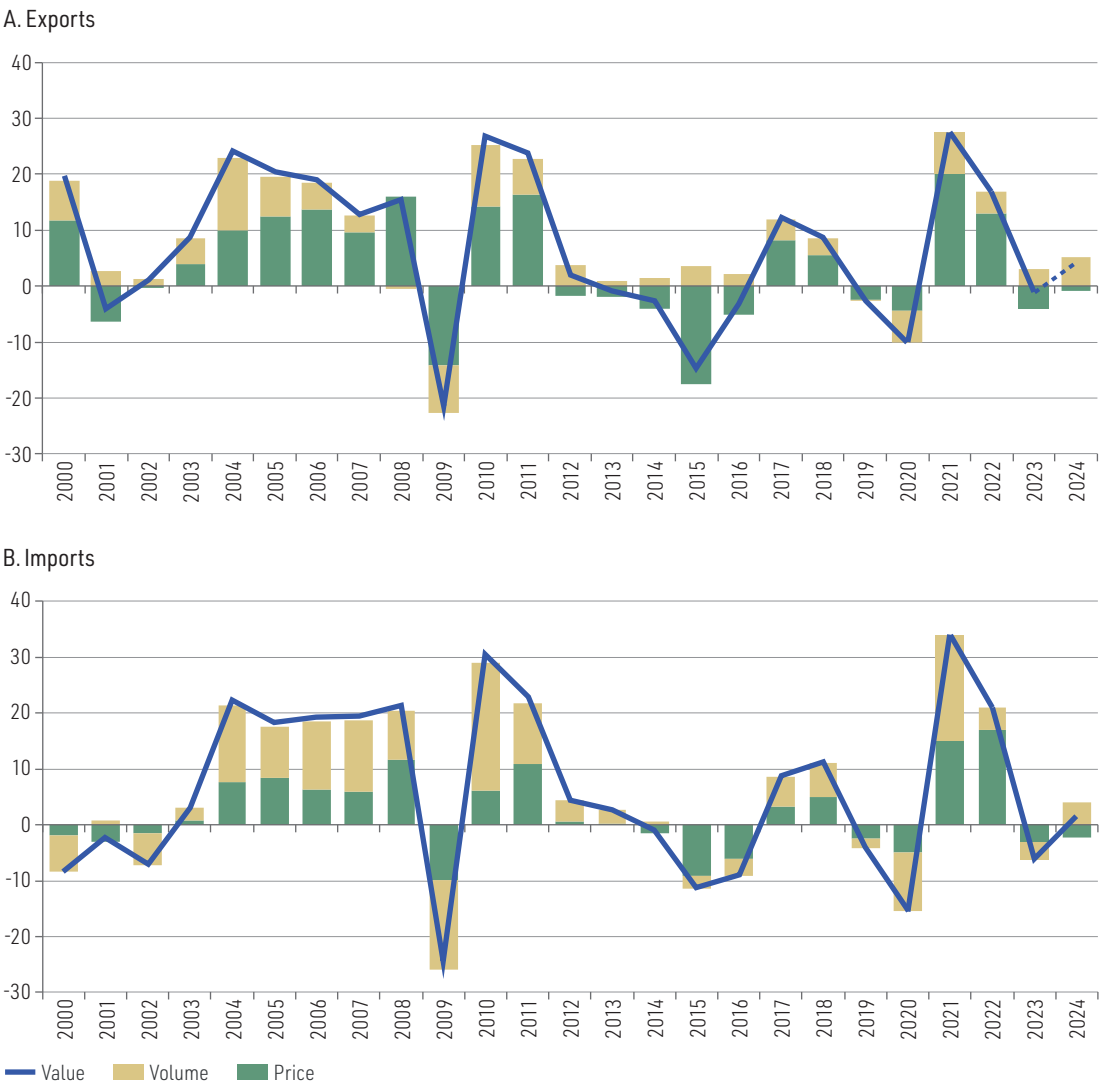
Major economic sectors	MERCOSUR		Andean Community		Pacific Alliance	
	Share	Variation	Share	Variation	Share	Variation
Agriculture, hunting and fishing	22	-21	4	15	8	17
Oil and mining	7	-16	12	40	13	-8
Food, beverages and tobacco	8	10	32	-16	11	2
Textiles, clothing and footwear	2	-10	5	-11	3	-13
Wood, paper and cardboard	2	-21	4	-2	5	-8
Chemical and petrochemical	7	2	13	-2	12	-6
Pharmaceuticals	1	-10	3	-12	2	21
Rubber and plastic	5	-12	7	-6	5	4
Non-metallic minerals	1	-27	2	-17	2	-26
Metals and by-products	6	-41	7	-8	8	-18
Machinery and non-electrical equipment	4	-20	3	-1	8	2
Machinery and electrical equipment	3	-6	3	-28	7	-5
Medical and precision equipment	0	-19	0	34	1	6
Automobiles and auto parts	20	-16	3	-30	10	-11
Other manufacturing	10	7	2	26	5	9
All sectors	**100**	**-13**	**100**	**-3**	**100**	**-3**
Major economic sectors	**Central American Common Market**		**CARICOM**		**Latin America and the Caribbean**	
	Share	Variation	Share	Variation	Share	Variation
Agriculture, hunting and fishing	9	1	3	0	14	-10
Oil and mining	5	27	37	12	18	3
Food, beverages and tobacco	27	5	21	-8	12	2
Textiles, clothing and footwear	6	2	1	-24	3	-11
Wood, paper and cardboard	7	-9	5	-47	4	-8
Chemical and petrochemical	12	0	24	-22	8	-4
Pharmaceuticals	5	4	1	-7	2	-3
Rubber and plastic	9	2	2	-26	5	-4
Non-metallic minerals	2	-9	1	-6	1	-17
Metals and by-products	11	-13	2	-34	8	-16
Machinery and non-electrical equipment	2	14	1	-26	6	-14
Machinery and electrical equipment	2	2	1	27	4	-9
Medical and precision equipment	0	-1	0	-48	1	-1
Automobiles and auto parts	1	2	0	-44	13	-16
Other manufacturing	3	0	1	9	2	-1
All sectors	**100**	**1**	**100**	**-7**	**100**	**-7**

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

5. Projections for 2024

The Economic Commission for Latin America and the Caribbean (ECLAC) expects the value of the region's goods exports to grow by 4% in 2024, as a result of a 5% expansion in volume and a 1% drop in prices. In the case of imports, a 4% increase in volume and a 2% reduction in prices is projected, generating a 2% increase in value terms. This would see the region recovering from the slump in trade that occurred in 2023 (see figure I.28). The last time the growth of export volumes more than offset price falls was in 2012. The increase in volume exported in 2024 is explained mainly by a significant volume expansion in South American countries, mainly among producers of crop and livestock products, and to a lesser extent among oil and mineral producers.

Figure I.28
Latin America and the Caribbean: annual variation in goods trade, 2000–2023 and projection for 2024
(Percentages)



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

The fall in the prices of several crucial production inputs, such as fuels, chemicals, rubber, plastics, processed metal products and auto parts, and also in final goods such as automobiles, largely explains the growth of import volumes in the region. The lowest unit prices are seen in imports of Chinese and Asian products generally.

The largest increases in export value in 2024 are projected to occur in Guyana, the Bolivarian Republic of Venezuela, Argentina and Suriname (see table I.11). While in Argentina this is due to an increase in the volume of its crop exports following the drought that affected them in 2023, in the other three cases, the chief factor would be the increase in the volume of oil exports.

Table I.11
Latin America and the Caribbean: projected variation in goods trade, by price, volume and value, 2024
(Percentages)

	Exports			Imports		
	Price	Volume	Value	Price	Volume	Value
Latin America and the Caribbean	**-1**	**5**	**4**	**-2**	**4**	**2**
Latin America	**-1**	**5**	**4**	**-2**	**4**	**2**
South America	**-3**	**9**	**5**	**-4**	**3**	**-1**
MERCOSUR	**-4**	**12**	**7**	**-6**	**7**	**2**
Argentina	-8	31	21	-4	-16	-20
Brazil	-3	6	3	-6	16	9
Paraguay	-5	6	1	-3	6	3
Uruguay	-8	21	11	-3	-2	-5
Venezuela (Bolivarian Republic of)	-2	40	38	-2	-4	-5
Andean Community	**-2**	**5**	**2**	**-2**	**-2**	**-4**
Bolivia (Plurinational State of)	-13	-4	-16	-5	-15	-20
Colombia	-7	7	-1	-2	1	-2
Ecuador	3	6	10	-2	-7	-8
Peru	2	3	6	-1	0	-1
Pacific Alliance	**1**	**2**	**2**	**-1**	**2**	**2**
Chile	1	2	3	-2	-4	-6
Mexico	1	1	2	-1	4	3
Central America	**1**	**0**	**1**	**-2**	**4**	**2**
Costa Rica	1	8	9	-1	6	5
El Salvador	0	-1	-1	-2	5	3
Guatemala	2	5	7	-2	7	5
Honduras	1	5	6	-2	4	3
Nicaragua	3	1	4	-2	7	6
Panama (excluding the Colón Free Zone)	-1	-70	-71	-1	-4	-5
Panama (including the Colón Free Zone)	-2	-23	-25	-2	-14	-15
The Caribbean	**-1**	**24**	**23**	**-2**	**8**	**6**
Cuba	-4	-11	-15	-3	-2	-5
Dominican Republic	2	9	11	-2	4	2

	Exports			Imports		
	Price	Volume	Value	Price	Volume	Value
CARICOM	**-2**	**32**	**30**	**-2**	**13**	**11**
Bahamas	-6	5	-1	-3	35	31
Barbados	-3	6	3	-2	6	4
Belize	3	-19	-17	-2	10	8
Guyana	2	74	77	-1	2	1
Haiti	1	2	3	-1	-4	-5
Jamaica	-6	6	0	-3	-5	-8
Suriname	5	12	18	-2	9	7
Trinidad and Tobago	-5	-15	-20	-1	17	17
OECS	**-1**	**4**	**3**	**-2**	**7**	**5**
Antigua and Barbuda	-3	11	8	-4	12	8
Dominica	-1	6	6	-3	9	6
Grenada	-1	3	2	-1	3	2
Saint Kitts and Nevis	0	8	8	-1	0	-1
Saint Lucia	-1	-2	-3	-3	8	5
Saint Vincent and the Grenadines	-2	9	7	-1	10	9

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

Mexico, the region's leading exporter, is projected to record a 2% increase in export value in 2024 (+1% in volume and +1% in price). Although the volume of its manufacturing exports expanded at a year-on-year rate of 3.1% between January and June, the volume of oil and agricultural exports shrank by 14% and 5%, respectively. Another factor contributing to the low projected expansion of Mexican exports is the 1.1% drop in the prices of its automotive exports (Bank of Mexico, 2024). This trend is expected to persist until late 2024.

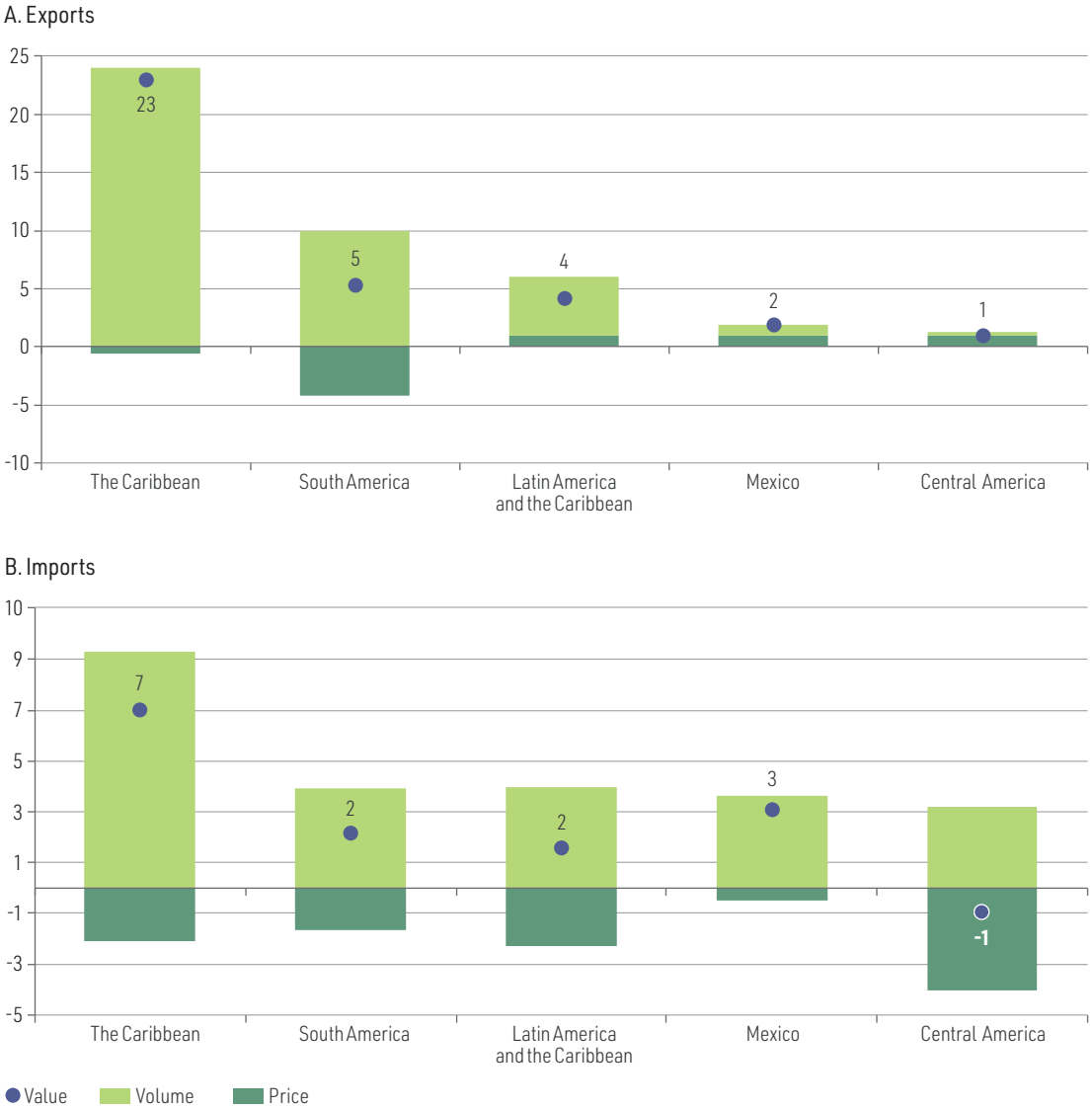
The steepest fall in export value is projected for Panama, as a result of the stoppage of operations at the Cobre Panama mine: -71% for domestic exports, and -25% for total exports (including re-exports from the Colón Free Zone). Double-digit declines are also projected for Belize (17%), the Plurinational State of Bolivia (16%), Cuba (15%), and Trinidad and Tobago (20%). In the case of Belize, this is due mainly to the reduction in food and chemical exports, and in the Plurinational State of Bolivia it reflects the contraction of natural gas and metal shipments; in Cuba it represents a reduction in cane sugar and molasses production and the plummeting price of nickel (21%). In Trinidad and Tobago, the energy sector remains very weak, with a projected 15% drop in revenues (IMF, 2024b).

On the import side, the sharpest declines are expected to occur in Argentina, the Plurinational State of Bolivia, Ecuador and Panama, countries for which value reductions of between 8% and 20% are projected. Among the Caribbean countries, the lowest figures will be recorded in Haiti (5%) and Jamaica (8%).

At the subregional level, the largest increases in export values and volumes are projected to occur in the Caribbean and South America (see figure I.29). In the Caribbean, export volumes are set to grow by 24%, driven by significant increases in exports from Guyana (74%) and Suriname (12%), which will more than offset negative figures for Trinidad and Tobago and Cuba. In South America, exports of agricultural products such as soybeans, maize and wheat increased by 70%–100% in volume during the first half of the year, especially in Argentina. In the same period, increased shipments of cotton (228%), sugar (54%) and beef (29%) are projected in Brazil. The increase in export volumes is expected to more than offset price reductions among several of the commodities exported by

South America. The projected growth in the value of exports from Mexico and Central America is below the regional average, with slight increases in volume and price. On the import side, volume increases and price reductions are projected for all subregions. The strongest growth in terms of both value and volume is projected for imports from the Caribbean.

Figure I.29
Latin America and the Caribbean, subregions and Mexico: projected variation in goods trade by volume, price and value, 2024
(Percentages)



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

Among the region's main trading partners, the strongest growth in export value is projected for shipments to China (6%), the United States (4%) and the rest of Asia (4%). In contrast, intraregional exports are expected to decline by 5%. In the case of imports, purchases from China and other Asian economies are expected to increase by an average of 7%. In contrast, the value of imports from the region itself and the United States is likely to decline, while purchases from the European Union are projected to increase by 4% (see table I.12).

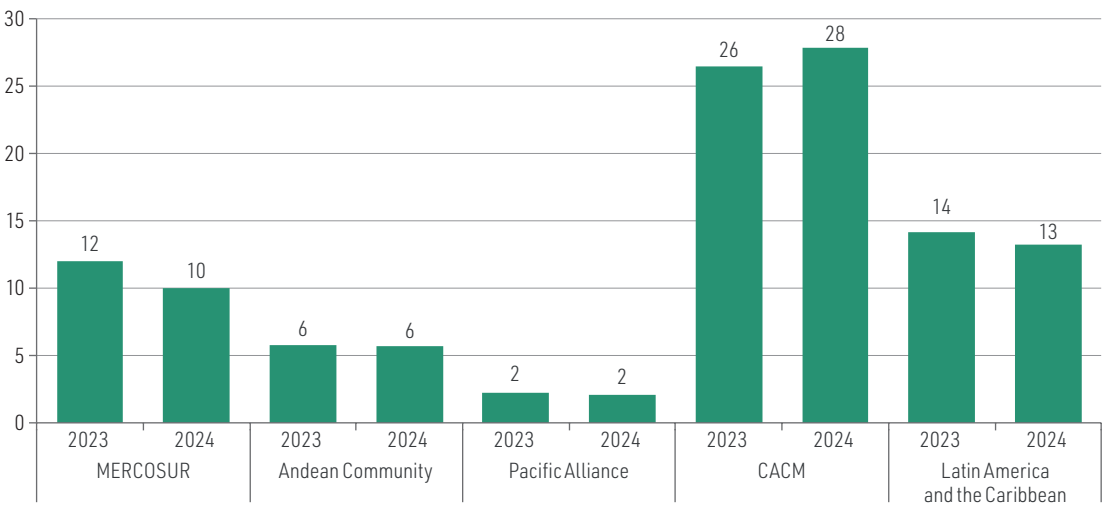
Table I.12
Latin America and the Caribbean: annual variation in value of goods trade, by major partner, 2023 and projection for 2024
(Percentages)

	Exports		Imports	
	2023	2024	2023	2024
World	**-1**	**4**	**-7**	**2**
United States	4	4	-9	-1
European Union	-3	3	4	4
Asia	-2	5	-7	7
China	6	6	-9	7
Other Asian economies	-12	4	-4	7
Latin America and the Caribbean	-4	-5	-5	-4

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

With the projected 5% reduction in intraregional exports, the intraregional trade coefficient is set to fall from 14% in 2023 to 13% in 2024 (see figure I.30). Among the subregional groupings, the MERCOSUR intra-group trade ratio is also expected to decline (from 12% to 10%), owing largely to weak demand in Argentina. In contrast, the CACM intra-group trade coefficient, the highest in the region at 28%, is the only one that is expected to increase in 2024.

Figure I.30
Latin America and the Caribbean and selected blocs: intraregional and intrabloc export ratio, 2023 and projection for 2024
(Percentages)



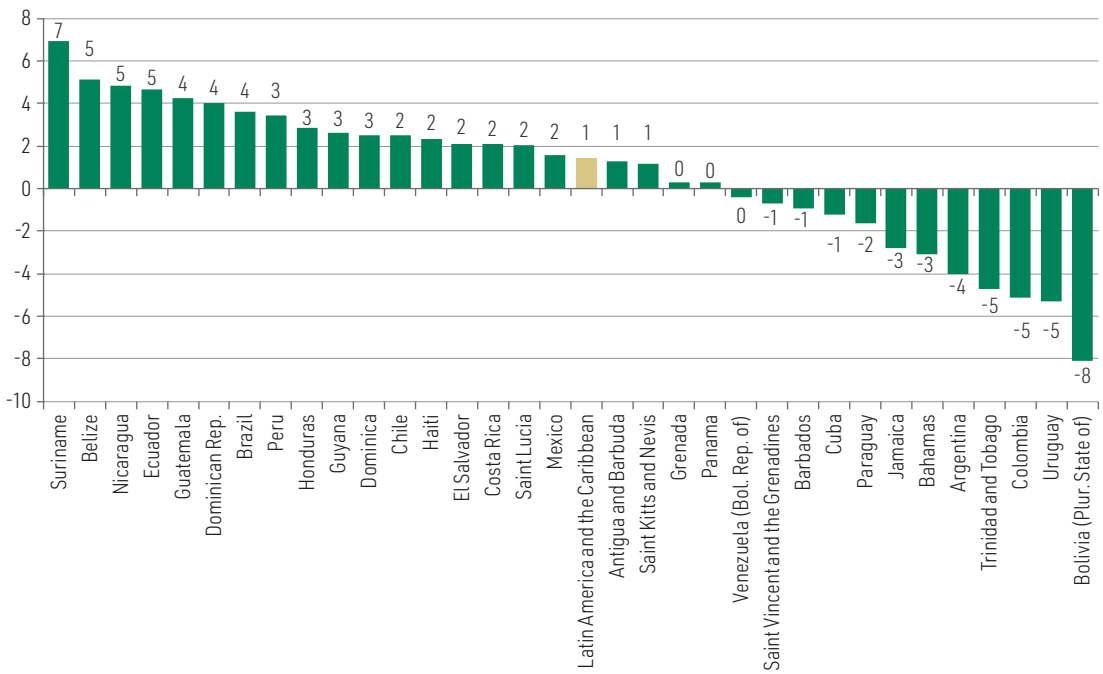
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries' central banks, customs services and institutes of statistics.

The reduction in intraregional imports, combined with a slight uptick in total imports, suggests that products from the region are being replaced by those of foreign origin, especially in the case of intermediate and capital goods. These include inputs for the chemical and petrochemical, pharmaceutical, rubber and plastics industries. In all of these, regional production competes with similar products from Asia, the United States and Europe. However, large-scale substitution of regional by extra-regional manufactures could undermine possibilities for deepening productive integration

in the region, since the capacity to stimulate the rest of the economy would be diminished as the situation of its input-supplying industries deteriorates. Two factors are complicating the capacity to drive greater regional productive integration: slack demand in the region itself (which is the destination for just 13% of total exports of Latin America and the Caribbean) and the fall in the prices of industrial inputs of Chinese and Asian origin in general, which produces a substitution effect relative to similar Latin American or Caribbean products.

Latin America and the Caribbean as a whole is likely to see a slight 1% improvement in its terms of trade in 2024, owing to the smaller projected falls in the prices of its goods exports compared to those of its imports. In addition, over half of the region's countries should see their terms of trade improve (see figure I.31). In general, both the Central American countries and the non-oil-exporting Caribbean countries will receive a positive shock, since they are net importers of hydrocarbons and food, the two groups of products in which prices have fallen the most. For the same reason, the group of countries whose terms of trade have deteriorated by most (-4%), such as Argentina, Paraguay and Uruguay, are net exporters of agricultural products.

Figure I.31
Latin America and the Caribbean: projected variation in terms of trade, 2024
(Percentages)

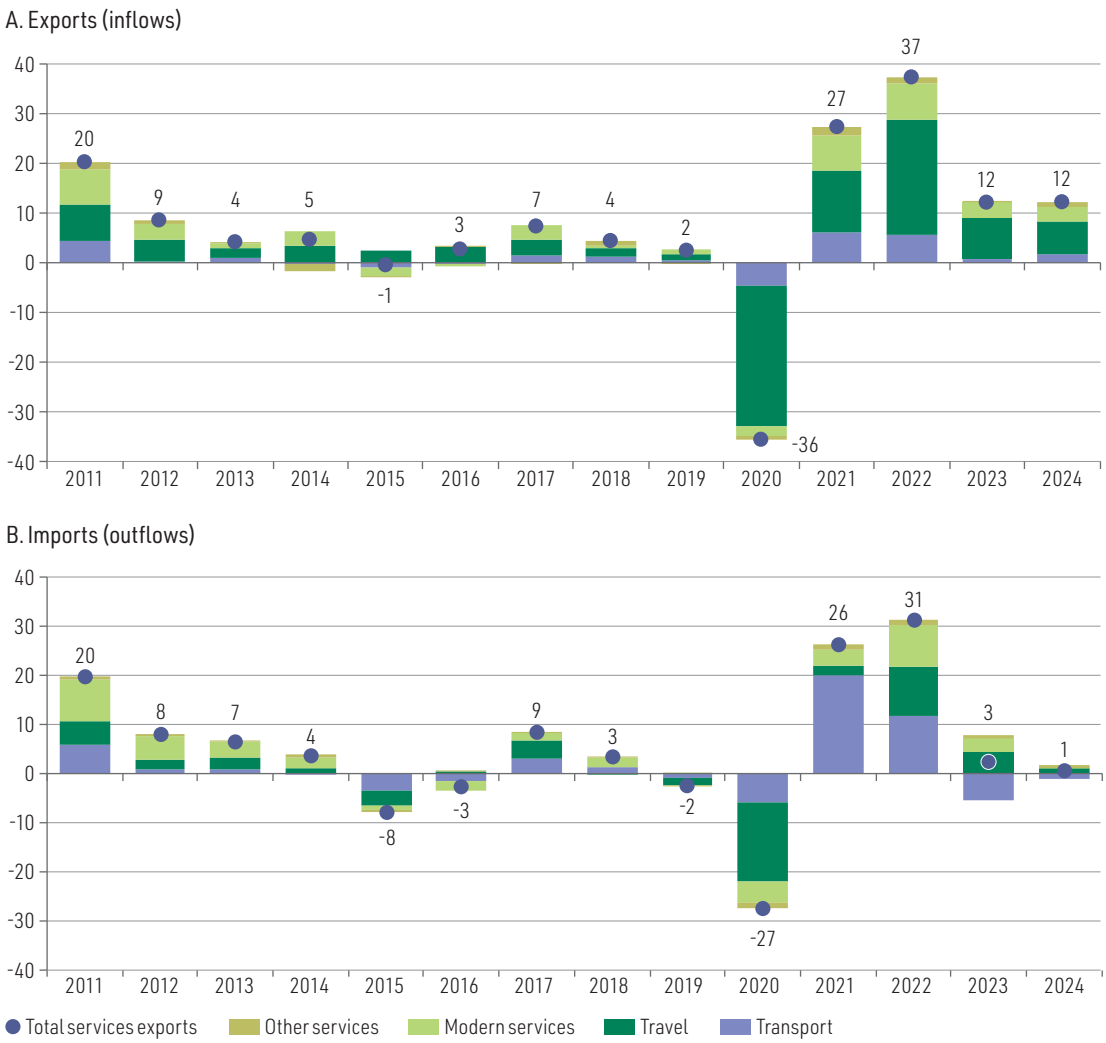


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries' central banks, customs services and institutes of statistics.

In hydrocarbon-exporting countries, the terms of trade are expected to deteriorate by an average of 2%. The most affected countries in this group include Colombia, the Plurinational State of Bolivia and Trinidad and Tobago, with exceptions being Ecuador and Guyana. In the case of Ecuador, the terms of trade are projected to improve by 5%. Despite being impacted negatively by the drop in oil prices, Ecuador has benefited from lower prices among many imported inputs that are important for local production (chemicals, steel, rubber and plastic, among others), as well as sharp increases in the prices of some of its export products, such as cocoa (over 100%) and gold (19%). Guyana is also expected to receive a positive terms-of-trade shock as a result of increases in the unit value of its exports of oil (2%), gold (19%), and rice (6%), together with lower prices among various imported inputs and food products.

The region's services exports are projected to grow by 12% in value terms in 2024 (see figure I.32). This is based on the information contained in the balance of payments of the region's countries, the trend of goods trade (the buoyancy of which has a direct impact on trade in transport services), expectations in the tourism sector, and economic activity projections for 2024. The forecast expansion for 2024 is greater than recorded in the pre-pandemic period between 2012 and 2019. Travel and modern services are expected to contribute more than 80% of the growth in regional services exports (7 and 3 percentage points, respectively). In the case of travel, this reflects the ongoing recovery of inbound tourism following its collapse in the wake of the pandemic. Transport is expected to contribute 2 percentage points to the growth of services exports in 2024, three times its contribution in 2023. This is explained largely by the recovery of goods exports, with volume set to grow by 5% in 2024. In contrast to exports, regional imports of services are projected to grow by just 1% in 2024, reflecting the lacklustre growth of economic activity.

Figure I.32
Latin America and the Caribbean (30 countries):[a] variation in value of trade in services and contribution of its main components, 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.
[a] Excludes information from Belize, the Bolivarian Republic of Venezuela and Cuba. The projections were based on complete information for the first half of 2024 for 96% of the countries in the region. In the cases of Guyana, Haiti, Jamaica, Nicaragua, Suriname and Trinidad and Tobago, estimations were made for services trade in the second quarter of 2024. Figures for the full year include projections for the second half of 2024.

In 2024, services exports are projected to decrease in just two countries: Ecuador (2%) and Panama (4%) (see table I.13). In the former, the country's security crisis has discouraged tourist arrivals: in the first quarter of 2024, travel revenues plummeted by 19%. In Panama, the drought has hampered the operation of the Panama Canal (see box I.1), and hence reduced revenues from transport services, which were down by an estimated 8% in the first six months of 2024. This situation is expected to improve in the second half of the year and reverse during 2025 (Ministry of Economy and Finance of Panama, 2024).

In 2024, higher growth rates are projected for services exports from the Caribbean economies, with the Dominican Republic, Guyana, Belize, Trinidad and Tobago, and Jamaica registering the largest increases. These are linked to a combination of growth in travel (13%), computer and telecommunications services, and financial services, with growth rates averaging over 20%. In contrast, travel exports will see smaller increases in the Eastern Caribbean economies, where the hurricane season has damaged tourism infrastructure and resulted in fewer international tourist arrivals (OCHA, 2024). In the case of services imports, reductions in 2024 are projected for 10 countries: Argentina, Chile, Honduras, Jamaica, Mexico, Nicaragua, Panama, the Plurinational State of Bolivia, Trinidad and Tobago, and Uruguay.

Table I.13
Latin America and the Caribbean (31 countries): projected variation in services trade, 2024
(Percentages)

	Exports		Imports	
	2023	2024	2023	2024
Latin America and the Caribbean	**12**	**12**	**3**	**1**
Latin America	**12**	**12**	**3**	**0**
South America	**13**	**10**	**0**	**2**
MERCOSUR	**12**	**10**	**4**	**2**
Argentina	12	6	6	-12
Brazil	12	10	4	7
Paraguay	23	11	9	4
Uruguay	11	17	8	-2
Andean Community	**14**	**8**	**-5**	**2**
Bolivia (Plurinational State of)	30	13	-8	-8
Colombia	13	6	-6	4
Ecuador	8	-2	-7	3
Peru	17	17	-2	1
Pacific Alliance	**10**	**15**	**2**	**-3**
Chile	15	17	-15	-1
Mexico	8	16	12	-6
Central America	**14**	**8**	**4**	**8**
Costa Rica	16	19	10	13
El Salvador	18	16	-5	11
Guatemala	10	9	5	17
Honduras	18	4	-5	-3
Nicaragua	0	2	2	-5
Panama	14	-4	5	-1
The Caribbean	**13**	**16**	**0**	**7**
Dominican Republic	13	23	-5	0

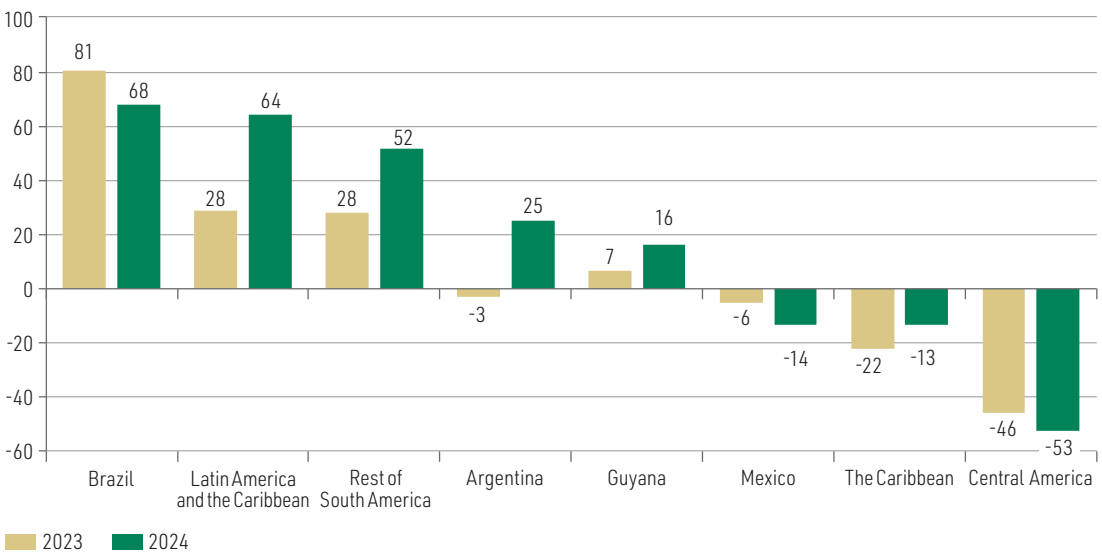
	Exports		Imports	
	2023	2024	2023	2024
CARICOM	**13**	**11**	**3**	**9**
Bahamas	11	12	11	14
Barbados	12	9	2	6
Belize	14	22	-13	3
Guyana	9	31	25	23
Haiti	1	...	-15	...
Jamaica	17	15	8	-4
Suriname	21	14	-1	37
Trinidad and Tobago	30	15	-33	-6
OECS	**12**	**3**	**10**	**5**
Antigua and Barbuda	9	8	9	8
Dominica	6	6	22	6
Grenada	21	2	15	2
Saint Kitts and Nevis	7	8	10	3
Saint Lucia	10	3	6	5
Saint Vincent and the Grenadines	30	7	9	9

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

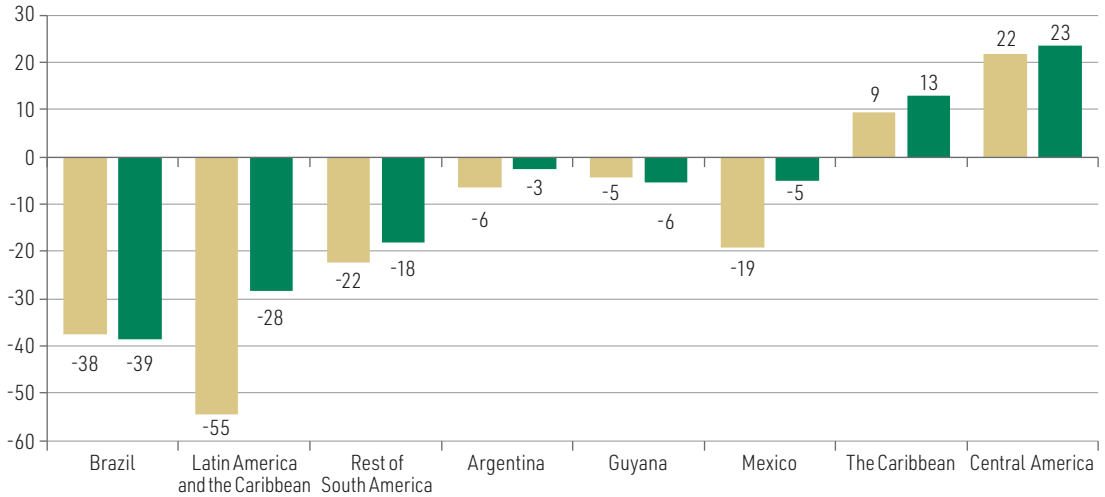
As the region's goods and services exports are projected to outpace the corresponding imports, the region's 2023 goods and services trade deficit of US$ 26 billion is expected to become a surplus of just over US$ 36 billion in 2024 (see figure I.33). Between the two years, the region is set to expand its goods surplus from US$ 28 billion to US$ 64 billion and reduce its services deficit from US$ 55 billion to US$ 28 billion.

Figure I.33
Latin America and the Caribbean (selected countries and groupings): goods and services trade balance, 2023 and projections for 2024
(Billions of current dollars)

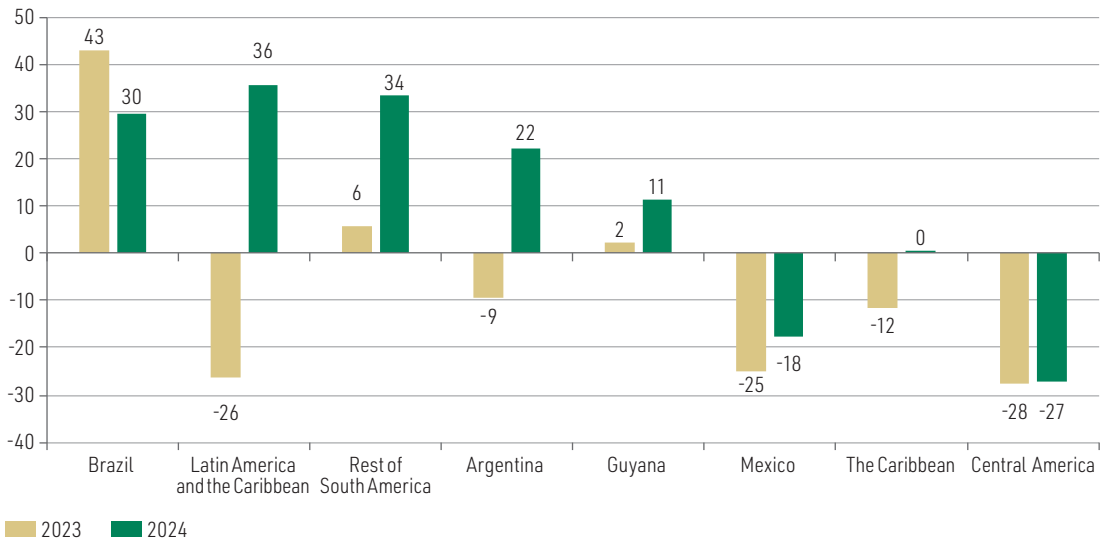
A. Balance of goods



B. Balance of services



C. Balance of goods and services



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

The largest surpluses in goods trade in 2024 will be recorded in South America, especially in Brazil, Argentina, Chile and Peru, while the Caribbean goods trade deficit is projected to narrow from US$ 22 billion in 2023 to US$ 13 billion in 2024, thanks mainly to an increase in Guyana's trade surplus. Conversely, Central America's goods trade deficit is set to widen from US$ 46 billion to US$ 53 billion. In the case of services, Mexico will reduce its deficit by the most in 2024, from US$ 19 billion to US$ 5 billion, while the Caribbean and Central American subregions will see their respective surpluses grow.

In short, after declining in 2023 in a context of shrinking world trade, regional goods exports have recovered in 2024. Their projected volume expansion (5%) outstrips the projected growth of global goods trade in 2024. However, this strong performance will be due mainly to increases in the quantities exported of oil, soybeans and other commodities, while manufacturing exports continue to lag behind and are losing regional market share in the face of increasing competition from Asia.

In contrast, regional services exports are expected to grow at double-digit rates for the fourth consecutive year in 2024, although the boost from the recovery of inbound tourism is close to being exhausted, as this activity has been reaching its pre-pandemic levels —or even surpassing them in some countries. Thus, as discussed in previous editions of this publication, there is still a major challenge to diversify the region's exports of goods and services and make them more knowledge-intensive. The challenge is even more complex in a global context in which geopolitical tensions and increasing protectionism call into question the type of globalization that has prevailed in recent decades. The implementation of productive development policies with a cluster approach, based on close public-private collaboration, is an ideal mechanism for moving in this direction and for positioning the region competitively as global value chains continue to reorganize.

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Annex I.A1

Table I.A1.1
Latin America and the Caribbean: value of total exports and imports of goods, 2022–2024[a]
(Millions of dollars)

Subregions, groupings and countries	Exports			Imports		
	2022	2023	2024	2022	2023	2024
Latin America and the Caribbean	**1426401**	**1412224**	**1473 287**	**1475202**	**1383874**	**1409 313**
Latin America	**1387 442**	**1387 418**	**1434 265**	**1431 894**	**1341 844**	**1365 380**
South America	**733 516**	**706 434**	**742 386**	**678 161**	**600 645**	**597 938**
MERCOSUR	**458 698**	**442 599**	**468 269**	**400 622**	**362 046**	**370 593**
Argentina	88 515	66 836	80 826	76 163	69 773	55 981
Brazil	340 328	344 432	354 359	296 175	263 849	286 331
Paraguay	12 815	16 256	16 403	14 744	15 431	15 899
Uruguay	17 040	15 076	16 682	13 541	12 992	12 382
Venezuela (Bolivarian Republic of)	4 046	6 855	9 429	13 842	10 271	9 741
Andean Community	**172 215**	**162 422**	**167 075**	**168 870**	**149 095**	**143 159**
Bolivia (Plurinational State of)	13 541	10 778	9 016	10 728	10 607	8 514
Colombia	59 473	52 642	51 963	71 652	59 373	58 357
Ecuador	33 033	31 484	34 769	30 489	29 274	26 963
Peru	66 167	67 518	71 327	56 001	49 840	49 325
Pacific Alliance	**802 383**	**808 291**	**825 977**	**827 781**	**787 570**	**800 934**
Chile	98 557	94 557	97 613	94 827	79 234	74 446
Mexico	578 185	593 574	605 074	605 302	599 122	618 806
Central America[b]	**59 398**	**58 851**	**58 557**	**107 878**	**105 181**	**111 581**
Costa Rica	16 645	18 857	20 593	21 303	22 102	23 223
El Salvador	5 842	5 521	5 478	15 410	14 385	14 855
Guatemala	14 254	13 035	13 962	28 554	27 364	28 728
Honduras	12 281	11 383	10 495	18 321	17 423	17 871
Nicaragua	6 310	6 688	6 988	9 101	9 380	9 899
Panama (excluding the Colón Free Zone)	4 067	3 367	1 041	15 190	14 527	17 005
Panama (including the Colon Free Zone)	17 954	15 971	12 236	27 150	30 188	25 660
The Caribbean	**51 255**	**46 510**	**57 841**	**70 019**	**68 655**	**71 247**
Cuba	1 338	2 069	1 733	4 879	3 358	3 183
Dominican Republic	13 750	12 932	14 332	30 913	28 823	29 372
CARICOM	**36 167**	**31 509**	**41 776**	**34 228**	**36 473**	**38 692**
Bahamas	838	828	816	3 879	4 069	5 348
Barbados	822	837	850	2 039	1 801	1 866
Belize	518	488	504	1 224	1 265	1 361
Guyana	11 299	13 210	23 373	3 623	6 636	6 731
Haiti	1 254	956	987	4 762	4 714	4 500
Jamaica	1 902	2 002	1 800	6 510	6 401	5 900
Suriname	2 457	2 360	2 788	1 701	1 572	1 690
Trinidad and Tobago	16 687	10 382	10 198	7 506	6 660	7 780
OECS	**391**	**447**	**458**	**2 983**	**3 355**	**3 515**
Antigua and Barbuda	83	94	102	725	746	805
Dominica	25	16	16	234	281	297
Grenada	61	111	113	518	707	719
Saint Kitts and Nevis	35	31	33	375	421	416
Saint Lucia	136	140	136	745	798	840
Saint Vincent and the Grenadines	52	54	58	386	402	437

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 respective countries of the region.
[a] The figures for 2024 are ECLAC projections.
[b] Does not include trade flows from the Colón Free Zone.

Table I.A1.2
Latin America and the Caribbean: value of services exports and imports, 2022–2024[a]
(Millions of dollars)

Subregions, groupings and countries	Exports			Imports		
	2022	2023	2024[a]	2022	2023	2024
Latin America and the Caribbean	**213 571**	**239 317**	**267 601**	**285 827**	**293 877**	**295 869**
Latin America	**197 425**	**220 991**	**247 242**	**270 543**	**278 089**	**278 590**
South America	**93 036**	**105 132**	**115 663**	**172 388**	**171 550**	**174 947**
MERCOSUR	**61 913**	**69 534**	**76 356**	**108 477**	**113 229**	**115 964**
Argentina	14 414	16 111	17 076	21 237	22 526	19 782
Brazil	40 291	45 194	49 775	79 909	82 790	88 284
Paraguay	1 637	2 020	2 246	1 879	2 041	2 122
Uruguay	5 571	6 210	7 259	5 452	5 873	5 776
Venezuela (Bolivarian Republic of)	...	...	...	...	...	...
Andean Community	**22 608**	**25 805**	**27 892**	**39 798**	**37 747**	**38 577**
Bolivia (Plurinational State of)	924	1 197	1 348	2 734	2 523	2 321
Colombia	13 813	15 644	16 650	18 062	16 902	17 621
Ecuador	2 910	3 156	3 104	5 562	5 173	5 312
Peru	4 962	5 808	6 790	13 440	13 149	13 324
Pacific Alliance	**79 451**	**87 514**	**100 386**	**123 228**	**126 179**	**122 099**
Chile	8 515	9 792	11 415	24 114	20 574	20 406
Mexico	52 161	56 270	65 531	67 613	75 555	70 749
Central America	**40 708**	**46 576**	**50 069**	**23 928**	**24 767**	**26 653**
Costa Rica	12 759	14 842	17 733	5 767	6 339	7 190
El Salvador	4 322	5 109	5 941	2 774	2 647	2 929
Guatemala	3 886	4 273	4 642	5 385	5 677	6 670
Honduras	1 113	1 319	1 368	3 613	3 438	3 340
Nicaragua	1 560	1 561	1 598	1 112	1 137	1 075
Panama (excluding the Colón Free Zone)	17 067	19 472	18 718	5 277	5 528	5 449
The Caribbean	**27 666**	**31 340**	**36 338**	**21 898**	**22 006**	**23 519**
Cuba	8 090	8 774	...	2 004	1 840	...
Dominican Republic	11 419	12 911	15 838	5 925	5 632	5 655
CARICOM	**16 248**	**18 429**	**20 500**	**15 973**	**16 374**	**17 864**
Bahamas	4 613	5 143	5 743	1 946	2 160	2 458
Barbados	1 177	1 318	1 435	430	438	464
Belize	851	974	1 192	350	305	316
Guyana	217	237	310	3 782	4 738	5 824
Haiti	101	102	140	689	585	585
Jamaica	4 522	5 273	6 055	3 217	3 464	3 326
Suriname	143	173	198	640	631	864
Trinidad and Tobago	897	1 166	1 346	3 188	2 146	2 018
OECS	**3 727**	**4 184**	**4 315**	**1 732**	**1 905**	**2 009**
Antigua and Barbuda	1 028	1 123	1 212	509	555	599
Dominica	149	158	167	117	143	151
Grenada	651	788	802	273	313	319
Saint Kitts and Nevis	511	547	589	231	253	260
Saint Lucia	1 160	1 275	1 232	450	476	501
Saint Vincent and the Grenadines	227	293	313	152	165	180

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 respective countries of the region. The figures for Cuba are from UNCTAD, UNCTADSTAT database, and their values for 2023 refer to estimates.

[a] The figures for 2024 are ECLAC projections.

Table I.A1.3
Latin America and the Caribbean: value of balance of goods and services trade, 2022–2024[a]
(Millions of dollars)

Subregions, groupings and countries	Goods			Services		
	2022	2023	2024	2022	2023	2024
Latin America and the Caribbean	**-48 801**	**28 350**	**63 974**	**-72 256**	**-54 560**	**-28 267**
Latin America	**-44 452**	**45 574**	**68 885**	**-73 118**	**-57 098**	**-31 348**
South America	**55 355**	**105 789**	**144 448**	**-79 352**	**-66 419**	**-59 285**
MERCOSUR	**58 076**	**80 554**	**97 677**	**-46 564**	**-43 695**	**-39 609**
Argentina	12 352	-2 937	24 845	-6 823	-6 416	-2 706
Brazil	44 153	80 582	68 027	-39 618	-37 596	-38 510
Paraguay	-1 929	825	504	- 242	- 20	124
Uruguay	3 499	2 083	4 301	119	337	1 483
Venezuela (Bolivarian Republic of)	-9 796	-3 416	- 312	...	...	...
Andean Community (CAN)	**3 345**	**13 327**	**23 917**	**-17 189**	**-11 942**	**-10 686**
Bolivia, (Plurinational State of)	2 813	171	502	-1 810	-1 326	- 973
Colombia	-12 178	-6 732	-6 394	-4 249	-1 258	- 971
Ecuador	2 544	2 210	7 806	-2 652	-2 017	-2 208
Peru	10 166	17 678	22 002	-8 478	-7 341	-6 534
Pacific Alliance	**-25 399**	**20 721**	**26 182**	**-43 777**	**-38 665**	**-21 713**
Chile	3 729	15 323	23 167	-15 599	-10 782	-8 991
Mexico	-27 116	-5 549	-12 593	-15 452	-19 285	-5 218
Central America	**-46 553**	**-49 388**	**-50 483**	**16 780**	**21 809**	**23 416**
Costa Rica	-4 658	-3 245	-2 630	6 992	8 503	10 544
El Salvador	-9 569	-8 865	-9 377	1 548	2 462	3 012
Guatemala	-14 300	-14 329	-14 766	-1 499	-1 404	-2 029
Honduras	-6 040	-6 040	-7 376	-2 500	-2 119	-1 971
Nicaragua	-2 791	-2 692	-2 911	448	424	523
Panama (excluding the Colón Free Zone)	-9 196	-14 218	-13 732	11 790	13 943	13 338
The Caribbean	**-22 362**	**-18 764**	**-22 145**	**5 768**	**9 334**	**12 819**
Cuba	-3 541	-1 290	-1 450	6 086	6 934	...
Dominican Republic	-17 162	-15 891	-15 040	5 494	7 279	10 183
CARICOM	**1 939**	**-4 964**	**2 352**	**275**	**2 055**	**2 636**
Bahamas	-3 042	-3 241	-4 531	2 668	2 983	3 284
Barbados	-1 217	- 964	-1 016	747	880	971
Belize	- 706	- 777	- 857	501	669	877
Guyana	7 675	6 574	15 910	-3 565	-4 502	-5 513
Haiti	-3 508	-3 758	-3 513	- 587	- 483	- 445
Jamaica	-4 608	-4 400	-4 100	1 305	1 809	2 729
Suriname	755	788	1 098	- 497	- 458	- 666
Trinidad and Tobago	9 181	3 723	2 418	-2 292	- 980	- 672
OECS	**-2 592**	**-2 908**	**-3 057**	**1 995**	**2 279**	**2 287**
Antigua and Barbuda	- 642	- 651	- 703	519	568	613
Dominica	- 209	- 265	- 281	32	16	16
Grenada	- 457	- 596	- 606	378	474	483
Saint Kitts and Nevis	- 340	- 390	- 383	280	293	330
Saint Lucia	- 609	- 658	- 704	711	799	817
Saint Vincent and the Grenadines	- 334	- 347	- 379	75	129	134

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 respective countries of the region. The figures for Cuba are from UNCTAD, UNCTADSTAT database, and their values for 2023 refer to estimates.

[a] The figures for 2024 are ECLAC projections.

CHAPTER

II

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

Introduction

The concept of food security has been gaining prominence on the multilateral cooperation agenda since the World Food Summit held in Rome in November 1996. The Plan of Action agreed upon at that time declares the objective of achieving food security at the individual, household, national, regional and global levels; and it states that "Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life" (FAO, 1996). That document also noted that more than 800 million people, particularly in developing countries, did not have enough food to satisfy their basic nutritional needs. With the adoption in 2015 of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs), the quest for food security was embodied in target 2.1: "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 on the path to achieving this target, both in Latin America and the Caribbean and worldwide (ECLAC, 2024; FAO and others, 2024).

Some of the multiple dimensions of the concept of food security refer to quantitative variables (for example, the minimum daily intake of calories and other nutrients needed to lead an active and healthy life or the levels of income needed to access this), while others are eminently qualitative (for example, people's food preferences, which have a strong cultural component). Moreover, the determinants of food security —or insecurity— vary according to whether the level of analysis is individual, family, national, regional or global. At the aggregate level (countries and regions), international trade —mainly in food, but also in the inputs needed to produce it— plays a crucial role in the quest for food security. Trade can give access to foods for which local production is impossible or too costly because of climatic conditions, insufficient availability of land or technology, or other reasons. In addition, imports can supplement local production when the latter is temporarily restricted by events such as pest infestation, conflicts or extreme weather phenomena. Moreover, the income generated by exports can be used to purchase food, whether produced locally or imported. Thus, international trade and the rules that regulate it are an integral part of what Hopkins and Puchala (1978) call "the international system of production, distribution and consumption of food".

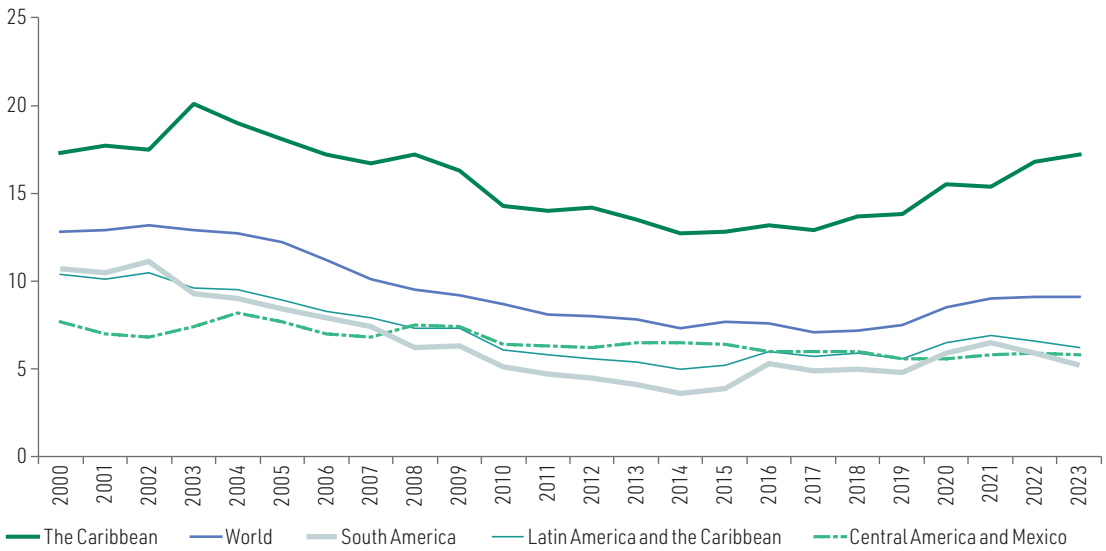
The three main participants in global food trade are nation states; international institutions, such as the World Trade Organization (WTO) and the Codex Alimentarius Commission (CAC); and large agribusiness multinationals such as Archer Daniels Midland (ADM), Bunge, Cargill, COFCO and Louis Dreyfus. Especially in the marketing of commodities, such as grains and oilseeds, these firms have significant power to decide what, how and where to produce, and which markets to supply as a priority. Other relevant corporate actors along the value chain are suppliers of inputs such as seeds and fertilizers, manufacturers of processed foods, and large supermarket and fast food chains. Given the size and global presence that these actors tend to have, their business decisions can have a major impact on the conditions of access to food in the countries in which they operate, for example, by prioritizing export crops over others that are consumed mainly locally.

The Economic Commission for Latin America and the Caribbean (ECLAC) has identified food security-oriented agriculture as one of the driving sectors of regional economic growth, given the significant competitive advantages that Latin America and the Caribbean has in food production (ECLAC, 2023a). This chapter considers the role of international trade in the quest for food security in the region. Section A provides an overview of food security in Latin America and the Caribbean and its component subregions. Section B then analyses the regional situation through the main indicators linking trade and food security. Lastly, section C reviews the opportunities that exist for strengthening the contribution of trade —and particularly intraregional trade— to greater food security in the region.

A. Overview of food security in Latin America and the Caribbean

In 2023, an estimated 9.1% of the world's population, or 733 million people, were suffering from hunger, defined as the prevalence of undernourishment (FAO and others, 2024). This figure is 3.7 percentage points lower than in 2000, but 1.6 points higher than in 2019, prior to the outbreak of the coronavirus disease (COVID-19) pandemic and the hike in food prices caused by the war between the Russian Federation and Ukraine (see figure II.1). The prevalence of hunger in 2023 In Latin America and the Caribbean was significantly lower than the global average, affecting 6.2% of the population. Although this is down by 4.2 percentage points since 2000, it is still slightly higher than before the pandemic, despite the decline in 2022 and 2023. In the latter year, an estimated 41 million people were hungry in the region (4.7 million more than in 2019). Of these, 22.8 million (56%) resided in South America, 10.5 million (26%) lived in Central America and Mexico, and 7.7 million (19%) were in the Caribbean. The lower prevalence of hunger in the region in the last two years reflects its reduction in South America, since it has remained stable in the subregion of Central America and Mexico and has actually increased in the Caribbean.

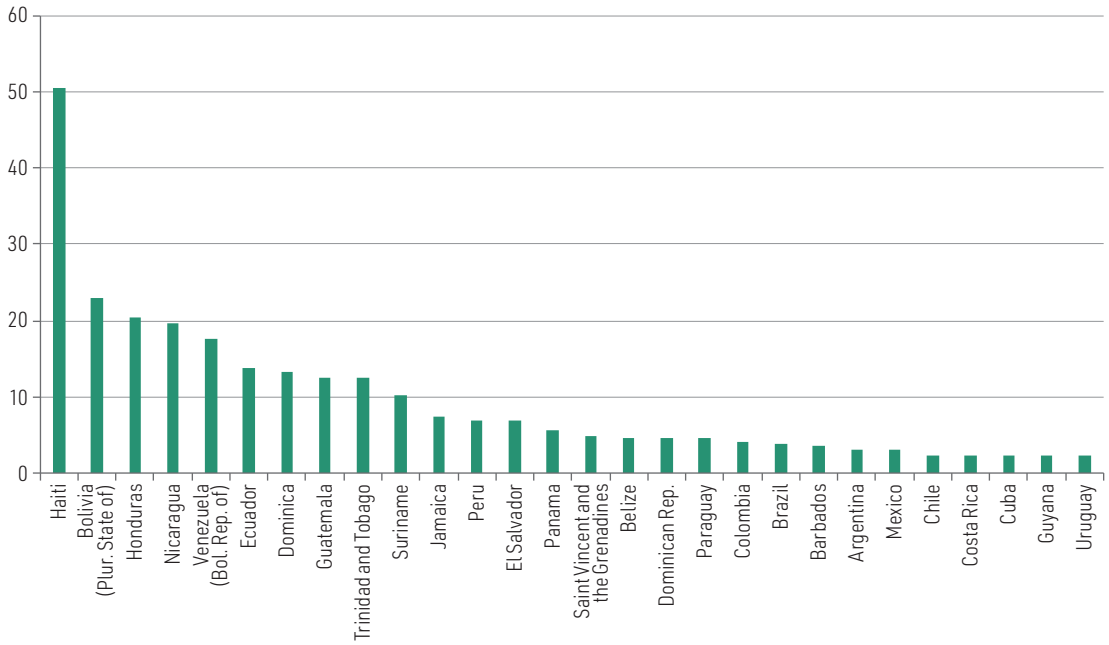
Figure II.1
World, Latin America and the Caribbean and subregions: prevalence of undernourishment, 2000–2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Food and Agriculture Organization of the United Nations (FAO), FAOSTAT database [online] http://www.fao.org/faostat/en/#data.

Hunger is much more prevalent in the Caribbean (17.2%) than in South America (5.2%) or in Central America and Mexico (5.8%). This is mainly explained by the situation in Haiti, where it is estimated that half of the population experienced hunger in the 2021–2023 triennium. The other countries with rates above 10% in that period are the Plurinational State of Bolivia, the Bolivarian Republic of Venezuela and Ecuador in South America, Honduras, Nicaragua and Guatemala in Central America, and Dominica, Trinidad and Tobago and Suriname in the Caribbean (see figure II.2). At the other extreme, 14 countries had undernourishment rates below 5%.

Figure II.2
Latin America and the Caribbean (28 countries): prevalence of undernourishment, average 2021–2023
(Percentages)

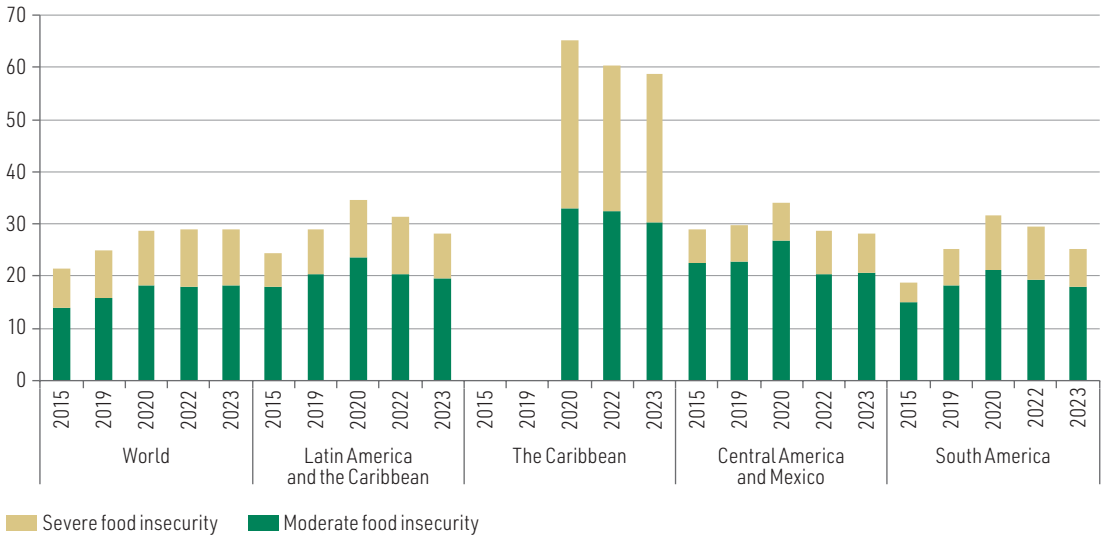


Source: Economic Commission for Latin America and the Car ibbean (ECLAC), on the basis of Food and Agriculture Organization of the United Nations (FAO), FAOSTAT database [online] http://www.fao.org/faostat/en/#data.
Note: Undernourishment prevalence rates are estimated to be less than 2.5% in Chile, Costa Rica, Cuba, Guyana and Uruguay.

A complementary metric to the prevalence of undernourishment is the prevalence of moderate or severe food insecurity. This indicator, which has been available since 2015, estimates the proportion of the population that faces difficulties in obtaining sufficient food over the course of a year. Moderate food insecurity refers to a situation in which people are uncertain of their ability to obtain food and have been forced to reduce the quality or quantity of food they consume due to lack of money or other resources. Severe food insecurity means that individuals have likely run out of food, experienced hunger and, at the most extreme, have gone for days without eating (FAO and others, 2023).

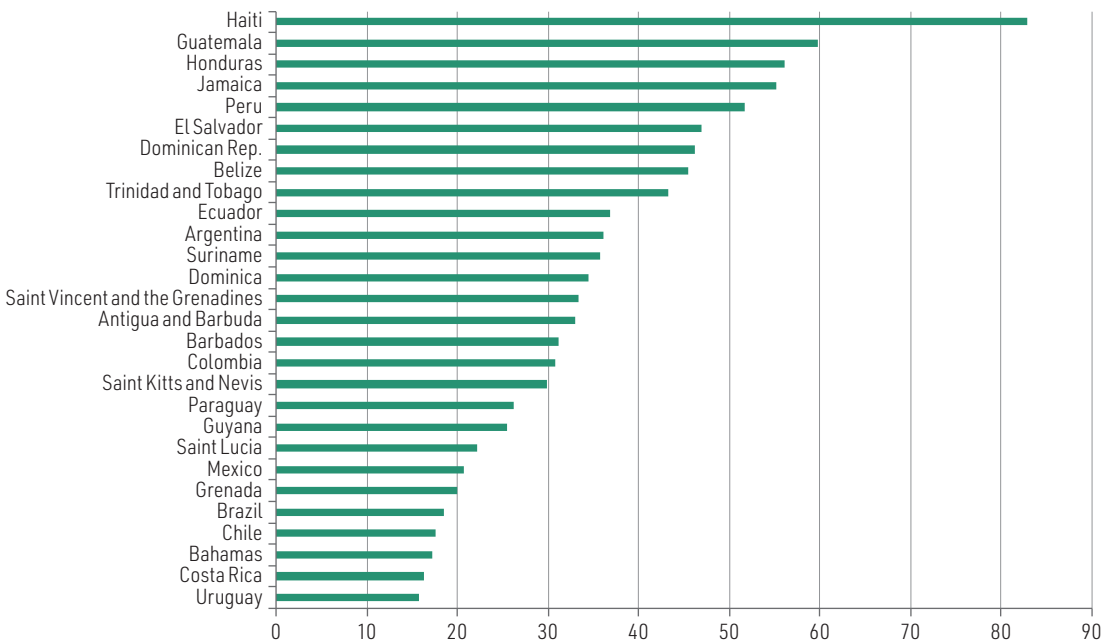
In 2023, 28.2% of the population of Latin America and the Caribbean (188 million people) faced moderate or severe food insecurity —representing a sharp reduction from the peak of 34.6% attained in 2020 during the pandemic (see figure II.3). For the first time since this indicator has been recorded, in 2023 the prevalence of moderate or severe food insecurity was slightly lower in the region than globally (28.9%). In the same year, the indicator in South America was below the regional average (25.1%), while in Central America and Mexico it was equal to that average, and in the Caribbean it was much higher at 58.8%. Some countries of the region do not report this indicator; but of those that do, the highest rates are generally found in Caribbean and Central American countries (see figure II.4). In 2021–2023, moderate or severe food insecurity affected more than 20% of the population in 22 of the 28 countries for which information is available. The exceptions are (in ascending order): Uruguay, Costa Rica, Bahamas, Chile, Brazil, and Grenada.

Figure II.3
World, Latin America and the Caribbean and subregions: prevalence of moderate and severe food insecurity, 2015, 2019, 2020, 2022 and 2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Food and Agriculture Organization of the United Nations (FAO), FAOSTAT database [online] http://www.fao.org/faostat/en/#data.
Note: No pre-2020 data are available for the Caribbean.

Figure II.4
Latin America and the Caribbean (28 countries): prevalence of moderate or severe food insecurity, average 2021–2023
(Percentage of total population)

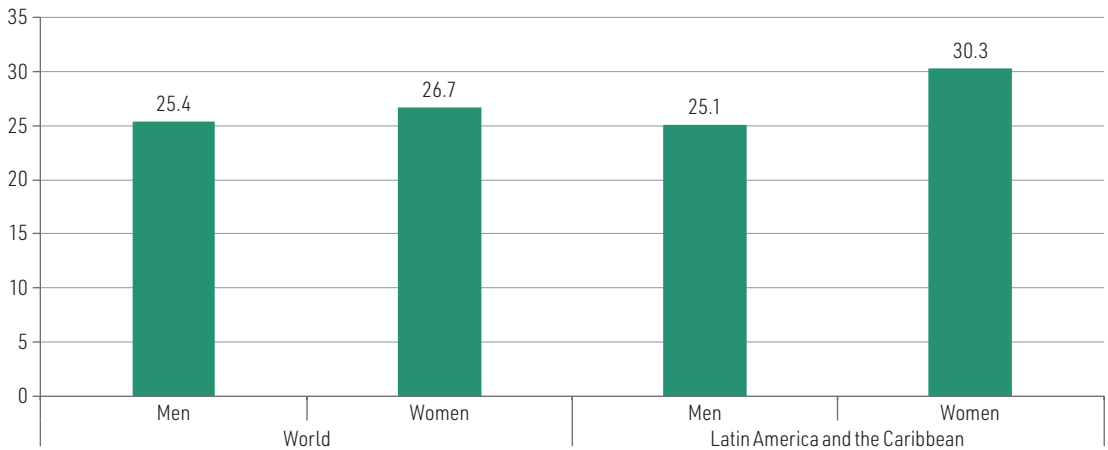


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Food and Agriculture Organization of the United Nations (FAO), FAOSTAT database [online] http://www.fao.org/faostat/en/#data.

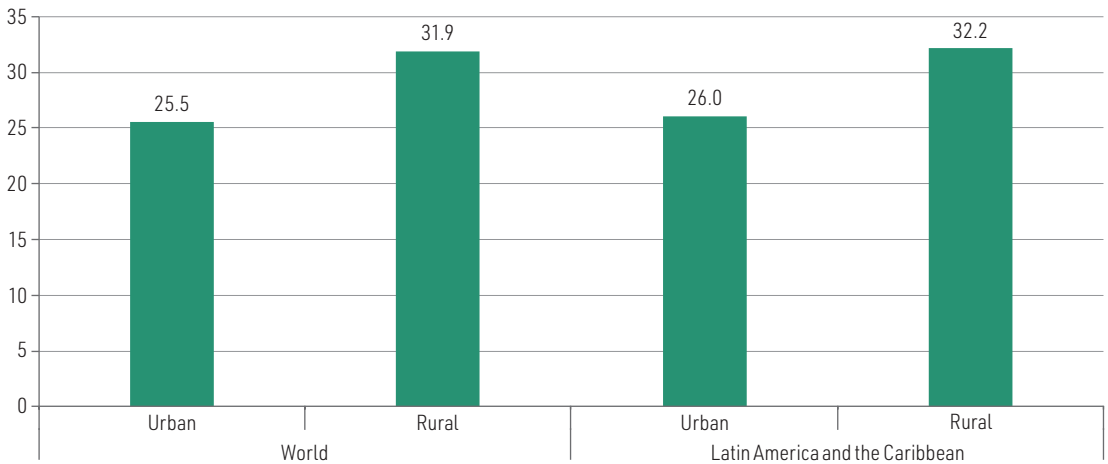
Both globally and in the region, food insecurity affects women more than men, mainly because of disparities in education, full-time employment and labour force participation (FAO, 2023). However, the gender gap is much greater in the region than in the world at large: in 2023, 30.3% of adult women in Latin America and the Caribbean suffered moderate or severe food insecurity, 5.2 percentage points higher than the equivalent rate among men.[1] In contrast, the gap globally was 1.3 percentage points (see figure II.5A). Moreover, both globally and in the region, food insecurity hits rural dwellers (who tend to be poorer) harder than the urban population. The gap in prevalence levels was similar in both cases: 6.4 and 6.2 percentage points, respectively (see figure II.5B).

Figure II.5
World and Latin America and the Caribbean: prevalence of moderate or severe food insecurity by sex and urbanization level, 2023
(Percentages)

A. By sex



B. By urbanization level



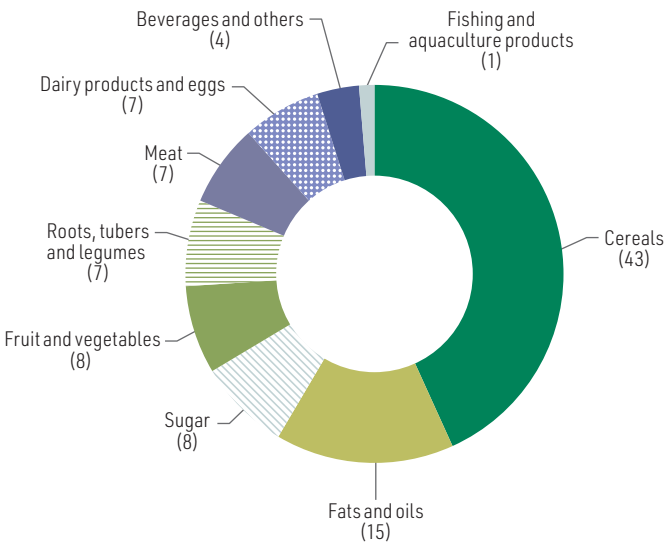
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Food and Agriculture Organization of the United Nations (FAO), FAOSTAT database [online] http://www.fao.org/faostat/en/#data.

[1] In the region, the gap between men and women amounted to 9.1 percentage points in 2021 (29.3% and 38.4%, respectively), as the crisis generated by the pandemic affected women's income and economic activities to a greater extent (FAO and others, 2023). Since then, it has narrowed for two consecutive years to stand at 5.3 percentage points in 2023 –almost identical to the level recorded in 2019.

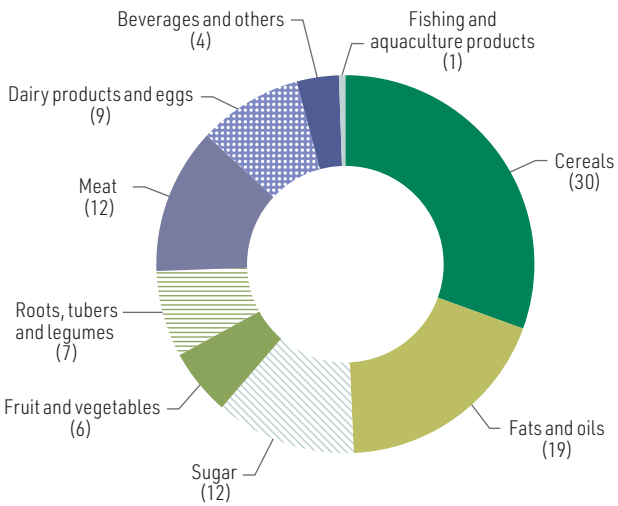
As in the world as a whole, cereals, fats and oils, and sugar are the main components of food energy supply (measured in kilocalories per person per day) in the three subregions of Latin America and the Caribbean. Cereals are relatively more important in Central America and Mexico, fruits and vegetables in the Caribbean, and meat in South America (see figure II.6). In the three subregions, as also worldwide, fishery and aquaculture products account for barely 1% of the daily food energy supply.

Figure II.6
World and subregions of Latin America and the Caribbean: composition of food energy supply by major categories, 2021
(Percentages)

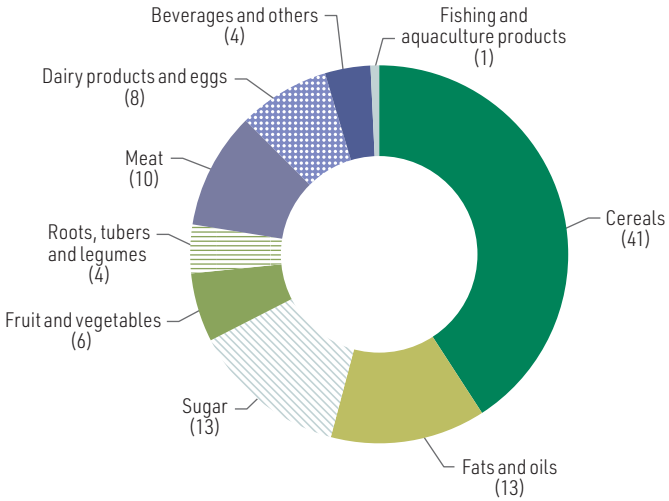
A. World



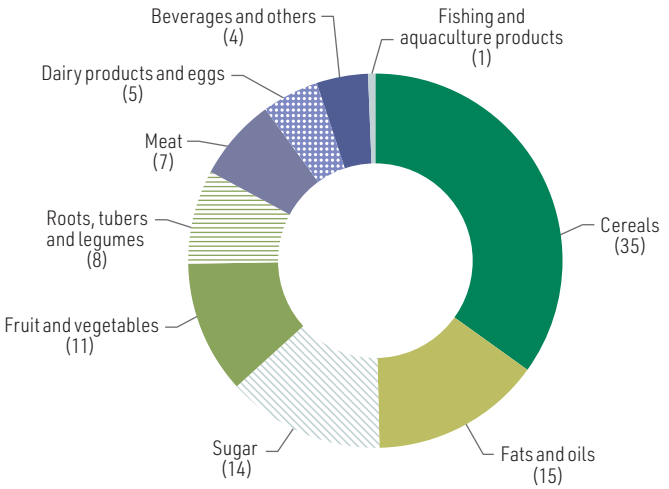
B. South America



C. Central America and Mexico



D. The Caribbean

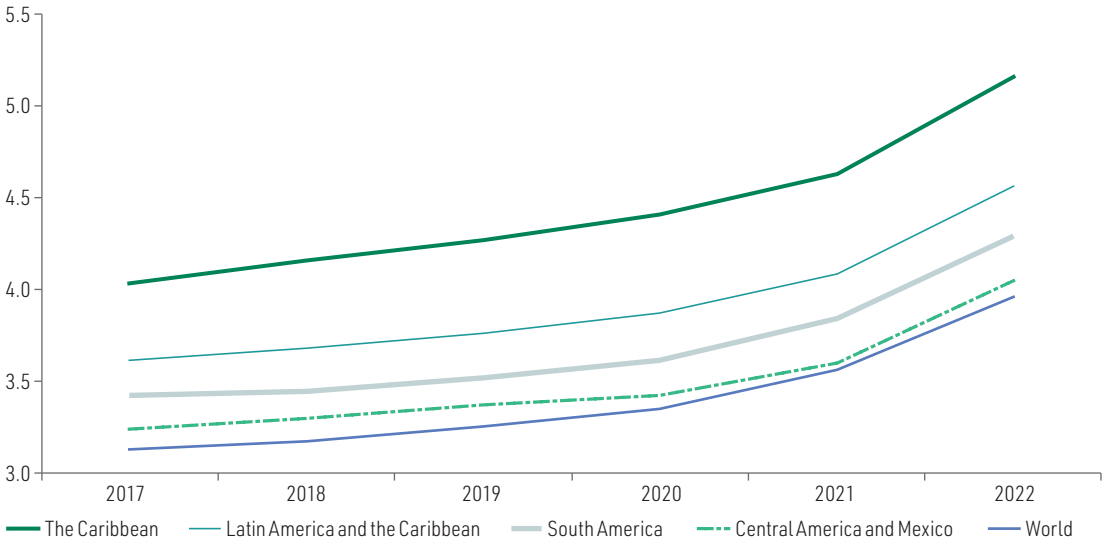


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Food and Agriculture Organization of the United Nations (FAO), FAOSTAT database [online] http://www.fao.org/faostat/en/#data.

The cost of accessing a healthy diet[2] increased by around 26% worldwide and in the region between 2017 (when this indicator was first calculated) and 2022, as a result of the various shocks (pandemic, war in Ukraine) 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). This is 15% above the world average of US$ 3.96 PPP per person per day (see figure II.7). 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.

[2] This is defined as the cost in each country of acquiring the cheapest possible healthy diet, defined as a diet consisting of a variety of locally available foods that meet energy and nutritional needs (FAO and others, 2024). The composition of a healthy diet therefore varies between countries and regions.

Figure II.7
World, Latin America and the Caribbean and subregions: cost of accessing a healthy diet, 2017–2022
(Dollars per day per person, in purchasing power parity)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Food and Agriculture Organization of the United Nations (FAO), FAOSTAT database [online] http://www.fao.org/faostat/en/#data.

The cost of making up the shortfall in income needed to access a healthy diet was estimated as equivalent to 0.52% of the region's GDP in 2021, which, when disaggregated by subregion, amounts to 0.51% of GDP in South America, 0.73% of GDP in Central America and Mexico, and 4.45% of GDP in the Caribbean (FAO and others, 2024b). By country, the cost varies from just over 31% of GDP in Haiti (which significantly influences the high cost reported for the Caribbean subregion) and 5.3% of GDP in Honduras, to less than 0.1% of GDP in Argentina, Chile, Costa Rica, Panama and Uruguay. It should be noted that not addressing hunger and malnutrition costs much more, amounting, on average, to 13.3% of GDP for the Caribbean countries, 6.9% of GDP in Central America and Mexico, and 8.8% of GDP in South America (FAO and others, 2024). By helping to balance food supply and demand between surplus and deficit areas, international trade can play a crucial role in reducing the cost of the food basket in the region (see section B).

B. Linkages between food security and international trade in the region

1. Overview of regional food trade

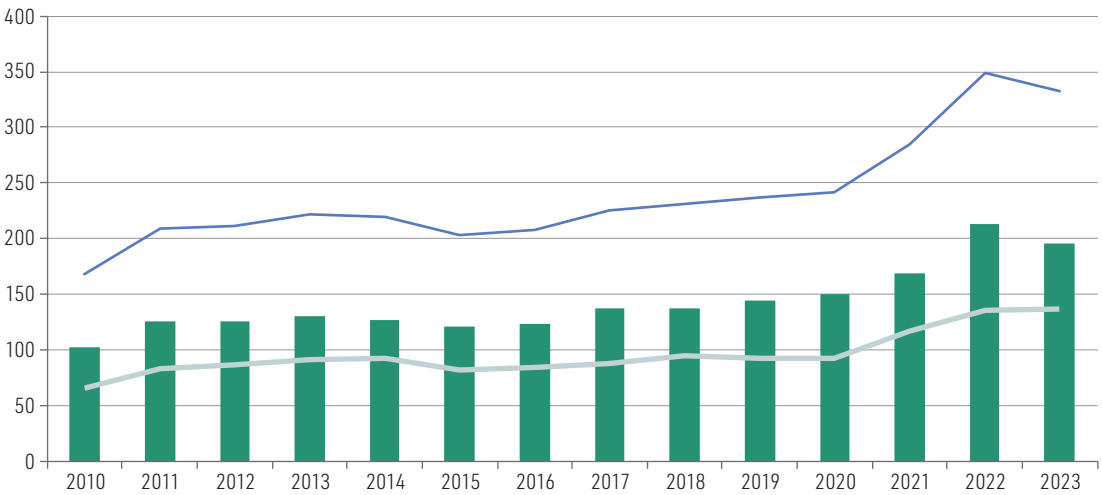
Latin America and the Caribbean as a whole has an increasing surplus in food trade; in fact, it is the world's leading net food-exporting region (OECD/FAO, 2024).[3] Measured in current dollars, its food exports expanded at an average annual rate of 6.3% between 2010 and 2022, totalling US$ 349 billion in the latter year (see figure II.8). Regional food imports grew at the same rate in that period, amounting

[3] The definition of food used in this chapter includes agricultural and fishery products, both primary and processed, which are classified in chapters 1 to 24 of the Harmonized Commodity Description and Coding System. Table A1.1 in the annex shows the composition of the different food categories analysed.

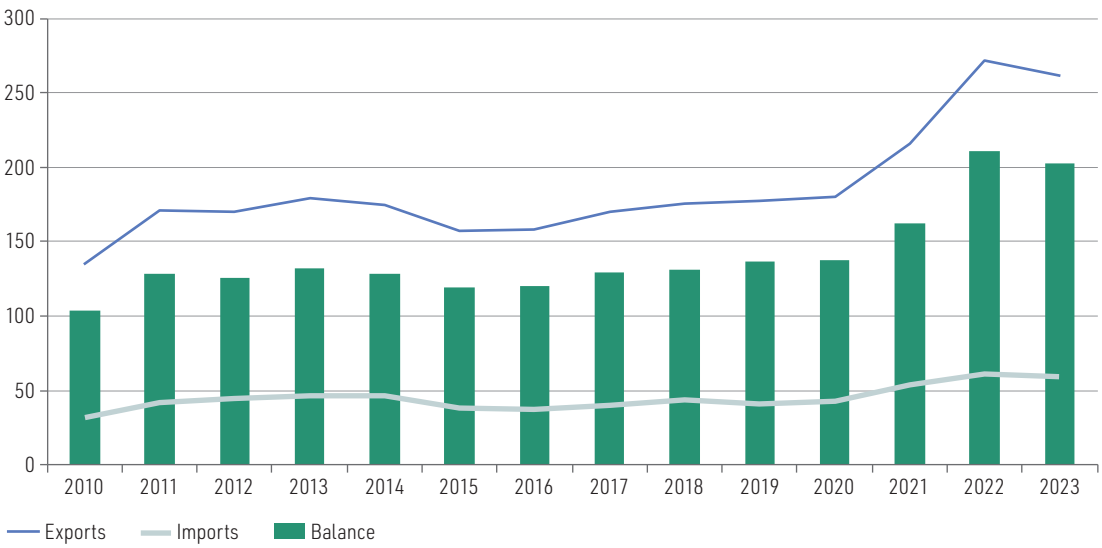
to US$ 136 billion in 2022. Both flows outpaced the growth of total exports and imports of goods in the same period (3.9% and 4.6% per year, respectively). Thus, the share of food in the region's total exports of goods increased from an average of 19% in 2010–2012 to an average of 25% between 2020 and 2022, while its share in total goods imports grew from 7.5% to 9.4% between the two periods. The region accounted for an average of 15.5% of world food exports between 2020 and 2022, 10 percentage points more than its average share of world exports of all goods in the same period. Three of the region's countries were among the top 10 world food exporters in 2022: Brazil ranked third with a 7% share; Argentina was seventh, with 3%; and Mexico was in ninth place with 2%. In this list, the first position is held jointly by the 27 members of the European Union, with a 35% share, followed by the United States, with 9%.

Figure II.8
Latin America and the Caribbean (33 countries) and subregions: value of food trade, 2010–2023
(Billions of dollars)

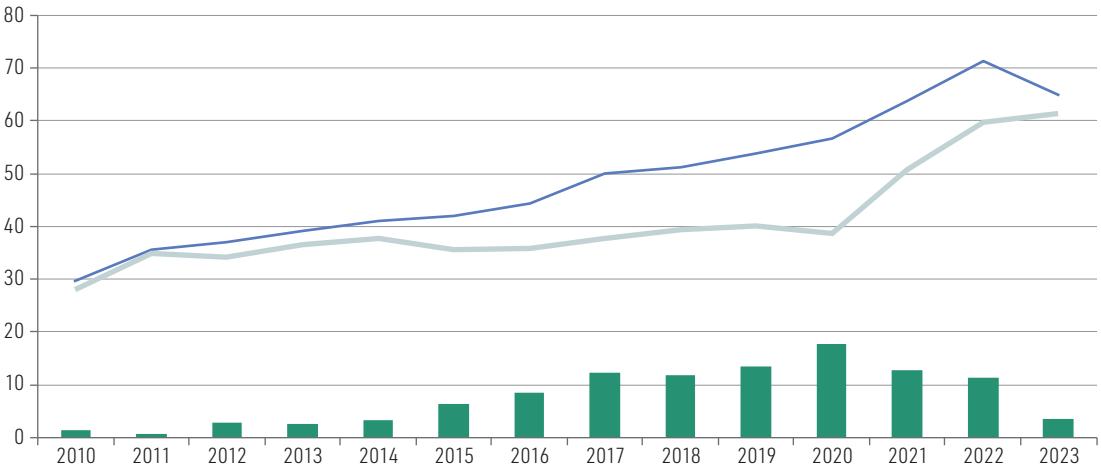
A. Latin America and the Caribbean



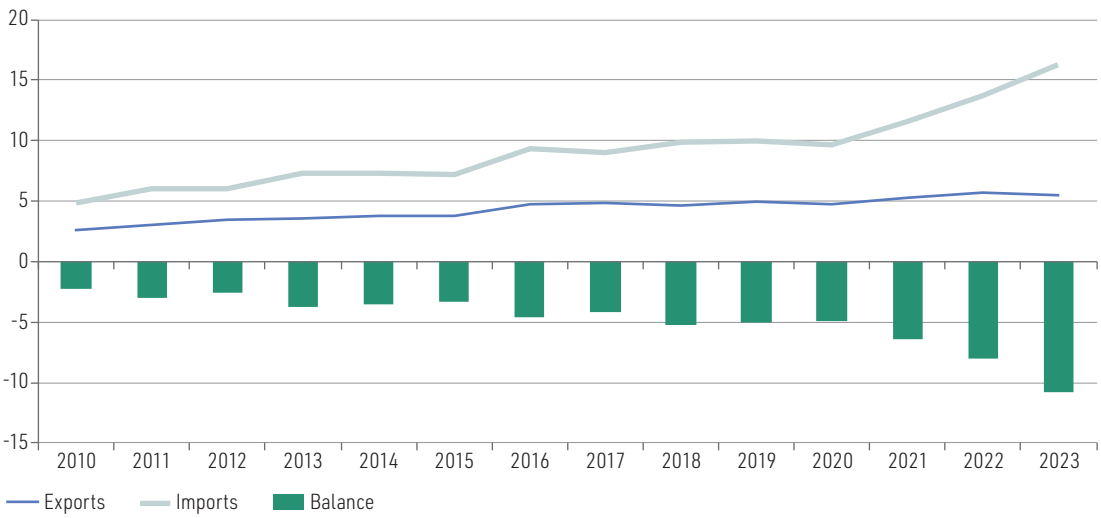
B. South America



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/.

After rising to an all-time high in 2022, the value of regional food exports fell back by 5% in 2023.[4] This was due to a combination of factors: the contraction of world goods trade in 2023 (see chapter I); the fall in the prices of several of the main agricultural and livestock products exported by the region, starting in the last quarter of 2022; and the severe drought that affected several countries, including Argentina, Brazil and Uruguay. As a result of the latter, the value of Argentine agro-industrial exports contracted by 36% in 2023, with the largest reductions occurring in shipments of the wheat (-70%), soybean (-44%) and maize (-33%) complexes (Rosario Stock Exchange, 2024).

The region's growing food export specialization is evidenced by the fact that the average value of shipments of agricultural and fishery products increased from 53% of the sector's total production in 2011–2013 to 68% in 2021–2023 (OECD/FAO, 2024). However, food trade patterns differ widely

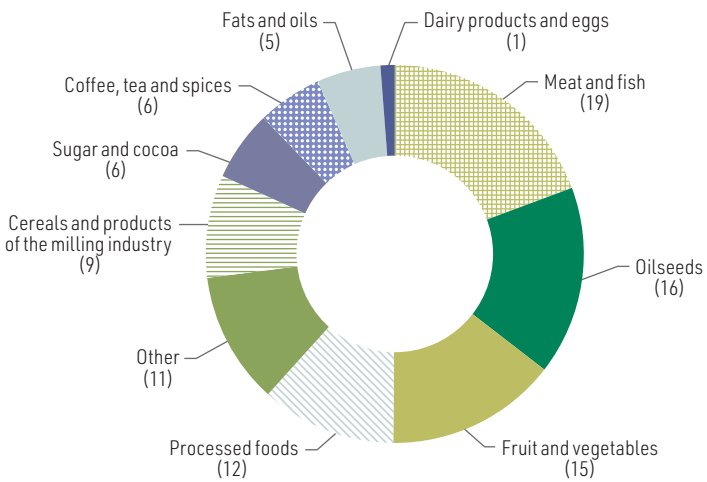
[4] In the remainder of this chapter the analysis of trade flows ends in 2022, because at the time of writing, 2023 data disaggregated by product were not available for all countries of the region.

between the different subregions: while South America accounts for the bulk of the region's exports and surpluses, the subregion comprising Central America and Mexico runs a small surplus and the Caribbean displays a persistent deficit.

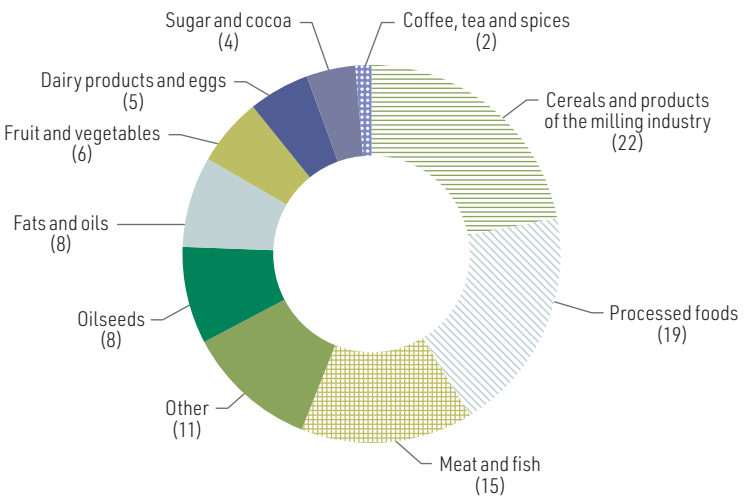
The main category of regional food exports, by amount exported, is meat, fish and their preparations, which, on average, accounted for 19% of the value of total shipments in the 2020–2022 triennium (see figure II.9A). Within this category, meats accounted for 11% and fishery and aquaculture products 6%, while the bulk of the remaining 2% corresponds to meat or fish preparations. In second place are oilseeds (mainly soybeans), with a 16% share, followed by fruits and vegetables (15%), in which fruits are the main component (11%). Processed foods are in fourth place, with a 12% share, of which 6% corresponds to (mainly alcoholic) beverages.

Figure II.9
Latin America and the Caribbean (33 countries): distribution of food exports and imports by major categories, average for 2020–2022
(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/.

Cereals (mainly maize and wheat) and products of the milling industry are the main category of regional food imports, maintaining an average share of 22% in the 2020–2022 triennium (see figure II.9B). This category is followed by processed products (19%), which include miscellaneous preparations and beverages (both with a 6% share). In third place are meat, fish and their preparations (15%), with meat accounting for 12% and fish and other fishery and aquaculture products representing 3%.

There is a significant overlap between the food products that are most exported and those that are most imported by the region. Both lists include soybeans, soybean cakes and oil, maize, wheat and beef, pork and chicken (see table II.1). All of these products are relevant for satisfying human nutritional requirements, although some are also destined for alternative uses. In particular, maize and soybeans and soybean cakes are used widely as feed for livestock and poultry; and soybean oil, maize and sugar are used to produce biofuels.

Table II.1
Latin America and the Caribbean: 15 main exported and imported products of the food sector, average for 2020–2022
(Millions of dollars and percentages)

Main exported products				
Position	**Harmonized Commodity Description and Coding System (HS) Code**	**Abbreviated description**	**Amount exported** *(Millions of dollars)*	**Share** *(Percentages)*
1	120100	Soybeans	43 909	15.0
2	230400	Oilcake and other solid residues from the extraction of soybean oil	18 031	6.2
3	100590	Maize, other than seed	15 909	5.4
4	090111	Coffee, not roasted or decaffeinated	13 466	4.6
5	020230	Beef, boneless, frozen	13 332	4.6
6	170113	Cane sugar, raw, not containing added flavouring or colouring	9 850	3.4
7	150710	Soybean oil and its fractions, crude	7 862	2.7
8	030616	Shrimps and prawns, frozen	7 774	2.7
9	080300	Bananas, fresh or dried	7 658	2.6
10	020714	Chicken meat cuts and offal, frozen	6 018	2.1
11	220300	Beer	5 212	1.8
12	080440	Avocadoes, fresh or dried	4 381	1.5
13	020130	Beef, boneless cuts, fresh or chilled	4 187	1.4
14	020329	Pork, not elsewhere classified, frozen	3 558	1.2
15	100199	Wheat and meslin, other than durum wheat, other than seed	3 520	1.2
		Subtotal	**164 667**	**56.4**

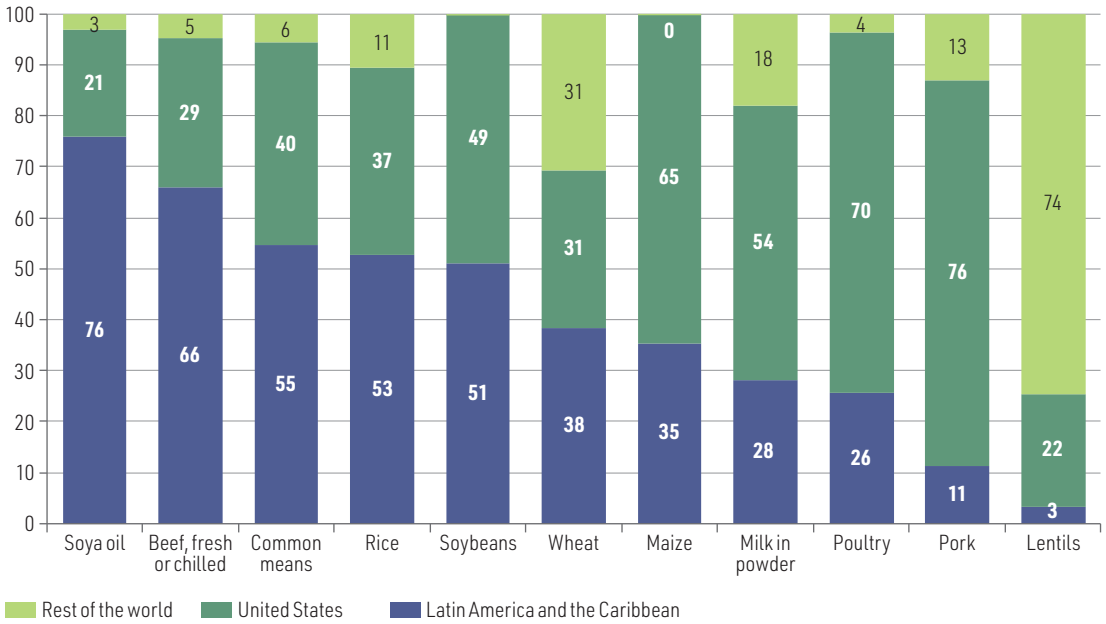
Main imported products				
Position	Harmonized Commodity Description and Coding System (HS) Code	Abbreviated description	Amount imported *(Millions of dollars)*	Share *(Percentages)*
1	100590	Maize, other than seed	9 698	8.5
2	120100	Soybeans	5 692	5.0
3	100199	Wheat and meslin, other than durum wheat, other than seed	4 836	4.2
4	230400	Oilcake and other solid residues from the extraction of soybean oil	4 272	3.7
5	210690	Food preparations; not elsewhere classified	3 736	3.3
6	020130	Beef, boneless cuts, fresh or chilled	2 380	2.1
7	230990	Dog or cat food; (not put up for retail sale)	2 040	1.8
8	150710	Soybean oil and its fractions, crude	1 667	1.5
9	020312	Pork, hams, shoulders and cuts thereof, fresh or chilled	1 499	1.3
10	020329	Pork, not elsewhere classified, frozen	1 267	1.1
11	040210	Milk and cream, concentrated or containing added sugar or other sweetening matter, in powder, granules or other solid forms, of a fat content not exceeding 1.5% by weight)	1 239	1.1
12	110710	Malt of barley or other cereals, not roasted	1 213	1.1
13	020714	Chicken meat cuts and offal, frozen	1 108	1.0
14	200410	Potatoes, frozen	1 052	0.9
15	220421	Other wines, in containers holding 2 litres or less	1 025	0.9
		Subtotal	**42 723**	**37.2**

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

In 2020–2022, three-quarters of regional imports of soybean oil came from the region itself on average, 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. In contrast, only 11% of external purchases of pork and 3% of lentils came from the region (see figure II.10). In nearly all cases, the United States is the main extraregional supplier, although Canada is by far the leading supplier of lentils (with a 74% share) and is also a major supplier of wheat and pork, with shares of 26% and 9%, respectively. Both of these North American trade partners benefit from their relative geographical proximity (especially relative to Mexico, Central America and the Caribbean) and preferential access for their products to several countries with which they have signed free trade agreements (FAO/IDB, 2024b). Outside of the Americas, only New Zealand (the source of 6% of regional imports of powdered milk) and Viet Nam (the origin of 7% of rice imports) are major suppliers.

The subregional trade balances vary across major food categories (see figure II.11). South America runs a surplus in all categories, with large surpluses in oilseeds and meat and fish. The subregion comprising Central America and Mexico has the largest surpluses in fruits and vegetables and processed foods, and a large deficit in grains and oilseeds. The Caribbean, meanwhile, displays deficits in most categories.

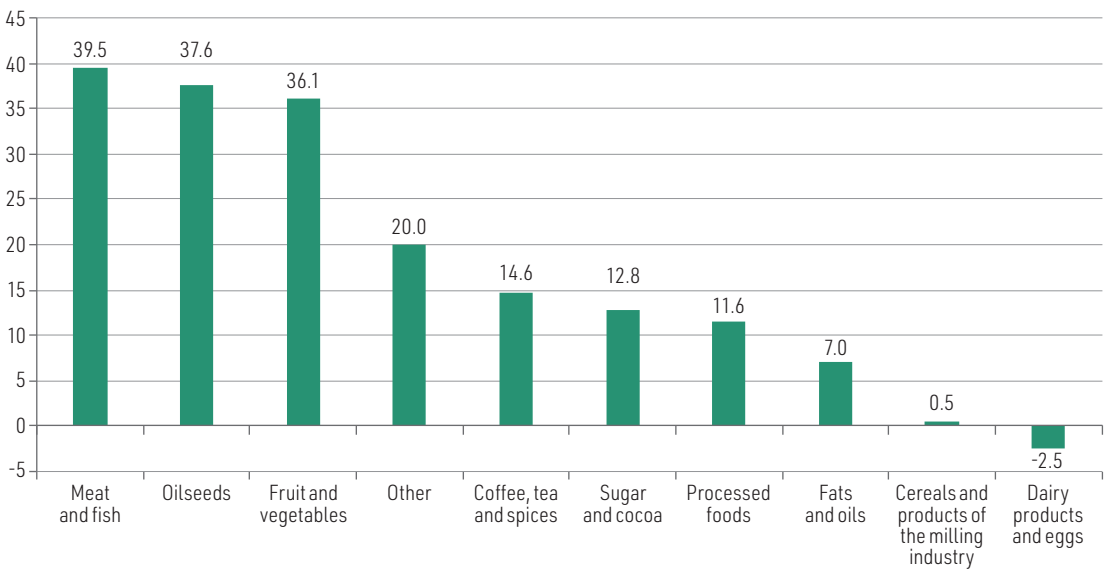
Figure II.10
Latin America and the Caribbean: distribution by origin of selected food imports, average for 2020–2022
(Percentages)



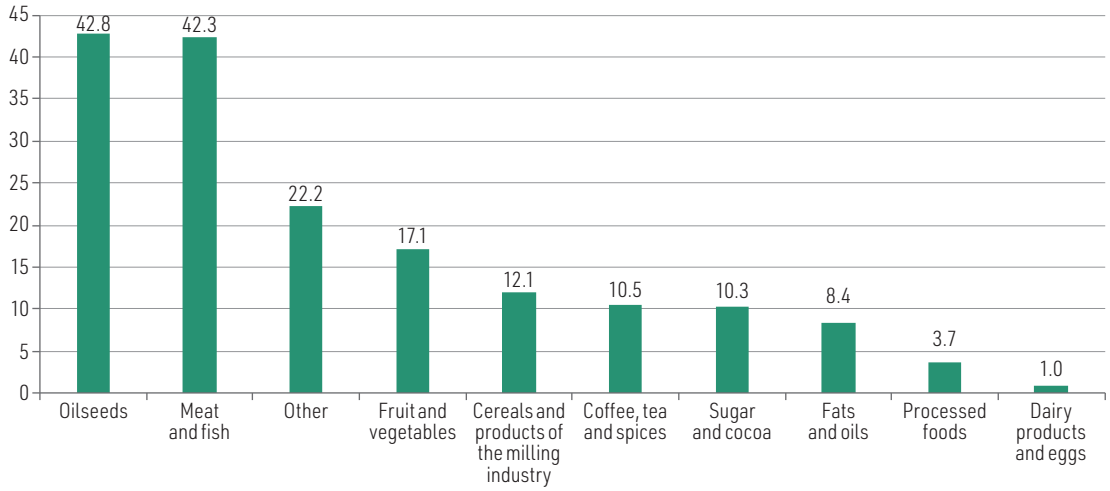
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Trade Centre (ITC), Trade Map database.

Figure II.11
Latin America and the Caribbean (33 countries) and subregions: food trade balances by major categories, average for 2020–2022
(Billions of dollars)

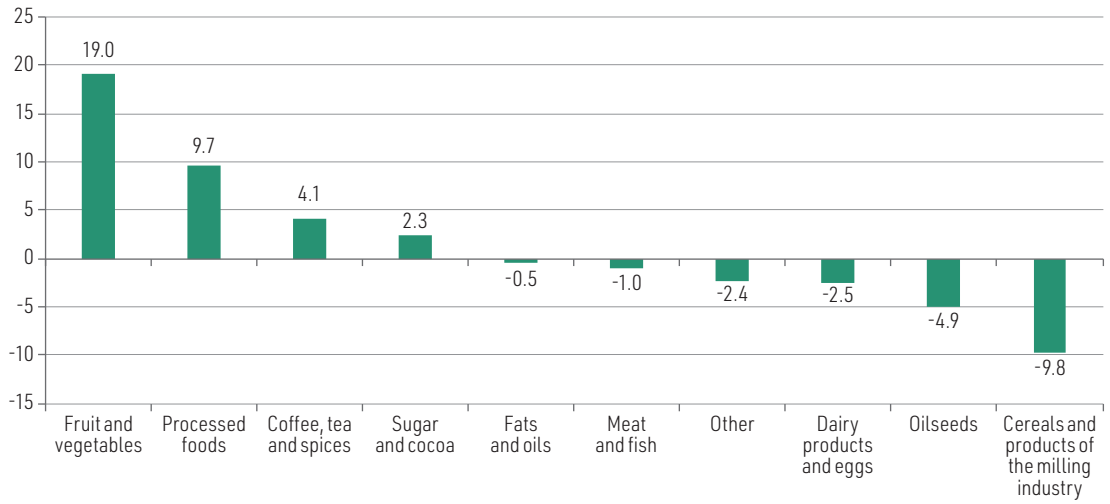
A. Latin America and the Caribbean



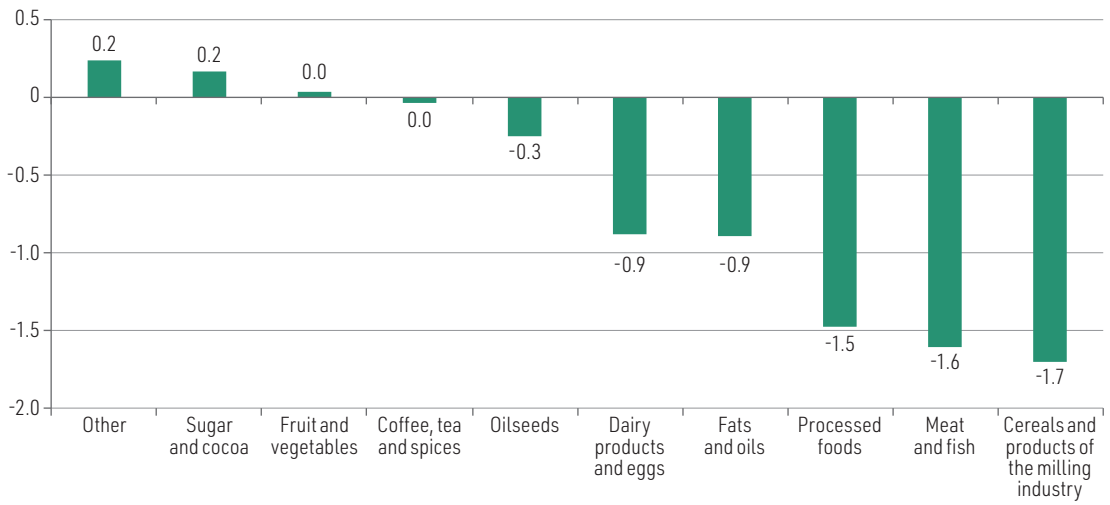
B. South America



C. Central America and Mexico



D. The Caribbean

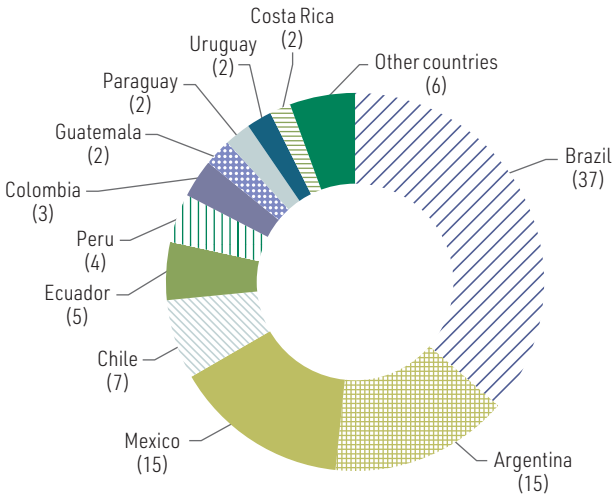


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.

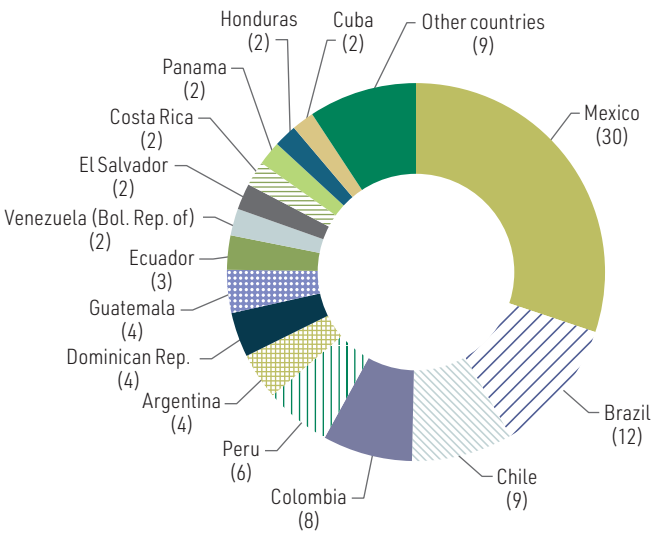
The country distribution of the region's food exports reveals a high degree of concentration. Brazil alone accounted for 37% of total exports in 2020–2022; and the five largest exporters had a joint share of 78% (see figure II.12A). Mexico, with a 15% share of total food exports, accounted for 48% of processed food exports, followed by Brazil (16%) and Chile (9%). The import side is less concentrated geographically: Mexico accounted for 30% of total food imports in 2020–2022, and the top five importers had a combined share of 64% (see figure II.12B). Both Central America and the Caribbean account for a larger share of imports (13% and 11%, respectively) than exports (7% and 2%).

Figure II.12
Latin America and the Caribbean (33 countries): distribution of food exports and imports, by country, average for 2020–2022
(Percentages)

A. Exports



B. Imports

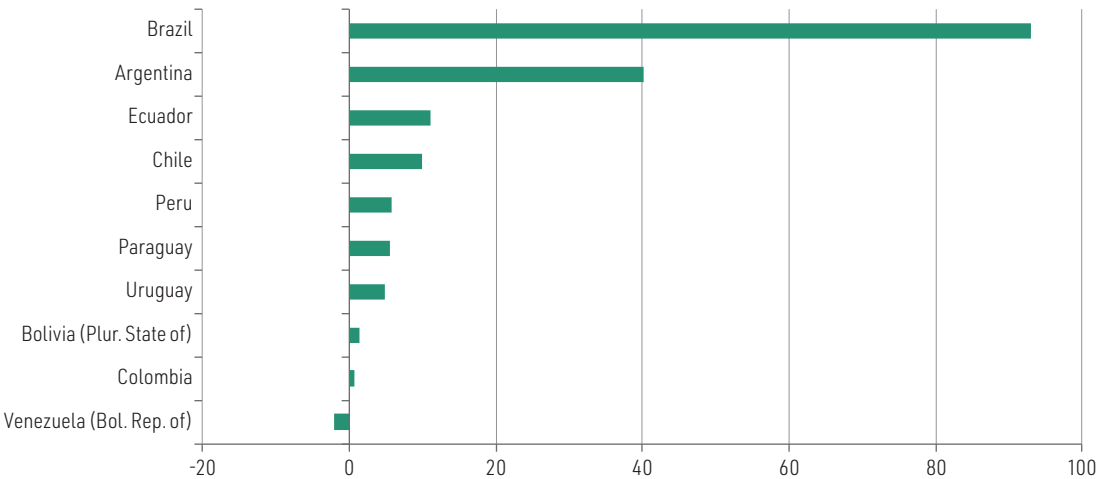


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.
Note: Data for the Bolivarian Republic of Venezuela and Haiti refer to mirror statistics of their trading partners.

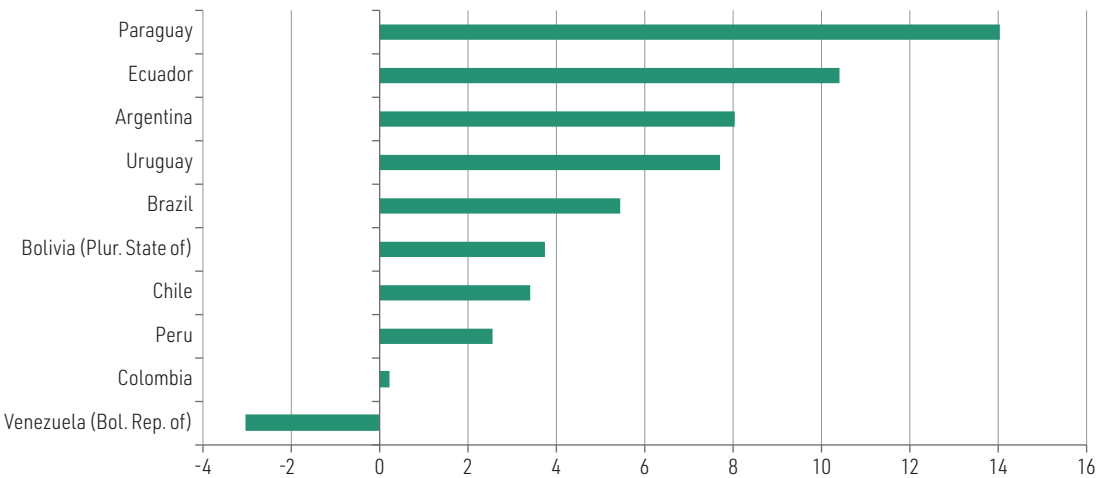
In 2020–2022, 15 of the region's countries recorded a surplus in their food trade (see figure II.13). This group includes all the South American countries except the Bolivarian Republic of Venezuela, Mexico, the Central American countries (except for El Salvador and Panama) and Guyana (the only surplus country in the Caribbean). Although the number of deficit countries (18) is greater than the number of surplus countries, 88% of the region's population in 2022 resided in the latter group (although 98% of the Caribbean population lived in the former). In the cases of Argentina, Ecuador, Nicaragua, Paraguay and Uruguay, net food exports accounted for between 8% and 14% of GDP in 2020–2022. At the opposite extreme, deficits in food trade represented between 5% and 9% of GDP in nine Caribbean countries over the same period. The surplus or deficit positions of the countries have been very stable since 2010. The main exception is Mexico, which became a surplus country in 2015 and has remained in surplus ever since.

Figure II.13
Latin America and the Caribbean (33 countries): food trade balance, average for 2020–2022
(Billions of dollars and percentages of GDP)

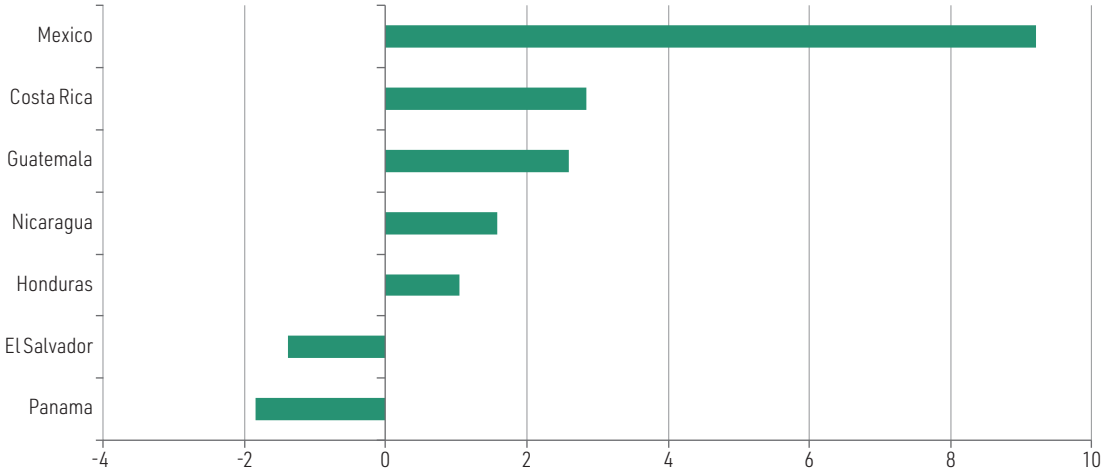
A. South America
(Billions of dollars)



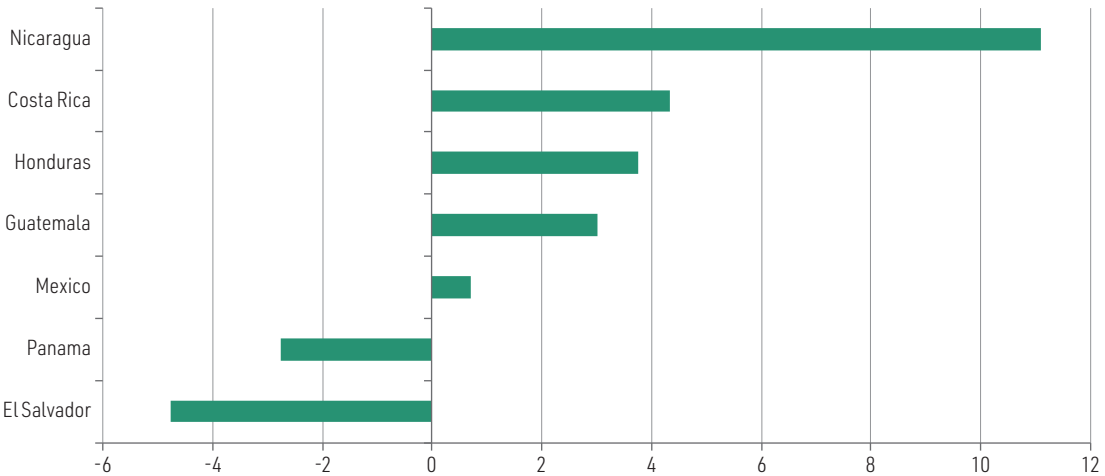
B. South America
(Percentages of GDP)



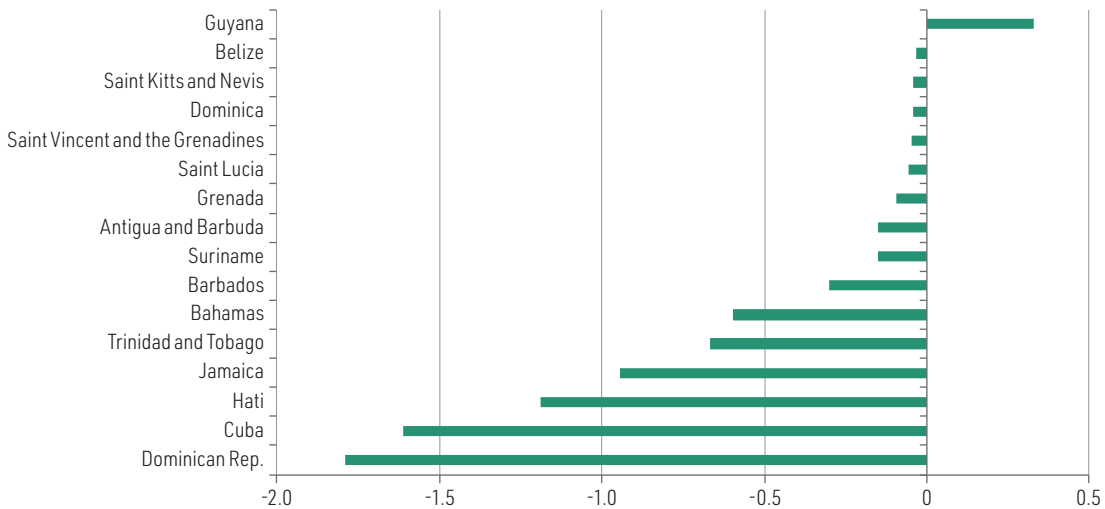
C. Central America and Mexico
(Billions of dollars)



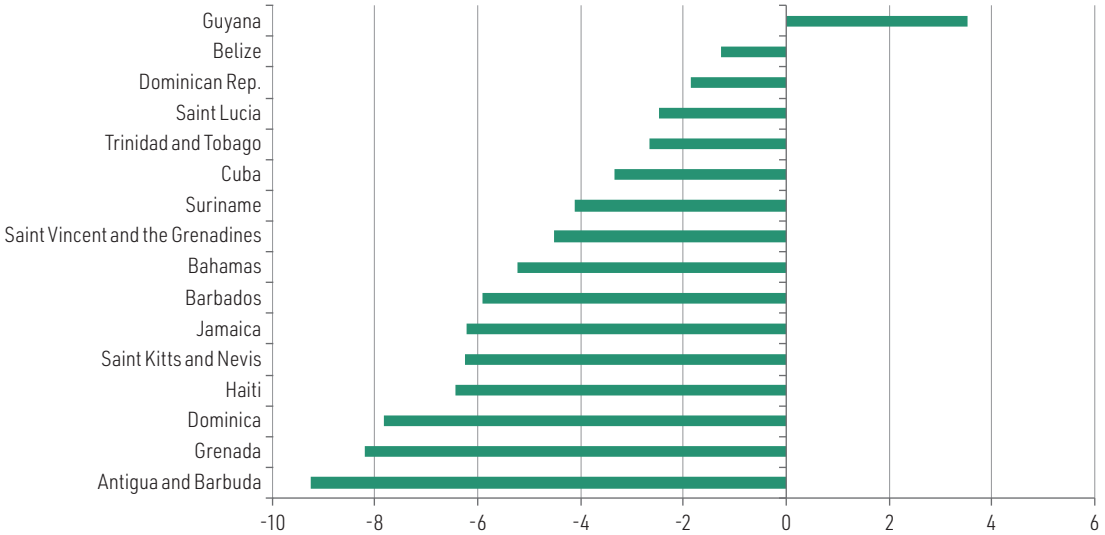
D. Central America and Mexico
(Percentages of GDP)



E. The Caribbean
(Billions of dollars)



F. The Caribbean
(Percentages of GDP)

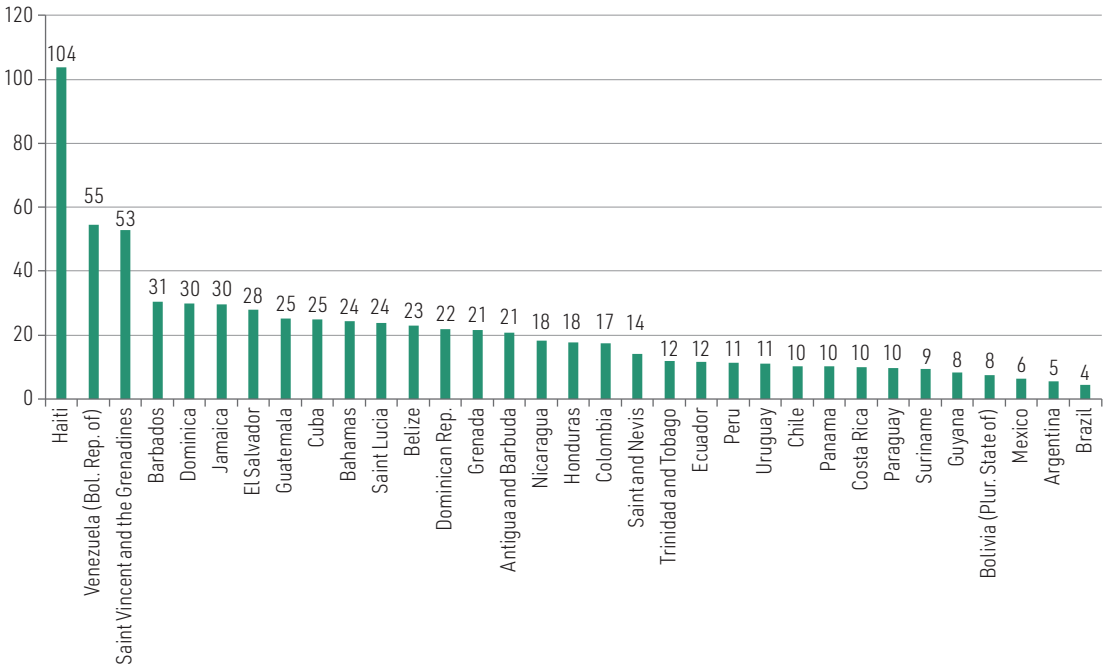


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/ for trade balances and CEPALSTAT [online] http://www.eclac.cl/estadisticas/.
Note: The trade balances of the Bolivarian Republic of Venezuela and Haiti refer to mirror statistics of their trading partners. The GDP of the Bolivarian Republic of Venezuela is an estimate obtained from the World Economic Outlook Database of the International Monetary Fund (IMF).

Two indicators that link international 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. Both indicators highlight the severe vulnerability of the Caribbean subregion. Apart from Belize, Guyana and Suriname, the Caribbean countries are all small island economies, in which shortage of available land and vulnerability to natural disasters pose major constraints on development of the agriculture sector. Moreover, being located at a latitude corresponding to a tropical climate, these countries have to import crops that grow in temperate climates, and so depend heavily on imports.[5] 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 II.14). It should be noted that throughout the region this indicator deteriorated in 2022, as a result of the temporary rise in food prices (especially cereals, oilseeds and oils) caused by the outbreak of war in Ukraine (see figure II.15).

[5] For example, the six member countries of the Organization of Eastern Caribbean States (OECS) (Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines) import more than 50% of the food they consume, and four of them import more than 80% (WTO, 2023).

Figure II.14
Latin America and the Caribbean (33 countries): value of food imports, average for 2020–2022
(Percentages of total exports of goods and services)



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

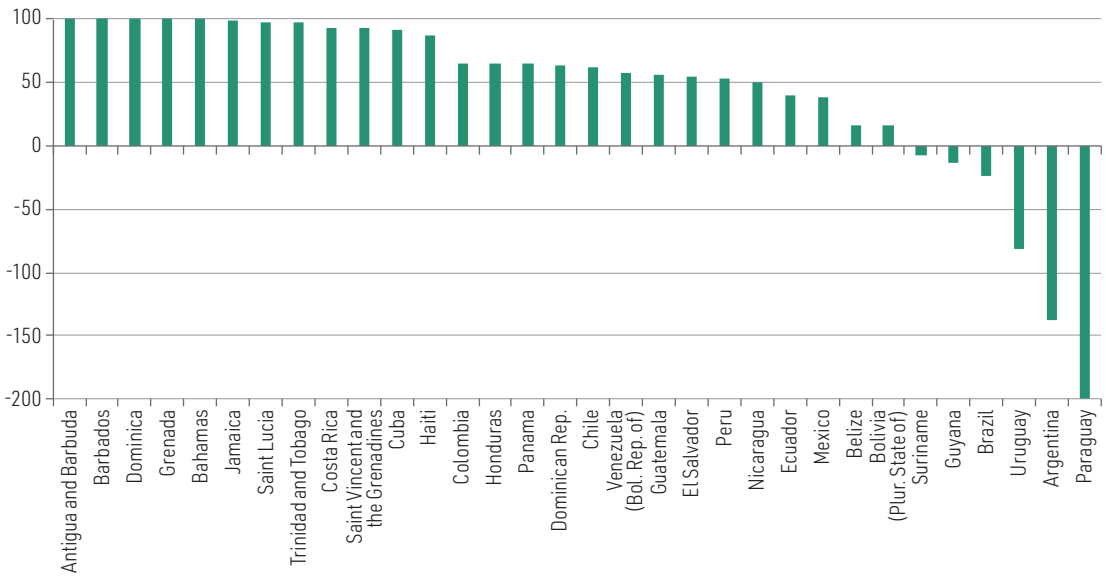
Figure II.15
Real price index for food, cereals and oils, January 2015–April 2024
(Index 2014–2016 = 100)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Food and Agriculture Organization of the United Nations (FAO), FAO Food Price Index [online] http://www.fao.org/worldfoodsituation/foodpricesindex/en/.

In all Caribbean countries except the Dominican Republic, between 86% and 100% of cereal consumption is imported. At the other extreme, six countries of the region are net exporters of cereals, including Argentina, Paraguay and Uruguay (see figure II.16). Of the three most widely consumed cereals in the world, the region (in aggregate) has a trade surplus in maize and a deficit in wheat and rice (see figure II.17).[6] However, the regional surplus in maize is almost entirely explained by Argentina and Brazil, with only one other country (Paraguay) recording constant surpluses since 2014. In the case of wheat, also only three countries (Argentina, Paraguay and Uruguay, the latter two to a much lesser extent) are in surplus. Lastly, in the case of rice, despite the region as a whole being in deficit, there is a larger number of surplus countries (Argentina, Brazil, Ecuador, Guyana, Paraguay, Suriname and Uruguay). Mexico, along with all of the Central American countries and all of the Caribbean island countries run trade deficits in the three cereals.

Legumes (beans, lentils and chickpeas, among others) form part of the traditional diet throughout the region, and their high protein content makes them an affordable alternative to animal protein (FAO, 2015). The region's aggregate trade in legumes is close to balanced, with exports and imports in the 2020–2022 triennium both around US$ 1 billion per year (see figure II.18). The most widely consumed legume in the region is the common bean. Argentina and Nicaragua are major exporters of this crop, ranking first and fifth, respectively, among the world's leading exporters in 2022. Argentina's exports are sent mainly to Brazil and to extraregional markets such as Italy and Spain. Nicaragua's exports go almost entirely to other Central American countries and the United States.

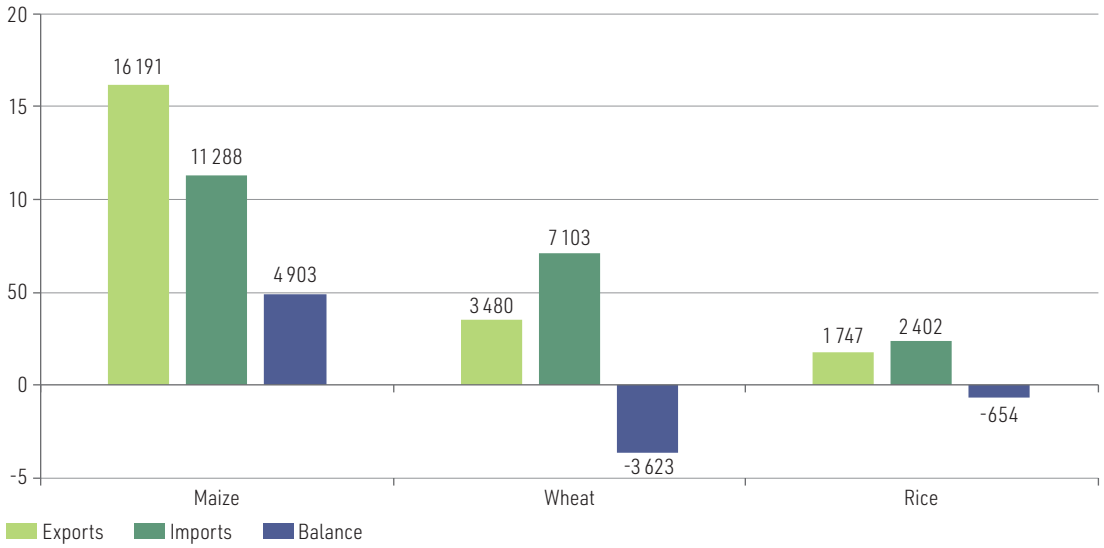
Figure II.16
Latin America and the Caribbean (32 countries): cereal import dependency ratio, average for 2020–2022
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Food and Agriculture Organization of the United Nations (FAO), FAOSTAT database [online] http://www.fao.org/faostat/en/#data.
Note: The coefficient is defined as (imports minus exports)/(production plus imports minus exports)*100. A negative value indicates that the country in question is a net exporter of cereals. The value of this indicator for Paraguay in 2020–2022 was -476%.

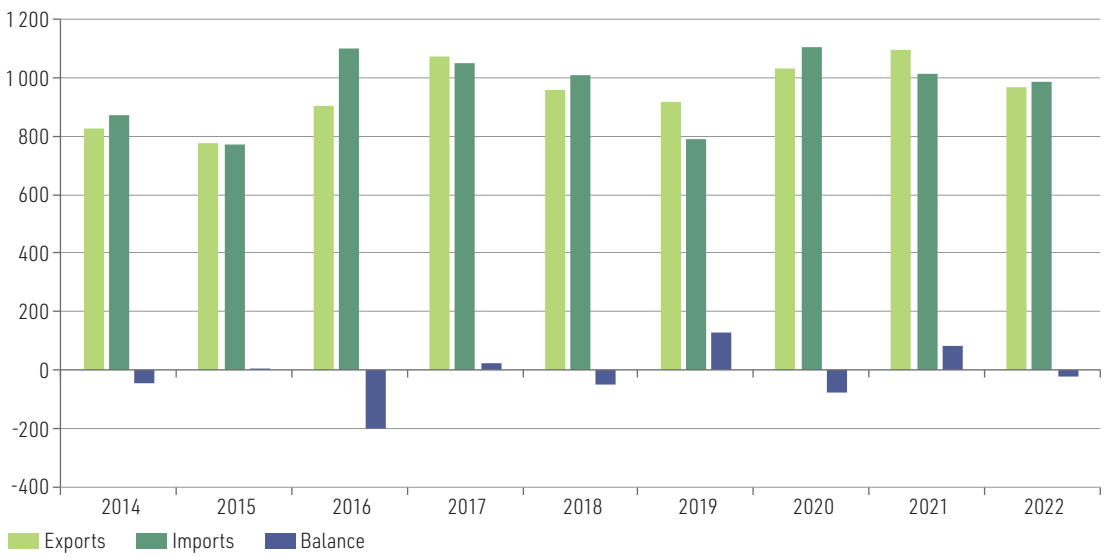
[6] More than 40% of the calories consumed daily in the world come from rice, wheat and maize (ECLAC, 2024).

Figure II.17
Latin America and the Caribbean (33 countries): maize, wheat and rice trade balances, average for 2020–2022
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Trade Centre (ITC), Trade Map database.

Figure II.18
Latin America and the Caribbean (33 countries): legume trade, 2014–2022
(Millions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Trade Centre (ITC), Trade Map database.

Several of the region's countries (mainly in South America and Mexico) are among the world's leading exporters in various food categories (especially commodities), the supply of which is crucial for ensuring regional food security. These include beef and poultry, maize, common beans, soybeans and soybean oil (see table II.2). In contrast, the region has a small stake in the processed food segment, which is dominated mainly by various European countries, along with the United States and China.

Table II.2
Latin America and the Caribbean (selected countries): position and share in world exports of selected food products, 2022

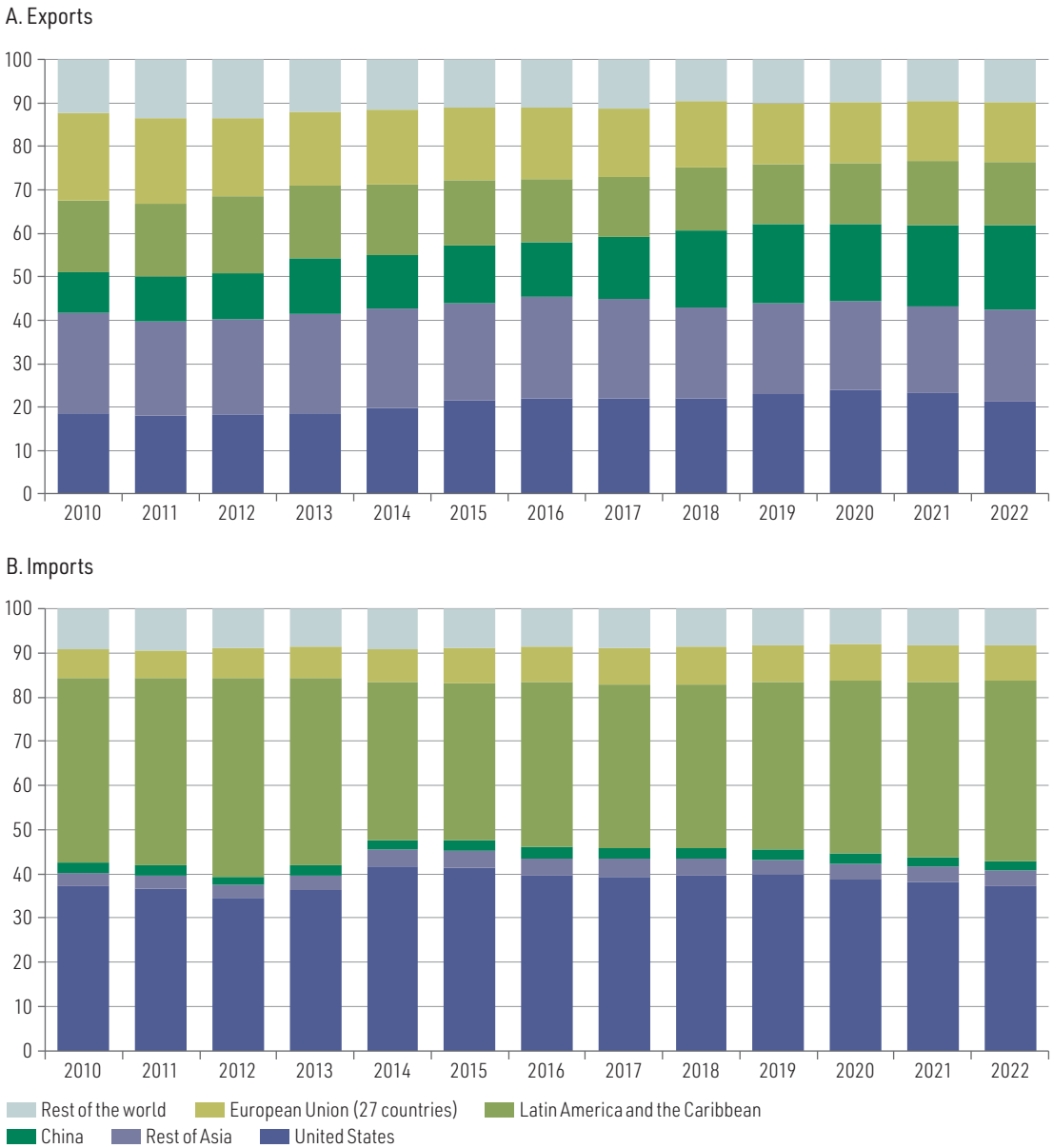
Harmonized Commodity Description and Coding System (HS) Code	Country	Rank in world exports	Share of world exports *(Percentages)*
02 Meat and edible meat offal	Brazil	1	14.5
0201 Beef and veal, fresh or chilled	Mexico	6	6.1
0202 Beef, frozen	Brazil	1	28.1
0203 Pork, fresh, refrigerated or frozen	Brazil	7	7.1
0207 Poultry meat, fresh, chilled or frozen	Brazil	1	24.6
03 Fish and crustaceans, molluscs, and other aquatic invertebrates	Ecuador	3	5.7
	Chile	6	5.1
0302 Fish, fresh or refrigerated	Chile	4	4.1
0303 Fish, frozen	Chile	3	7.4
0306 Crustaceans	Ecuador	1	21.9
	Argentina	8	2.5
07 Edible vegetables, plants, roots and tubers	Mexico	2	10.8
071333 Common beans	Argentina	1	14.2
	Nicaragua	5	6.8
08 Edible fruit and nuts; peel of citrus fruit, melons or watermelon	Mexico	3	6.3
	Chile	4	5.8
	Peru	9	3.4
10 Cereals	Argentina	2	8.0
	Brazil	4	7.7
1001 Wheat and meslin	Argentina	6	4.6
1005 Corn	Brazil	2	19.5
	Argentina	3	13.7
1006 Rice	Brazil	9	2.2
12 Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	Brazil	1	30.9
	Argentina	5	2.8
	Uruguay	10	1.4
1201 Soybeans	Brazil	1	49.7
	Argentina	3	3.3
	Uruguay	5	2.0
	Paraguay	6	1.3
15 Animal or vegetable fats and oils and their cleavage products; prepared edible fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	Argentina	4	4.4
	Brazil	10	2.8
1507 Soybean oil and its fractions	Argentina	1	29.2
	Brazil	2	22.7
17 Sugars and sugar confectionery	Brazil	1	19.3
	Mexico	8	4.1
19 Preparations of cereals, flour, starch or milk; pastrycooks' products	Mexico	9	3.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Trade Centre (ITC), Trade Map database.
Note: Only includes countries that are among the world's top 10 exporters of the respective product.

2. Geographical distribution of regional food trade

The geographical distribution of the region's food trade displays marked differences between exports and imports (see figure II.19). 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%). The intraregional market had a 14% share, as did the 27 members of the European Union. In contrast, imports are much more concentrated geographically, with 78% sourced from either the region itself (41%) or the United States (37%) in 2022. The region's share of imports has increased steadily since 2015, when it was 36%, while that of the United States has declined by the same amount and those of the other main partners have remained broadly unchanged.

Figure II.19
Latin America and the Caribbean (29 countries): distribution of food trade by main partners, 2010–2022
(Percentages)



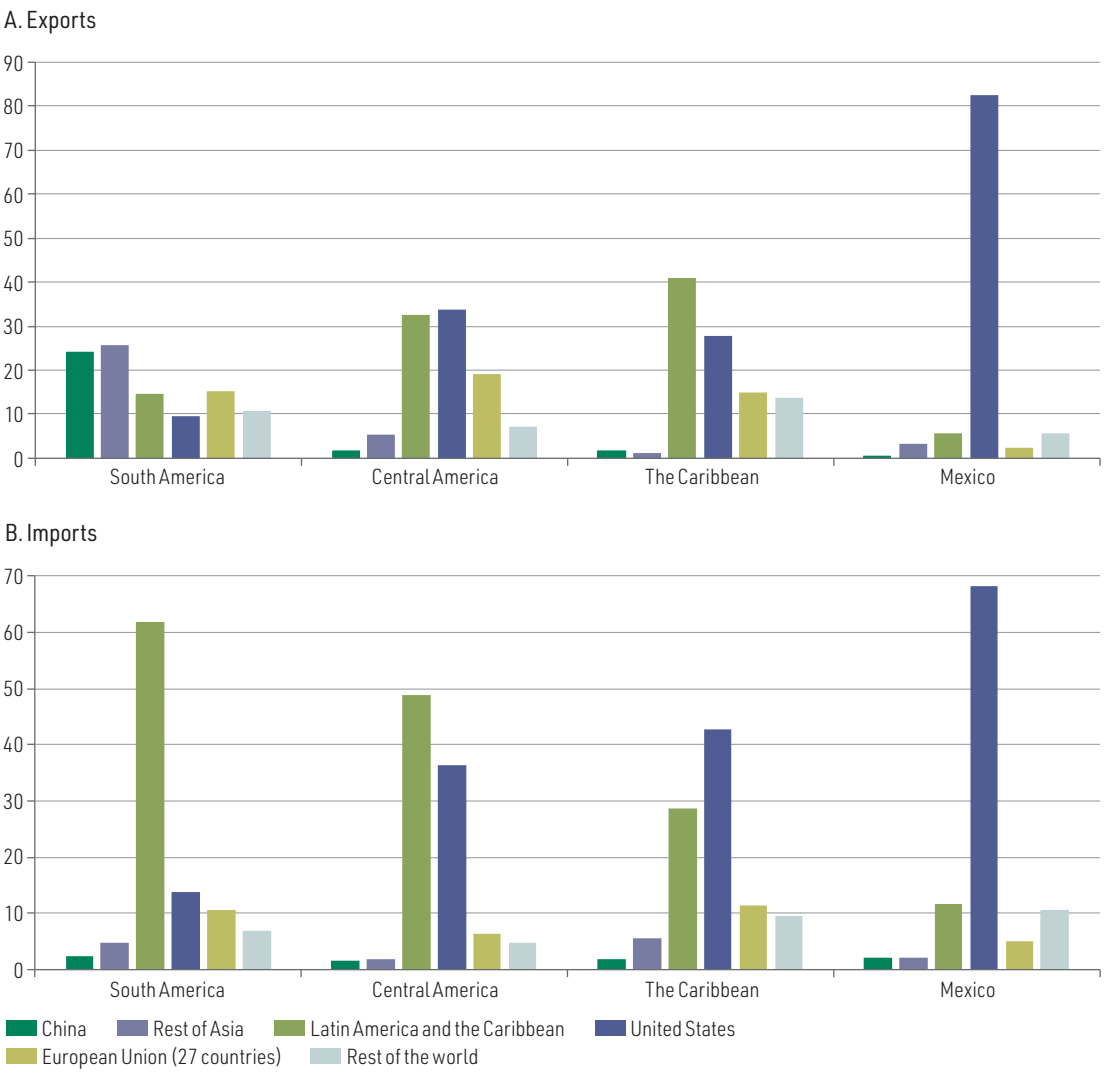
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.
Note: The Bolivarian Republic of Venezuela, Cuba, Haiti, and Saint Kitts and Nevis are not included owing to a lack of data.

As in other sectors, the intraregional market is particularly important for exports of highly processed foods. In 2022, 24% of processed food exports from Latin American and Caribbean countries stayed within the region, 10 percentage points more than the intraregional share of its total food exports. This made it the second largest export market for processed food behind the United States (which accounted for 51% in 2022). In contrast, Asia, which in 2022 absorbed 40% of the region's total food

exports, captured only 7% of its processed food shipments. This is indicative of the predominance of commodities (soybeans and soybean cakes, maize, meat and sugar, among others) in shipments to that continent (ECLAC, 2017 and 2023b).

The geographical patterns of regional food trade differ markedly at the subregional level (see figure II.20). While in 2022 China and the other Asian countries absorbed 50% of South America's food exports between them, the United States was the destination for 82% of Mexico's. In the case of Central America and the Caribbean, the United States and the region itself are the main export markets. Moreover, in 2022, Latin America and the Caribbean was the main source of food imports in South America and Central America, with shares of 62% and 49%, respectively, while the United States was the main supplier to the Caribbean and in particular to Mexico, with shares of 43% and 68%, respectively.

Figure II.20
South America, Central America, the Caribbean and Mexico: distribution of food trade by main partners, 2022
(Percentages)



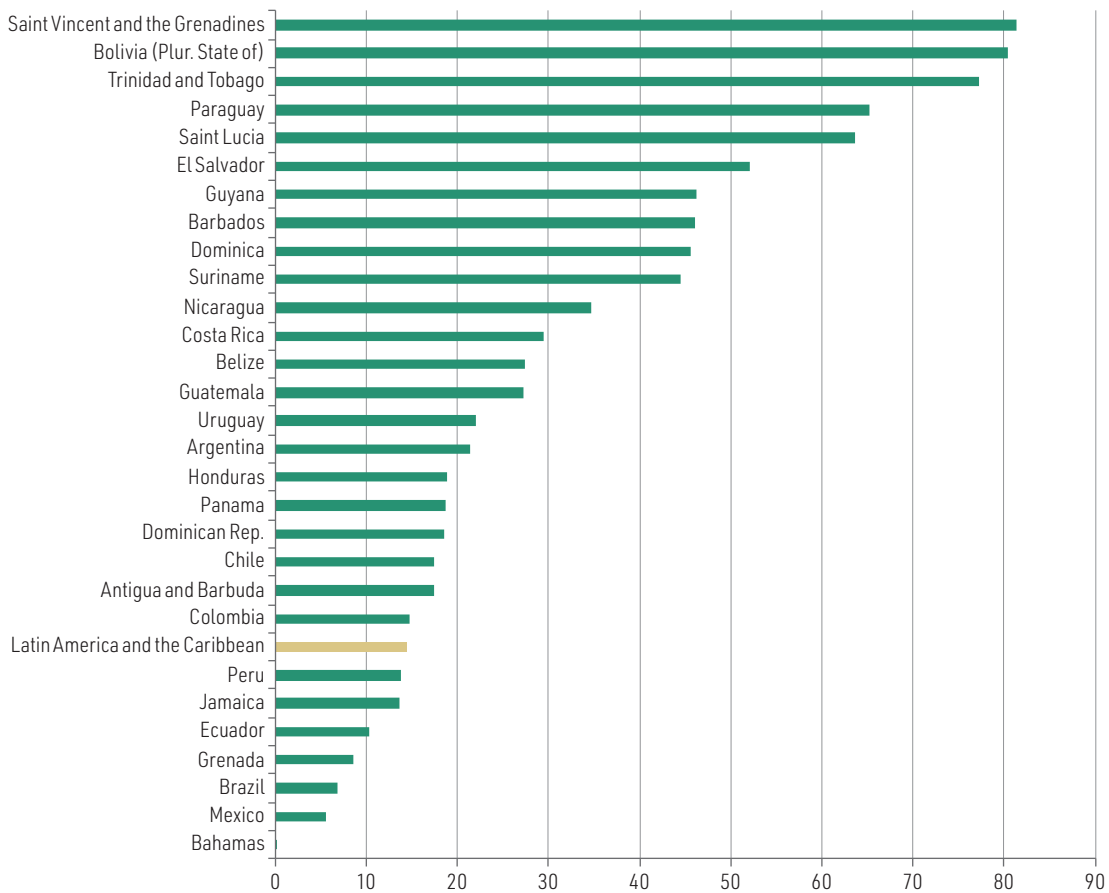
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.
Note: The Bolivarian Republic of Venezuela, Cuba, Haiti, and Saint Kitts and Nevis are not included owing to a lack of data.

The intraregional share in food trade varies greatly between countries (see figure II.21). Those most dependent on the intraregional market for their exports include Paraguay and the Plurinational State of Bolivia (in both cases, this dependency is linked closely to the fact that they are land-locked countries), along with El Salvador and a group of Caribbean countries, all of which sell more than 40% of their exports within the region. In contrast, Brazil, as the region's leading food exporter, sends most of its shipments to Asian markets, and the intraregional market receives just 7%.

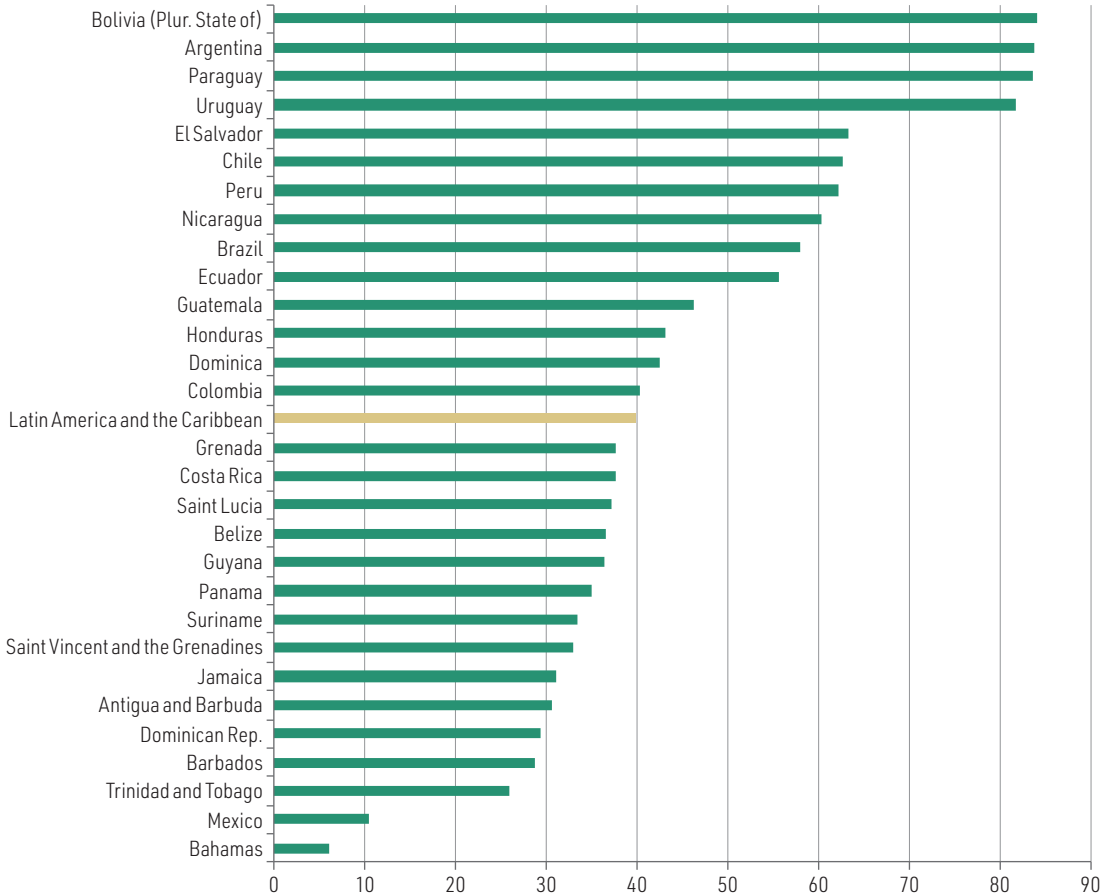
El Salvador, Paraguay and the Plurinational State of Bolivia are also among the countries that rely most on intraregional suppliers for food imports, along with many other Central and South American countries. In contrast, and unlike the case of exports, the Caribbean countries are generally less dependent on intraregional imports. For most of these countries, the United States is the main food supplier. Lastly, as in other sectors, Mexico has weak food trade linkages with the rest of the region: in 2020–2022, only 6% of its exports went to the region and 10% of its imports came from there.

Figure II.21
Latin America and the Caribbean (29 countries): share of intraregional trade in total food trade, average for 2020–2022
(Percentages)

A. Exports



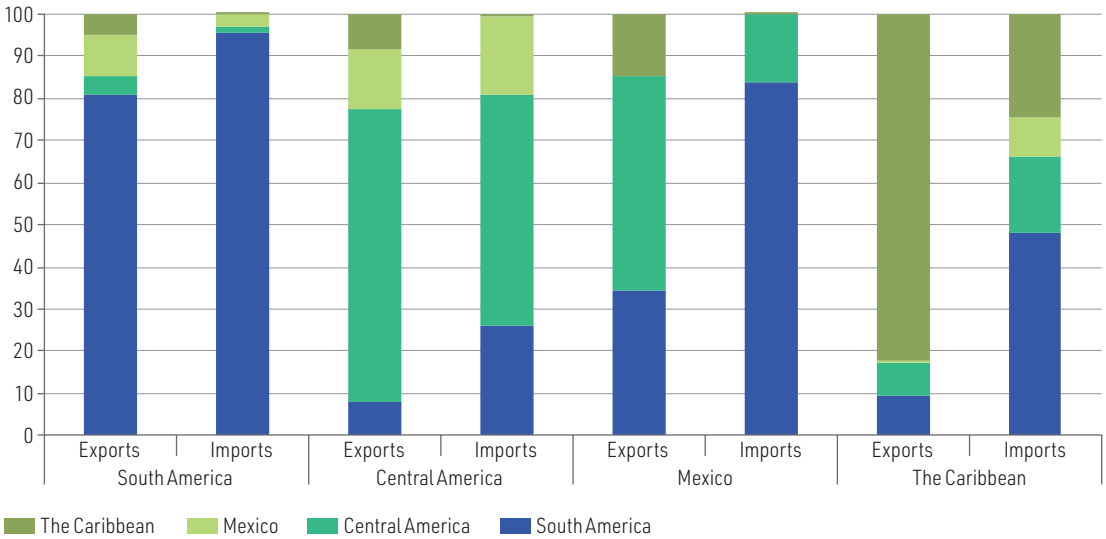
B. Imports



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.
Note: The Bolivarian Republic of Venezuela, Cuba, Haiti, and Saint Kitts and Nevis are not included owing to a lack of data.

In the South American countries, the bulk of intraregional trade takes place within the subregion itself, which in 2022 absorbed 81% of its intraregional exports and sourced 96% of its imports (see figure II.22). A similar situation, but with less intensity, prevails in the Central American countries: in 2022, this subregion absorbed 69% of its intraregional exports and originated 55% of its imports. South America and Mexico are also major suppliers for this subregion. In the case of the Caribbean, the situation is different: although 82% of its intraregional exports stayed in the subregion in 2022, the latter's share of imports was only 25%. This shows the Caribbean countries' greater import dependency on South America and, to a lesser extent, on Central America and Mexico. Lastly, in the case of Mexico, Central America is the main destination for its intra-regional exports (51%), largely owing to its geographic and cultural proximity and the existence of a free trade agreement with that subregion since 2011. In contrast, South America is Mexico's chief intraregional supplier (84%), despite the greater distance from Central America and the fact that the main South American food exporters (Brazil and Argentina) do not enjoy preferential access to the Mexican market for their products.

Figure II.22
South America, Central America, the Caribbean and Mexico: distribution of intraregional food trade by subregion of destination and origin, 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 Bolivarian Republic of Venezuela, Cuba, Haiti, and Saint Kitts and Nevis are not included owing to a lack of data.

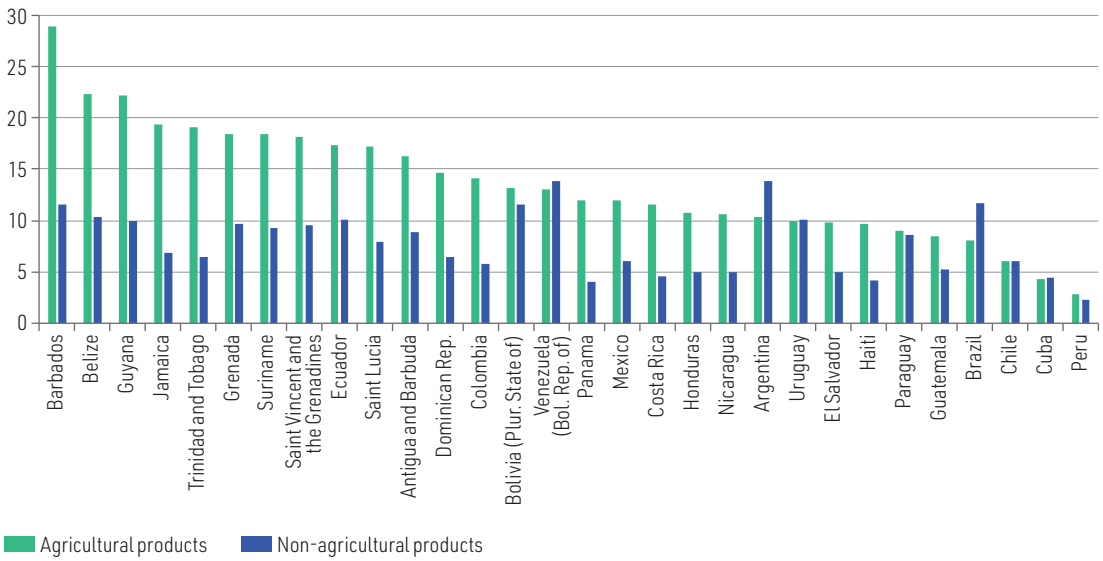
3. Constraints on food trade in the region

A major barrier to global food trade is the high level of tariff protection that the products in question still face. This situation is reproduced in the region, where the simple average most-favoured-nation tariff applied to agricultural products was 13.6% in 2023, almost 6 percentage points higher than the rate applicable to non-agricultural products (7.8%). The highest tariff barriers are applied in the Caribbean countries, which are precisely those that are most dependent on food imports in the region. In the majority of these countries, average agricultural tariffs are close to 20%, and in some cases higher (see figure II.23). Moreover, while there is a substantial network of preferential trade agreements linking the countries of South America, Central America and Mexico, which reduces barriers to food trade between them, this is not the case between the Caribbean countries and the rest of the region.[7] All of these factors make access to food more expensive for the Caribbean population, which contributes to the fact that the cost of accessing a healthy diet in the subregion far exceeds both the world average and the levels prevailing in the rest of the region.

In addition to facing higher tariff barriers, on average, than other goods, food trade is often subject to higher costs arising from non-tariff measures (mainly sanitary and phytosanitary (SPS) requirements and other technical regulations). Globally, the average cost of complying with these requirements is estimated as equivalent to a tariff of 17% for agrifood products, compared to a tariff equivalent of under 4% in the case of manufactures (UNCTAD/World Bank, 2018). On average, an agrifood product is subject to seven different SPS measures (UNCTAD, 2024). Similarly, for Latin America and the Caribbean, Dolabella and Durán (2021) estimate that the agriculture, hunting and fishing and processed food sectors are subject to the highest tariff-equivalent non-tariff measures in intra-regional trade (8.4% and 5.6%, respectively).

[7] The current network of trade agreements covers only 35% of the 528 bilateral relations that exist between the 33 countries of the region (ECLAC/FAO/IICA, 2023). In particular, the Southern Common Market (MERCOSUR), a grouping that includes several of the region's main food exporters, does not yet have preferential agreements with Central American and Caribbean countries. Also, apart from Uruguay, MERCOSUR members do not have comprehensive agreements with Mexico that liberalize food trade.

Figure II.23
Latin America and the Caribbean (30 countries): average most-favoured-nation tariff applied to agricultural and non-agricultural products, 2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Trade Centre/World Trade Organization/United Nations Conference on Trade and Development (ITC/WTO/UNCTAD), *World Tariff Profiles 2024*, Geneva, 2024.

Food trade is also hampered by various export restrictions (tariffs, licences and bans). These barriers tend to be raised during episodes of high prices and global supply constraints, when governments use them to prioritize consumption by the local population. For example, since the end of 2021, and especially after the outbreak of war in Ukraine, 34 countries have imposed export bans on foodstuffs that are essential for food security, such as cereals, oilseeds, oils, legumes and meats.[8] Although these measures are relatively uncommon in the countries of the region, they have an adverse impact by pushing up food prices.

Unlike tariffs, SPS requirements and other technical regulations are applied to both imported and locally produced goods. They are also necessary to achieve important food safety objectives, such as ensuring food safety, protecting the country's flora and fauna from pests and diseases, and promoting environmentally sustainable production. However, the levels of requirements for the same product vary widely from one country to another, and in some cases may be higher than necessary to achieve their objectives. This is especially the case when these standards significantly exceed those recommended by specialized international forums, such as Codex Alimentarius, the World Organization for Animal Health and the International Plant Protection Convention (UNCTAD, 2024). Accordingly, global and regional efforts should be made to apply them in a way that minimizes their negative impact on trade.

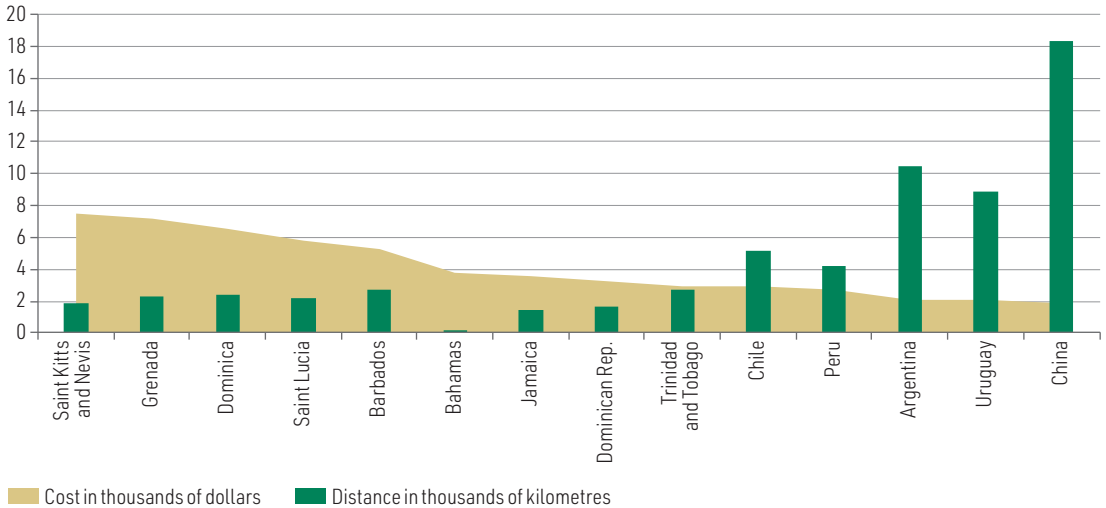
In addition to the impact of high tariff barriers, food trade in the Caribbean is hampered by the subregion's weak connectivity, deficient logistics and sparse transport infrastructure. For example, the scarcity of maritime frequencies, and difficulties in consolidating cargo and obtaining refrigerated or temperature-controlled containers, pose major challenges for transporting agricultural products between the Caribbean and Central America (FAO/IDB, 2024a). Available routes and travel frequencies are limited (generally weekly), as exemplified by the routes between Puerto Limón (Costa Rica) or Puerto Cortés (Honduras) and Port Point Lisas (Trinidad and Tobago), and Puerto Barrios (Guatemala) and Kingston (Jamaica). Similarly, Guyana and Grenada are among the many Caribbean countries that do not have direct routes between them, so they have to be connected through a third country (usually the United States).

8 See Food Security Portal, "Food and Fertilizer Export Restrictions Tracker" [online] https://www.foodsecurityportal.org/.

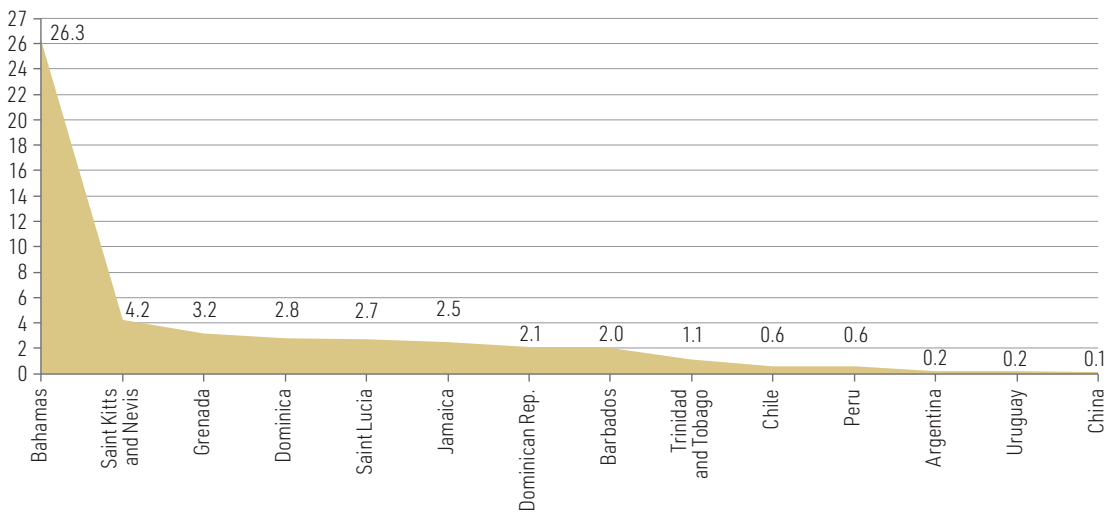
The problems of maritime cargo connectivity in the Caribbean are exposed when comparing freight rates to ship a 40-foot container from Miami (United States) to different ports in the Caribbean, South America and to the port of Shanghai (China). The freight cost to ship containers from Miami to the small island states of the Caribbean can be up to four times higher than shipping the same container to Argentina, Uruguay, or even China. For example, shipping a container from Miami to Buenos Aires costs less than shipping it to the Bahamas, which is only 144 kilometres away (see figure II.24).

Figure II.24
Cost of freight from the Port of Everglades in Miami, United States to selected ports in the Caribbean, South America and Shanghai, China

A. Cost and distance
(Thousands of dollars and thousands of kilometres)



B. Cost per kilometre
(Dollars)

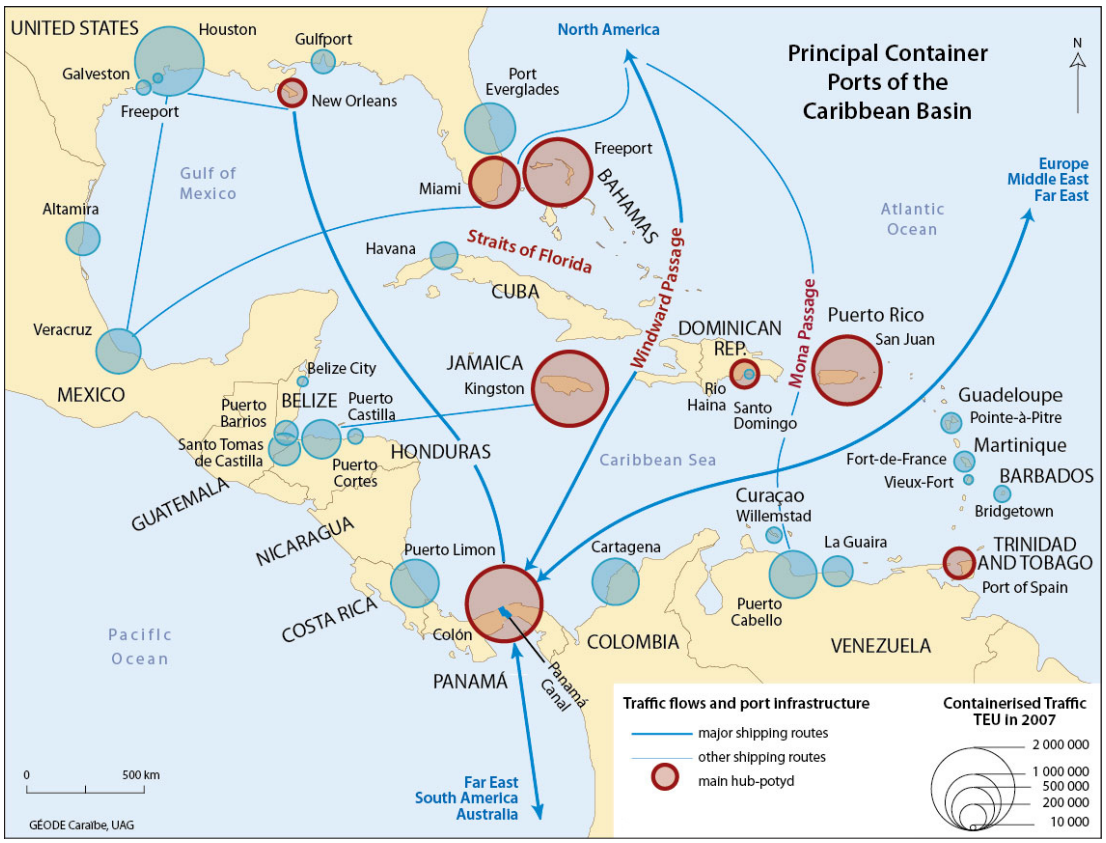


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of quotes obtained from the iContainers platform on 27 June 2024 and distances published by SEA-DISTANCE.ORG [online] https://sea-distances.org/.

Note: The ports considered for each country are as follows: Freeport (Bahamas), Bridgetown (Barbados), Port Roseau (Dominica), Port Caucedo (Dominican Republic), Saint George (Grenada), Kingston (Jamaica), Basseterre (Saint Kitts and Nevis), Port Castries (Saint Lucia), Port of Spain (Trinidad and Tobago), Buenos Aires (Argentina), Callao (Peru), Iquique (Chile), Montevideo (Uruguay) and Shanghai (China). The rates refer to the dispatch of a full 40-foot container. The costs include loading on the vessel, customs clearance and transportation. In all cases, the lowest costs were selected.

According to Briceño-Garmendia and others (2015), freight transport in the Caribbean operates through a dual hub-and-spoke system (see map II.1). There is an extraregional network, centred on Miami, which enables the main Caribbean centres to expand the scale of their international trade; and then there is an intraregional network, centred on Trinidad and Tobago and based on local routes, which then connect smaller regional hubs. In this second network, goods generally enter through the ports of Jamaica and Trinidad and Tobago, from where they are distributed by smaller vessels, some of them informal, to the smaller islands (FAO/IDB, 2024a).

Map II.1
The Caribbean: main ports and maritime routes

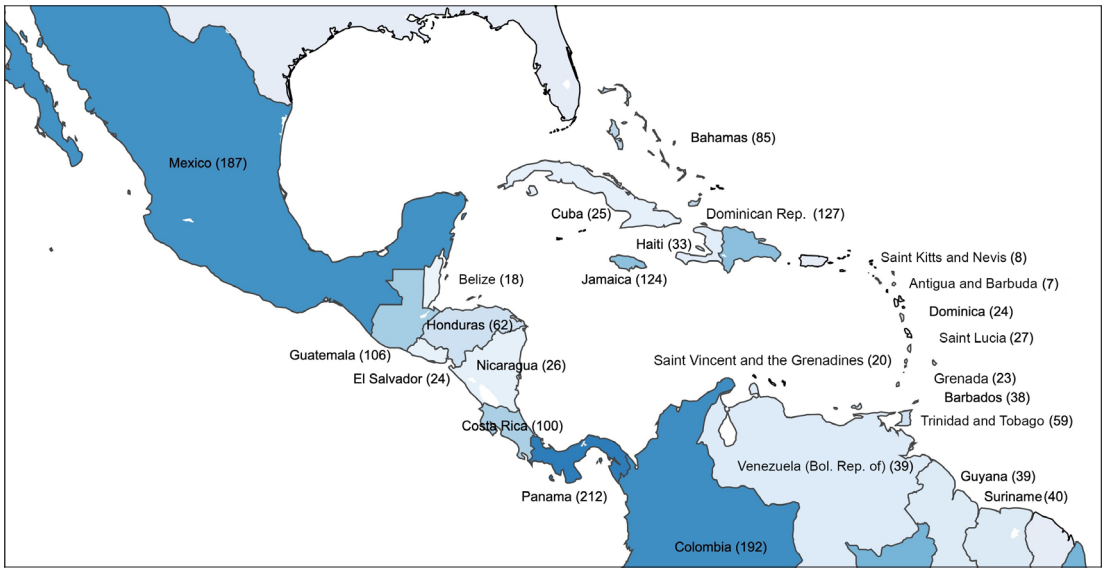


Source: Atlas Caribe [online] https://atlas-caraibe.certic.unicaen.fr/en/.

The Liner Shipping Connectivity Index (LSCI), created by the United Nations Conference on Trade and Development (UNCTAD), is used to assess the current connectivity of the Caribbean. The index captures how well countries are connected to global shipping networks, based on six components: (i) the number of scheduled calls per week; (ii) the annual carrying capacity deployed, in twenty-foot equivalent units (TEUs); (iii) the number of regular shipping services to and from the country; (iv) the number of shipping companies providing services to and from the country; (v) the carrying capacity of the largest vessel deployed on services to and from the country; and (vi) the number of other countries that have direct shipping service connections to the country in question .[9] With the relative exception of Jamaica and the Dominican Republic, the Caribbean countries have a low level of maritime connectivity (see map II.2).

[9] A direct service is defined as a regular service between two countries; it may include other intermediate stops, provided that the transport of a container does not require transshipment.

Map II.2
Greater Caribbean (selected countries): United Nations Conference on Trade and Development (UNCTAD) Liner Shipping Connectivity Index, second quarter of 2024



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Conference on Trade and Development (UNCTAD), Liner Shipping Connectivity Index [online] https://unctadstat.unctad.org/datacentre/dataviewer/US.LSCI.
Note: The more intense the blue colour, the better connected the country is.

In addition to the scarcity of routes, one of the main challenges facing maritime connectivity in the Caribbean is the high freight cost. This can be explained by a combination of factors: (i) inefficient routes; (ii) high market concentration; (iii) diseconomies of scale; and (iv) inefficient port management. Routes are inefficient because liner services often travel south fully loaded, but return northward empty (Edwards, 2024). Moreover, an international freight service for part loads, or a less-than-container load (LCL), is more costly and slower than a full-container load (FCL) shipment. However, the small volume of cargo handled in the Caribbean means there is not always sufficient volume for the latter (FAO/IDB, 2024a). In the case of fresh foods, sanitary and safety reasons sometimes make it impossible to consolidate different types of product in the same shipment . The low degree of competition, given that the market is concentrated in a small number of shipping companies, generates dependency in terms of route decisions as well as incentives for price collusion (Briceño-Garmendia and others, 2015). In addition, the subregion is subject to diseconomies of scale because its ports are generally small and ill-equipped to accommodate modern vessels or large cargo volumes (Edwards, 2024). The scarcity of berths often leads to cruise ships being prioritized over cargo vessels. Compounding this, port handling charges in the Caribbean are two to three times higher than in similar ports elsewhere. These high costs are often related to inefficient procedures and bad port management (Telemaque, 2022).

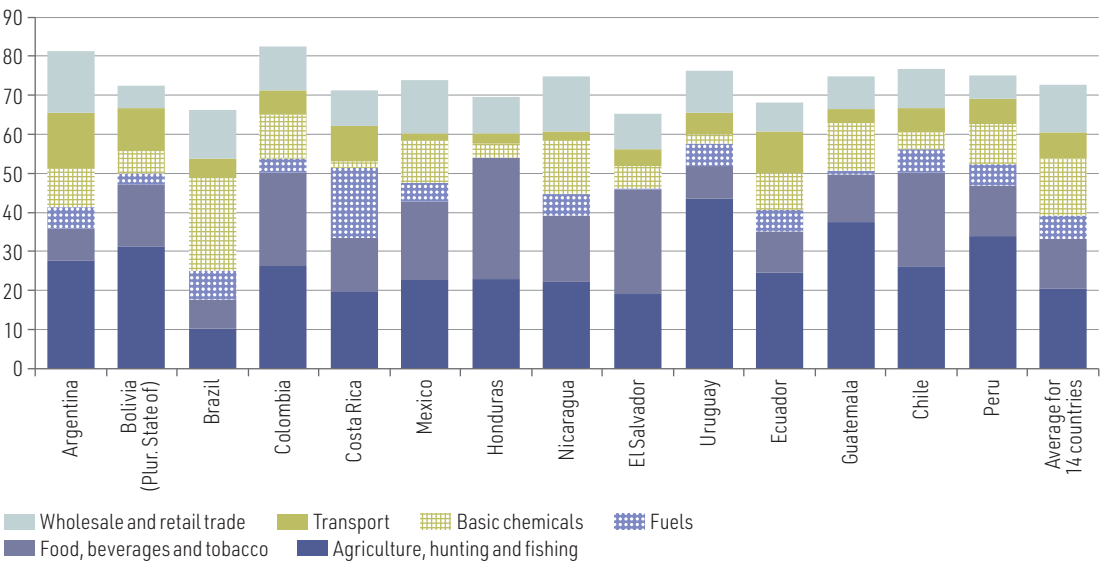
4. Regional trade in inputs for food production

For a more comprehensive view of the role played by trade in the region's food security, it is useful to extend the analysis to include the main inputs used in the two segments of food production: the primary sector (agriculture, livestock, hunting and fishing) and the agro-industrial sector (food, beverages and tobacco). These inputs consist of goods, including agricultural machinery and fertilizers, and also services such as energy, marketing and transportation. An analysis was made of the input-output matrices of 14 countries of the region to assess the intensity of input use in food

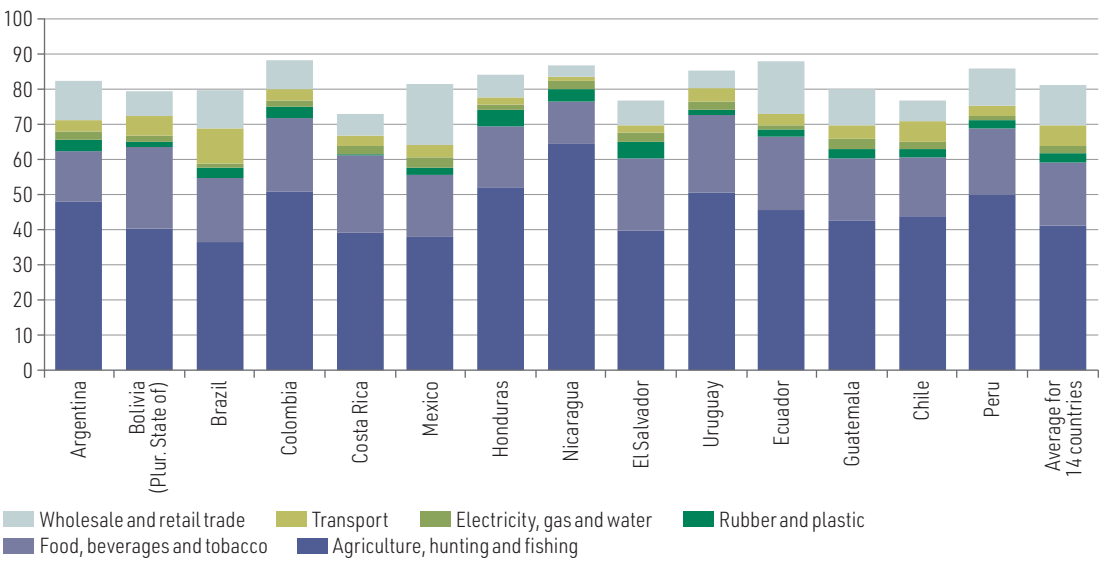
production in 2018. In both segments, the bulk of inputs came from six industries, which accounted, on average, for about 70% of all inputs used in the agriculture, livestock, hunting and fishing segment, and for about 80% of those used in the food, beverages and tobacco segment (see figure II.25). Four industries are among the main suppliers of inputs for both segments of food production: agriculture, livestock, hunting and fishing; food, beverages and tobacco; transport; and wholesale and retail trade.

Figure II.25
Latin America (14 countries): sector distribution of inputs used in primary and processed food production, 2018
(Percentages of total inputs used)

A. Agriculture, livestock, hunting and fishing



B. Food, beverages and tobacco



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of input-output tables of Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Peru, the Plurinational State of Bolivia and Uruguay.

In both segments of food production a large proportion of the inputs are obtained from the segment itself: on average, 21% in agriculture, livestock, hunting and fishing, and 18% in processed food. Each segment also provides inputs to the other. On average, 41% of inputs in the processed food segment come from the primary products segment (grains, fruits, vegetables, meats and dairy products, among others). Meanwhile, 13% of the inputs of the agriculture, livestock, hunting and fishing segment come from the processed food segment, particularly animal feed products used in livestock, poultry production and fish farming.

In 2018, 84% of the inputs used in food production in the 14 countries of the region analysed were sourced nationally (see table II.3). The proportion of inputs of national origin is close to 100% in several service sectors (electricity, gas and water; transport; marketing and other services) and up to 90% in the agriculture, livestock, hunting and fishing and the food, beverages and tobacco segments. The highest density of imported inputs is seen in the machinery and equipment, metals and fabricated metal products, other manufacturing, and basic chemical sectors, with shares above 30%. Thus, it is in the products of these industries that the countries of the region are most dependent on external suppliers. Two prominent examples are agricultural machinery and chemical fertilizers, which are discussed in greater detail later in this section.

Table II.3
Latin America (14 countries): food production input supply industries, 2018
(Millions of dollars and percentages)

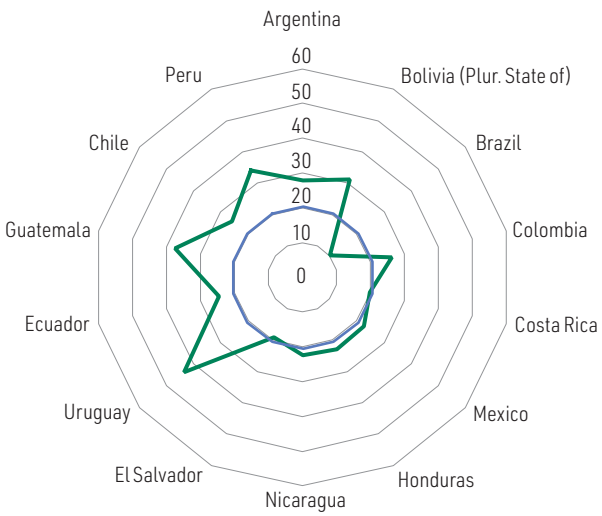
Industry of input origin	Examples	Value of inputs *(Millions of dollars)*	Share *(Percentages)*	Imported share *(Percentages)*	National share *(Percentages)*
Agriculture, livestock, hunting and fishing	Wheat, maize, soybeans, fruits, sugar cane	36 624	20.5	10	90
Basic chemicals	Fertilizers, agrochemicals, pesticides	26 257	14.7	30	70
Food, beverages and tobacco	Oils and fats, prepared foods, fishmeal, flavouring	22 728	12.7	10	90
Marketing	Wholesale and retail trade	21 801	12.2	2	98
Other manufacturing	Electrical equipment, chemicals	20 930	11.7	37	63
Transport	Road, maritime and air transport, warehousing services	11 762	6.6	1	99
Fuels	Diesel, kerosene, coal, biofuels	10 779	6.0	24	76
Other services	Professional, accounting services	6 970	3.9	8	92
Electricity, gas and water	Energy supply services	6 299	3.5	0	100
Banking and financial services	Financial advisory, credit, insurance, factoring	5 243	2.9	8	92
Metals and fabricated metal products	Tillage implements, iron, steel	1 909	1.1	40	60
Rubber and plastic	Plastic containers, hoses, pipes, bags, etc.	1 714	1.0	29	71
Machinery and equipment	Tractors, combine harvesters, irrigation equipment	1 658	0.9	44	56
Wood and paper	Wood in planks and strips, cellulose, cardboard	1 606	0.9	25	75
Telecommunications and information technology services	Fixed and cellular telephony	1 048	0.6	2	98
Textiles, apparel and footwear	Specialty footwear, bags, sacks, uniforms	813	0.5	27	73
Mining	Stone, sand, gravel	748	0.4	22	78
Value of all inputs		**178 889**	**100.0**	**16**	**84**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of input-output tables of Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Peru, Plurinational State of Bolivia and Uruguay.

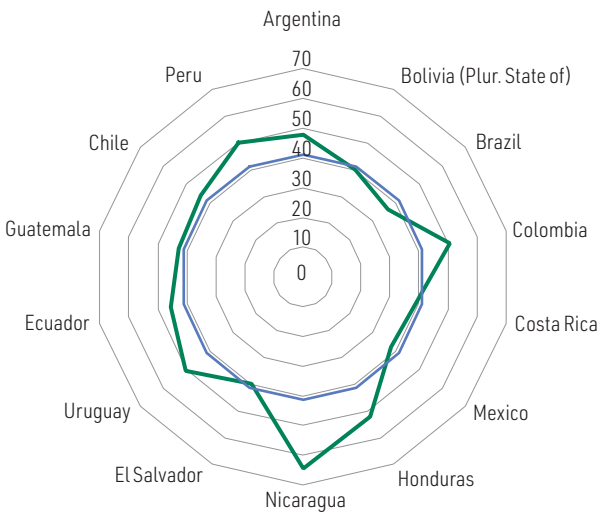
In the two segments of food production, the main supplier industry is agriculture, livestock, hunting and fishing, accounting for an average of 21% of all inputs in the case of primary foods and 41% in the processed foods segment (see figure II.26). In the case of primary foods, the second largest supplier industry is basic chemicals, with an average share of 15%. The most important inputs supplied by this industry are fertilizers, agrochemicals, pesticides and algaecides. The intensity of their use varies widely across the region: the lowest levels (between 3% and 6%) are recorded in Costa Rica, Guatemala, Honduras and Uruguay, while at the opposite extreme, in Brazil, the basic chemicals industry contributes 24% of the inputs used in primary food production. Ranked third as a supplier of inputs for processed foods is the wholesale and retail marketing services industry, with an average share of 12%, followed by the transport industry (6%). Both are crucial in enabling food producers to place their products in domestic or foreign markets.

Figure II.26
Latin America (14 countries): share of selected industries in total input use for primary and processed food production, 2018
(Percentages)

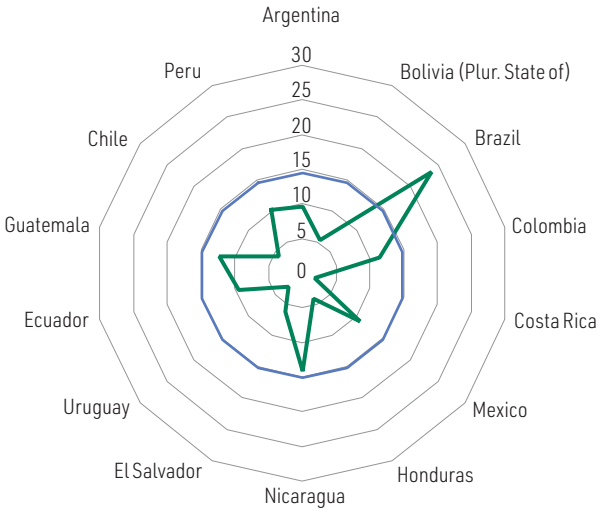
A. Agriculture, livestock, hunting and fishing in primary food products



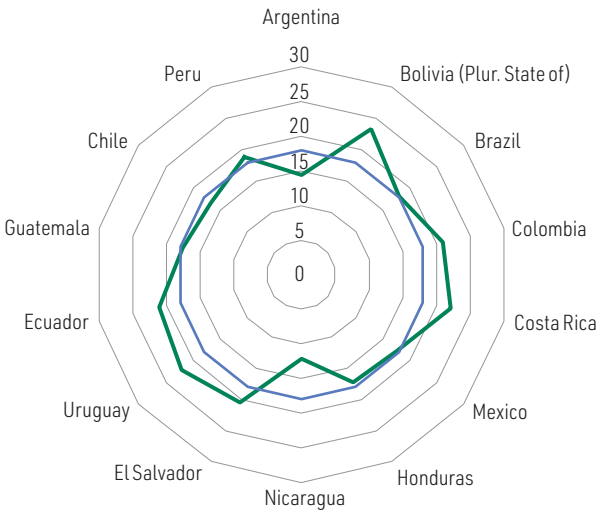
B. Agriculture, livestock, hunting and fishing in processed food products



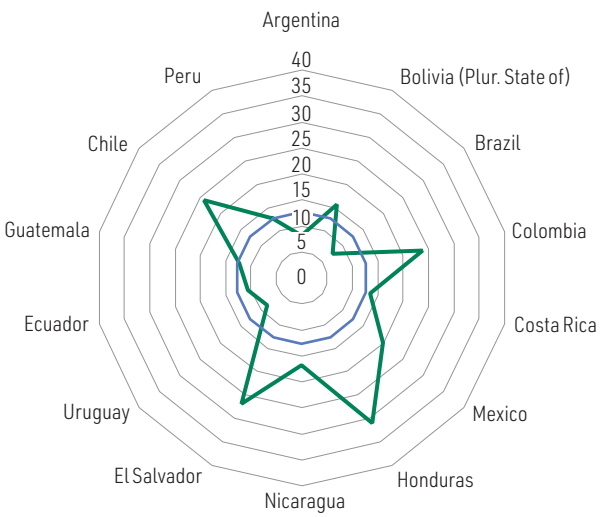
C. Basic chemicals in primary food products



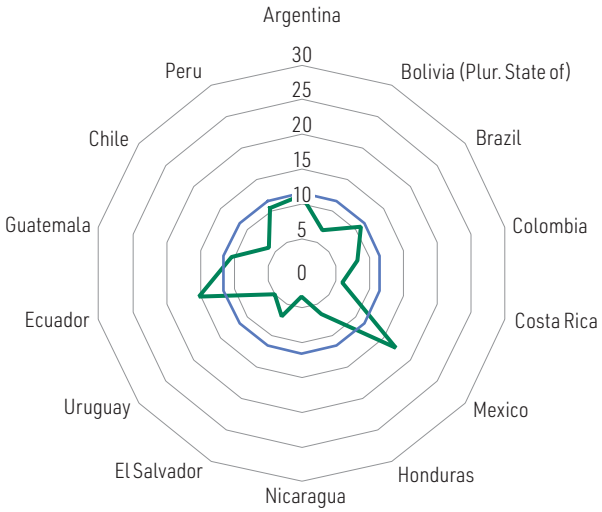
D. Food, beverages and tobacco in processed food products



E. Food, beverages and tobacco in primary food products



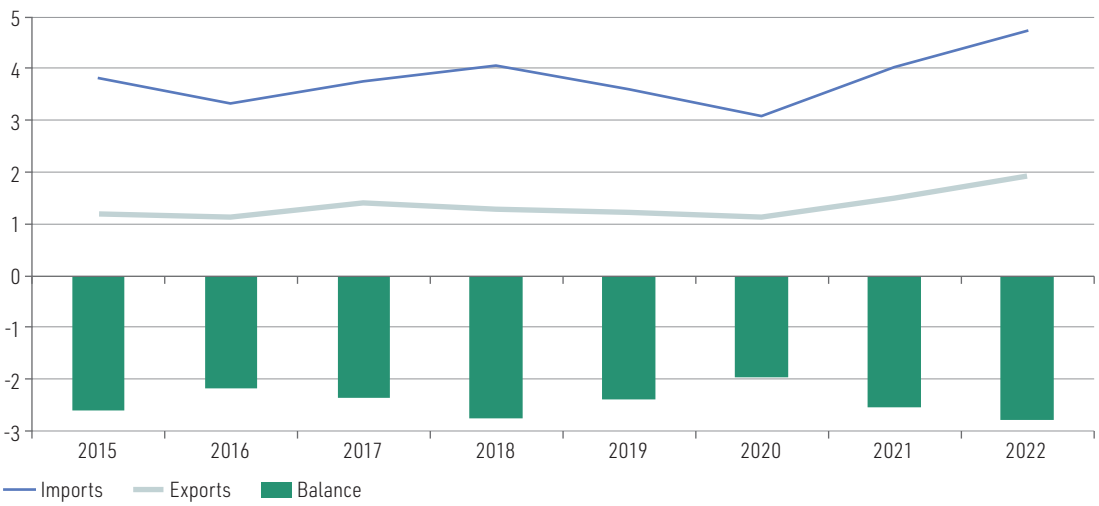
F. Wholesale and retail trade in processed food products



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of input-output tables of Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Peru, Plurinational State of Bolivia and Uruguay.
Note: The blue lines refer to the average for the 14 countries.

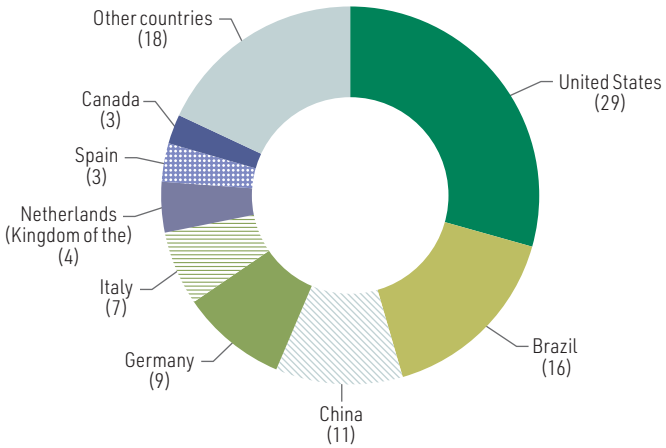
In the case of agricultural machinery, the region has a persistent trade deficit, which averaged around US$ 2.4 billion in 2020–2022 (see figure II.27). All of the region's countries are in deficit in this sector. Just two countries accounted for 92% of regional exports in 2022 —Brazil (57%) and Mexico (35%). However, while 95% of Mexican exports went to the United States in that year, 67% of Brazilian exports stayed in the region. In fact, Brazil is the second largest supplier of agricultural machinery in the region behind the United States. All the other main suppliers are extraregional partners, including China, several European countries and Canada (see figure II.28).

Figure II.27
Latin America and the Caribbean (33 countries): agricultural machinery trade, 2015–2022
(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/.
Note: Includes mirror data for the Bolivarian Republic of Venezuela, Cuba and Haiti. Agricultural machinery includes products classified under headings 8432 to 8438 of the Harmonized Commodity Description and Coding System.

Figure II.28
Latin America and the Caribbean (33 countries): origin of agricultural machinery imports, 2022
(Percentages)



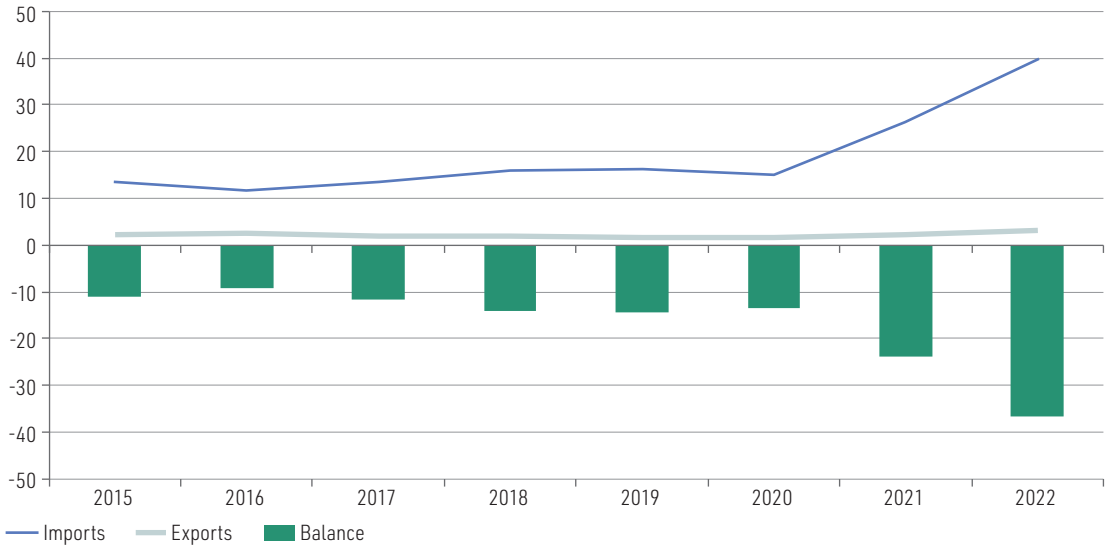
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database [online] https://comtradeplus.un.org/.
Note: Includes mirror data for the Bolivarian Republic of Venezuela, Cuba and Haiti. Agricultural machinery includes products classified under headings 8432 to 8438 of the Harmonized Commodity Description and Coding System.

Fertilizers and fuels are the main items of expenditure in many agricultural chains (ECLAC/FAO/WFP, 2022). The fact that 78% of the fertilizers used in Latin America and the Caribbean are imported makes it the region most dependent on imports of these products (ECLAC, 2024). More than 99% of imports correspond to synthetic fertilizers, especially nitrogenous, potassium and compound fertilizers. Brazil has been the leading global importer of fertilizers continuously since 2016, and in 2022 accounted for 16% and 67% of global and regional imports, respectively. All countries of the region —except the Bolivarian Republic of Venezuela, Chile, and Trinidad and Tobago— are net importers of fertilizer. As a result, the region has a persistent trade deficit in that sector, which ballooned in 2021 and 2022, exceeding US$ 36 billion in 2022 (see figure II.29). The region's top 10 fertilizer suppliers are from outside the region (see figure II.30); and, in 2022, only 6% of its imports came from within the region itself, the main supplier being Chile (2%).

The growth of the region's fertilizer trade deficit reflects the steep rise in fertilizer prices since 2021. On average, in 2022, the World Bank's fertilizer price index —measured in current dollars—was more than three times the value recorded in 2020. In 2021, the rise responded to a recovery in demand combined with higher prices for natural gas and other inputs, owing to supply chain disruptions generated by the COVID-19 pandemic (Baffes and Koh, 2021). In 2022, prices rose further following the outbreak of war between Ukraine and the Russian Federation, the world's leading exporter of synthetic fertilizers (ECLAC/FAO/WFP, 2022).

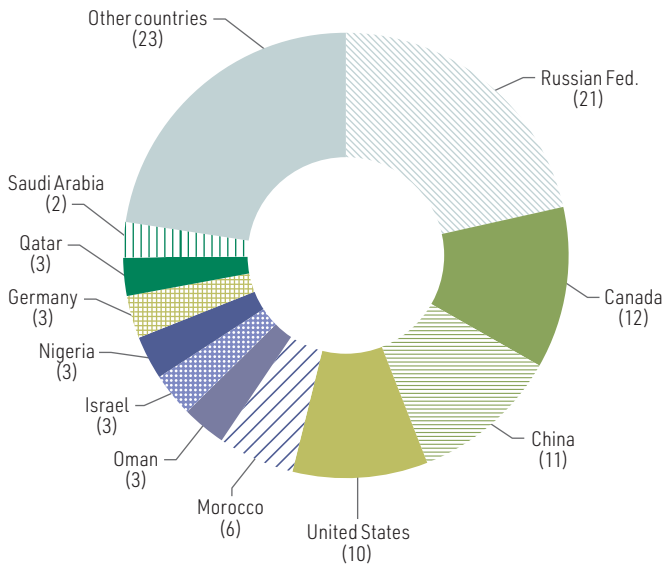
Although by June 2024 fertilizer prices had retreated by 60% in nominal terms from their April 2022 peak, the heavy reliance on extra-regional suppliers continues to pose a major risk to food security in the region, especially in the current volatile geopolitical context. The main risk is that, in the event of new episodes of high prices and scarce supply, small-scale producers —who mainly serve local consumption— will be the most affected, and will have to significantly reduce their fertilizer use (and, therefore, their yields). In addition to the region's heavy dependence on imported fertilizers, it also makes intensive use of chemical fertilizers with high potassium and phosphate content, which in large quantities generate water pollution and soil degradation, while also increasing the risk of desertification. It is therefore advisable to explore ways to reduce the region's reliance on synthetic fertilizers by boosting the production and use of biofertilizers (ECLAC/FAO/WFP, 2022).

Figure II.29
Latin America and the Caribbean (33 countries): fertilizer trade, 2015–2022
(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/.
Note: Includes mirror data for the Bolivarian Republic of Venezuela, Cuba and Haiti. Fertilizers include products classified under headings 3101 to 3105 of the Harmonized Commodity Description and Coding System.

Figure II.30
Latin America and the Caribbean (33 countries): origin of fertilizer imports, 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: Includes mirror data for the Bolivarian Republic of Venezuela, Cuba and Haiti. Fertilizers include products classified under headings 3101 to 3105 of the Harmonized Commodity Description and Coding System.

C. Spaces to strengthen trade's contribution to food security

Latin America and the Caribbean is the world's leading net exporter of food (especially commodities), and has great potential to expand its production in the coming decades. It is estimated that global food production will need to increase by 50% between now and 2050, because of population growth, changes in dietary patterns and the increased use of biofuels (FAO, 2021). Much of this additional production will come from the region and will be exported to other markets, especially Asia (a continent that already absorbs 40% of the region's food shipments). Nonetheless, regional food exports are increasingly subject to environmental sustainability requirements, especially in the European market (Herreros, Durán and Olmos, 2024). In this context, the sustainable intensification of agricultural production, understood as practices aimed at improving the environmental performance of agricultural activities without sacrificing existing productivity levels (Rodríguez, Mondaini and Hitschfeld, 2017), becomes very important. The development of the bioeconomy in the region will be crucial in addressing this challenge and shifting towards a more knowledge-intensive export basket (ECLAC, 2022).

In the coming years, a balance will need to be struck between the great opportunities involved in supplying extra-regional markets and the need to ensure adequate supplies to satisfy regional demand. Despite its significant competitive advantages in food production, Latin America and the Caribbean was the region most affected globally by increased food insecurity during the 2020–2021 biennium, owing to the deep economic contraction and sharp increase in poverty generated by the COVID-19 pandemic. Although this situation has been partially reversed since 2022, nearly 30% of the regional population still faces moderate or severe food insecurity, and the cost of accessing a healthy diet is the highest in the world.

Food insecurity in the region is not caused mainly by insufficient food availability (supply), but by the difficulties experienced by large segments of the population in accessing an adequate diet because of low income. Multiple factors and inequalities converge at the root of this problem, which is why addressing it requires a coordinated approach that integrates the various public policies that have an impact on it. One of these is trade policy, since reducing barriers to food trade can contribute rapidly and directly to lowering its cost and making it more affordable. In fact, the fundamental role of trade in the region's food security was highlighted in the declaration on the reform of multilateral agricultural trade rules, presented by 16 Latin American countries at the 12th Ministerial Conference of the World Trade Organization (WTO) in June 2022 (WTO, 2022). Reducing barriers to food imports and exports can be a highly effective instrument, given the reduced fiscal space available to most countries of the region (ECLAC, 2023c), which limits possibilities for implementing subsidy mechanisms for food production or procurement. In particular, more open trading arrangements could help reduce food insecurity in the countries of the Caribbean, which is the subregion with the highest prevalence of undernourishment, the highest cost of access to a healthy diet and the highest levels of tariff protection in the agriculture sector.

Strengthening regional integration is a key contributor to a more stable and lower-cost regional food supply. There are at least two reasons for this. Firstly, an integrated regional market expands the supply of food and inputs from nearby sources, which reduces exposure to supply shocks from third markets.[10] The importance of this factor is enhanced in a global context characterized by various conflicts and rising geopolitical tensions. This is illustrated by the sharp increase in food and fertilizer export restrictions in 2022, following the rise in their prices caused by the outbreak of war in Ukraine

[10] For example, FAO/IDB (2024a) identifies opportunities for expanding food trade between the countries of the Caribbean Community (CARICOM) and those of the Central American Integration System (SICA), with a potential value of US$ 2.767 billion. Of this amount, 79% corresponds to export opportunities for CARICOM countries and 21% for SICA countries. Taking advantage of these opportunities depends on reducing barriers such as high tariffs, cumbersome border procedures, and deficiencies in transportation and logistics.

(Pangestu and Van Trotsenburg, 2022; UNCTAD, 2022). Secondly, greater regional integration encourages the creation of production chains that promote economic and social development by generating direct and indirect employment, which contributes to greater food security (ECLAC/FAO/IICA, 2023).

In January 2023, the 33 member countries of the Community of Latin American and Caribbean States (CELAC) agreed to update the CELAC Plan for Food Security, Nutrition and the Eradication of Hunger 2025, which had been adopted in 2015, in light of the challenges that have arisen in recent years. This exercise was undertaken with technical assistance from FAO, ECLAC, the Inter-American Institute for Cooperation on Agriculture (IICA) and the Latin American Integration Association (LAIA). The new CELAC Plan for Food Security, Nutrition and the Eradication of Hunger 2030 (CELAC, 2024) assigns a major role to trade, especially intraregional trade, in achieving its objectives (see box II.1).

Box II.1

The role of trade policy in the Plan for Food Security, Nutrition and the Eradication of Hunger 2030 of the Community of Latin American and Caribbean States (CELAC)

The CELAC Plan for Food Security, Nutrition and the Eradication of Hunger 2030 consists of four pillars and 15 lines of action, covering the different areas of public policy involved in food security. Line of action 3 (Implement trade policies that promote economic inclusion, sustainable development and food and nutrition security) includes nine suggested measures:

1. Promote the market transparency and a rules-based, universal, open, non-discriminatory, equitable, and transparent trading system, with the multilateral agricultural trade rules of the World Trade Organization (WTO) at the centre, through policy coordination, cooperation, and strengthening human and institutional capacities for evidence-based decision making to address the structural conditions that affect trade deficits and lack of competitiveness.
2. Promote the expansion of trade in agrifood products by facilitating the participation of family farming, artisanal fishing, small-scale forestry and Small and Medium Enterprises (SMEs) and cooperatives in markets and value chains, including women, youth, Indigenous Peoples and Afro-descendants, with a rights-based approach.
3. Identify and encourage the creation of conditions to overcome obstacles, distortions, or restrictions to intraregional and global agricultural trade: tariffs (considering negotiation margins); non-tariff measures (exchange and harmonization of national standards to stimulate production, phytosanitary measures, food safety, technical standards, etc.); certification and accreditation systems for agrifood products; and administrative and operational barriers (financing, infrastructure, transportation, logistics, private/public administration, etc.).
4. Invest in regional and subregional market data and information mechanisms, such as the Regional Intelligence and Monitoring System for Agricultural Markets (SIMMAGRO), including other countries in the region and incorporating information on nutritious foods, to contribute to the transparency of the market, reduce speculation and support the integration of regional trade.
5. Promote research, innovation, extension, and technical assistance to strengthen the links between institutional markets, public food programmes, international trade, family farming, artisanal fishermen and other small-scale producers.
6. Promote incentives for the trade of nutritious and safe foods, contributing to local development and the food security and nutrition of those populations in the most vulnerable situations.
7. Generate evidence on the relationship between international and intraregional trade and food security, including data disaggregated by sex and gender and ethnic-racial analysis. Additionally, promote the development of dialogues and reflections between the private sector, academia and civil society and regional stakeholders.
8. Promote the creation of coordination spaces between the various regional integration systems to facilitate intraregional agrifood trade and work with the secretariats of CARICOM, SICA, CAN and MERCOSUR to adapt recommendations at the subregional level. These recommendations must take into account that:

the region as a whole has a surplus of food production and can contribute to both current and future global food security; the most commercialized foods are important in terms of a caloric diet, but they do not necessarily correspond to healthy diets; and some countries in the region are net exporters of food and agricultural products, while others are net importers.

9. Promote public policies that seek to attract public and private investment to improve trade-related infrastructure, in order to encourage production and intraregional trade.

The CELAC Plan for Food Security, Nutrition and the Eradication of Hunger 2030 includes the following suggested indicators to monitor progress on trade-related issues:

- Official development assistance (ODA) to agriculture as a percentage of total ODA and as a percentage of agricultural value added.
- Food imports as a percentage of food consumption.
- Intraregional food trade as a percentage of total food trade and as a percentage of total intraregional trade.
- Average import tariffs for agricultural products in CELAC countries, in other markets and under free trade agreements.
- Non-tariff trade measures applied to agricultural products in CELAC countries, in other markets and within the framework of free trade agreements.

Source: Community of Latin American and Caribbean States (CELAC), *CELAC Plan for food security, nutrition and the eradication of hunger 2030. Time is action*, Santiago, 2024.

The following paragraphs describe some priority lines of work to strengthen the contribution made by trade to food security in the region, in accordance with the objectives of the CELAC Plan for Food Security, Nutrition and the Eradication of Hunger 2030. Subregional integration mechanisms, such as the Andean Community (CAN), the Caribbean Community (CARICOM), the Southern Common Market (MERCOSUR), the Central American Integration System (SICA) and the Pacific Alliance, have a central role to play in the implementation of the corresponding actions.

A first line of work relates to trade facilitation. This is understood as the simplification, modernization and harmonization of export and import procedures, and is very important for expediting food trade. The trade facilitation agenda includes measures such as the implementation of single windows for external trade, priority clearance of perishable products at border posts, and coordination between the sanitary, phytosanitary and customs authorities to expedite inspections. Although the countries of the region have made major strides in implementing the WTO Agreement on Trade Facilitation, less progress has been made in the digitalization of trade procedures; and the Caribbean generally lags behind the rest of the region (ECLAC, 2023b; Herreros, 2023). Improving the fluidity of regional food trade requires accelerating the implementation of single windows for foreign trade in countries that do not yet have these instruments. Interoperability between the single windows of the different countries must also be improved to enable the electronic cross-border exchange of trade documentation.

The second line of work concerns sanitary, phytosanitary and technical requirements applicable to food. Compliance with these requirements is fundamental for achieving major public policy objectives. Nonetheless, accessing food regulations in external markets is a challenge for exporters, since the information in question is often not centralized in national repositories (UNCTAD, 2024). Furthermore, the discrepancies between the requirements applicable to the same product in different countries of the region, compounded by the lack of quality infrastructure, can become major obstacles to intraregional food trade, especially for small and medium-sized enterprises (SMEs) (Sarquis and others, 2024). For example, some of the smaller Caribbean economies do not yet have the technological resources, human capital or infrastructure to check that imported foods meet their safety requirements. This shortcoming often leads to a preference for importing food from countries with the highest quality standards, such as the United States and European countries, even if this is more costly than acquiring it in the region (FAO/IDB, 2024a). In this context, the region's integration mechanisms need to advance the regulatory convergence agenda among its member countries,

through actions such as the harmonization or mutual recognition of sanitary, phytosanitary and technical standards. From the standpoint of moving towards an integrated regional market, the benefits will be greater if regulatory convergence takes place between the different integration mechanisms and not only within each one of them.

Third, improving food trade logistics is a challenge for the entire region, but of particular importance for the Caribbean countries. One initiative that offers interesting potential for this is the project, announced in 2022, to create a subregional food distribution centre, with Guyana as the main producing country and Barbados as the distribution hub. Implementing this initiative would be a major step towards promoting greater intraregional food supply, and thus moving towards the CARICOM countries' target of a 25% reduction in food imports by 2025.

Fourth, the challenge remains of completing the network of preferential trade agreements between the various countries and subregions of Latin America and the Caribbean. The main "empty cells" to be filled are those linking MERCOSUR members with Central America and Mexico, and those linking Caribbean countries with the rest of the region. In many of these cases, the objective of totally open trade in the food sector does not seem to be attainable, at least in the short term, owing to the high sensitivity of certain crops or production sectors. It is therefore advisable to explore flexible and gradual modalities of opening, including asymmetric tariff reduction commitments benefiting smaller partners. Regional trade agreements should also be expanded to include cooperation in research, development and innovation aimed at improving agricultural productivity and expanding food supply. Such agreements would thus increase their contribution to the emergence of competitive and sustainable agrifood chains in the region, with the consequent benefits in terms of food security.

Lastly, the region's countries should coordinate in the various multilateral forums to draw attention to the current and potential contribution of their food exports to global food security. This would improve the region's position as a recipient of investment and financing flows that foster the transition to increasingly sustainable food production.

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Annex II.A1

Table II.A1.1
Composition of the major categories of food trade

Abbreviated name	Chapters of the Harmonized Commodity Description and Coding System	Description of the chapters of the Harmonized Commodity Description and Coding System
Meat and fish	01, 02, 03 and 16	Live animals; meat and edible meat offal; fish and crustaceans, molluscs and other aquatic invertebrates; preparations of meat, fish or crustaceans, molluscs or other aquatic invertebrates
Dairy and eggs	04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
Fruits and vegetables	07 and 08	Edible vegetables, plants, roots and tubers; edible fruit and nuts; peel of citrus fruit, melons or watermelons
Cereals and milling	10 and 11	Cereals (wheat and meslin, maize, rice, rye, barley, etc.), products of the milling industry; malt; starches; inulin; wheat gluten
Oilseeds	12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder
Sugar and cocoa	17 and 18	Sugars and sugar confectionery; cocoa and cocoa preparations
Processed food products	19, 20, 21 and 22	Preparations of cereals, flour, starch or milk; pastrycooks' products; preparations of vegetables, fruit, nuts or other parts of plants; miscellaneous edible preparations; beverages, spirits, alcoholic liquids and vinegar
Coffee and tea	09	Coffee, tea, yerba mate and spices
Fats and oils	15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats and oils and their cleavage products; animal or vegetable waxes
Others	05, 06, 13, 14, 23 and 24	Animal originated products, not elsewhere specified or included; live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage; shellac; gums, resins and other vegetable saps and extracts; vegetable plaiting materials and vegetable products not elsewhere specified or included; residues and waste from the food industries; prepared animal fodder; tobacco and processed tobacco substitutes.

Source: Food and Agriculture Organization of the United Nations (FAO), *The State of Agricultural Commodity Markets 2022. The geography of food and agricultural trade: Policy approaches for sustainable development*, Rome, 2020.

Table II.A1.2
Latin America and the Caribbean (33 countries): food trade, 2020–2022
(Millions of dollars)

	Exports			Imports		
	2020	2021	2022	2020	2021	2022
Latin America and the Caribbean	**241 982**	**285 094**	**349 142**	**91 998**	**116 586**	**135 782**
South America	**180 525**	**216 158**	**272 034**	**42 576**	**53 801**	**61 100**
Argentina	36 188	44 067	53 965	3 858	4 914	4 988
Bolivia (Plurinational State of)	1 487	2 187	3 211	785	766	811
Brazil	83 487	99 822	135 164	11 374	13 401	14 974
Chile	18 236	19 647	21 834	7 671	10 757	11 402
Colombia	7 824	9 381	11 528	6 902	8 701	10 841
Ecuador	12 097	13 882	17 463	2 461	3 324	4 289
Paraguay	5 722	7 476	6 518	962	1 100	1 229
Peru	10 320	12 571	13 656	5 285	6 719	7 526
Uruguay	4 682	6 310	7 907	1 246	1 501	1 758
Venezuela (Bolivarian Republic of)	482	817	788	2 033	2 618	3 282
Central America and Mexico	**56 625**	**63 674**	**71 297**	**38 805**	**50 840**	**59 877**
Central America	**17 891**	**19 864**	**22 466**	**12 658**	**15 299**	**17 786**
Costa Rica	4 789	5 441	5 612	2 179	2 477	2 669
El Salvador	1 006	1 185	1 384	2 176	2 482	3 049
Guatemala	6 234	6 583	7 633	3 283	4 247	5 156
Honduras	2 883	3 096	3 956	1 773	2 255	2 749
Nicaragua	2 501	3 010	3 340	1 094	1 379	1 667
Panama	478	548	541	2 154	2 458	2 496
Mexico	38 734	43 810	48 831	26 147	35 541	42 091
The Caribbean	**4 831**	**5 262**	**5 811**	**10 616**	**11 946**	**14 805**
Antigua and Barbuda	6	3	1	133	149	181
Bahamas	35	...	99	468	...	861
Barbados	83	94	106	350	371	467
Belize	171	203	221	204	224	260
Cuba	586	540	667	1 883	2 250	2 488
Dominica	4	4	...	48	48	...
Dominican Republic	2 215	2 691	2 905	3 375	4 391	5 409
Grenada	18	25	27	98	108	144
Guyana	786	691	731	344	402	469
Haiti	63	71	47	1 227	1 289	1 235
Jamaica	366	416	430	1 067	1 311	1 670
Saint Kitts and Nevis	9	9	10	46	44	60
Saint Lucia	30	...	...	94	106	...
Saint Vincent and the Grenadines	28	26	...	148	...	...
Suriname	93	81	72	206	223	274
Trinidad and Tobago	339	409	494	926	1 031	1 287

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 for the Bolivarian Republic of Venezuela, Haiti, and Saint Kitts and Nevis refer to mirror statistics of their trading partners.

Table II.A1.3
Latin America and the Caribbean (33 countries): food trade balances by major categories, average 2020–2022
(Millions of dollars)

	Meat and fish	Dairy and eggs	Fruits and vegetables	Cereals and oilseeds	Sugar and cocoa	Processed foods	Coffee, tea and spices	Fats and oils	Other	Total
Latin America and the Caribbean	**39 449**	**-2 503**	**36 055**	**38 113**	**12 749**	**11 455**	**14 620**	**7 015**	**20 014**	**176 967**
South America	**42 300**	**977**	**17 127**	**54 886**	**10 298**	**3 654**	**10 540**	**8 410**	**22 222**	**170 414**
Argentina	5 007	1 334	893	14 435	20	1 576	-16	6 714	10 190	40 153
Bolivia (Plurinational State of)	81	8	192	124	-2	-234	6	655	677	1 508
Brazil	19 606	-329	92	42 555	9 739	2 809	6 741	1 374	10 322	92 908
Chile	5 555	-253	6 331	-940	-537	1 068	-163	-548	-551	9 962
Colombia	-413	-205	941	-2 947	396	-508	2 998	92	408	763
Ecuador	7 299	-11	3 859	-631	895	-187	9	-44	-65	11 123
Paraguay	1 514	-2	-26	3 116	5	-349	9	576	633	5 475
Peru	877	-280	4 892	-1 965	103	193	1 025	-112	940	5 673
Uruguay	2 468	747	-9	2 019	-94	-251	-72	73	-83	4 798
Venezuela (Bolivarian Republic of)	306	-32	-38	-878	-228	-462	4	-371	-249	-1 948
Central America and Mexico	**-1 026**	**-2 496**	**19 021**	**-14 762**	**2 325**	**9 684**	**4 137**	**-470**	**-2 389**	**14 024**
Central America	**524**	**-441**	**4 165**	**-2 804**	**1 038**	**-1 746**	**3 826**	**845**	**-582**	**4 826**
Costa Rica	-10	57	2 251	-641	31	677	316	187	-29	2 839
El Salvador	-229	-198	-219	-351	230	-341	116	-206	-178	-1 378
Guatemala	-316	-262	1 568	-832	642	-240	1 619	571	-163	2 588
Honduras	312	-61	352	-473	20	-590	1 222	357	-87	1 053
Nicaragua	906	159	161	-170	158	-322	551	-4	132	1 571
Panama	-138	-136	52	-336	-44	-929	1	-60	-257	-1 847
Mexico	-1 550	-2 056	14 856	-11 958	1 287	11 430	311	-1 315	-1 807	9 198

	Meat and fish	Dairy and eggs	Fruits and vegetables	Cereals and oilseeds	Sugar and cocoa	Processed foods	Coffee, tea and spices	Fats and oils	Other	Total
The Caribbean	**-1 825**	**-983**	**-93**	**-2 011**	**126**	**-1 882**	**-58**	**-925**	**180**	**-7 471**
Antigua and Barbuda	-36	-12	-18	-7	-4	-57	-1	-5	-9	-151
Bahamas	-101	-54	-94	-25	-18	-253	-9	-17	-26	-597
Barbados	-68	-35	-38	-40	-26	-74	-5	0	-16	-302
Belize	14	-22	49	-14	72	-48	-4	-24	-53	-31
Cuba	-467	-174	-116	-703	86	-99	-17	-185	66	-1 609
Dominica	-12	-4	1	-4	-1	-17	0	-3	-3	-43
Dominican Republic	-651	-329	251	-777	267	-646	-27	-314	439	-1 788
Grenada	-24	-12	-5	-7	-4	-40	4	-4	-2	-93
Guyana	89	-53	-9	361	14	-23	-3	-25	-20	331
Haiti	-155	-36	-28	-422	-100	-237	-2	-188	-23	-1 190
Jamaica	-212	-78	21	-219	-79	-242	20	-66	-92	-946
Saint Kitts and Nevis	-13	-4	-1	-3	-2	-11	0	-2	-4	-41
Saint Lucia	-34	-14	-6	-11	-7	-31	-2	-5	-9	-118
Saint Vincent and the Grenadines	-17	-8	-2	-6	-5	-34	0	-3	2	-73
Suriname	5	-17	-7	8	-18	-80	-3	-20	-21	-152
Trinidad and Tobago	-144	-131	-90	-141	-51	9	-8	-63	-49	-668

Source: Economic Commission for Latin America and the Caribbean (ECLAC), with information from the COMTRADE database.
Note: The figures for the Bolivarian Republic of Venezuela, Haiti, and Saint Kitts and Nevis refer to mirror statistics of their trading partners. The figures for the Bahamas refer to the average of 2020 and 2022; those for Dominica and Saint Vincent and the Grenadines refer to the average of 2020 and 2021, and those for Saint Lucia refer to 2020. Positive values are shaded.

CHAPTER

III

The potential of services to boost regional exports

Introduction

Between 2014 and 2023, gross domestic product (GDP) in Latin America and the Caribbean grew by an average of 0.8% per year, less than half of the 2% annual rate recorded in the "lost decade" of the 1980s. In addition, the region's per capita GDP grew by only 0.1% per year between 2014 and 2023, while regional goods exports increased by just 1.6% per year in volume terms. This trap of meagre economic and export growth is compounded by two others that are closely interrelated: the trap of high levels of inequality and the trap of limited institutional capacity and ineffective governance (Salazar-Xirinachs, 2023).

In this context, the countries of the region are looking for new sectors and activities with the capacity to boost their exports and drive their economies. The Economic Commission for Latin America and the Caribbean (ECLAC) has identified digitally deliverable services (which, in this chapter are referred to as "modern services") as one of the potential drivers of exports and growth in the region (Salazar-Xirinachs, 2023). Since 2005, exports of modern services have outpaced those of goods and other services in value terms, both globally and regionally. The coronavirus disease (COVID-19) pandemic accelerated the digitalization process, which further boosted trade in modern services. While their share of the region's services exports grew from 24% to 37% between 2005 and 2023, it remains smaller than the global average of 54%. The digital transformation also benefits other traditional segments of services trade, such as transport and tourism.

This chapter firstly analyses the buoyancy of the region's trade in services since 2005 and compares the behaviour of modern services with that of traditional services. It finds that, except for members of the Southern Common Market (MERCOSUR) and Costa Rica, most countries still specialize strongly in tourism or transport. The chapter then reviews the regulatory framework in which trade in services generally, and modern services in particular, takes place. It also considers the multiplicity of multilateral, plurilateral, subregional and bilateral agreements signed for the services trade of the region's countries.

The last part of the chapter reviews a set of factors affecting the development of services trade. These include the existence of an industrial policy with good governance to coordinate support for that sector; access to high-speed mobile and fixed broadband; the digital transformation of firms and the public sector; workers' education and training; the promotion of exports and attraction of foreign direct investment (FDI); and the tax treatment of service activities. In each of these ecosystemic factors, efforts need to be redoubled to enable the region to take better advantage of the great potential offered by services trade.

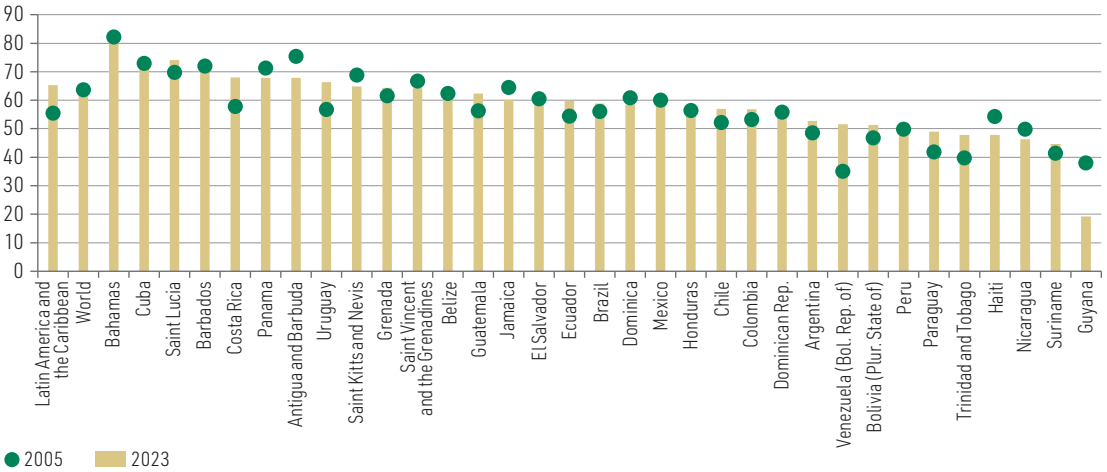
A. Growth of regional services trade

1. Evolution of services exports

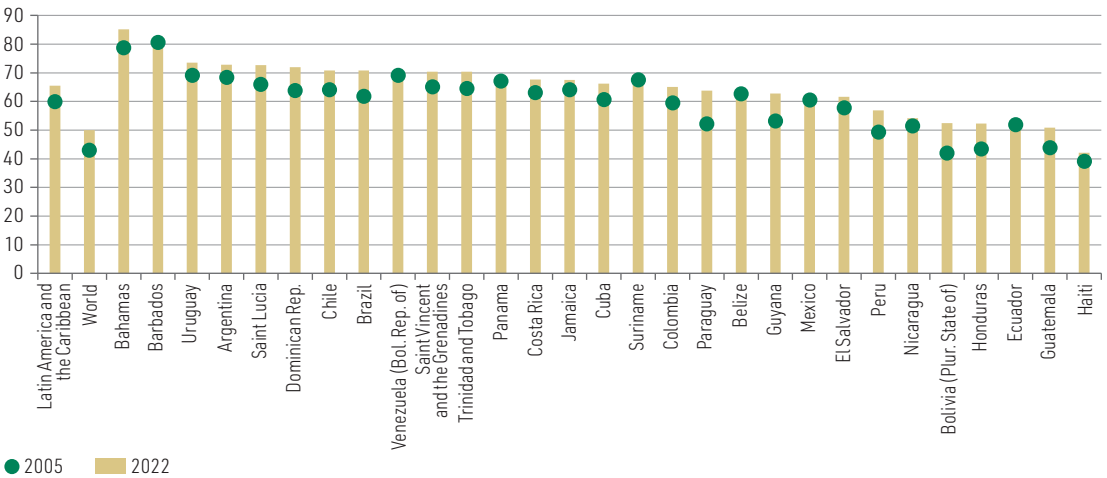
Services are the predominant sector of the economy, accounting for 65.3% of GDP in 2023 and 65.4% of employment in 2022 (see figures III.1A and III.1B). These proportions have increased since 2005 and are above the respective global averages. In 2022, the services sector accounted for 80% of female employment in Latin America and the Caribbean, and women represent 52% of workers in the sector (ILO, 2023).

Figure III.1
Latin America and the Caribbean and the world: share of services in GDP, employment and exports, 2005 and 2022 or 2023
(Percentages)

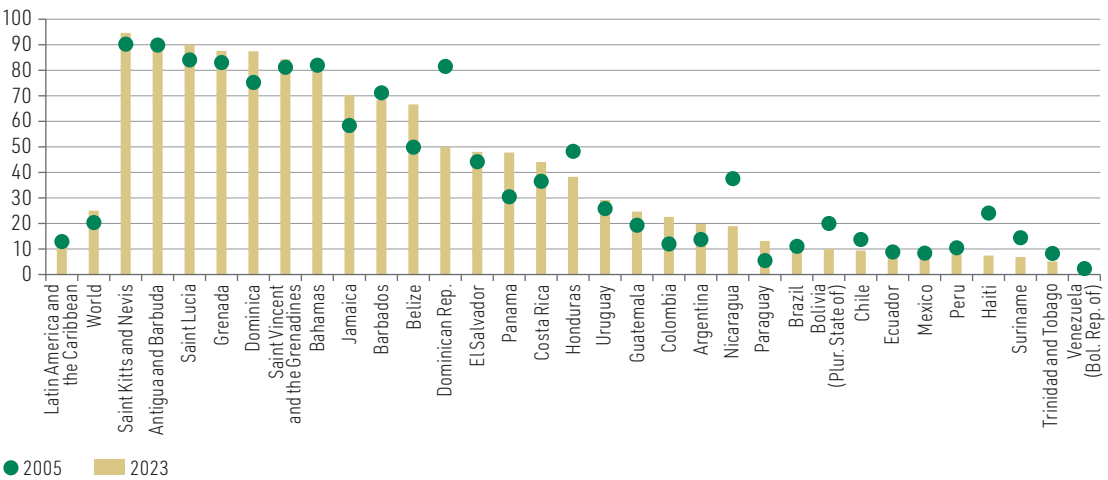
A. Share of GDP



B. Share of employment



C. Share of exports

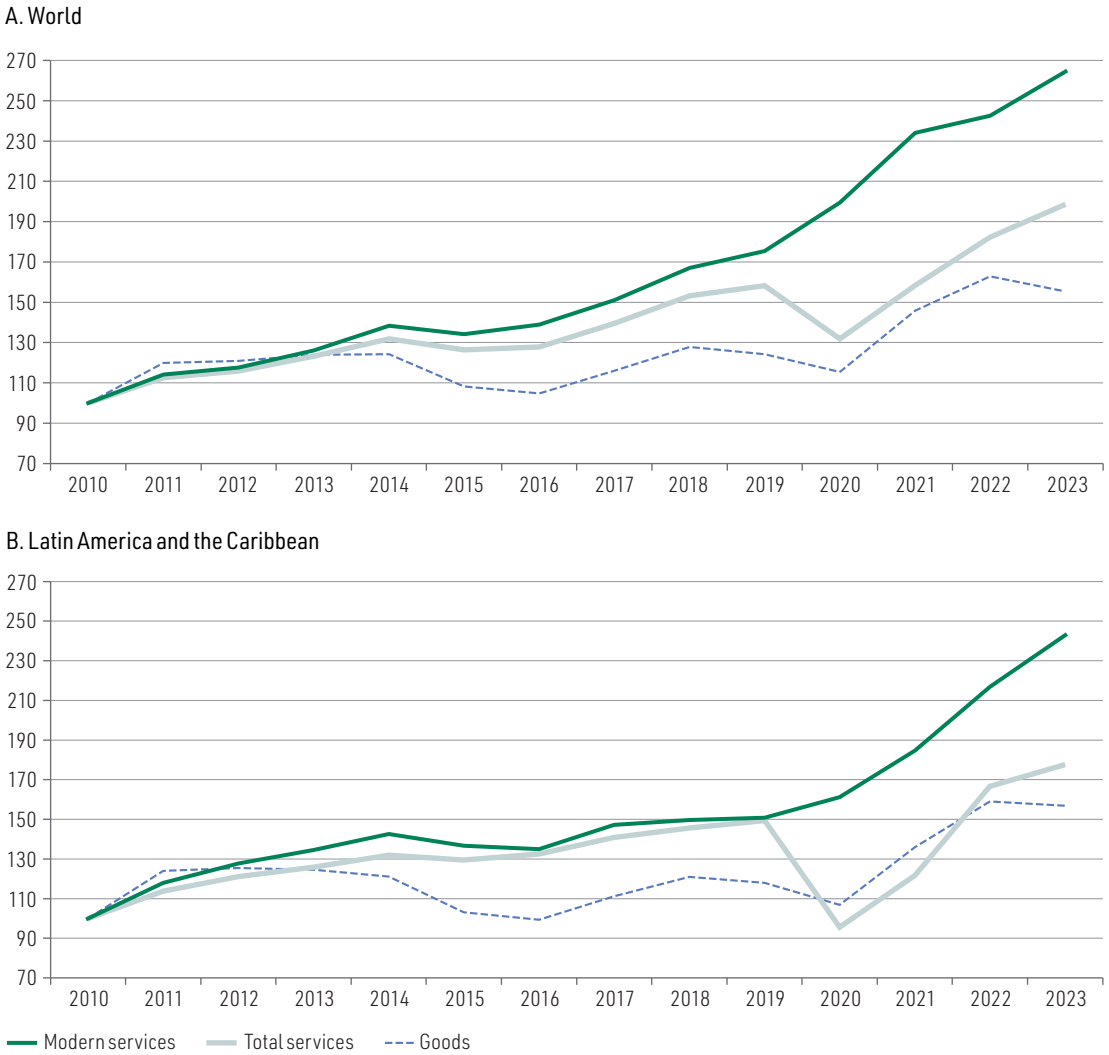


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the World Bank, World Development Indicators (WDI) and World Trade Organization (WTO) [online] https://stats.wto.org/.

In contrast, services generate just 14.2% of the region's exports, partly because these are concentrated heavily in natural resources. With few exceptions, the shares of services in GDP and employment are quite similar in the countries of Latin America and the Caribbean, but they differ widely in relation to exports. Services generate 80% of exports in several Caribbean countries, but less than 15% in some large or natural resource-specialized economies, especially in South America (see figure III.1C).

Since 2005, exports of modern services have grown faster than total services exports and goods exports, in value terms, both globally and regionally (see figure III.2).[1] At the global level, the growth of modern services exports accelerated from 2018 onward, considerably outpacing the other two categories. In Latin America and the Caribbean, modern services have also expanded rapidly, especially since 2020. The COVID-19 pandemic sped up the digitalization process, which boosted trade in modern services both globally and regionally. Global and regional exports of traditional services dwindled during this period, owing mainly to the restrictions imposed on personal mobility.

Figure III.2
World and Latin America and the Caribbean: exports of goods, total services and modern services, 2010–2023
(Index: 2010 = 100)

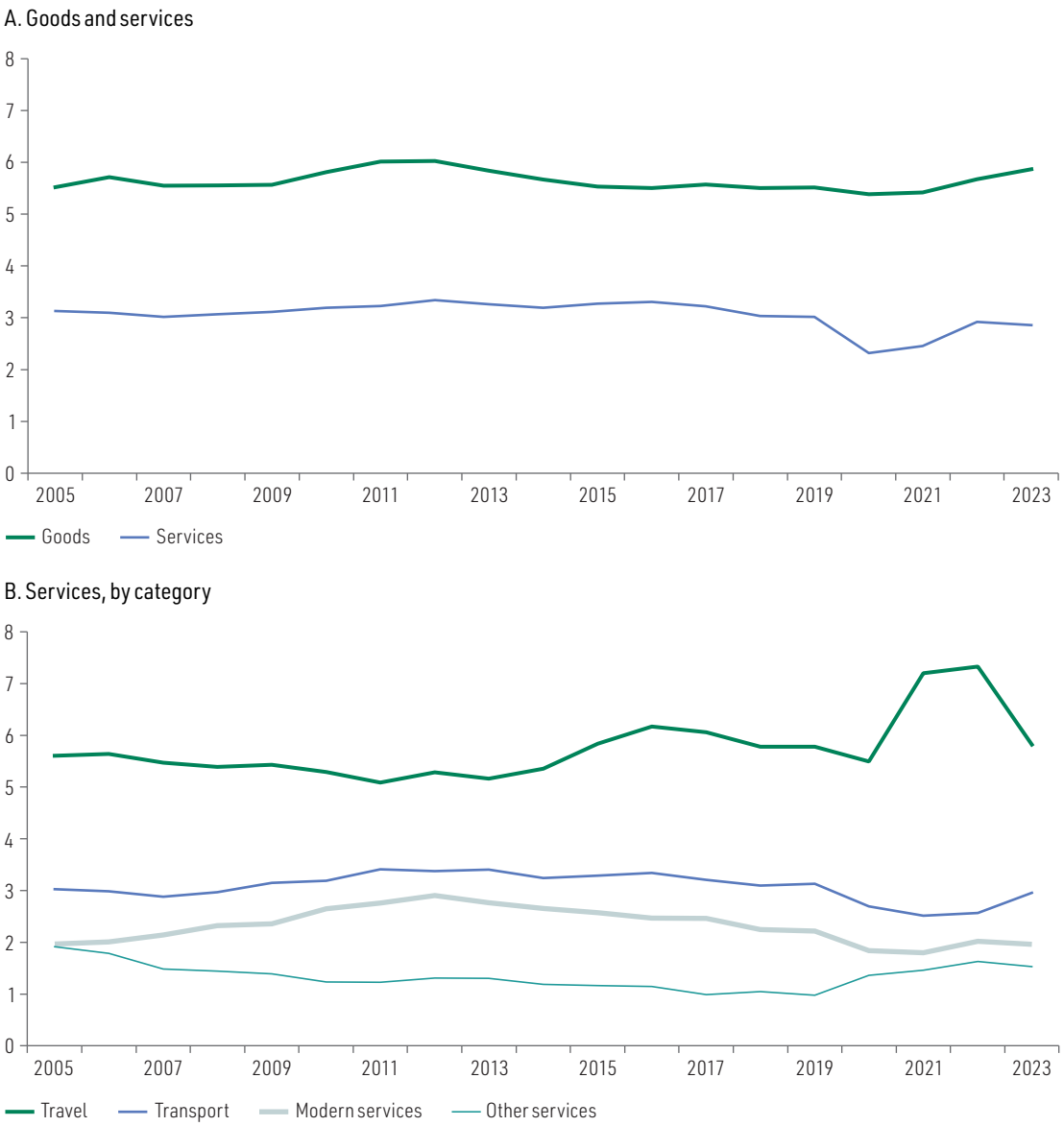


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO) [online] https://stats.wto.org/.

[1] Annex III.A1 provides details of the subsectors that comprise the modern services and other services categories.

In 2023, Latin America and the Caribbean accounted for 2.9% of global exports of services —half of its share of worldwide goods exports. Moreover, the regional share of global services trade suffered a one-time reduction in 2020 (see figure III.3A), as tourism collapsed in the wake of the mobility restrictions imposed in response to the COVID-19 pandemic, which had a greater impact on Latin America and the Caribbean than on the rest of the world. In 2023, the region's joint share was less than that of some individual European countries, such as the United Kingdom (7.4%), Germany (5.6%), Ireland (5.1%) and the Kingdom of the Netherlands (4.0%). The region accounts for a larger share of world tourism exports (about 6%), whereas its share of modern and other services is close to 2% (see figure III.3B). The region's share of world exports of modern services has been declining since 2012 (the third part of this chapter analyses the reasons for this).

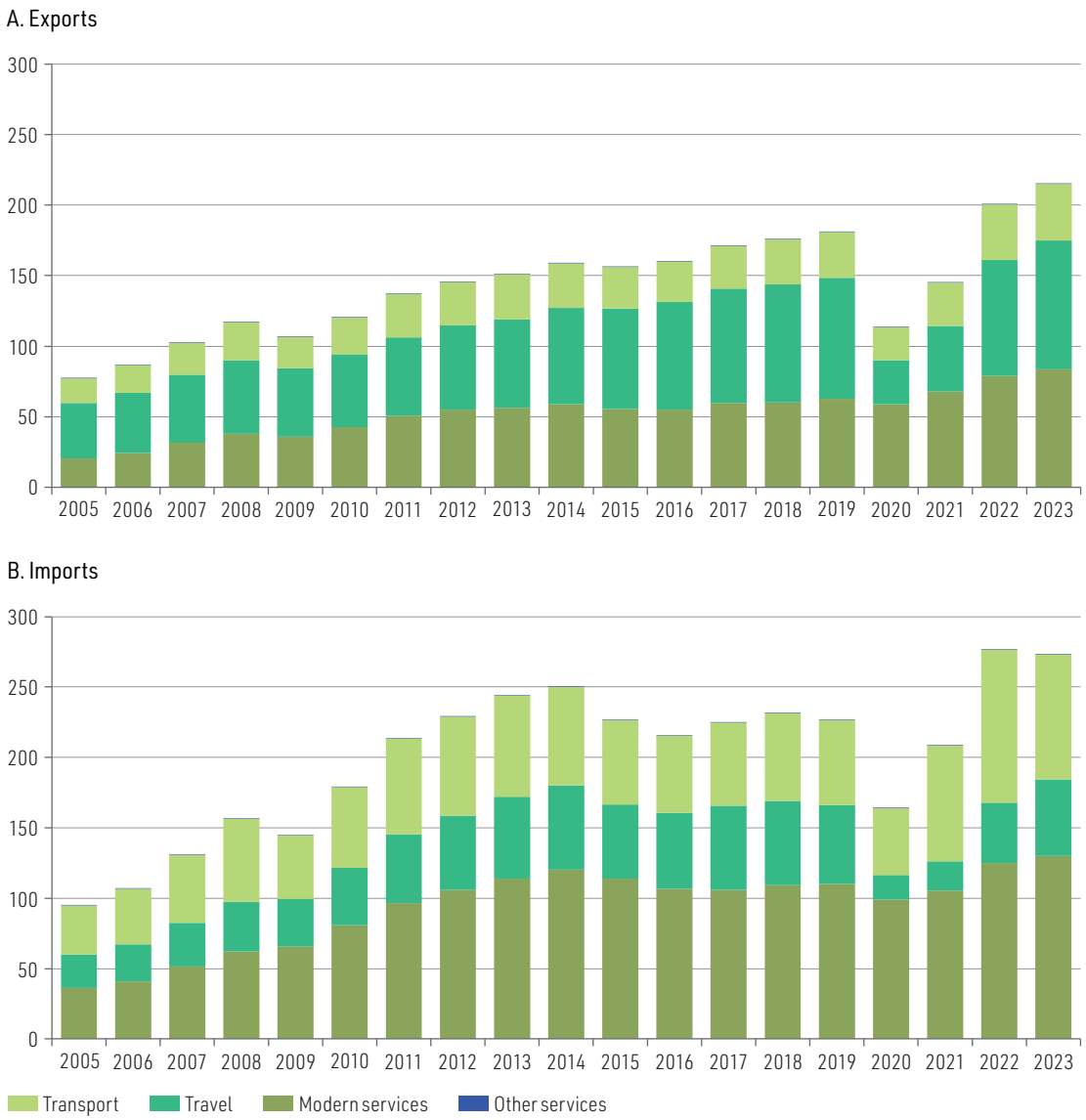
Figure III.3
Latin America and the Caribbean: share of world exports of goods and services and of services, by category, 2005–2023
(Percentages)



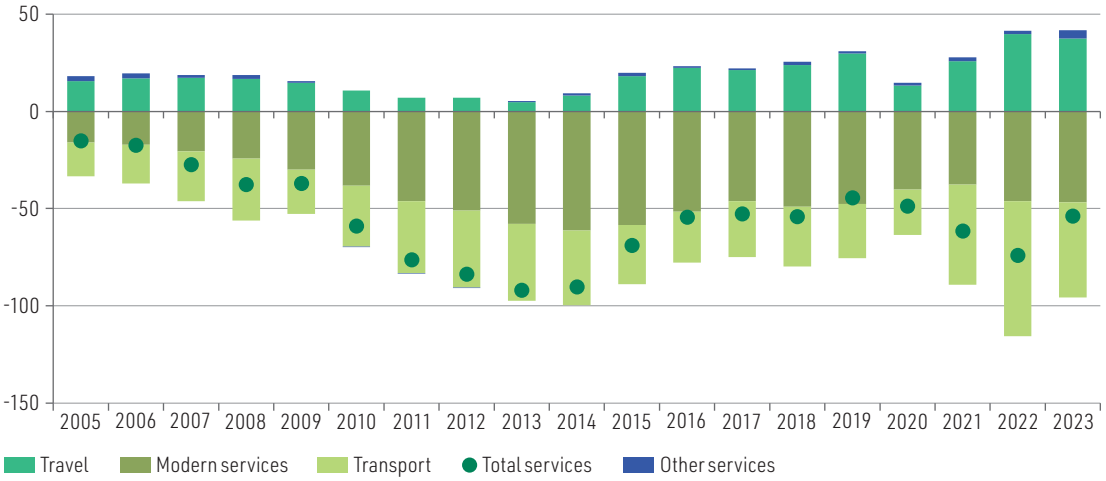
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO) [online] https://stats.wto.org/.

Between 2005 and 2023, the region's services imports grew by an average of 6.5% per year, while its services exports increased at an average rate of 5.5.%, thereby generating a widening trade deficit in that period (see figure III.4). Imports outpaced exports mainly in transport services (+5.6% per year on average compared to +4.7%, respectively). In 2023, regional services exports amounted to US$ 221.7 billion, while the corresponding imports totalled US$ 270.7 billion, both surpassing their pre-pandemic levels. By subcategory, the region maintains a competitive advantage in travel and other services, which generates a surplus, and a disadvantage in transport and modern services, which generates a deficit. As many modern services are skilled-labour and technology-intensive, the developed countries are the main net exporters, while developing countries (including those in Latin America and the Caribbean) are mostly net importers.

Figure III.4
Latin America and the Caribbean: exports, imports and services trade balance, by category, 2005–2023
(Billions of dollars at current prices)



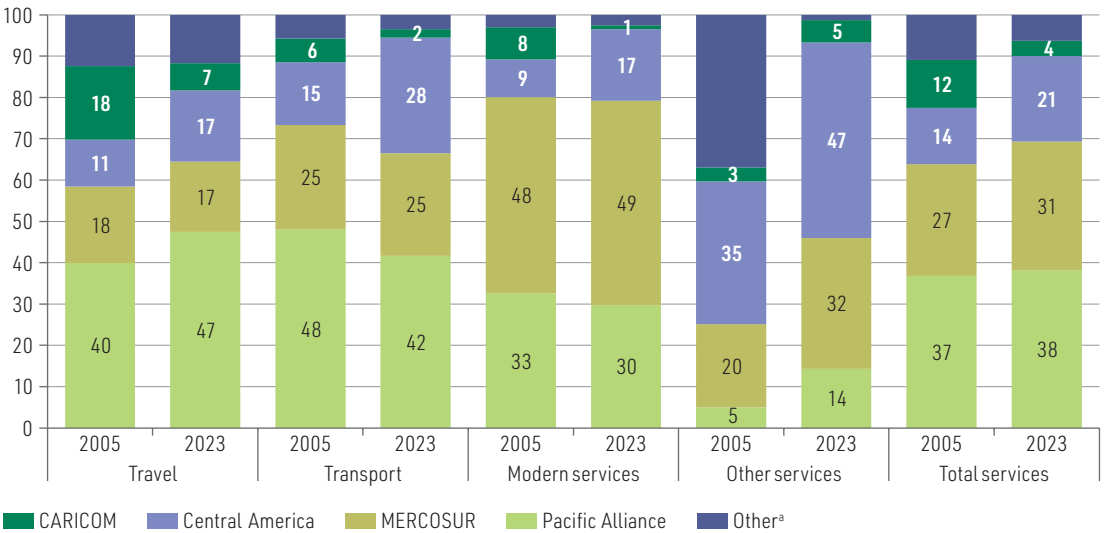
C. Trade balance



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

Among the subregional groupings, the Pacific Alliance stands out as the leading exporter of total services, and also of travel and transport services (see figure III.5). Between 2005 and 2023, the Pacific Alliance grew its export shares of total services, and of travel and other services (mainly in manufacturing services for physical inputs owned by others), but lost share in transport and modern services. The MERCOSUR share of regional exports also grew in this period, to account for nearly half of the region's exports of modern services. The share of Central America (including Panama) also increased to over one-fifth of regional shipments. In the "Other services" category (particularly manufacturing services for physical inputs owned by third parties), Central America generates nearly half of regional exports. In contrast, the Caribbean Community (CARICOM) has seen its share decline, particularly in the travel and transport categories.

Figure III.5
Selected groupings: share of services exports from Latin America and the Caribbean, 2005 and 2023
(Percentages)

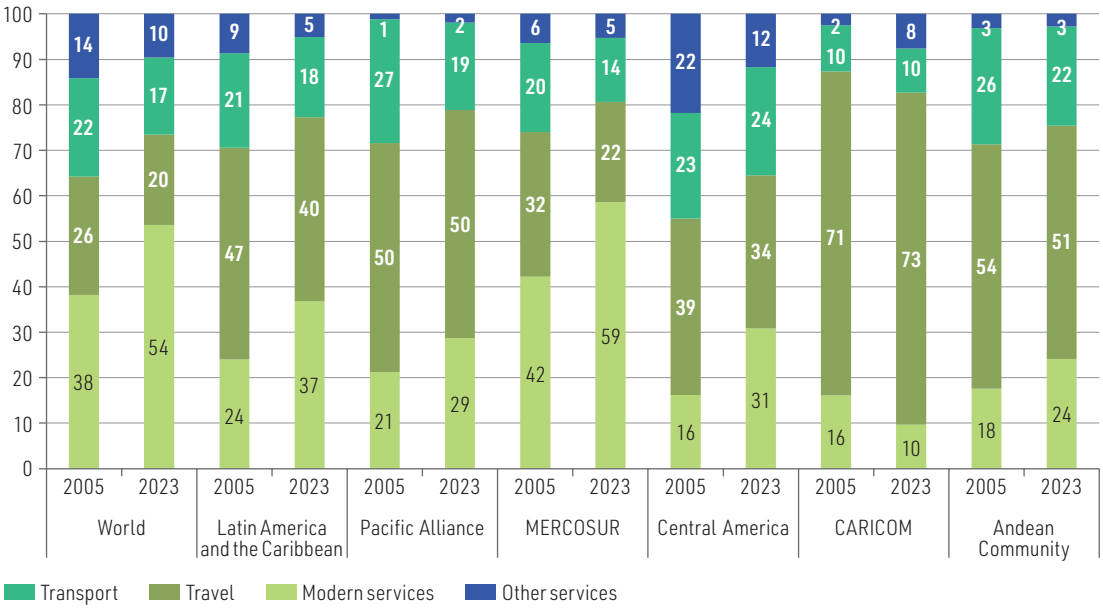


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO) [online] https://stats.wto.org/.

[a] The Bolivarian Republic of Venezuela, Cuba, the Dominican Republic, Ecuador and the Plurinational State of Bolivia.

Latin America and the Caribbean is lagging in transforming its services export basket to take advantage of the rapidly growing demand for modern services. Globally, the share of modern services in total services exports rose from 38% in 2005 to 54% in 2023, while all other sectors (transport, travel and others) saw their shares diminish (see figure III.6). In the region, despite growth from 24 to 37 percentage points recorded in the period, the share of modern services is much smaller. MERCOSUR reports the largest share of modern services in total services exports at 59%, while CARICOM has the smallest share in this category (13%). Tourism is the main export category for all subregional groupings except MERCOSUR. However, between 2005 and 2023, the tourism share of services exports declined in all subregional groupings except CARICOM.

Figure III.6
World, Latin America and the Caribbean and selected groupings: structure of services exports, by major category, 2005 and 2023
(Percentages)



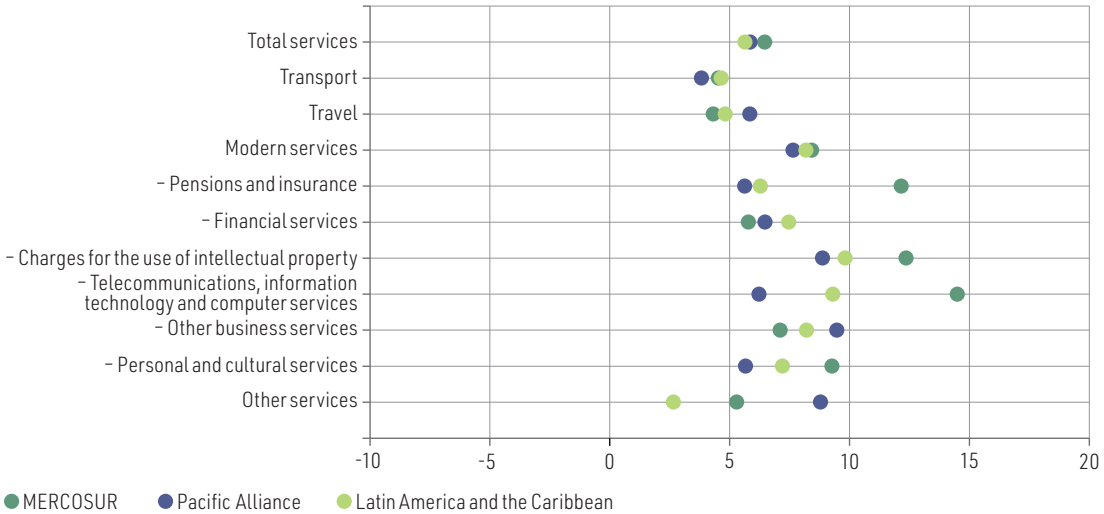
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO) [online] https://stats.wto.org/ and International Monetary Fund (IMF), Balance of Payments Statistics [online] https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52&sId=1390030341854.

The changes in the export structure of the country groupings reflect the different growth rates of each sector between 2005 and 2023. Total services exports grew fastest in Central America and the Andean Community, and most slowly in CARICOM. Modern services are the fastest-growing category in all groupings. The modern services categories that grew the most in this period are: other business services in the Pacific Alliance; pensions and insurance, telecommunications, information and computer services in MERCOSUR; personal and cultural services in Central America and CARICOM;[2] and charges for the use of intellectual property in the Andean Community. In addition, CARICOM reports growth in total exports of modern services, but a decline in three subcategories (see figure III.7).

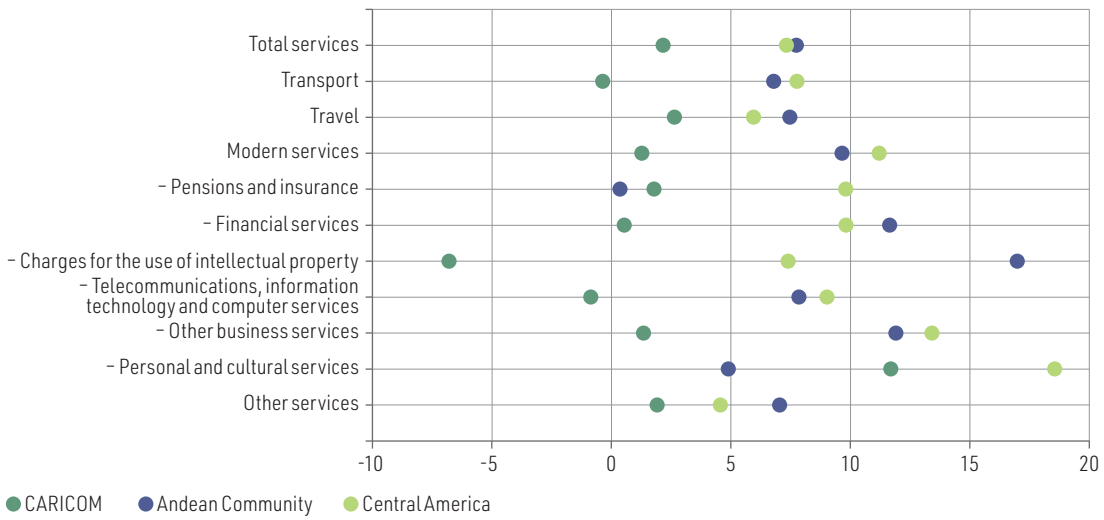
[2] The performance of CARICOM is explained partly by the fact that its member States have some of the highest per capita levels of services exports in the region.

Figure III.7
Latin America and the Caribbean and selected groupings: average annual variation in value of exports of commercial services, by category, 2005–2023
(Percentages)

A. Latin America and the Caribbean, Pacific Alliance and MERCOSUR



B. Central America, CARICOM and Andean Community



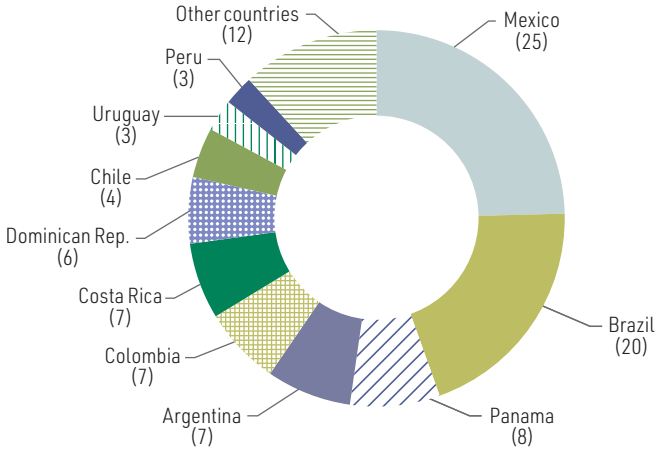
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO) [online] https://stats.wto.org/ and International Monetary Fund (IMF), Balance of Payments Statistics [online] https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52&sId=1390030341854.

Among individual countries, Mexico was the region's leading exporter of services in 2023, followed by Brazil, Panama and Argentina (see figure III.8). Mexico's leadership is explained mainly by its prominent role in the tourism sector, where it accounts for more than a third of the region's exports.[3] It is also the second largest supplier of transport and modern services. Brazil is the region's leading exporter of modern services, while Panama is the largest exporter of transport services (Herreros and Durán, 2023). Argentina is the fourth largest regional exporter of services generally and the third largest exporter of modern services.

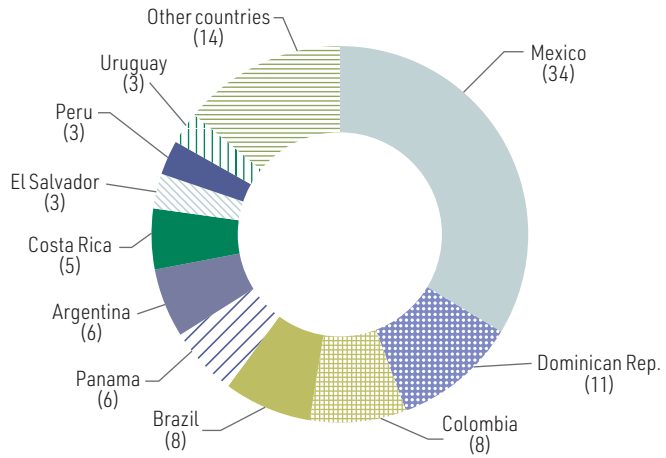
[3] In 2023, the region's total exports of travel services amounted to US$ 92 billion, followed by modern services (US$ 83 billion) and transport (US$ 40 billion).

Figure III.8
Latin America and the Caribbean: main service exporting countries, by category and amount of exports, 2023
(Percentages of regional exports)

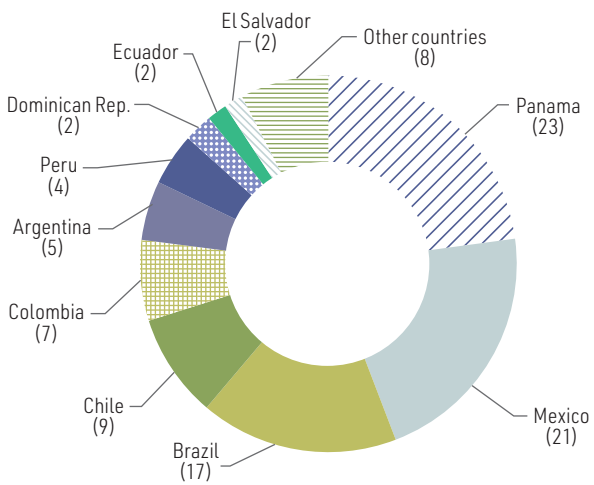
A. Total (US$ 227 billion)



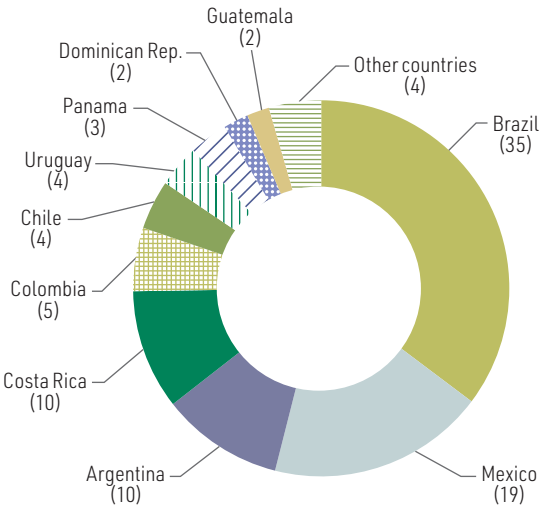
B. Travel (US$ 92 billion)



C. Transport (US$ 40 billion)



D. Modern services (US$ 83 billion)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO) [online] https://stats.wto.org/ and International Monetary Fund (IMF), Balance of Payments Statistics [online] https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52&sId=1390030341854.
Note: The figures in parentheses in the chart titles indicate the value of exports for each category in 2023.

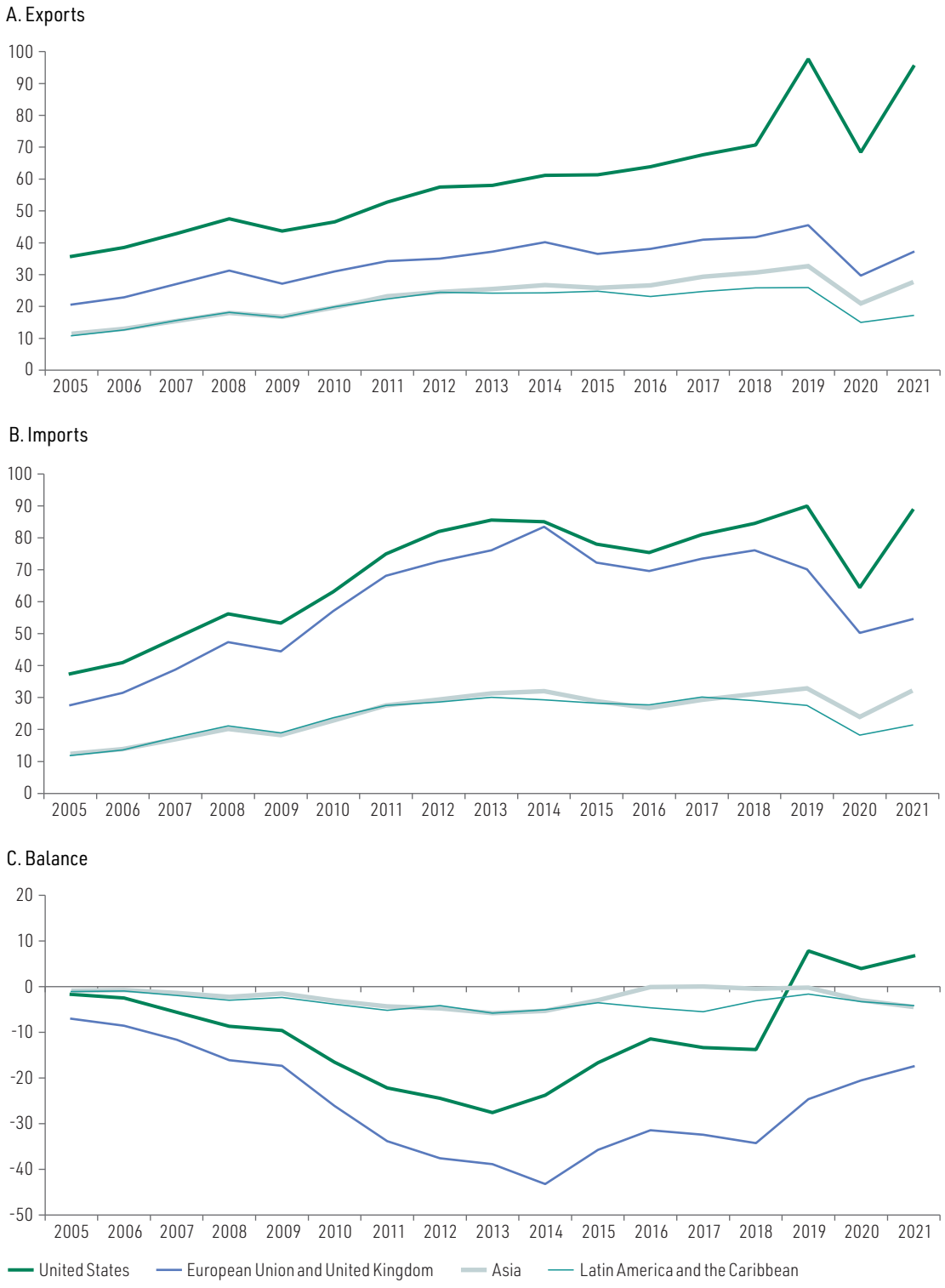
Several Caribbean countries specializing in tourism top the per capita ranking of services exports in the region. These are followed by Panama, which has developed a strong competitive advantage in transport and logistics services associated with the Panama Canal. Costa Rica and Uruguay are also among the region's largest per capita exporters, with major advantages in modern services. At the other extreme, many countries have low per capita levels of services exports, owing to their specialization in raw materials, the large size of their domestic market, or their low level of development.

2. Geographical pattern of regional trade in services[4]

The behaviour of services trade varies greatly among the region's main partners. Exports to all destinations grew quite steadily between 2005 and 2019, before the outbreak of the COVID-19 pandemic. Imports from the various origins peaked between 2013 and 2014, before retreating in the wake of meagre regional growth thereafter. As a result of these two trends, the trade deficit with the different partners narrowed from 2013 onward; and, with the United States, it even turned into a surplus from 2020 onward (see figure III.9). The latter country is not only the main destination for regional services exports, but also the market in which they grew by most between 2005 and 2021 (+6.3% per year on average). It is also the destination in which they recovered most quickly after the first year of the pandemic. Asia is the second fastest growing export market in the period considered (average annual growth of 5.7%), albeit from a low initial level. Exports to countries within the region, which in 2005 were similar in value to those sent to Asia, grew more slowly (+3.0% per year on average). In contrast, imports from Asia grew the fastest between 2005 and 2021 (annual average of 6.2%), albeit also from a low level. Imports from within the region itself grew least during this period.

[4] As most countries in the region do not report their services trade with a breakdown by trading partner, the analysis presented in this section was based on estimates of bilateral flows using information from the Balanced Data Set on Trade in Services (BaTIS) (WTO/OECD, 2024) for 11 sectors of 200 economies between 2005 and 2021. See [online] https://www.wto.org/spanish/res_s/statis_s/gstdh_batis_s.htm.

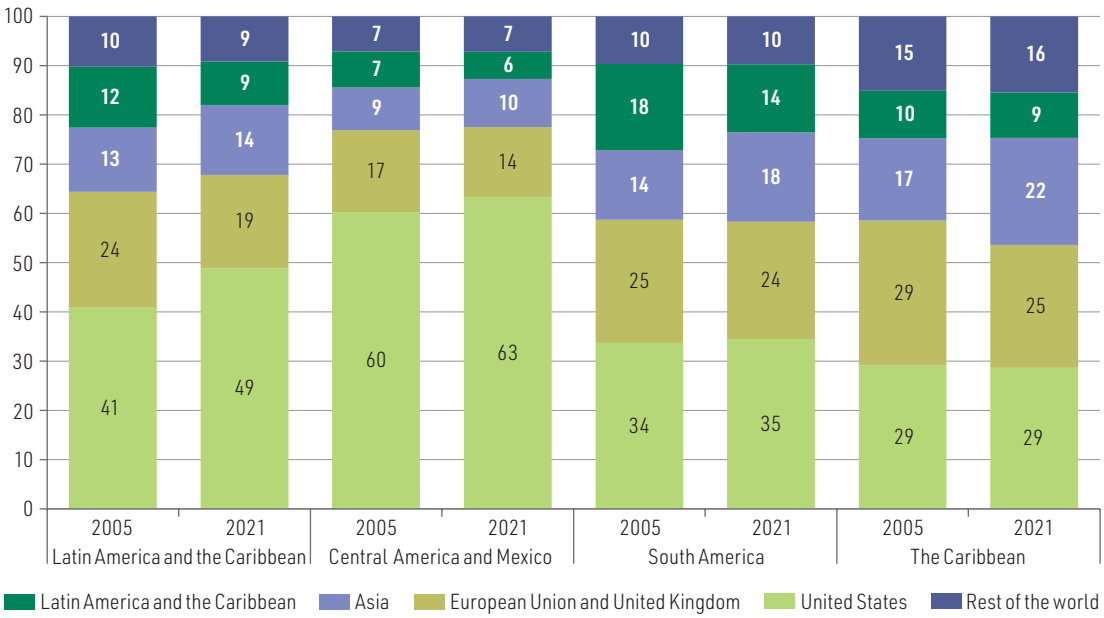
Figure III.9
Latin America and the Caribbean: exports, imports and balance of trade in services, by trading partner, 2005–2021
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO)/Organisation for Economic Co-operation and Development (OECD), Balanced Trade in Services Dataset (BaTiS) [online] https://www.wto.org/english/res_e/statis_e/trade_datasets_e.htm.

In 2021, the United States absorbed 49% of the region's services exports, representing an increase of 8 percentage points since 2005 (see figure III.10). The importance of this market for the region stems from its high purchasing power (it is the world's largest importer of services), its geographical proximity to the region, and the presence of a large Spanish-speaking community. Proximity in terms of time zones is another advantage, especially for categories such as customer services (Herreros and Durán, 2023). Nearly two-thirds of services exports from Mexico and Central America go to this market. The second most important market for the region is the 27-member European Union and the United Kingdom, although this represents less than half of the exports sent to the United States. Moreover, Europe has lost relative importance as a destination market since 2005, as other export markets have grown faster.

Figure III.10
Latin America and the Caribbean (selected subregions): composition 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)/Organisation for Economic Co-operation and Development (OECD), Balanced Trade in Services Dataset (BaTiS) [online] https://www.wto.org/english/res_e/statis_e/trade_datasets_e.htm.

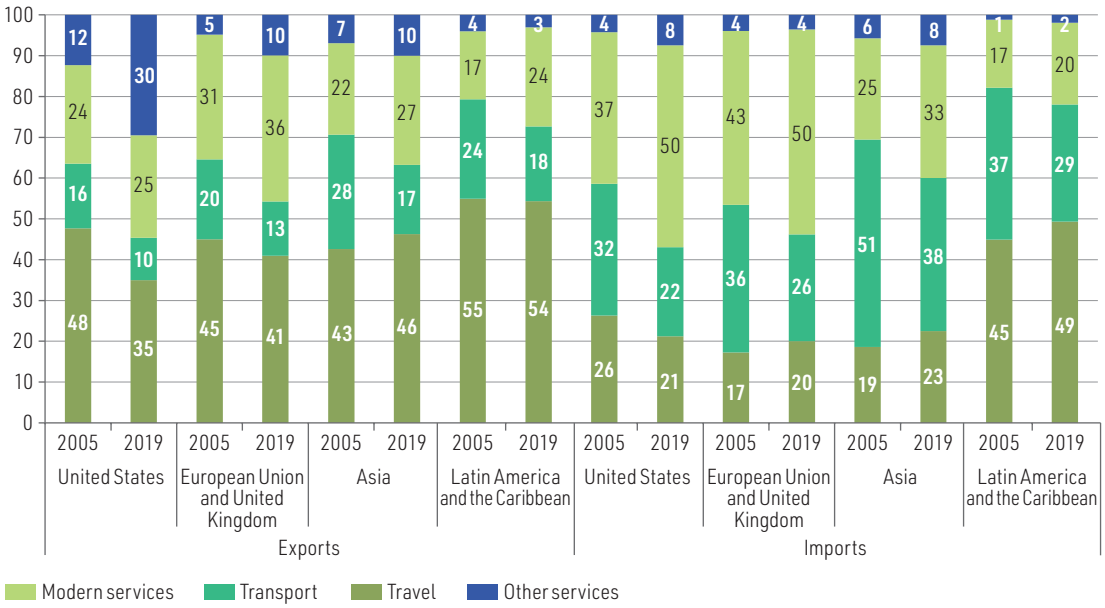
While Asia and Latin America and the Caribbean were of roughly equal importance as destinations in 2005, Asia's share has increased since then, while the region's share has declined, partly owing to faltering demand. There is a contrast between the subregion comprising Mexico and Central America, where exports are clearly orientated towards the United States, and the rest of the region, where European and Asian markets are proportionally more important.

Between 2005 and 2019 major changes occurred in the sectoral composition of regional services exports to certain markets.[5] In the case of the United States, there was a significant increase in exports of other services, particularly manufacturing services for physical inputs owned by others (maquila),

[5] To view the changes in the sectoral structure, 2019 was chosen as the end-year, because the figures for 2020 and 2021 would be unrepresentative owing to the sharp reduction in tourism resulting from the coronavirus disease (COVID-19) pandemic.

as a result of the growing participation of the region's countries in North American manufacturing chains in the context of nearshoring and friendshoring processes (see figure III.11). In the case of Europe, Asia and the region itself, the importance of modern services also increased, while the transport share declined. A similar process occurred in imports, with modern services increasing and transport services declining proportionately.

Figure III.11
Latin America and the Caribbean: composition of services exports and imports, by partner and category, 2005 and 2019
(Percentages)

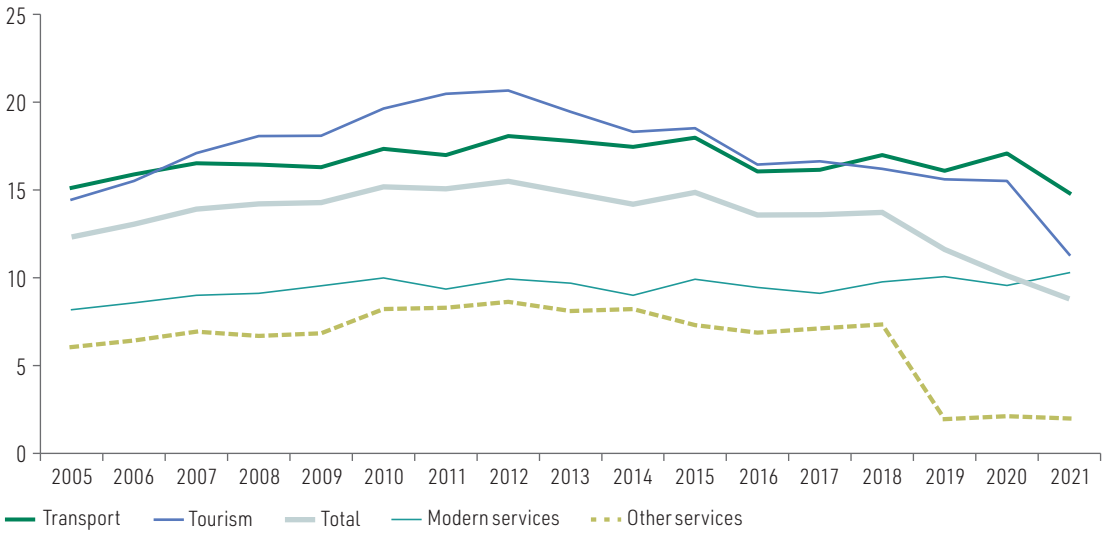


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO)/Organisation for Economic Co-operation and Development (OECD), Balanced Trade in Services Dataset (BaTiS) [online] https://www.wto.org/english/res_e/statis_e/trade_datasets_e.htm.

The region has become less important as a destination for services exports, with its share of the total dropping from 15% to below 10% in the last decade.[6] This reduction was concentrated in travel, where its share fell from over 20% in 2012 to just above 10% in 2021 (see figure III.12). Two reasons explain the sharp reduction that occurred during the COVID-19 pandemic: the tight mobility restrictions adopted by some countries, and the economic crisis which was proportionally worse in several of the region's countries than elsewhere in the world and hampered regional imports. The region's share of exports of transport and other services (mainly manufacturing services) also declined. Nonetheless, the region gained importance as a destination for exports in the modern services sector, although it still accounts for barely one-tenth of total foreign sales.

[6] The intraregional services export coefficient was estimated using information from the Balanced Data Set on Trade in Services (BaTIS) (WTO/OECD, 2024). This indicator follows a similar trend to that of the intraregional goods export coefficient, which fell from 20% in 2012 to 14.9% in 2022.

Figure III.12
Latin America and the Caribbean: share of services exports sent to the region itself, by category, 2005–2021
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO)/Organisation for Economic Co-operation and Development (OECD), Balanced Trade in Services Dataset (BaTiS) [online] https://www.wto.org/english/res_e/statis_e/trade_datasets_e.htm.

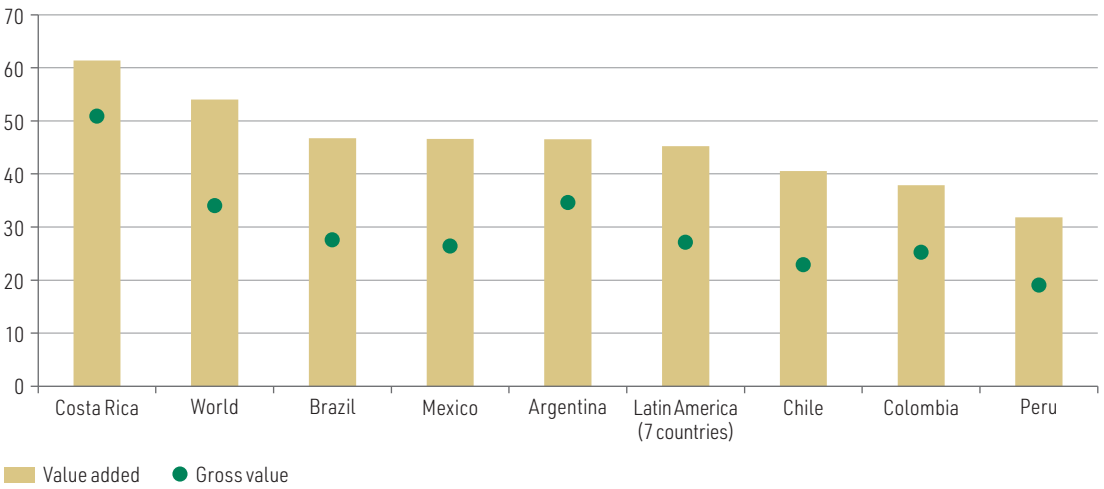
3. Value added of services in international value chains

Services play a crucial role in the functioning of global and regional value chains. Thanks to improvements in digitalization, efficiency, quality and costs, services facilitate the coordination of geographically dispersed production processes. Examples include transport, logistics, telecommunications and business services. In addition to connecting stages of production and value chain segments, services add value and utility to products —both manufactured and primary goods— that are traded internationally (for example, the software embedded in a cell phone or a motor vehicle). Traditional trade statistics (used in the previous section) do not make it possible to observe "servicification" (services used as inputs) and "servitization" (services combined with products in the sale of goods). Measuring the value of such inputs requires decomposing the final (gross) value of a good or service, according to the value added of each of its components, both tangible and intangible (services).

In recent decades, various methodologies have been developed to measure the value added embodied in gross exports, which affords an understanding of the role played by the different economies and sectors in global value chains. International input-output matrices, which relate countries' production systems at the sector level, facilitate these calculations. Several initiatives exist for constructing these matrices with different geographic, sectoral and time coverages. One of them, used here, is the database of Inter-Country Input-Output tables of the Organisation for Economic Co-operation and Development (OECD), which contains data for 76 countries spanning 1995–2019.

In 2019, of the seven Latin American countries included in the Inter-Country Input-Output tables database, Costa Rica's goods and services exports had the highest services content, in terms of both gross value (51%) and value added (61%) (see figure III.13), even exceeding the global average level. In the other countries, the services share of exports —measured in value added terms— was between 10 and 20 percentage points higher than in terms of their gross value. The exports of Peru, Colombia and Chile had the lowest services content, both in gross value and value added. This reflects these countries' heavy specialization in mining products, which make less use of intermediate service inputs than manufacturing.

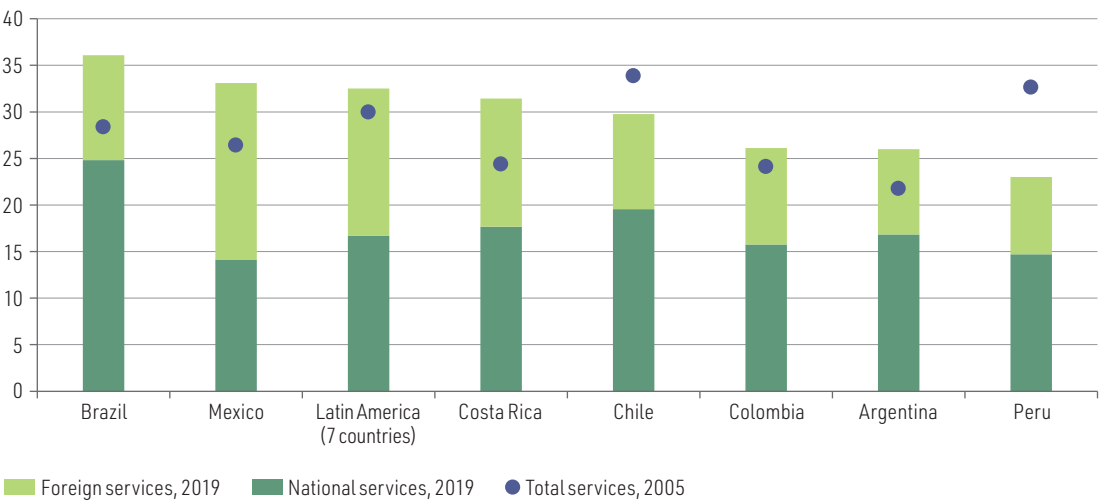
Figure III.13
Latin America (7 countries) and the world: share of services in gross value and value added of goods and services exports, 2019
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), Inter-Country Input-Output tables (ICIO) [online] https://www.oecd.org/en/data/datasets/inter-country-input-output-tables.html.

In 2019, the value added of services accounted for between 23% and 36% of the value of manufacturing exports in the seven Latin American countries analysed (see figure III.14). Mexico leads this group of countries owing to the large share of foreign services embodied in its manufacturing exports, reflecting its close integration into North American value chains. In nearly all countries, the services content embedded in manufacturing exports increased between 2005 and 2019. The exceptions are Chile and Peru, owing to their increasing specialization in mining products.

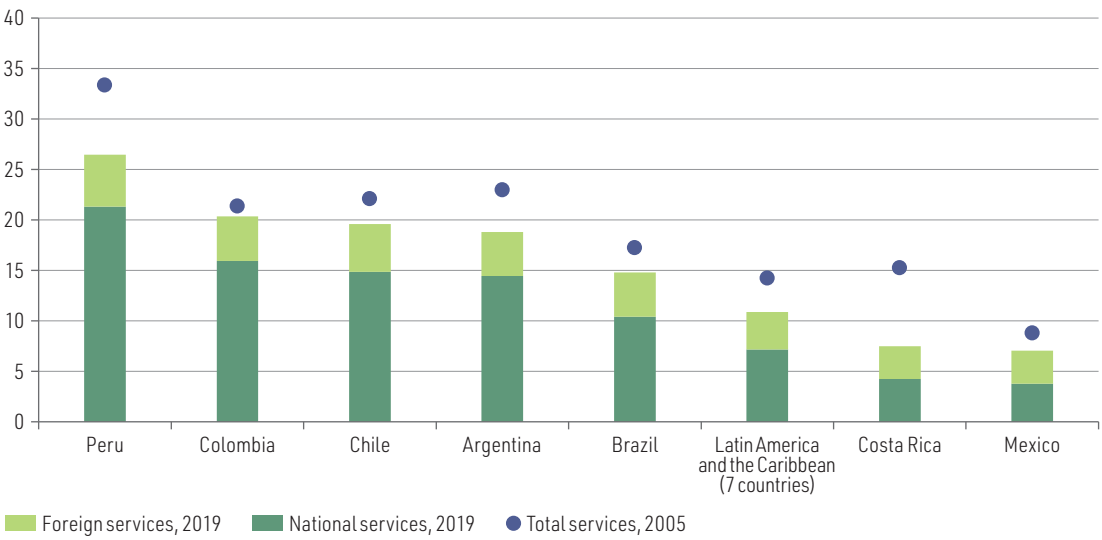
Figure III.14
Latin America (7 countries): share of national and foreign services in manufactured exports, 2005 and 2019
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), Inter-Country Input-Output tables (ICIO) [online] https://www.oecd.org/en/data/datasets/inter-country-input-output-tables.html.

In 2019, the share of services embedded in agricultural and mining exports varied between 7% (Costa Rica and Mexico) and 27% (Peru) (see figure III.15). In all of the countries analysed, the services content of agricultural and mineral exports declined between 2005 and 2019, since commodity prices rose by more than services value added. As explained in greater detail in box III.1, the region has great opportunities for developing and exporting services linked to natural resources.

Figure III.15
Latin America and the Caribbean (7 countries): share of national and foreign services in agricultural and mineral exports, 2005 and 2019
(Percentages)



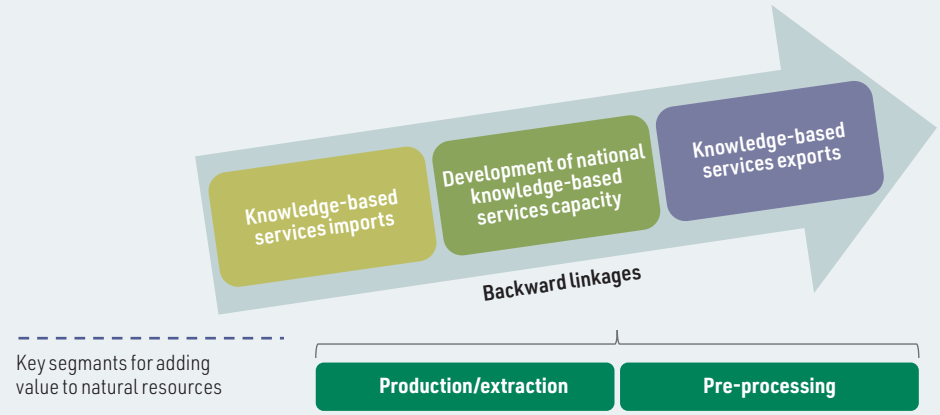
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), Inter-Country Input-Output tables (ICIO) [online] https://www.oecd.org/en/data/datasets/inter-country-input-output-tables.html.

Box III.1
Latin America and the Caribbean: opportunities for exporting natural resource-related services

With burgeoning global demand for natural resources driven by population growth and the green transition, the need for specialized services in their production and extraction is increasing. In 2023, natural resource exports accounted for over half of Latin America and the Caribbean's goods exports. Natural-resource sectors require specialized services, ranging from engineering and remote monitoring in mining to research and development, and to precision agriculture and traceability software in the fruit sector. Services, many of them digital and knowledge-based, account for half of all expenditure on inputs in agriculture and mining and contribute more than a quarter of the value added of their exports.

Many developed countries, including Australia, Norway and the United States, have moved into higher value added segments in global value chains by moving from being mere extractors of natural resources to being global suppliers of services for their production. This evolution follows three key stages (see diagram). In the first stage, a country exploits and exports its natural resources, while importing critical services from more advanced countries. In the second stage, local firms evolve and foreign suppliers establish permanent operations in the country, transferring knowledge and technology for the production and extraction of natural resources, generating positive externalities. The speed of this process depends on industrial policies, the innovation and development system and the institutional environment. Lastly, in the third stage, having now acquired experience, local service providers internationalize and export knowledge-based services. Both local firms and foreign affiliates in the country employ local human capital to boost their services exports. This stage requires specific policies for the supply of services, such as access to markets, information on foreign markets, assistance in developing contacts, financing, and the training of human resources to operate abroad.

Promoting services in global natural resource value chains



Source: K. Fernandez-Stark and P. Bamber, "Agregar valor en las cadenas globales de recursos naturales: el caso chileno", *Revista Integración & Comercio*, No. 48, December 2022.

The creation of complementary services for the efficient and sustainable exploitation and export of natural resources. is already happening in Latin America and the Caribbean. The following are four examples of service-exporting firms in the region that operate successfully in the agricultural and mining sectors. Each is an example of scaling up from the second to the third stage.

- Auravant is an Argentine agrotechnology firm that provides a software platform with satellite and geospatial tools to improve productivity. The firm monitors 15 million hectares for more than 100,000 customers in 135 countries, including Argentina, Brazil, Chile, Peru and Uruguay, covering a wide range of staple and high-value crops.
- Kilimo is another Argentine agrotechnology firm that sells water resource management software, along with implementation and training services. Kilimo has customers throughout the region and subsidiaries in Argentina, Chile and Mexico.
- TIMining is a Chilean services firm that provides digital geotechnical solutions for the mining sector. Its simulation and data analysis software is used in more than 50 mines worldwide.
- RME Analytics is a Chilean services firm that supplies advanced analytical software, mainly to the extractive sector, for the monitoring and optimization of mining facilities. It currently supplies sophisticated software to 25% of the global copper mining industry, with an extensive presence in Chile and Peru.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of K. Fernandez-Stark, P. Bamber and V. Couto, "Comercio de servicios basados en el conocimiento en sectores de recursos naturales en América Latina: los casos de las cadenas globales de valor de agricultura y minería", *International Trade series*, Santiago, ECLAC, 2024, unpublished.

B. The regulatory framework governing services trade

The fact that services represent a smaller share of international trade than goods is due partly to their higher transaction costs, which, in particular, involve complex regulatory rules and procedures (van der Marel and Shepherd, 2020; Giordano and Ortiz Mendívil, 2021). In the region, access to the services market is still subject to significant restrictions, which are compounded by various regulatory procedures influenced by structural and historical factors. As a result, cumbersome rules and regulations generate high trade costs that affect services, even though several policy reforms in recent years have facilitated services trade. This section reviews these norms, their impact on trade, and the steps taken by the region's countries to reduce and harmonize regulatory restrictions through unilateral liberalization and plurilateral, subregional, and bilateral trade agreements.

1. Rules governing the provision of services by foreign suppliers

Governments apply various rules to domestic and foreign service providers on a non-discriminatory basis, in pursuit of multiple public policy objectives. These include protecting consumers from potential abuses or deceptive practices, ensuring minimum operating standards, maintaining financial stability, mitigating negative environmental effects and guaranteeing access to essential services. Another objective is the promotion of free competition, partly by liberalizing services trade. This brings several benefits to the economies, such as greater efficiency, freedom of choice for consumers and innovation. By lowering entry barriers for foreign suppliers, countries can foster competition, reduce prices and improve the quality of services (World Bank/WTO, 2023).

In some cases, the rules restrict free trade in services to some degree. For example, prudential regulation of financial services is necessary to maintain the stability and soundness of the financial system, even though this could potentially involve trade-restrictive measures. Similarly, reducing restrictions on data services can boost the digital economy, but may raise personal data protection and cybersecurity concerns, so measures need to be adopted to protect personal data transmitted across borders.

Trade restrictions can be classified according to the methodology of the OECD Services Trade Restrictiveness Index (Geloso Grosso and others, 2015) (see table III.1). Rules limiting market access and discriminatory measures against foreign firms contained in categories A, B and C affect equal opportunities for foreign suppliers vis-à-vis domestic ones. Examples include the requirement that the directors of foreign firms be resident in the country, or a prohibition on their acquiring real estate. Restrictions on the movement of people and other discriminatory measures, such as double taxation and preference given to domestic firms in public tenders, are other examples.

Table III.1
Categories of services trade regulation

1. Market access and discriminatory measures	2. National regulations
A. Restrictions on the entry of foreign companies	**D. Barriers to competition**
Equity restrictions	Appeals and redress
Restrictions on legal form	Rate setting
Board of directors and officers	Minimum capital requirements
Foreign direct investment (FDI) review	Advertising
Other barriers to investment	Independence of the regulator
Performance requirements	Separation of accounting
Commercial or local presence requirement	Dispute resolution mechanism
Cross-border data flows	
B. Restrictions on the movement of people	**E. Regulatory transparency**
Quotas	Communication of the legislative process
Labour market tests	Stakeholder participation
Duration of stay	Business visa restrictions
	Criteria for awarding licenses
C. Other discriminatory measures	
Taxes and subsidies	
Public procurement	
Other standards and measures	

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organization for Economic Cooperation and Development (OECD), *OECD Services Trade Restrictiveness Index Policy trends up to 2024*, Paris, 2024 [online] https://doi.org/10.1787/b9e5c870-en.

The general rules for categories D and E in table III.1 include the fact that the processes for appealing regulatory decisions are not clearly defined (or are not available), which makes it difficult for foreign firms to challenge adverse rulings. Another case is the setting of rates for certain services, such as telecommunications, which may make it harder for foreign firms to compete on price. Another example is the existence of complex procedures and long waiting times to obtain business visas, which may deter foreign entrepreneurs from making the necessary trips. Also restrictive is the lack of clear criteria for obtaining licences to operate in various sectors. All of these measures affect the business environment and the ease of doing business in a country.

Current regulations concerning services trade in Latin America and the Caribbean can be evaluated using the methodology of the OECD Digital Services Trade Restrictiveness Index (DSTRI) and Services Trade Restrictiveness Index (STRI) (OECD, 2024a). Both indices represent a first approximation of the level of restriction in services derived from each country's regulatory framework. For this reason, they should be analysed in conjunction with other sources of information, whether quantitative or qualitative. The indices contain factual information on the (*de jure*) services rules that are applicable on a most-favoured-nation basis.

The Digital Services Trade Restrictiveness Index[7] groups the measures evaluated into five categories: infrastructure and connectivity, electronic transactions, payment systems, intellectual property rights and other barriers affecting trade in digitally enabled services. The measures in the Digital Services Trade Restrictiveness Index[8] are grouped in the five categories (A–E) shown above in table III.1. These categories incorporate a series of measures that account for each country's regulation in specific sectors, namely telecommunications, computer services, wholesale and retail distribution, courier services, financial services and logistics services.[9] Each index aggregates the restrictive measures to form a composite index for each sector and country. Both indices yield values ranging from 0 (low level of restriction) to 1 (highly restricted) and thus provide an overview of the state of regulation and its impact on trade in services.

The results for 16 of the region's countries in different sectors are shown below, according to the DSTRI methodology, and are also compared with the average of the 38 OECD countries, which are the most competitive services exporters worldwide. On average, in 2023, the Latin American regulatory environment governing trade in modern services according to DSTRI was slightly more restrictive (index of 0.17) than the OECD average (0.10) (see figure III.16). Costa Rica, El Salvador, Ecuador and Mexico had the most open regimes, while those of Argentina, the Plurinational State of Bolivia, Uruguay, Chile and Colombia were somewhat more closed. Of total restrictions, 71% relate to infrastructure, electronic transactions and cross-border data flows. For example, in some countries there is no interconnection requirement for telecommunications networks (for both fixed and mobile lines), or else the interconnection conditions are opaque. In this case, providers (domestic or foreign) are sometimes unable to access the infrastructure of other providers, which affects the quality of the service they provide to their users or customers. On other occasions, there is no clarity on access conditions or prices. There is also a shortage of independent regulatory bodies to oversee the implementation of regulations to ensure the development of a competitive telecommunications market. In the case of electronic transactions, some countries have not adopted international standards such as the United Nations Convention on the Use of Electronic Communications in International Contracts (CEC); and it is sometimes difficult for non-resident suppliers to register

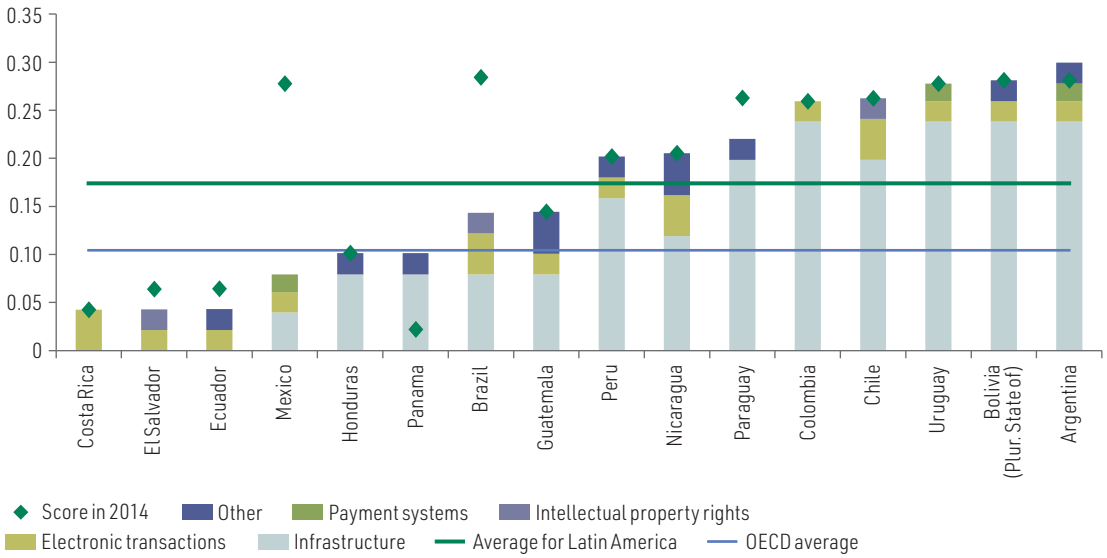
7 For further details on the methodology of the Digital Services Trade Restrictiveness Index, see Ferencz (2019).

8 For further information on the methodology of the Services Trade Restrictiveness Index, see Geloso Grosso and others (2015).

9 This work is the result of a collaboration between ECLAC and OECD. Further details can be found in Regional Digital Trade Regulatory Integration Initiative [online] https://dtri.uneca.org/. The World Bank and the World Trade Organization (WTO) also provide similar data on 134 countries (including 13 in the region) and 34 sectors in 2022 in their integrated services trade intelligence portal ITIP-Services. See [online] https://itip-services-worldbank.wto.org/SearchApplied.aspx. The indices used by OECD and ECLAC and by the World Bank and WTO are based on different methodologies, so the results are not comparable.

online for tax purposes. Between 2014 and 2023, the level of restriction remained almost constant in 12 countries, except in Brazil and Mexico,[10] where it has clearly diminished, and in Panama where it has increased.

Figure III.16
Latin America (16 countries) and OECD: modern services trade restrictiveness, 2014 and 2023
(Index, from 0 (least restrictive) to 1 (most restrictive))



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD)/ECLAC, "OECD Data Explorer: Digital Services Restrictiveness Indicator", 2024 [online] https://data-explorer.oecd.org/.

A high level of restrictions on digital trade, or significant differences (heterogeneity) between a country's regulations and those of its trading partners, hamper bilateral trade in modern services, especially in Latin America. This finding emerges from a study on the impact of regulatory barriers and other factors affecting trade in modern services (see box III.2).

Box III.2
Latin America: impact of rules on intraregional trade in modern services

The impact of the rules governing the intra-regional trade in modern services of the countries of the region can be estimated using a gravity model. This distinguishes between two groups of determinants of the trade between two countries:[a]

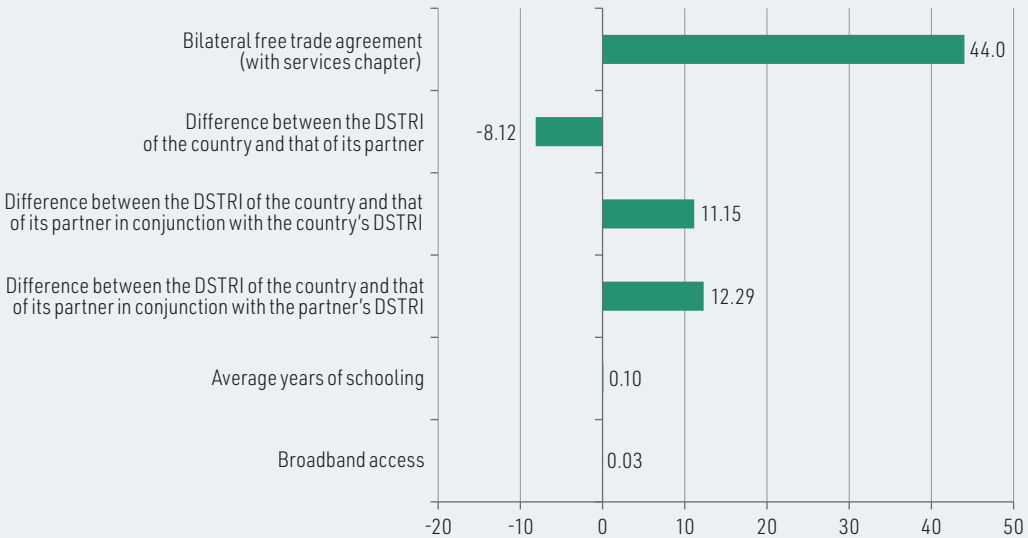
(i) Four variables related to trade policy and rules: (i) the existence of a free trade agreement with a services chapter between two trading partners; (ii) the difference (heterogeneity) between the level of restrictions prevailing in the exporting country and those of its trading partners; (iii) the heterogeneity of restrictions in conjunction with the level of services trade restrictiveness prevailing in the exporting country; and (iv) the combination of the heterogeneity of restrictions and the level of trade restrictiveness prevailing in the partner countries.

[10] The decline in Brazil and Mexico is due mainly to the entry into force of a data law and a new telecommunications law, respectively, which eased restrictions in the infrastructure and connectivity pillar.

(ii) Two factors measure a country's readiness to produce and export digital services: (i) average years of schooling as a proxy indicator of human capital; and (ii) broadband access by the adult population.

Estimation of the model for intraregional trade in modern services yields the following results (see figure below):

Latin America (selected countries):[a] estimated effects of rules and digital readiness on amount of intraregional flows of modern services, 2014–2021
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of R. Monge and others, "Los servicios digitales como nuevo motor de la integración regional y de crecimiento en América Latina y el Caribe", *International Trade series*, Santiago, ECLAC, 2024, unpublished.

[a] The sample of countries includes members of the Pacific Alliance, the Andean Community, the Central American Common Market, MERCOSUR and the Dominican Republic.

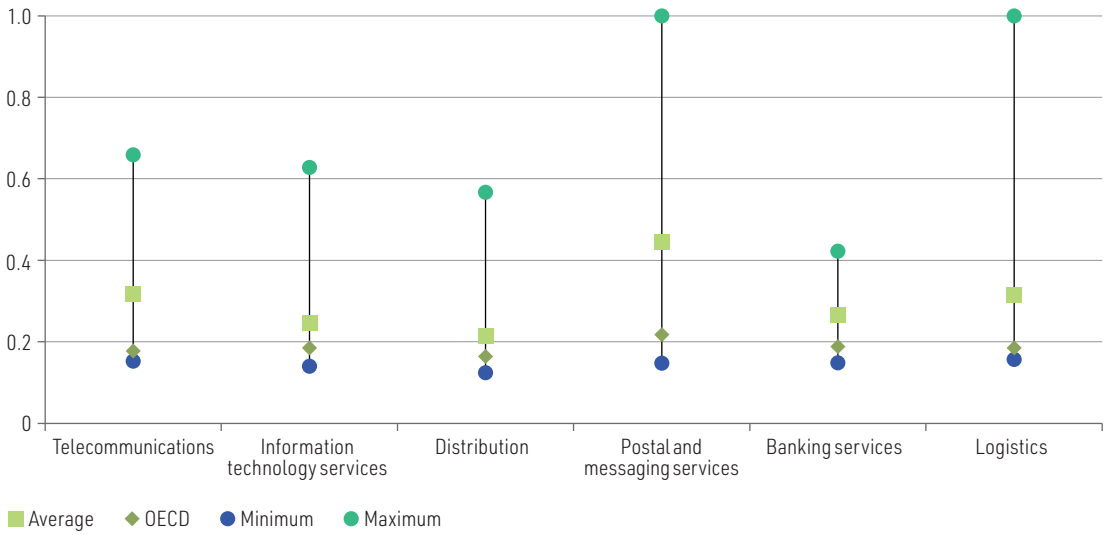
- The existence of a free trade agreement with a services chapter between two partners would increase their trade in digital services by 44%.
- A 1% reduction in the difference in the level of restriction between an exporting country and its partner would increase exports to the latter by 8%.
- The combinations of regulatory differences with the restrictiveness levels of the exporting and importing country yield statistically positive results. That is, the marginal impact of regulatory heterogeneity on services exports varies positively with the level of restriction (Digital Services Trade Restrictiveness Index) of the importing country and the exporting country. Regulatory heterogeneity is more important when a country's digital trade is less restrictive, in both the importing and the exporting country.
- The effects of level of schooling and broadband access are much weaker than those of the trade policy variables. Thus, an additional year of schooling could be associated with an increase in digital services trade of 0.1%, while in the case of an increase in broadband access the increase would be 0.03%.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of R. Monge and others, "Los servicios digitales como nuevo motor de la integración regional y de crecimiento en América Latina y el Caribe", *International Trade series*, Santiago, ECLAC, 2024, unpublished.

[a] The model also includes three additional determinants (fixed effects) that measure the following: (i) the costs faced by producers when selling services in the world market; (ii) the costs faced by consumers when buying services abroad; and (iii) the costs of bilateral trade (for example, the distance between the two countries).

In 2023, the levels of restriction in six key sectors for digital trade in the region ranged from 0.2 (distribution) to 0.4 (postal services and express deliveries) according to the STRI methodology (see figure III.17). In the OECD countries, restrictions were more homogeneous and lower on average (around 0.2). However, in the cases of computer, distribution and banking services, the region and OECD reported almost the same levels of restriction. The greatest differences in respect to levels of restrictiveness between countries in the region were observed in postal and logistics services. In both cases, some countries had a maximum level of restriction (1.0) owing to the existence of State monopolies or the fact that certain activities were reserved for national firms.

Figure III.17
Latin America (16 countries)[a] and OECD: restriction on trade in services, 2023
(Index, from 0 (least restrictive) to 1 (most restrictive))

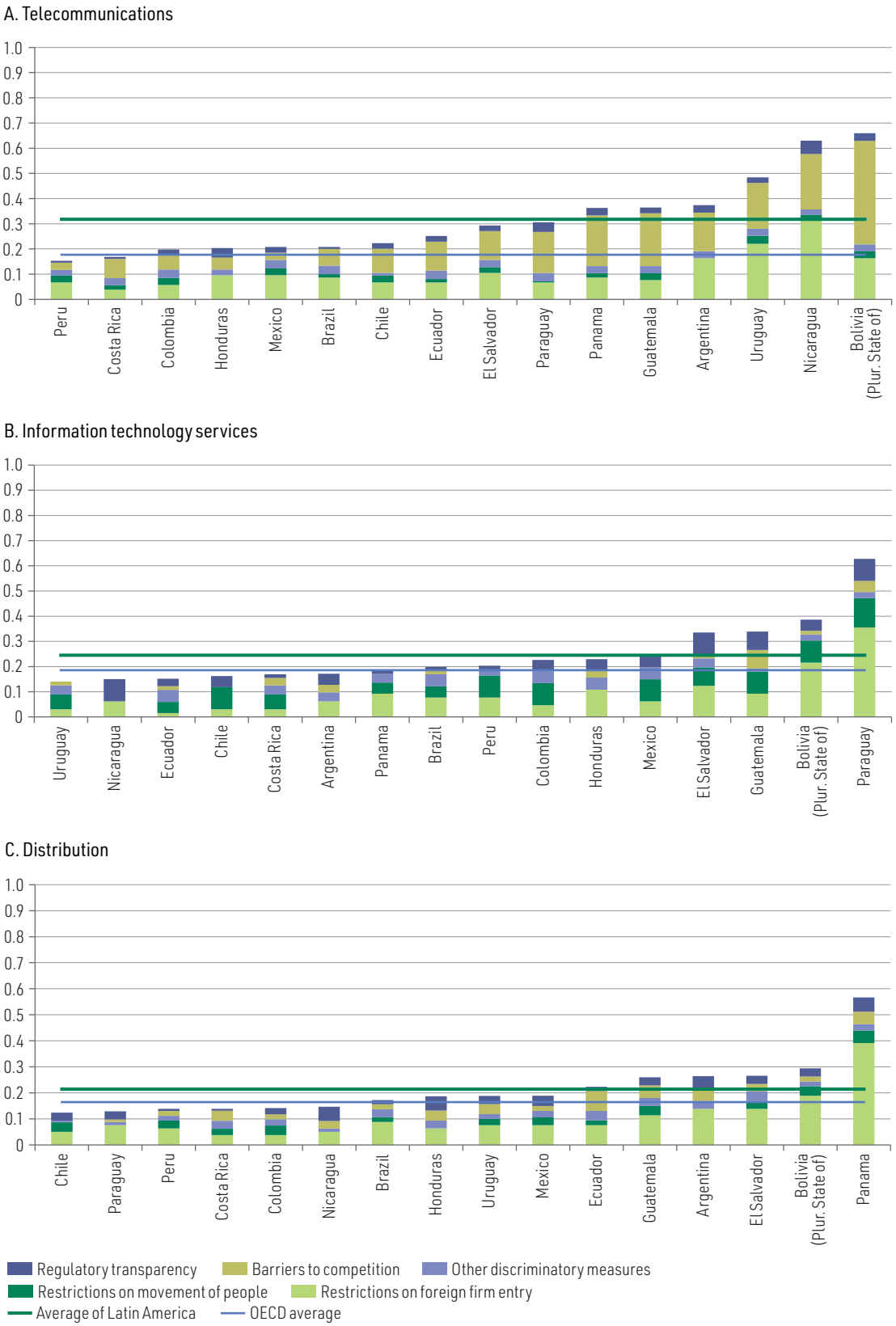


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD)/ECLAC, "OECD Data Explorer: Digital Services Restrictiveness Indicator", 2024 [online] https://data-explorer.oecd.org/.

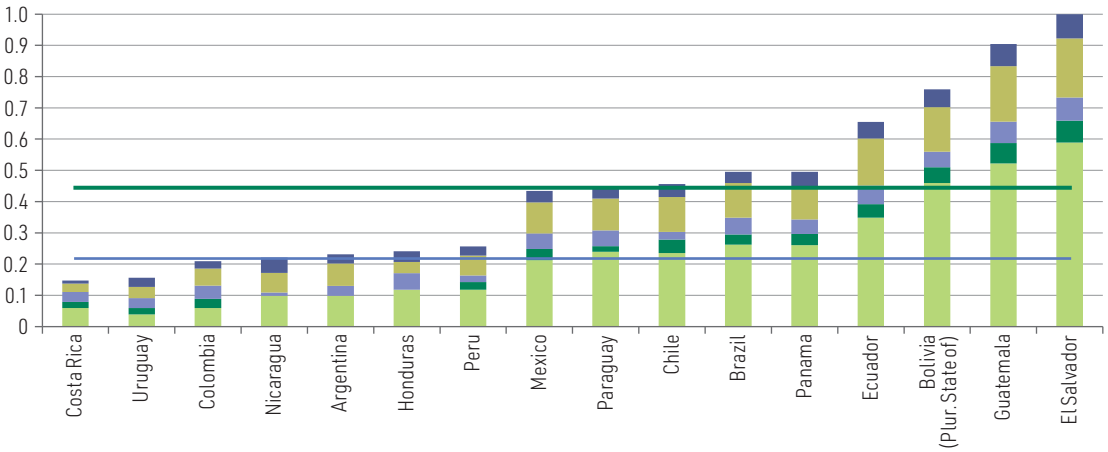
[a] Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

The results are shown below, as measured by the services trade restrictiveness index. Firstly, trade in telecommunications services is more restricted in the region (with an index of 0.32) than in the OECD (0.18). This sector includes fixed and mobile communication and Internet services, but excludes television and radio. Peru, Costa Rica, Colombia, Honduras, Mexico and Brazil have the most liberalized regimes, while the Plurinational State of Bolivia, Nicaragua and Uruguay have the most restrictive ones (see figure III.18A). In terms of competition, in some countries customers cannot keep their fixed-line or mobile telephone number when changing provider. In addition, the commercial presence requirements for obtaining licences are complex in some countries. In other cases, there are local presence requirements, such as domicile, local agent or domiciled representative, which may increase start-up costs. There are also limits on the proportion of equity that can be acquired by foreign investors in publicly controlled companies.

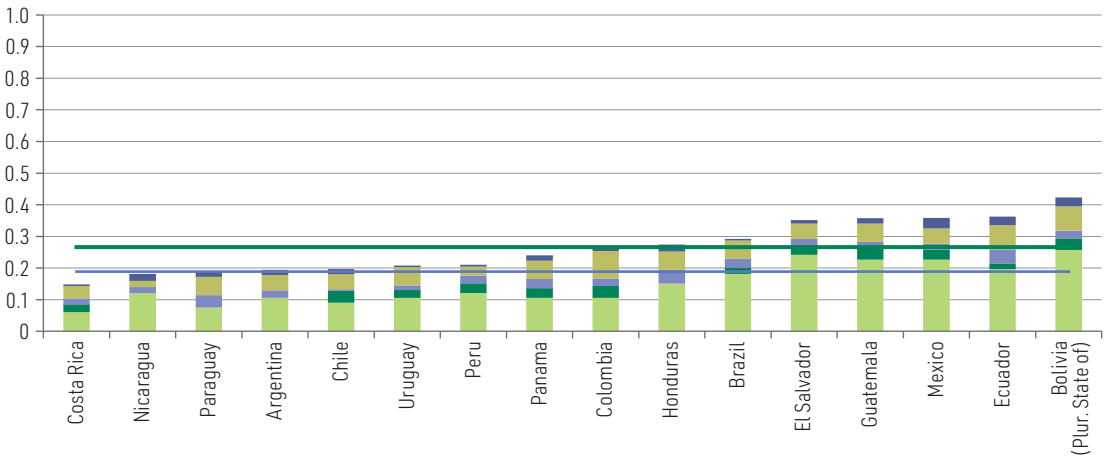
Figure III.18
Latin America (16 countries) and OECD: services trade restrictiveness, by category, 2023
(Index, from 0 (least restrictive) to 1 (most restrictive))



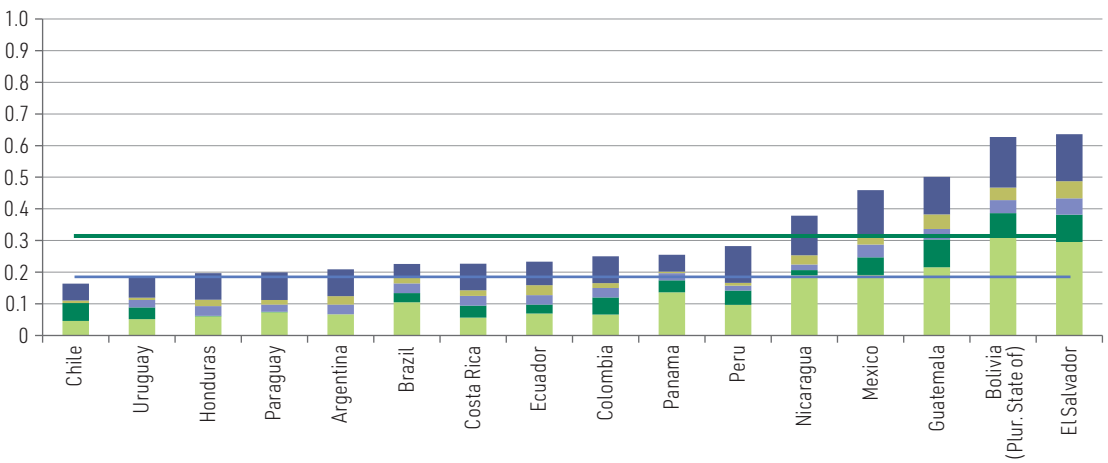
D. Postal and messaging services



E. Banking services



F. Logistics



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD)/ECLAC, "OECD Data Explorer: Digital Services Restrictiveness Indicator", 2024 [online] https://data-explorer.oecd.org/.

With respect to trade in computer services, the countries of the region maintain a somewhat higher level of restriction than OECD members (0.25 and 0.19, respectively). This sector includes programming services, consulting. and other information technology and information activities. Uruguay, Nicaragua, Ecuador, Chile, Costa Rica, Argentina and Panama have the most open regimes. In contrast, Paraguay, the Plurinational State of Bolivia, Guatemala, El Salvador and Honduras adopt more restrictive measures (see figure III.18B). In some countries, foreign firms may be required to employ minimum percentages of national workers.[11] In other countries there are still no specific laws on data protection, which generates business uncertainty. In some cases, international data transfers are only allowed if the data controller complies with certain safeguards. In addition, the movement of people in some countries is restricted by licensing or authorization requirements for certain professions. This, compounded by obstacles to gaining recognition for qualifications obtained abroad, makes it difficult for foreign professionals to obtain authorizations.

In 2023, the level of restrictions on the wholesale and retail distribution trade in the region was somewhat higher (0.21) than that of OECD countries (0.16). Chile, Paraguay, Peru, Costa Rica, Colombia and Nicaragua have more open regimes, while Panama, the Plurinational State of Bolivia, El Salvador, Argentina and Guatemala tend to be more restrictive (see figure III.18C). In some countries foreign firms face entry restrictions, such as commercial and local presence requirements;[12] and in some cases the requirements for operating in the sector lack transparency.

The level of trade restrictions on postal and messaging services in the region (0.44) is considerably higher than that of OECD countries (0.22). This sector includes the collection, transport and delivery of letters and parcels and express delivery services. Costa Rica, Uruguay, Colombia, Nicaragua and Argentina have the most open regimes, while the Plurinational State of Bolivia, Ecuador, Panama and El Salvador are more restrictive (see figure III.18D). Some countries maintain legal monopolies for the receipt, transport and delivery of mail in the postal sector (not in the messaging sector). In others, there are limits on the proportion of shares that can be acquired by foreign investors in public enterprises. In some countries there is no separation of functions between the regulator and the operators, nor even-handed tax treatment for firms in the sector.

Banking services face greater restrictions in the region than in OECD average (0.27 and 0.19, respectively). This sector covers deposit-taking, lending, payment services, leasing and guarantees. Costa Rica, Nicaragua, Paraguay, Argentina and Chile have the most open regimes. In contrast, the Plurinational State of Bolivia, Ecuador, Mexico, Guatemala and El Salvador are more restrictive (see figure III.18E). In some countries, a branch office or the appointment of a representative is required. Others impose limitations on foreign equity in State-controlled financial institutions. In some cases, regulators do not have independent budgets. In other countries, there is no level playing field for private banks vis-à-vis State-controlled banks. Lastly, in some cases, international standards have not yet been adopted.[13]

In 2023, trade in logistics services was also more restrictive in the region than in OECD countries (0.31 compared to 0.19, respectively). This sector includes cargo handling, warehousing and storage, freight forwarding, and customs brokerage services. The trade regimes of Nicaragua, Chile, Honduras, Uruguay and Paraguay are more open, whereas those of the Plurinational State of Bolivia, Guatemala, Mexico and El Salvador are more restrictive (see figure III.18F). In some countries, participation in

11 Requirements of this type could limit the number of foreign workers that firms can hire and, consequently, hinder the transfer of new knowledge.

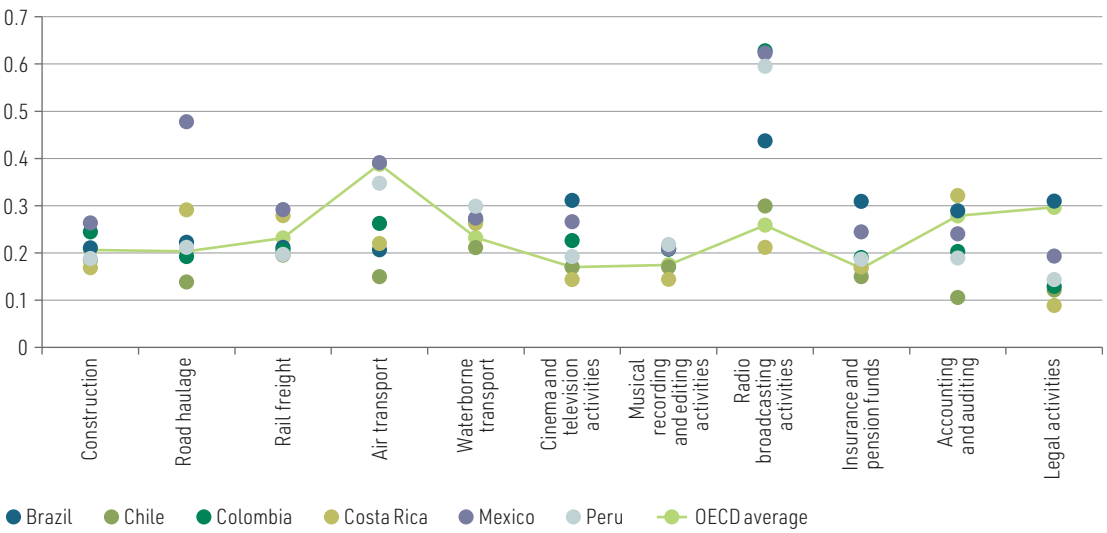
12 In one country, retail trade is reserved for nationals or naturalized foreigners. In another, 90% of the staff must be nationals. In a third country, firms have to obtain a municipal authorization and a provincial declaration of feasibility.

13 These include the risk-weighting standards of the Basel Committee on Banking Supervision, the International Financial Reporting Standards (IFRS) and the Financial Action Task Force (FATF) standards.

certain subsectors is reserved for nationals;[14] and in some cases there are requirements to hire a minimum percentage of local labour. There are also requirements for commercial and local presence in some logistics subsectors.[15]

In other service sectors, such as construction, broadcasting services, professional services and transport, the level of restrictions in 2022 varied between 0.16 and 0.47 (see figure III.19).[16] In 2023, the average level of restrictions in the six Latin American countries reviewed was higher than the average for OECD countries, except in air transport, rail freight, accounting and auditing, and legal activities. The most open countries in the region, in these sectors, were Chile and Costa Rica, and the most closed were Mexico and Brazil.

Figure III.19
Latin America and the Caribbean (6 countries) and OECD: trade restrictiveness of selected other services, 2023
(Index, from 0 (least restrictive) to 1 (most restrictive))



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD)/ECLAC, "OECD Data Explorer: Digital Services Restrictiveness Indicator", 2024 [online] https://data-explorer.oecd.org/.

2. Multilateral regulations and plurilateral initiatives

To facilitate trade in services, several of the region's countries have participated in multilateral, plurilateral, subregional and bilateral agreements. These seek mainly to consolidate existing levels of openness, because, in the case of services, most of the actual liberalization tends to be done unilaterally. At the multilateral level, all World Trade Organization (WTO) member countries in the region implemented the General Agreement on Trade in Services (GATS) in 1995 following the Uruguay Round.[17] This treaty establishes principles and rules to facilitate trade in services and has served as a framework for subsequent trade agreements. The agreement covers all services except government services and some components of air, financial and maritime services. In 1997, progress was made in liberalizing financial and telecommunications services under GATS.

14 In some countries only nationals can obtain a customs agent or customs broker license.
15 For example, in one country customs agents must be domiciled in the country to obtain authorization for their operations.
16 The OECD analysis of restrictions in these sectors includes only six Latin American countries.
17 The Bahamas is the only country in the region that is not a WTO member.

Between 2013 and 2016, the United States, the European Union and 21 other countries attempted to negotiate a plurilateral agreement on international services trade (Trade in Services Agreement – TiSA), which was intended to achieve further liberalization of trade in services and ultimately update the GATS provisions, which predate the widespread commercial deployment of the Internet. However, this negotiation did not succeed (European Parliament, 2024).

Between 2017 and 2021, 67 WTO members negotiated a narrower plurilateral agreement on domestic regulation in services to improve the transparency, predictability and effectiveness of horizontal rules governing licensing requirements and procedures, professional qualifications and technical standards necessary for the supply of services. This agreement, which entered into force for most countries in February 2024 during the Thirteenth Ministerial Conference of WTO, currently includes 72 participants representing 93% of world trade in services.[18] It is estimated that this agreement could reduce global trade costs by more than US$ 125 billion (WTO, 2024b) (see box III.3 for further details).

Box III.3

Agreement on Services Domestic Regulation of the World Trade Organization

The disciplines of this plurilateral agreement ensure that the opportunities created by the commitments on services are not affected by authorization procedures, the recognition of professional qualifications and technical standards that hinder services trade. This approach fosters a more transparent and predictable regulatory environment, thereby making it easier to access and operate in domestic markets.

The disciplines in question will be inscribed as "additional commitments" in the Article XVIII schedules of GATS, allowing commitments on qualifications, standards and licensing to be negotiated. These complement existing commitments and are only binding on members that incorporate them in their schedules. They are applied on a most-favoured-nation basis, benefiting service suppliers of all WTO members equitably. The agreement allows its members to adapt its provisions according to their regulatory capacity and apply them to additional sectors on a voluntary basis. It is also flexible in that developing economies and least developed countries can delay the implementation of certain provisions with transition periods to adjust their regulatory frameworks.

The agreement establishes measures to improve transparency. Governments will be required to publish the information needed to comply with authorization requirements, respond to enquiries from service providers, and ensure stakeholder participation through the publication of draft laws and other regulations. Information will be consolidated in a single online portal, and technical standards will be developed through open and transparent processes, basing authorization measures on objective and transparent criteria. In addition, procedures will be impartial and not discriminate between men and women. To afford certainty to authorization procedures, governments will establish indicative timelines for processing applications on a timely basis, providing information on their status and allowing for the correction of minor deficiencies in incomplete applications. Reasons for denial of applications should be disclosed and resubmissions should be allowed. Once granted, authorizations should become effective without undue delay, and frequent reviews should be conducted to maintain the efficiency of the system.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), "Services Domestic Regulation: Good regulatory practice for services markets enters WTO rulebook", 2024 [online] https://www.wto.org/english/tratop_e/serv_e/sdr_factsheet_feb24_e.pdf.

[18] These include Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Mexico, Paraguay, Peru and Uruguay.

Since 2019, plurilateral negotiations on e-commerce have been taking place in the WTO framework. The initiative involves 91 WTO members (including 15 countries from the region),[19] representing over 90% of world trade. In July 2024, a stabilized text of the agreement was achieved that includes the following elements: the non-imposition of customs duties on electronic transmissions; the adoption of laws consistent with the Model Law on Electronic Commerce and the Model Law on Electronic Transferable Records of the United Nations Commission on International Trade Law; the use of electronic signatures; the provision and submission of customs forms in electronic format; increased access to, and availability of, public data; the adoption of consumer protection measures; the regulation of unsolicited commercial electronic messages (spam); and the adoption of measures to protect users' personal data. Although the text of the agreement is considered "stabilized," several issues still need to be resolved to reach a final agreement (Watson, Fairly and Williams, 2024).

Another key agreement for trade in digitally enabled services is the moratorium on the application of customs duties to electronic transmissions, also negotiated under WTO. First introduced in 1998, the moratorium has been extended several times, usually every two years, to encourage the growth of digital trade worldwide. The moratorium has been the subject of controversy in recent years. While its supporters argue that it provides a stable and predictable environment for digital trade, its opponents argue that it represents a loss of revenue opportunities and may hinder digital industrialization in their economies. While the moratorium has been extended until March 2026, the debate over its future continues (WTO, 2024a).

3. Regulation of services in the region's preferential trade agreements

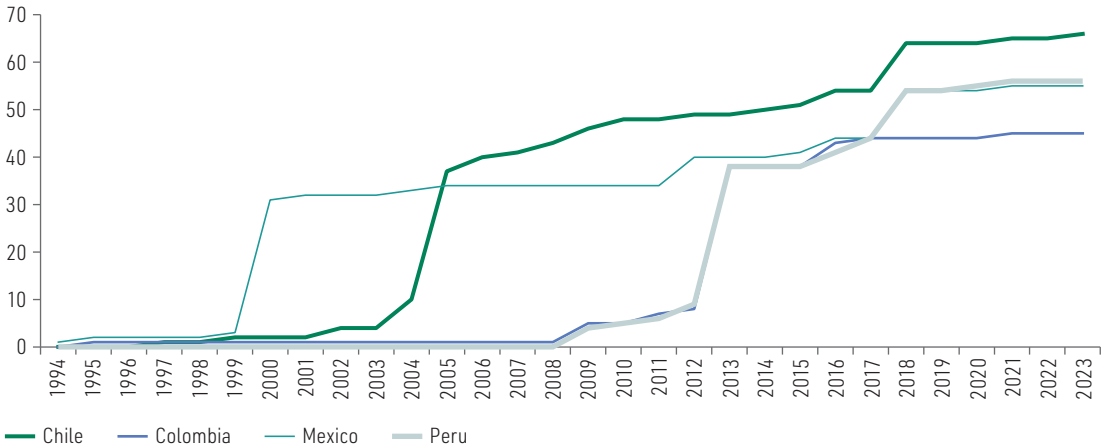
Between 1994 and 2023, the countries of the region signed 80 preferential trade agreements (20 plurilateral and 60 bilateral) that contain chapters on trade in services (World Bank, 2024a). These agreements include those signed between the countries themselves and with subregional groupings in Latin America and the Caribbean, and also those negotiated with extra-regional partners such as the European Union, the Republic of Korea, the United Kingdom and the United States. The number of agreements signed varies widely among the countries of the region, ranging from 24 in the case of Chile to none in the Bolivarian Republic of Venezuela, Cuba and the Plurinational State of Bolivia (World Bank, 2024a). The Pacific Alliance is the grouping in which these agreements —negotiated mostly individually by each of its members— encompass the largest number of trading partners: 66 for Chile, 56 for Peru, 55 for Mexico and 45 for Colombia (see figure III.20). In the case of the Central American countries, most of these agreements have been negotiated collectively and cover between 39 and 46 partners. In the MERCOSUR countries, Brazil signed an agreement with Chile; and Uruguay has agreements with both Mexico and Chile.[20]

[19] These include Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.

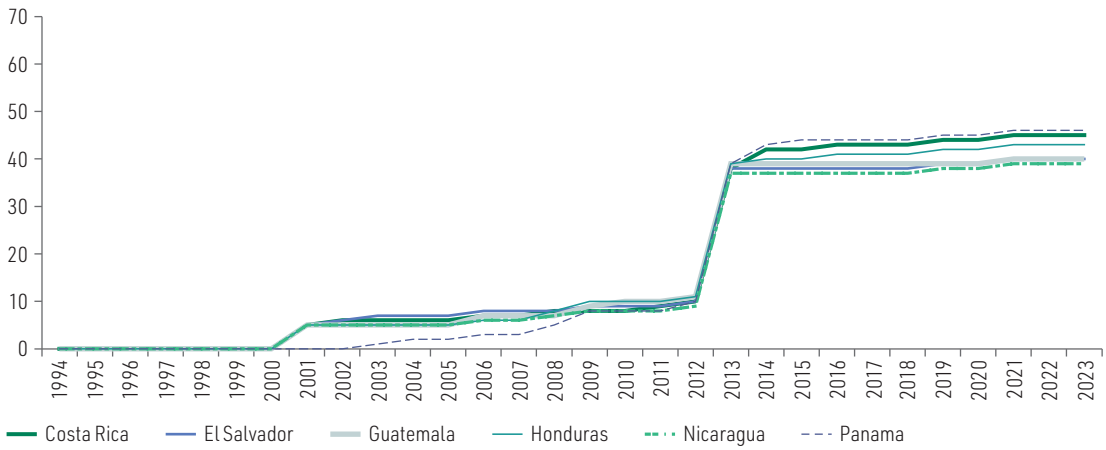
[20] In addition, a free trade agreement between MERCOSUR and Singapore was signed in December 2023 (not yet in force), which includes a chapter on trade in services.

Figure III.20
Latin America and the Caribbean (selected countries and groupings): trading partners included in preferential agreements with a chapter on services, 1994–2023
(Total number of partners)

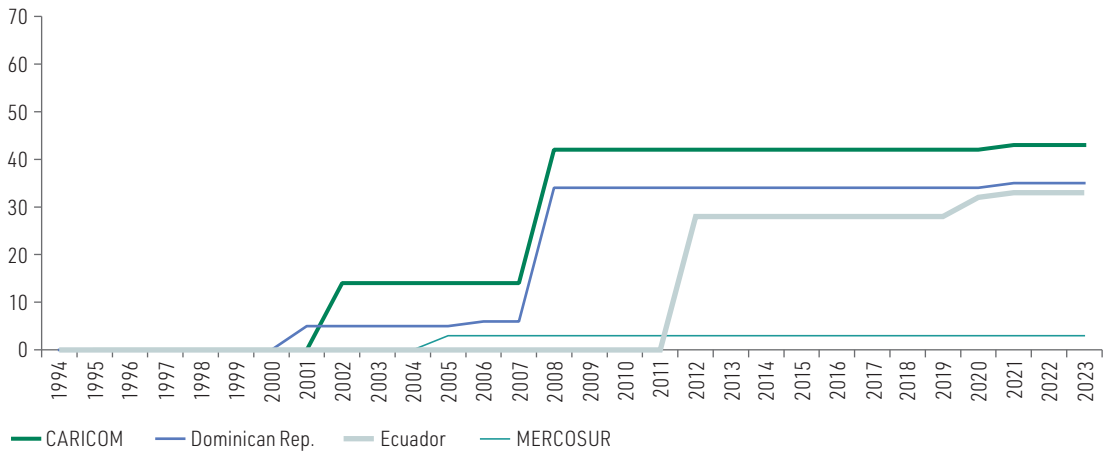
A. Pacific Alliance



B. Central America



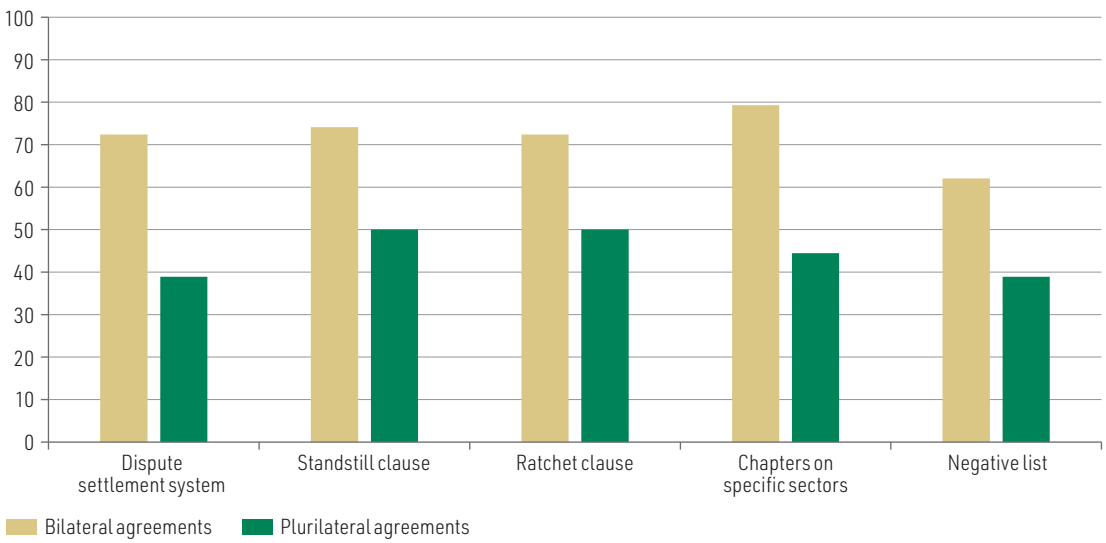
C. Other groupings and countries



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, Deep Trade Agreements 2.0 database, 2024 [online] https://datatopics.worldbank.org/dta/table.html.

The impact of services trade agreements depends largely on whether they contain commitments that effectively reduce barriers to international trade. In general, both globally and regionally, bilateral agreements tend to be more ambitious in scope and structure than plurilateral ones (Borchert and Di Ubaldo, 2021). In both cases, most of the agreements have provisions on national treatment, most favoured nation and mutual recognition. However, bilateral agreements are more likely to include more ambitious elements, such as a dispute settlement system (State–State and State–investor), a standstill clause,[21] a ratchet clause,[22] sector-specific chapters, and the negative list approach[23] (see figure III.21). The combination of specific features of deep agreements can boost services trade between countries significantly. For example, agreements with an ambitious structure (such as the negative list approach and separate chapters for different modes of supply) can be more effective in liberalizing services trade, potentially increasing it by up to 55%. In contrast, less ambitious formulations do not have significant effects on trade (Borchert and Di Ubaldo, 2021).

Figure III.21
Latin America and the Caribbean (31 countries):[a] proportion of bilateral and plurilateral agreements on services trade that include specific provisions, 2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of I. Borchert and M. Di Ubaldo, "Deep services trade agreements and their effect on trade and value added", *Policy Research Working Paper*, No. 9608, Washington, D.C., World Bank, 2021 and World Bank, "Deep Trade Agreements database 2.0", 2024 [online] https://datatopics.worldbank.org/dta/table.html.

[a] Excluding the Bolivarian Republic of Venezuela and Cuba.

[21] The standstill clause guarantees that the current conditions of market access and national treatment for the signatory countries' service suppliers will be maintained without new restrictions. This provides stability and predictability, avoiding the implementation of new barriers or unfavourable measures.

[22] In a ratchet clause, the parties to a trade agreement undertake to maintain any further openings in their respective markets that they may unilaterally decide upon. Any such opening would be "locked in" in the sense that the concessions in question cannot be rolled back.

[23] A negative list approach means that trading partners only list the sectors or subsectors that they limit or exclude from openness. In other words, sectors with commitments are not listed, as all sectors that are not mentioned are understood to be open to foreign suppliers on the same terms as domestic suppliers. In contrast, in a positive list, trading partners specify the sectors and subsectors to be liberalized (that is, with market access and national treatment commitments). Although, theoretically, the same level of openness can be achieved in both ways, in practice the negative list approach is considered to generate greater trade liberalization, because services activities that arise after the respective agreement has entered into force are understood to be automatically liberalized.

The countries of the region differ significantly in the depth of their preferential agreements on services trade. Based on the work of Borchert and Di Ubaldo (2021), it is possible to calculate the proportion of each country's agreements that display the features associated with a high degree of trade liberalization. The vast majority of the agreements signed by the member countries of the Pacific Alliance and the Central American Common Market use a negative list and have a chapter covering the four modes of supply, in addition to a chapter on FDI.

4. Regulation of digital trade in preferential trade agreements in the region

More than 100 countries have included provisions or chapters on digital trade in their preferential trade agreements, partly because there is no WTO agreement on this subject to date. Of a universe of 432 agreements concluded between 2000 and 2023, 214 contain provisions on digital trade and 122 have chapters devoted to this topic (Burri and Polanco, 2020; Burri, Callo-Müller and Kugler, 2024). These agreements vary considerably in the breadth and depth with which they address digital trade. Among the issues they cover are the non-application of customs duties, non-discriminatory treatment of digital products, electronic signatures, paperless trade, unsolicited electronic messages, consumer protection, the treatment of cross-border data flows and their protection and storage.

While the United States and the European Union have played a leading role in creating and disseminating standards on digital trade, the countries of the region have also been active in this area. In fact, the latter are members of almost a third (31%) of the preferential agreements that contain provisions on digital trade. The leaders in this area are (in descending order) Chile, Peru, Colombia, Mexico, Panama and Costa Rica.

The agreements with provisions on digital trade signed by the countries of the region have been negotiated with counterparts at different levels of development (30 developed economies and 35 developing economies mostly from Latin America and the Caribbean).[24] The latter category includes the agreements on digital trade signed between the members of the Pacific Alliance (2015) and MERCOSUR (2021). In the agreements signed by the countries of the region, provisions on digital trade are found in sections or chapters specially dedicated to that topic (a total of 65 agreements, including 46 chapters). They can also be found in complementary documents such as annexes, joint declarations and side letters. Although rules on data flows are also found in chapters or sections dealing with digital trade, they are found most frequently in chapters on specific services, especially telecommunications and financial services.

Over the past two decades, provisions on digital trade included in the preferential agreements have evolved in three stages globally: a first generation of agreements focused on e-commerce rules; a second generation focused on the development of data flow rules; and a third generation characterized by the emergence of "pure" digital trade agreements and new data economy rules (Polanco, 2023). This evolution can also be seen in the agreements signed by countries in the region, which converge mainly on objectives such as avoiding unnecessary barriers to e-commerce (37 agreements), promoting and facilitating its use (37 agreements), and addressing the needs of small and medium-sized enterprises (SMEs) (38 agreements). These goals and principles are also often found in agreements concluded by countries outside the region. The agreements signed by the region's countries have also recognized other principles that are less frequently invoked.

[24] The oldest of these agreements is the Free Trade Agreement between Canada and Costa Rica (2001), which included a "Canada-Costa Rica Joint Declaration on Electronic Commerce" (see [online] http://www.sice.oas.org/Trade/cancr/Spanish/ecomms.asp). The first to include a chapter on e-commerce was the Chile-United States Free Trade Agreement (2002). Chile is also a party, along with New Zealand, the Republic of Korea and Singapore, to the Digital Economy Partnership Agreement (DEPA), signed in 2020, which was the first agreement devoted exclusively to digital trade.

These include the participation of the private sector when developing a regulatory framework for e-commerce (29 agreements), the principle of technological neutrality (15 agreements) and the net neutrality principle (five agreements). Box III.4 describes additional characteristics of the agreements that have provisions on digital trade in which countries of the region participate.

Box III.4

Characteristics of preferential agreements involving Latin American and Caribbean countries which contain provisions on digital trade

The commitment to refrain from imposing customs duties on digital products is a common provision in the preferential agreements in which the countries of the region participate. The majority (44) of these agreements provide for duty-free treatment of digitally delivered products, while others simply reaffirm the practice of WTO of not imposing customs duties on electronic transmissions. Forty-two percent of the agreements involving at least one country from Latin America and the Caribbean contain provisions on electronic authentication that allow the use of authentication technologies and mutual recognition of certificates and digital signatures.

Nearly half (24) of the agreements in which at least one of the region's countries participates include provisions on consumer protection in digital commerce. Some agreements, such as the free trade agreement between Australia and Chile, establish equivalence criteria to protect consumers. This ensures that e-commerce consumers are not at a disadvantage when transacting with businesses in other countries that are party to the Agreement, as the minimum protections established by it must match or exceed those already in place in each signatory country.

All agreements involving at least one country from the region include privacy provisions under the concept of data protection. The Canada-Costa Rica Free Trade Agreement was a pioneer in addressing privacy in a non-binding statement. Subsequently, other agreements have included international cooperation activities to enhance the security of personal data. These commitments often require the adoption of laws to protect personal data, encryption and personal data anonymization. Some agreements, such as the 2020 Treaty between the United States, Mexico and Canada (USMCA), recognize international standards such as the Asia-Pacific Economic Cooperation Privacy Framework and OECD guidelines.

Few agreements take into account the differences between the personal data protection systems in different countries, although some encourage compatibility between different regimes. The agreements also include general provisions on transborder data flows; and some of the more recent ones contain binding clauses to ensure the free flow of information through digital media. Almost half (22 out of 49) of the trade agreements that include such provisions have been concluded with at least one country in the region. The Mexico-Panama Free Trade Agreement introduced binding clauses on this subject in a novel way, requiring each party to allow its nationals, and those of its counterpart, to transmit electronic data to and from its territory in accordance with personal data legislation and international practices. Other agreements, such as the Trans-Pacific Partnership and USMCA, have also influenced the formulation of data flow clauses in subsequent treaties.

Several agreements signed by countries in the region prohibit or restrict the establishment of data location requirements. Most of these provisions are binding. trade agreements with at least one country from the region account for more than one third of these provisions (13 out of 31 Latin American trade agreements). For example, the Additional Protocol to the Framework Agreement of the Pacific Alliance and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership prohibit requiring the location of computing facilities, although they allow measures to achieve legitimate public policy objectives provided they do not discriminate arbitrarily or unjustifiably. Some agreements, such as the Argentina-Chile Free Trade Agreement, include provisions on data location that are less binding, recognizing the importance of not requiring the location of computer facilities as a condition for doing business and promoting the exchange of good practices and experiences in this area.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of R. Polanco, "Three generations of digital trade provisions in preferential trade agreements", *Research Handbook on Digital Trade*, D. Collins and M. Geist (eds.), Edward Elgar Publishing, 2023.

C. Factors that enable services trade

Export competitiveness in services, especially modern services, depends on interaction between several variables. These include the legal framework governing foreign trade, the treatment of foreign investment, taxation, intellectual property protection, the quality of the available infrastructure (mainly digital and telecommunications), the existence of skilled human resources and the granting of incentives to export services (Herreros and Durán, 2023). In this context, some countries in the region have formulated policies aimed explicitly at promoting services exports. Given the large number of variables that affect export competitiveness, policies of this type require interaction between multiple interdependent components (see the example of the Dominican Republic described in box III.5). For this purpose, adequate governance is essential.

Box III.5
The Dominican Republic's strategy for exporting modern services

The Dominican Republic's strategy, adopted in 2021, steers the exports of professional and information and communications technology services through five pillars with short-, medium- and long-term targets, monitoring indicators and deliverables.

Pillar 1: Improvement of the competencies and skills of human resources to enhance employability, competitiveness and innovation. Objectives: development of an inventory of training needs, 20% increase in the number of teachers trained in information and communications technology, and updating of science, technology, engineering and mathematics (STEM) curricula.

Pillar 2: Regulatory and institutional aspects. Regulatory instruments and strategic policies are defined, and the aim is to improve broadband coverage and make fiscal adjustments to strengthen modern service subsectors.

Pillar 3: Public-private partnerships for access to financing, attraction of FDI and establishment of a network of angel investors.[a]

Pillar 4: Creation of a value added ecosystem and research on global trends. Measures are proposed for removing barriers to trade in services and a digital animation hub is promoted.

Pillar 5: Strategies for analysis, penetration and consolidation in export markets. A modern services agreement with the Caribbean, analysis of sectoral good practices, and development of an internationalization strategy for audiovisual production companies are being explored.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Ministry of Industry, Trade and MSMEs, *Estrategia Nacional de Exportación de Servicios Modernos. República Dominicana Exporta Talento y Creatividad*, 2021 [online] https://camaratic.org.do/wp-content/uploads/2021/05/Estrategia_Nacional_de_Exportacion_de_Servicios_Modernos.pdf.

[a] Individuals who provide capital for start-ups or small businesses in exchange for an ownership stake, particularly in the early stages of business development.

Good governance principles include the assignment of responsibilities and qualified financial and human resources to key ministries and services for task execution, thus encouraging medium- and long-term strategic planning. Policies should be formulated on an inclusive basis and provide for objective evaluations of their implementation and results, through well-structured and transparent public-private partnerships (Devlin and Moguillansky, 2011). A comparative analysis of the countries in the region reveals significant differences in their effectiveness. In Costa Rica and Uruguay, good public-private coordination capacity has enabled sustained growth in services exports (Álvarez, Fernández-Stark and Mulder, 2020).

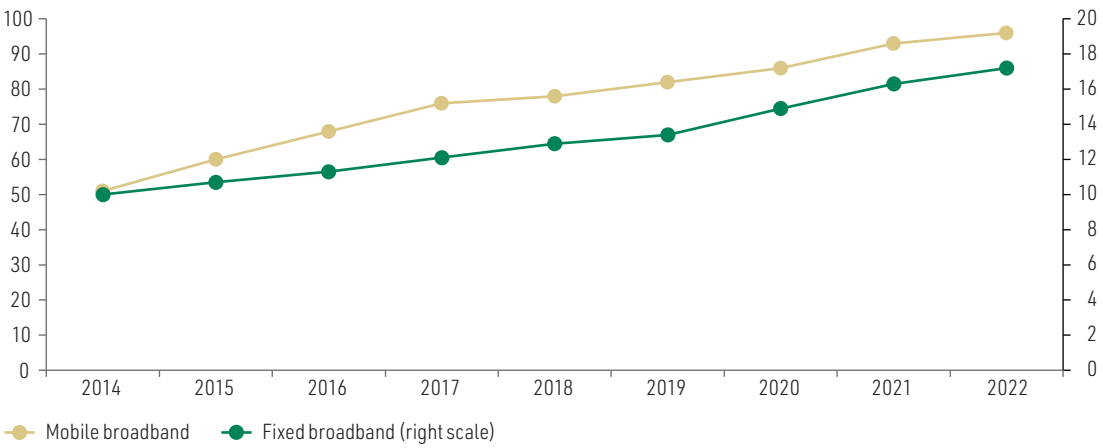
In addition to governance, the following paragraphs briefly describe four groups of variables that have a major impact on the competitiveness of services exports: digital infrastructure, human capital, export promotion and attraction of FDI in service activities, and the tax regime.

1. Digital infrastructure

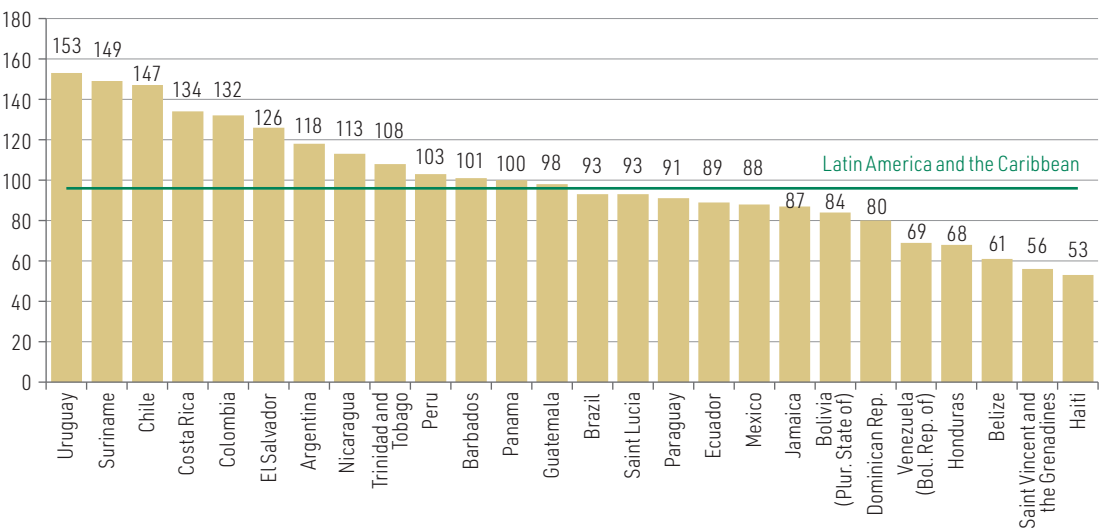
A robust and reliable digital infrastructure is crucial to enable firms to supply their services internationally, particularly in the case of modern services, where web platforms, mobile applications and social networks are essential tools for cross-border supply. In the region, mobile broadband access increased significantly from 51% to 96% of the population between 2014 and 2022; and fixed broadband coverage expanded from 10% to 17% (see figure III.22A). However, access levels are still well below those prevailing in OECD countries (ECLAC, 2024a); and the fact that mobile broadband penetration varies considerably from one country to another (see figure III.22B) underscores the need to implement policies to reduce the existing digital divides.

Figure III.22
Latin America and the Caribbean: population access to mobile and fixed broadband services, 2014–2022
(Percentages of the population and number of subscriptions per 100 inhabitants)

A. Latin America and the Caribbean: mobile and fixed broadband penetration trends, 2014–2022
(Percentages of the population and number of subscriptions per 100 inhabitants)



B. Latin America and the Caribbean (26 countries): mobile broadband penetration, by country, 2022
(Percentages of the population)

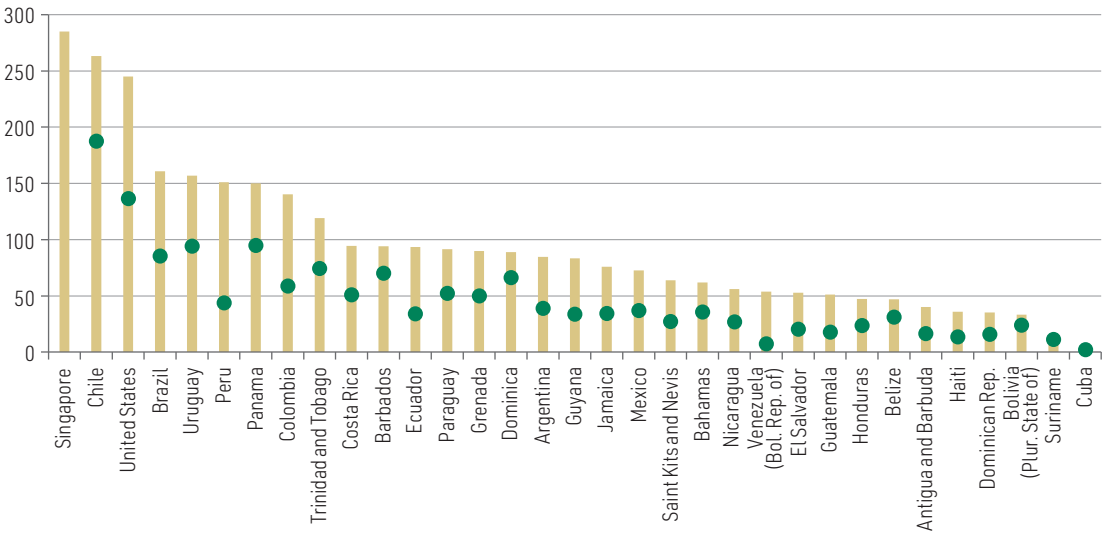


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Digital Development Observatory [online] https://desarrollodigital.cepal.org/en/home.

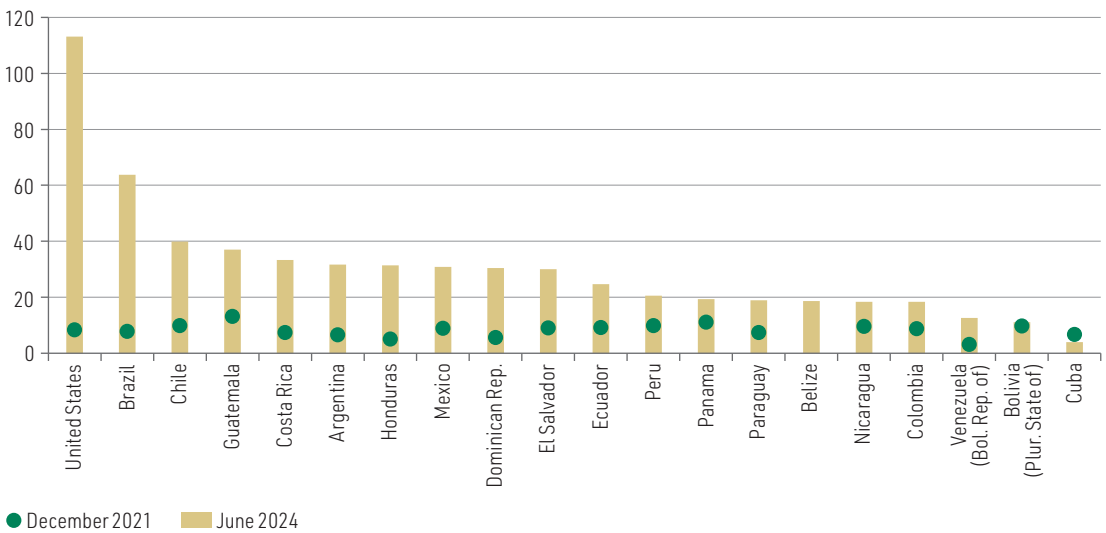
Apart from Internet access, data transmission speed is also crucial for a good digital connection. Faster broadband substantially enhances the use of tools such as videoconferencing, online payments and e-commerce, which consume large volumes of data. In recent years, broadband speeds have improved in most of the region's countries, but significant gaps remain. Whereas Chile surpasses the United States in fixed broadband, with speeds of more than 250 megabits per second (Mbps), several countries have speeds below 50 Mbps. Mobile broadband speeds also vary between countries (see figures III.23A and III.23B).

Figure III.23
Latin America and the Caribbean (31 countries), United States and Singapore: fixed and mobile broadband download speed, December 2021 and June 2024
(Megabits per second)

A. Latin America and the Caribbean (31 countries), Singapore and United States: fixed broadband



B. Latin America and the Caribbean (19 countries) and United States: mobile broadband



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Digital Development Observatory [online] https://desarrollodigital.cepal.org/en/home and Speedtest Global Index [online] https://www.speedtest.net/global-index.

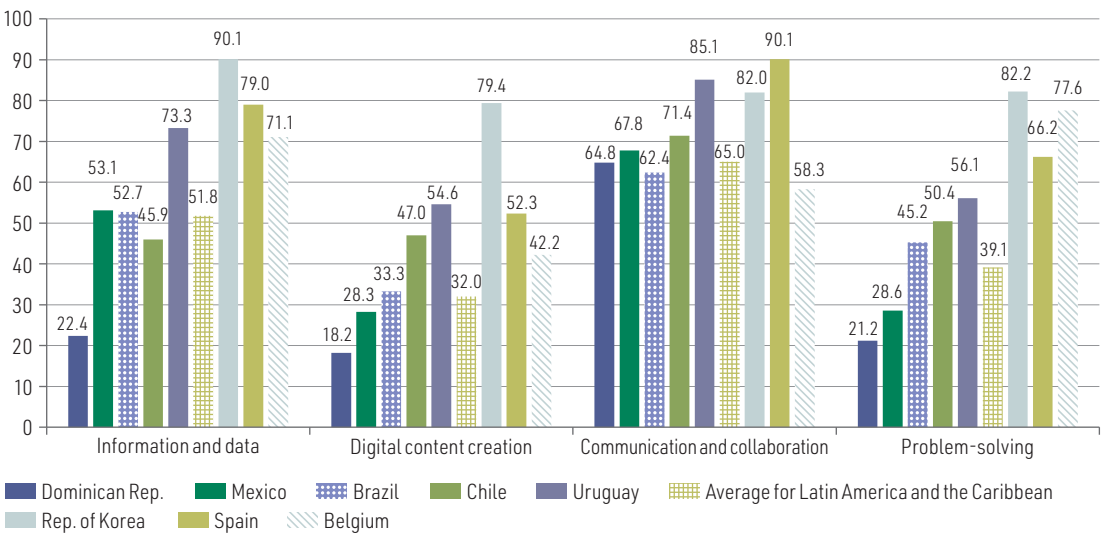
The differences between countries in terms of mobile broadband speeds largely reflect their progress in the transition from 4G to 5G networks. The former allow speeds of 1 gigabit per second and 25 milliseconds of latency for high-definition video, whereas 5G networks increase the speed to 10 gigabits per second, with faster downloads, lower latency and greater capacity for multiple devices. Brazil, the Dominican Republic, Mexico and Peru lead 5G penetration (over 50% of the network), followed by Argentina, Chile, Guatemala and Uruguay. Other countries face infrastructure and regulatory challenges that have delayed widespread implementation. Reaping the benefits of 5G requires investments in networks and spectrum, supported by public policies that foster competition and encourage adoption of this technology (GSMA, 2024).

2. Human capital development

The competitiveness of exportable services, particularly modern services, is related intrinsically to the capacities of the workers who provide them. These depend on formal education, work experience and continuous training. Knowledge relevant to modern services focuses on digital skills generally, as well as science, technology, engineering and mathematics (STEM) training, along with knowledge in advanced digital technologies, such as artificial intelligence. In addition, developing interpersonal skills and learning English and other languages are also critical. In the latter part of the 2000 decade, 73% of firms in the region reported difficulties in incorporating new technologies, citing the lack of qualified human resources as the main obstacle (Mateo and Rucci, 2019).

Digital skills are a set of abilities that are needed to use digital technologies effectively in various domains. The region trails developed countries in this area. The main gaps are in content creation and problem solving, according to the data available for persons over 15 years of age (see figure III.24). In five countries of the region, 65% of the population over 15 years of age possesses the basic skills needed to undertake communication and collaboration activities, compared to 82% of the population in the Republic of Korea and 90% in Spain. On average, 32% of the region's population possess digital content creation skills, compared to 79% in the Republic of Korea.

Figure III.24
Latin America and the Caribbean (5 countries) and advanced economies (3 countries): proportion of population over 15 years of age with basic digital skills, 2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Telecommunication Union (ITU), data referring to the proportion of individuals with information technology and communication (ICT) skills [online] https://www.itu.int/en/ITU-D/Statistics/Pages/SDGs-ITU-ICT-indicators.aspx.

Enhancing digital skills at different levels requires differentiated strategies. To strengthen basic skills, strategies could target specific segments of the population, such as women, young people and older persons. To strengthen intermediate digital skills, technical training and digital skills certification plans need to be developed to improve the skills of workers and entrepreneurs in micro-, small and medium-sized enterprises. Lastly, to enhance advanced digital skills, school curricula need updating to strengthen STEM education and higher education and make it more flexible to absorb the rapid changes taking place in these disciplines (ECLAC, 2022).

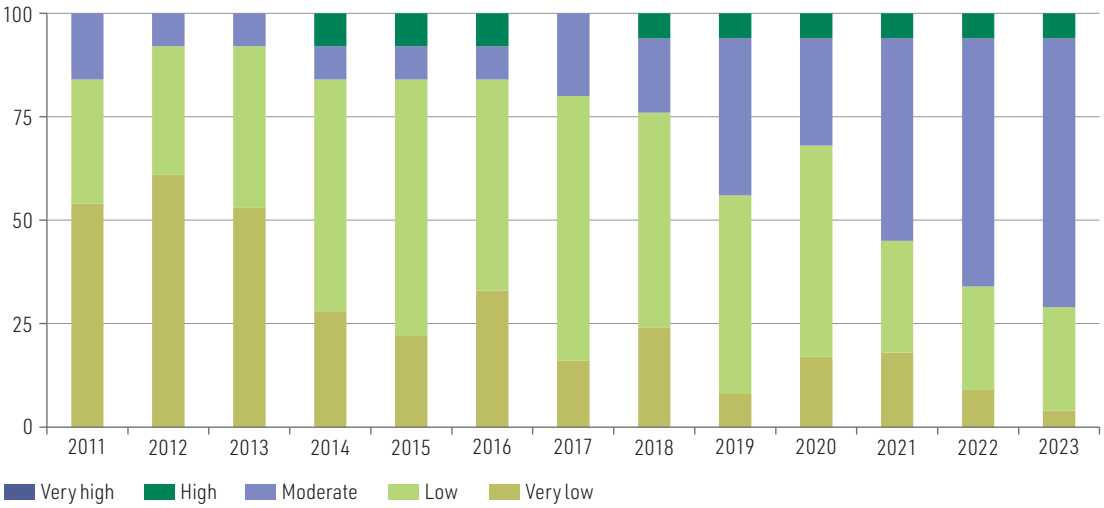
Several of the region's countries have implemented initiatives to strengthen workforce digital skills. In Argentina, the Argentina Productive Development Plan 4.0,[25] launched in 2022, seeks to promote employment in technological areas. Over 40 institutions have participated in this plan and have taught over 160 courses and trained more than 80,000 workers. In Peru, the government has fostered digital skills development in the public sector and among citizens at large. The first initiative involved a diagnosis of digital skills in the country (2020), focusing on senior government managers, public universities and regional and local governments. The International Bootcamp[26] on Digital Services and Innovation (May 2021) was held online, with international experts addressing topics such as digital design, digital innovation, flexible methodologies, scalable digital services, flexible research and development, among others.[27]

Promoting women's digital skills is critical to closing gender gaps in access to digital technologies, and the use of them. Despite progress in the digital transformation, women continue to face significant barriers that restrict their participation in the digital economy. Public policies are needed that not only facilitate access to technology, but also promote digital skills training with a gender perspective. This includes the creation of training programmes tailored to the needs of women, especially those in vulnerable situations, and the strengthening of digital infrastructure to ensure equitable access (Bércovich and Muñoz, 2022). The Women ICT for Change programme,[28] launched in Colombia in late 2023, seeks to strengthen the skills of information, communications and technology entrepreneurs free of charge and in virtual mode. In Peru, various platforms have sought to improve and expand access to digital media, with an emphasis on women and vulnerable and diverse populations since 2023.[29] These include the National Digital Talent Platform and the Peruvian State platform.[30]

As the region's services exports go mainly to the United States and Europe, advanced knowledge of English is essential for competing in those markets. Although English proficiency levels in the region have improved in the last decade, they remain shy of advanced levels (see figure III.25). Similarly, in the English-speaking Caribbean, greater Spanish proficiency among service sector workers could increase business opportunities with clients in Latin America.

25 See [online] https://www.argentina.gob.ar/produccion/planargentina40.
26 Bootcamps are intensive thematic specialization training mechanisms, which aim to provide the maximum amount of training in the shortest possible time.
27 See [online] https://www.gob.pe/13806-desarrollo-de-competencias-digitales-avanzadas.
28 See [online] https://mujeresticparaelcambio.gov.co/809/w3-channel.html.
29 See [online] https://etradeforall.org/es/noticias/peru-avanzara-en-su-transformacion-digital-con-apoyo-del-bid/.
30 See [online] https://www.gob.pe/economiadigital.

Figure III.25
Latin America and the Caribbean (20 countries):[a] English language proficiency levels, 2011–2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of EF Education First, 2023 [online] EF English proficiency index.
Note: This annual index is constructed from the scores obtained by adults who take the EF Standard English test. The results should be viewed with caution, as they represent the universe of adults who take the test but do not consider the English proficiency level of those who do not.
[a] Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

Improved knowledge of English is the result of specific policies to promote the teaching of this language. In Argentina, the Foreign Language Training and Certification Programme[31] of the Ministry of Human Capital offers free courses in universities and teacher training institutes, where English, Mandarin Chinese, Portuguese, French, German, Italian or Spanish as a second language are taught. In Colombia, basic proficiency standards have been defined for learning English, and the National Bilingualism Programme has been created. In some countries, specific programmes have also been developed to improve the English of workers in the services export sector. For example, in Chile, a course in English for trade and services exporting was developed for owners and workers of firms with export potential.[32] In addition, Colombia also has a programme to improve the level of specialized English for the employees of firms in the technology sector.[33]

3. Promotion of exports and attraction of foreign direct investment

Exporters in general, and service exporters in particular, face several challenges in growing their businesses, such as the scarcity of information on international markets and difficulties in complying with foreign regulations and international standards. Promoting exports is more complex in the case of services than of goods, because of the intrinsic characteristics of the services in question (intangible, heterogeneous, inseparable, among others). It is therefore essential to establish the

31 See [online] https://www.argentina.gob.ar/educacion/progresar/progresar-es-para-vos/progresa/programa-de-formacion-y-certificacion-en-lenguas.
32 See [online] https://www.cultura.gob.cl/convocatorias/ministerio-de-las-culturas-las-artes-y-el-patrimonio-invita-a-inscribirse-en-curso-ingles-para-el-comercio-y-la-exportacion-de-servicios/.
33 See [online] https://www.colombiaproductiva.com/ptp-servicios/ptp-convocatorias/para-empresas/talento-bilingue-se-buscan-empresas-de-bpo-kpo-sof.

credibility of the supplier and reduce the customer's risk perception. This can be achieved through certifications, accreditations, recommendations and the obtaining of awards and recognitions, among other means (Peña Capobianco, 2024). In this context, it is essential that countries adopt strategies to foster the internationalization of services.

The region's countries have implemented various strategies to promote services exports. In Chile, a support ecosystem has been consolidated through the ChileServicios platform.[34] This is a public-private partnership that centralizes essential information for firms seeking to expand abroad. The platform contains details on customs procedures, trade agreements, financing mechanisms and promotional tools. It also has a directory of exporting firms and offers programmes such as ProChile's Go Global, Exporta Digital and Red Mercado initiatives, which support internationalization, digital development and business collaboration to access new markets. Lastly, the international distribution and marketing credit line aims to support the internationalization of audiovisual products and video games.

Over the last four years, the Colombia Exports Services strategy[35] has enabled more than 800 entrepreneurs to do business in over 100 countries, generating more than US$ 3 billion in sales. This strategy focuses on strengthening the quality of the services along with business capabilities, the availability of human capital, the promotion of services exports, and improvements in the business climate for exporting services through the generation of detailed data and a regulatory framework that supports the sector's development. In a complementary manner, ProColombia has developed activities to promote knowledge-based services,[36] including the design of a virtual tool, Export Access.[37] It has also undertaken studies on best practices in the regulation and promotion of knowledge-based services exports and activities, to help the "soft landing" of Colombian knowledge-based services companies in Canada and the United States.

In Peru, the National Strategic Export Plan 2025[38] recognizes the potential of services exports for enterprise internationalization. Strategies to promote this sector include the diversification of markets and products, taking advantage of existing trade agreements. Sectors with high export potential, such as information technologies, tourism, transport and telecommunications, are identified; and measures to improve competitiveness, such as training and innovation, are being promoted. The Peruvian Export and Tourism Promotion Commission offers various trade intelligence and technical assistance services to firms in the sector. The plan also includes reforms to simplify procedures and align regulations with international standards.

In several countries that prioritize exports of modern services, such as Chile, Colombia, Costa Rica and Uruguay, the strategies to promote such exports are closely related to the attraction, retention and expansion of FDI. Investment promotion agencies In these countries, implement various strategies for this purpose. Based on a comparison of investment promotion agencies in eight countries, ECLAC (2024b) defined the following set of good practices: (i) the integration of investment policy into the productive development framework, ensuring its implementation through high-level governance and institutional capacity building; (ii) participation by key public, private, academic and civil society actors to ensure legitimacy and cooperation in the FDI strategies; (iii) the strengthening of investment promotion agencies by providing resources and autonomy to boost reinvestment and project diversification; (iv) implementation of a rigorous policy monitoring and evaluation system, and the creation of an environment conducive to investment, including incentives and well-designed policies; and (v) the promotion of technology and knowledge transfer, through research and development activities, the nurturing of talent and supplier development, thereby enhancing local innovative capacity.

34 See [online] https://chileservicios.com/.
35 See [online] https://bibliotecadigital.usb.edu.co/bitstreams/e05c27c8-c9bf-495e-84f3-383226556d8c/download.
36 See [online] https://es.slideshare.net/slideshow/informe-gestion-procolombia-20182022pdf/252649695.
37 See [online] https://exportaccess.procolombia.co/.
38 See [online] https://www.gob.pe/institucion/mincetur/informes-publicaciones/21903-plan-estrategico-nacional-exportador-2025.

A leading example is the Costa Rican Investment Promotion Agency (CINDE), a private non-profit entity that pioneered FDI attraction between the 1990s and 2023.[39] The success of the agency's work and the country's overall FDI ecosystem is reflected in Costa Rica's ranking for the third consecutive year in first place globally in the Foreign Direct Investment New Project Performance Index in 2023 (Zolezzi and Rivera, 2024). The services of CINDE follow the investment cycle, starting with investment attraction and promotion, a stage in which specialized and personalized support is provided to investors by providing detailed information on the investment climate and facilitating initial contacts with government entities, academic institutions, potential suppliers, and other firms. Then, at the entry stage of the investment and installation process, full assistance is provided, and investors receive guidance in obtaining the necessary permits, including immigration and environmental permits. Next, linkages with the local economy are fostered by connecting with local and foreign suppliers, which enhances the country's competitiveness. Lastly, in the retention and aftercare stage, established firms receive support in the search for opportunities to expand or diversify their operations, taking advantage of new incentives and generating greater value added. For further details on the experiences of Costa Rica and Uruguay with respect to the export of modern services, see box III.6.

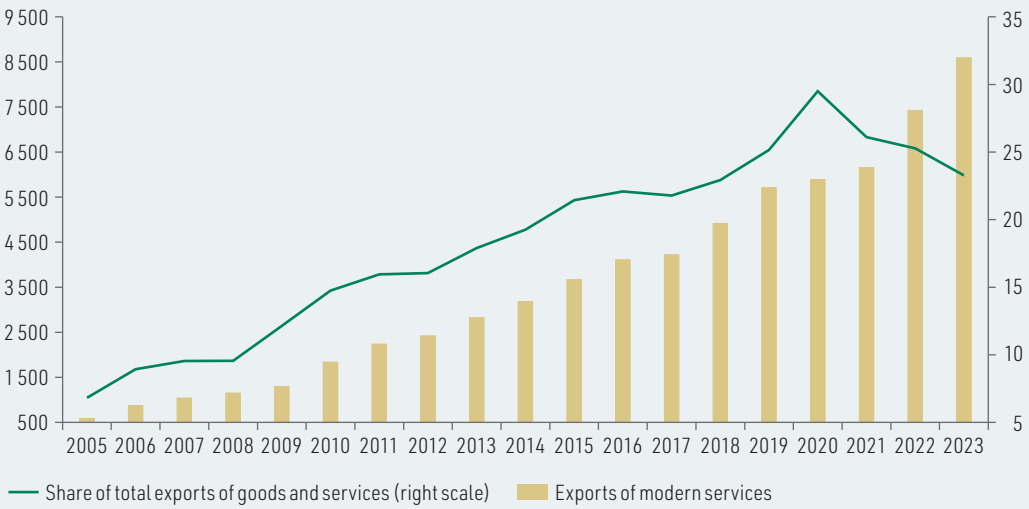
Box III.6

Costa Rica's and Uruguay's success in modern services exports

In Latin America and the Caribbean, Costa Rica and Uruguay report the highest per capita level of modern services exports. Costa Rica's success is reflected in annual growth of its modern services exports averaging 16% over the last two decades, while the modern services share of its total exports increased from 6% to 23% in that period (see figure below). This result is explained mainly by the foreign sales of a group of multinational firms established in free trade zones, which generate most of the exports from there to the United States and other markets. Linked to this, there are many successful local companies that export consulting, management, information technology and technical services.

Costa Rica: exports of modern services, amount and share of total, 2005–2023

(Millions of dollars and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Central Bank of Costa Rica, "Balanza de pagos trimestral (MBP6)" [online] https://gee.bccr.fi.cr/indicadoreseconomicos/cuadros/frmvercatcuadro.aspx?idioma=1&codcuadro=%202463.

[39] From the fourth quarter of 2023 onward, responsibility for FDI attraction is shared with the Foreign Trade Promotion Agency of Costa Rica.

In Uruguay, exports of modern services grew by an average of 14% per year between 2010 and 2022, reaching a record level of nearly US$2.9 billion. In the same year, 63% of announced FDI were in modern services, with 60% of the total targeting the business services, software and information technology outsourcing (ITO) segments.

The competitiveness of Costa Rica and Uruguay in the modern services sector stems partly from their political and social stability, legal security and strategic geographical location. In addition, both countries have widespread access to fixed and mobile broadband, as well as human resources with the skills needed to provide modern services. Another attraction is the free trade zone regime, which grants several tax exemptions for modern services exports.

Costa Rica's success is also based on a strategy supported by several policies that have been implemented over the last three decades, in coordination with the private sector. Three highly specialized entities attract and retain FDI with a focus on free trade zones (CINDE and the Foreign Trade Promotion Agency), promote exports (the Foreign Trade Promotion Agency), and negotiate trade and investment agreements (the Ministry of Foreign Trade). Autonomous entities, non-State public agencies, private chambers and associations, and the academic sector also participate in this work. These policies seek to position the country in sophisticated and dynamic segments of global value chains, such as modern services —for which education and training have been adapted to meet enterprise needs. In addition, the protection of intellectual property rights has been guaranteed in the Constitution, and several international treaties have been signed (Monge, 2023).

In Uruguay, the services sector receives support from Uruguay XXI, the agency tasked with implementing the Global Export Services Programme.[a] Under this programme, specific plans were designed to attract FDI for the development of pharmaceutical and health services (business services, research and development centres and clinical research projects) and architectural and engineering services (establishment of global study centres and promotion of exports by local firms) and other services (Uruguay XXI, 2023).

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of M. Alvarez, K. Fernández-Stark and N. Mulder, "Gobernanza y desempeño exportador de los servicios modernos en América Latina y la India", *Project Documents* (LC/TS.2019/112-P), Santiago, ECLAC, 2020; R. Monge, "Historia de éxito en exportaciones de servicios digitales", Academia de Centroamérica, 2023 [online] https://www.academiaca.or.cr/opinion/historia-de-exito-en-exportaciones-de-servicios-digitales/; Uruguay XXI, "Servicios globales en Uruguay", 2023 [online] https://www.uruguayxxi.gub.uy/es/centro-informacion/articulo/servicios-globales-de-exportacion-2023/.

[a] Uruguay is the region's best-placed country in several rankings, such as the Corruption Perceptions Index, in which it is placed sixteenth, along with Belgium and Japan (see Transparency International, "Corruption Perceptions Index" [online] https://www.transparency.org/en/cpi/2023); the Democracy Index, where it is in 14th place, along with Australia (see The Economist Intelligence Unit, "Democracy Index 2023" [online] https://www. eiu.com/n/campaigns/democracy-index-2023/); the Rule of Law Index, in which it ranks 25th (see World Justice Project, "WJP Rule of Law Index" [online] https://worldjusticeproject.org/rule-of-law-index/); and the Global Remote Work Index, where it is 43rd (see NordLayer, "Global Remote Work Index 2023" [online] https://nordlayer.com/global-remote-work-index/).

4. Taxes and tax incentives

The competitiveness of services exports and imports can be affected by two types of tax: (i) value added tax (VAT), which is levied on the value added of a product or service at the various stages of production; and (ii) income tax, which is charged on the earnings of natural and legal persons. In some federal countries, States, provinces or municipalities also impose additional specific taxes.

In most of the region's countries, the tax framework exempts exports from VAT, since they are supplied by residents to non-residents (territoriality principle). Moreover, in some situations, exporters can recover the VAT paid on the purchase of goods or services used in the export process. However, regulations vary significantly from country to country and often deviate from concepts that have been agreed upon internationally under GATS. As a result, some types of service exports may be subject to indirect taxes, which make the sector less competitive. This can generate incentives for local suppliers to relocate and supply their services in the customer's country of residence, or else to operate informally or set up businesses in more tax-friendly jurisdictions.

Income tax is levied on the income generated by an economic activity, with rates that vary across the region's countries, depending on whether the tax is charged on natural or legal persons, and on whether the tax system in question is worldwide or territorial. In the case of the countries analysed in table III.2, the income tax rates applied to natural persons do not exceed 39%, while in the case of legal persons they vary between 10% and 35%. Most of the countries operate worldwide or global systems, so the payment of income tax will be present in all four modes of supply of exported services.[40] Costa Rica, the Dominican Republic, Guatemala and Uruguay have territorial systems, so income tax in those countries is levied only on services supplied by modes 1 and 2.

Table III.2
Latin America and the Caribbean (9 countries): personal and corporate income tax rates and type of tax system, 2023

	Personal income tax rate	Corporate income tax rate	Type of tax system
Brazil	Between 0% and 27.5%	15% on the actual or presumed profit plus an additional 10% on the excess of 20,000 reais per month	Worldwide
Chile	Between 0% and 27.77%	First Category Tax of 27%. Maximum tax of 35% rate with double taxation agreement Maximum tax rate of 44.45% without double taxation agreement Rate of 25% for SMEs under the ProPyme regime	Worldwide
Colombia	Between 0% and 39%	35%	Worldwide
Costa Rica	Base of up to 3,742,000 colones exempt and variable rate (10% – 25%) on the excess	30% 10% and 20% bands for SMEs according to the level of gross income	Territorial
Ecuador	Between 0% and 37%	25%	Worldwide
Guatemala	General regime: 25% on net income Optional regime: 7% of gross income	General regime: 25% on net income Optional regime: 7% of gross income	Territorial
Mexico	Maximum of 35%	30%	Worldwide
Dominican Republic	Between 15% and 25%	27%	Territorial (except investments and financial gains)
Uruguay	Between 0% and 36%	25%	Territorial (with exceptions)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J. Peña Capobianco, "Impuestos e incentivos en servicios modernos en América Latina y el Caribe", *Project Documents* (LC/TS.2024/83), Santiago, ECLAC, 2024.

To avoid double taxation of income, several countries of the region have implemented a system of tax credits and several double taxation agreements. The first of these grants a credit in favour of the exporter in respect of income on which income tax has been paid for a service provided abroad. In Colombia, the tax credit is only applied when the income is obtained from an international source. In contrast, Costa Rica does not allow the application of a tax credit and relies solely on double taxation agreements (see table III.3).

[40] International trade in services has four modes of supply defined in the 1995 General Agreement on Trade in Services of WTO, depending on the territorial presence of the supplier and the consumer at the time of the transaction. These are: mode 1, cross-border supply, in which the service is provided across the border, regardless of the location of the supplier or the consumer, examples being telemedicine and distance learning; mode 2, consumption abroad, where the customer accesses a service in a country other than its own, such as tourism, hospitality and healthcare for non-residents; mode 3, commercial presence, in which the service is provided by a foreign supplier established in a country, such as branches of multinational companies; mode 4, presence of natural persons, where the service is provided in a country by a non-resident person, such as a consultant, for a limited period of time.

Table III.3
Latin America and the Caribbean (9 countries): mechanisms for the reduction or elimination of double taxation, 2023

	Double taxation agreements *(Number of countries)*	Tax credit or recovery as an expense
Brazil	Yes (34)	Tax credit (provided that there is reciprocal tax treatment and the firm operates under the "actual profit system")
Chile	Yes (30)	Yes
Colombia	Yes (14)	Tax credit only for foreign-sourced income
Costa Rica	Yes (4)	No
Ecuador	Yes (22)	Tax credit
Guatemala	No	Discount as expense
Mexico	Yes (59)	Tax credit
Dominican Republic	Yes (2)	Tax credit for foreign-sourced income, discount as expense for the remainder
Uruguay	Yes (62)	Discount as expense

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J. Peña Capobianco, "Impuestos e incentivos en servicios modernos en América Latina y el Caribe", *Project Documents* (LC/TS.2024/83), Santiago, ECLAC, 2024.

Double taxation conventions are agreements, between two or more countries, which specify the tax treatment applicable to taxpayers that are present in both countries. There are two types of agreement. One is that proposed by OECD following the United Nations model, in which the lower tax revenue must be shared between the two countries (importer and exporter). The other is that agreed upon in the Andean Community, which gives the importing country the right to levy taxes while the supplier country (within the Andean Community) must exempt its residents from local income tax on income paid abroad, to thus avoid being taxed twice (Peña Capobianco, 2024). Mexico, Brazil and Chile are the countries with the largest number of regional double taxation agreements. Implementation of a tax credit may partially make up for the absence of a network of double taxation agreements, or their incipient development in a country.

Some countries have created tax incentives for services exports, including free zones and tax holidays. Free zones for services exports exist in Colombia, Costa Rica, the Dominican Republic, Ecuador, Guatemala, and Uruguay. They grant firms tax exemptions or relief (in income tax, VAT or other taxes) for a defined period of time, with the possibility of renewal. In contrast, tax holidays reduce or eliminate the payment of taxes for service exporting firms for a defined period of time. In Guatemala, these benefit firms that export call services and digital content services; and in Uruguay they benefit shared service and software firms (Peña Capobianco, 2024).

D. Conclusions and recommendations

The analysis in this chapter shows strengths and weaknesses of the region's services trade performance and some of its underlying determinants. Positive aspects include the fast growth of the region's services exports, which outpaced goods exports in value terms between 2005 and 2023. Moreover, exports of modern services also grew faster than exports of traditional services (tourism and transport). As a result, the share of modern services —the most dynamic segment of international demand for services— in the region's total services exports expanded from 24% to 37% in that period.

Some of the region's countries specialize heavily in services, be it tourism (mainly in the Caribbean), transport (Panama) or modern services (mainly Costa Rica and Uruguay). Services are also a key input in manufacturing and natural resource exports, contributing more than 30% and 10% of their

value, respectively, in 2019. In the same year, services accounted for 27% and 45% of gross value and value- added, respectively, of total exports of goods and services from seven countries in the region (Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico and Peru). The United States is the main market for the region's services exports, and its share of total exports grew from 41% in 2005 to 50% in 2023. The importance of this market stems from its large size, geographical proximity, similar time zone and large Spanish-speaking population, in addition to the opportunities that its current nearshoring process offers the region.

Several policies have boosted services exports in the region. Most countries opened their services markets unilaterally and participate in plurilateral, subregional and bilateral agreements that seek to promote trade in services and digital trade in particular. In fact, nearly a third of trade agreements worldwide that contain commitments on digital trade include at least one country from the region among their members. Moreover, the development of fixed and mobile broadband has improved access, and higher download and upload speeds facilitate trade in modern services. Human capital strengthening in terms of digital skills has involved the implementation of education and training programmes, some of them targeted to women. In addition, there has been an improvement in basic and intermediate levels of English in the last decade. Some countries implemented specialized programmes to promote services exports in specific sectors and, in some cases, strategies to attract FDI in services activities. The latter include the granting of tax incentives to firms located in free trade zones. In other countries, exporters are exempted from paying VAT on the value of their exports, or else only pay income tax once, thanks to a double taxation agreement or tax credit.

Nonetheless, there are also several weaknesses in the region's services export performance. Latin America and the Caribbean accounts for just 3% of worldwide services exports and barely 2% of global exports of modern services. Although nearly two-thirds of the region's GDP and employment are concentrated in services, most of these are sectors have low levels of productivity and competitiveness. In particular, the region is laggard in exploiting the dynamic global demand for modern services, which account for just 37% of its total services exports, well below its 54% share of world services exports. Few countries in the region report significant per capita levels of services exports, in part because of the lack of an ecosystem and industrial-digital policy to support the sector consistently over time. Regional integration in services trade is also relatively lacking and has been on a declining trend: while 15% of total services exports went to the region in 2015, that share was less than 10% in 2021. The value added of services embodied in regional exports of natural resources also declined between 2005 and 2019.

Several factors weigh on the performance of regional services exports, including the following: (i) there is little clarity about their magnitude, because few countries have improved the measurement of services trade (digital and by origin and destination), which makes it difficult to formulate and implement promotion policies; (ii) developing intra-regional services trade requires increasing regulatory convergence between countries; (iii) some countries have signed few trade agreements that include provisions on trade in services, which restricts their access to their partners' markets; (iv) the region still lacks infrastructure for access to fixed and mobile broadband with adequate download and upload speeds; (v) it is necessary to increase the capacities of workers in digital skills and achieve an advanced level of English; (vi) few countries have specialized programmes aimed at promoting services exports and attracting investment; (vii) in some countries, regulations need to be revised to avoid burdening business operating costs through double taxation.

To take better advantage of the burgeoning global demand for modern services, the countries of the region could intensify sectoral policies and support programmes which, in collaboration with the private sector, would encourage the internationalization of service providers. If such policies are implemented through a cluster mechanism with strong local and regional roots, they are more likely to be successful. The following are some of the key issues of a services export strategy.

There is an urgent need to improve the measurement of services trade to be able to formulate export promotion policies more effectively. Firstly, the measurement of trade in modern services needs to be improved in line with the recommendations made by the International Monetary Fund (IMF) and others (2023). Secondly, for most countries it would be important to measure their international services transactions by origin and destination, as seven countries in the region already do. Thirdly, it would be advisable for countries to make progress in measuring the sales made by affiliates of domestic firms in other countries, as well as sales by foreign firms in their territory (statistics on services supplied through mode 3).

The application of highly restrictive rules on trade in services and digital trade, as well as differences between these rules and those of the main partners, have an adverse effect on international trade in services. It is therefore crucial for each government to review its own rules and establish how they are structured; whether they pursue their objective effectively; whether they reflect international standards and good practices; whether they are easy to use; how they are applied and by whom; and whether they hinder trade and FDI. Moreover, where appropriate, governments should weigh the feasibility of introducing reforms that make it possible to achieve their regulatory objectives with less of a restrictive impact on trade. The negotiation and modernization of trade agreements is a good instrument for advancing towards these objectives. It is also possible to explore the signing of agreements between the various subregional integration mechanisms to facilitate trade in services and digital trade. The signing of similar agreements to avoid double taxation is also essential.

It is important to intensify programmes to enhance the general and advanced digital skills of workers in the services export sector. This requires upgrading digital and STEM curricula at the primary, secondary and higher education levels, so that the skills acquired by students match those required by businesses. Countries in the region could also create continuous training systems to ensure that workers' skills are kept up to date with rapid changes in the digital world, linked, for example, to artificial intelligence. Training in English (and Spanish in the English-speaking Caribbean) also needs to be strengthened, along with interpersonal skills. Countries could also create incentives to attract and retain workers with digital skills (digital nomads).

Lastly, export promotion policies targeted specifically on firms (SMEs in particular) in the service sectors need to be strengthened. These policies could include training programmes, trade missions, participation in international trade fairs and branding campaigns, specialized technical assistance and co-financing. Strategies to promote services exports are closely related to initiatives aimed at attracting FDI. Indeed, the arrival of FDI brings new technologies and requires the development of innovative capabilities and skills among workers, which in turn improves productivity and expands the potential supply of knowledge-based services. The economy is strengthened through productive linkages that arise from interaction between foreign service firms and their local suppliers. This favours the development of clusters and value chains and creates an environment that is conducive to economic growth. Such collaboration would not only boost competitiveness and innovation in the sector, to the benefit of consumers, but would also underscore the importance of countries' implementing policies and support programmes in conjunction with the private sector, to foster these economic and export development dynamics.

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Annex III.A1
Concepts and measurement of services trade

The categories of trade in services are defined in the *Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6)* (IMF, 2009), which distinguishes 12 main sectors and roughly 40 subsectors. In some countries, such as Brazil and Chile, more detailed national classifications are used.[41] For analytical purposes, commercial services can be grouped into three broad categories: digitally deliverable services (modern services),[42] traditional services, and other services. Table III.A1.1 defines each category in terms of subsectors of the sixth version of Extended Balance of Payments Services classification, the expanded categories of the 2010 United Nations guide, and correspondence with the economic sectors of the International Standard Industrial Classification of All Economic Activities (ISIC revision 4).

Table III.A1.1
Categories of commercial services trade according to *Balance of Payments and International Investment Position Manual, Sixth Edition* (*BPM6*) and International Standard Industrial Classification of All Economic Activities (ISIC)

Category	Subsectors	Balance of payments		ISIC Rev. 4
		Code of the Extended Balance of Payments Services classification, 6th edition	Extended category 2010	
1. Modern digitally deliverable services	Insurance and pension services	SF	6	K
	Financial services	SG	7	K
	Charges for the use of intellectual property	SH	8	-
	Telecommunication, computer, information and audiovisual services	SI + SK1	9 + 11.1	J
	Research and development services	SJ	10.1	M + N
	Professional and management consulting services	SJ	10.2	M + N
	Architectural, engineering, scientific, scientific and other technical services	SJ	10.3.1	M + N
	Trade-related services	SJ34	10.3.4	G
	Other business services	SJ excluded SJ34	10.3.5	M + N
	Health services	SK21	11.2.1	Q
	Educational services	SK22	11.2.2	P
	Heritage and recreational services	SK23	11.2.3	R
2. Traditional services	Transport	SC	3	H
	Travel	SDA + SDB3	4	I

41 Between 2014 and 2019, services trade in Brazil was reported through the Integrated System of Foreign Trade in Services, Intangibles and Other Operations that Produce Variations in Equity (SISCOSERV), with a nomenclature of 760 categories. See [online] https://www.gov.br/mdic/pt-br/assuntos/comercio-exterior/estatisticas/estatisticas-do-siscoserv. In Chile, the nomenclature of services prepared by Customs contains 285 items. See [online] https://www.aduana.cl/aduana/site/docs/20160810/20160810104402/expo_servicios_web.xlsx for more details.

42 Modern services are similar to the "knowledge-based" group of services. See [online] https://www.aladi.org/sitioaladi/servicios/) and IDB/INTAL (2022).

Category	Subsectors	Balance of payments		ISIC Rev. 4
		Code of the Extended Balance of Payments Services classification, 6th edition	Extended category 2010	
3. Other services	Manufacturing services on physical inputs owned by others	SA	1	-
	Maintenance and repair services	SB	2	-
	Construction	SE	5	F
	Waste treatment and de-pollution, agricultural and mining services	SJ	10.3.2	M + N
	Operating leasing services	SJ	10.3.3	M + N
	Other personal services	SK24	11.2.4	S
	Other services not included elsewhere	SN		-

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF) and others, *Handbook on Measuring Digital Trade*, Geneva, 2023; IMF, *Balance of Payments and International Investment Position Manual Sixth Edition (BPM6)*, Washington, D.C., 2009 and United Nations, *Manual on Statistics of International Trade in Services Compiler's Guide 2010* [online] https://unstats.un.org/unsd/trade/publications/14-66197-E-MSITS%202010%20Compilers%20Guide_WEB.pdf.
Note: The list does not include government services.

According to the *Handbook on Measuring Digital Trade* (IMF and others, 2023), modern digitally deliverable services encompass all services that can be delivered over digital networks (especially the Internet). Most modern services are effectively traded through a digital medium that connects the seller to the buyer. In some cases, such as health services, service delivery may be either digital (telemedicine) or physical (hospital visit). While there are also service components in sectors outside of modern services that are delivered digitally (such as the electronic documents that accompany the transport service), they remain essentially physical.

The second category refers to traditional services, which include transport and travel (particularly tourism). The third category includes "other services" that were not classified in the previous categories and whose value exported in the region is very small. In terms of the amount exported, the main activity in this category in the region is manufacturing services on physical inputs owned by others, such as maquila production.

To measure trade in services, governments (in particular central banks) follow the recommendations of the *Balance of Payments and International Investment Position Manual. Sixth Edition (BPM6)* (IMF, 2009) and its implementation guides (United Nations, 2010; IMF, 2014). In the balance of payments, the concepts of credits are used to denote exports and debits to denote imports of services. To calculate credits and debits in the case of transport services, customs records on merchandise trade (which include the transport cost) are used and are complemented by surveys of firms in the sector. For tourism, data on people entering and leaving the country are commonly used, together with specialized surveys for tourist establishments.

Measuring trade in modern services is a complex task because the flows in question do not pass through border control points, and because rapid technological change means that new services and platforms to deliver them are constantly emerging. The *Handbook for Measuring Digital Trade* (IMF and others, 2023) provides specific methodologies for collecting comparable and consistent data on modern services trade. In the region, the Latin American Integration Association (LAIA) and ECLAC have developed initiatives to support countries and integration systems in implementing the recommendations of the Manual on Statistics of International Trade in Services 2010 Compilers Guide (United Nations, 2010).[43]

[43] For example, LAIA organizes an annual meeting of government officials specializing in services trade statistics (see [online] https://www.aladi.org/sitioaladi/servicios/). ECLAC has also supported the Pacific Alliance in this task (ECLAC, 2023).

The 1995 General Agreement on Trade in Services of WTO defines four modes of supply in international services trade, according to the territorial presence of the supplier and the consumer at the time of the transaction.[44] Each country's balance of payments only covers transactions between residents and non-residents (modes 1, 2 and 4). However, they do not include mode-3 transactions, carried out between residents of the same country, which correspond to sales by branches of foreign companies in the country's territory or sales by domestic companies abroad. Accordingly, the Organization for Economic Cooperation and Development (OECD) and the WTO have estimated flows by each of the modes of supply for most countries (including mode 3) in their experimental database Trade in Services by Mode of Supply dataset.[45] Information from this database suggests that in 2017, 59% of world services exports were in mode 3, 28% in mode 1, 10% in mode 2 and 3% in mode 4 (World Bank/WTO, 2023).

Only seven of the region's countries measure services trade by partner (Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico and Trinidad and Tobago). The other countries merely record overall exports and imports. The lack of geographical disaggregation in service trade statistics precludes analysis by origin and destination markets. In addition, the geographically disaggregated statistics compiled in the countries of the region differ with respect to time horizon, sectoral detail and disaggregation by partner. In this context, the WTO and the OECD created the Balanced Trade in Services dataset (BaTIS),[46] with bilateral flows reported and estimated from 2005 to 2021 in 11 services sectors for more than 200 economies.

[44] The modes of supply are: mode 1, cross-border supply, in which the service is provided across the border, regardless of the location of the supplier or the consumer; mode 2, consumption abroad, where the customer accesses a service in a country other than its own; mode 3, commercial presence, in which the service is provided by a foreign supplier established in a country; and mode 4, presence of natural persons, where the service is provided in a country by a non-resident person for a limited period of time.

[45] For further information, see [online] https://www.wto.org/spanish/res_s/statis_s/gstdh_mode_supply_s.htm.

[46] For further information, see *Balanced Trade in Services dataset* [online] https://www.oecd.org/en/data/datasets/oecd-balanced-trade-statistics.html.

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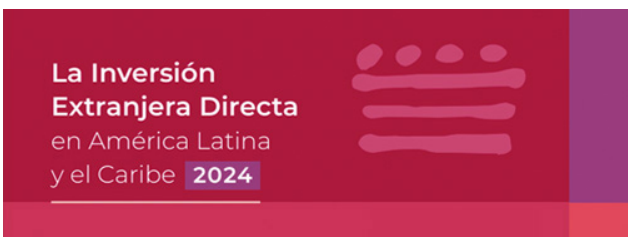

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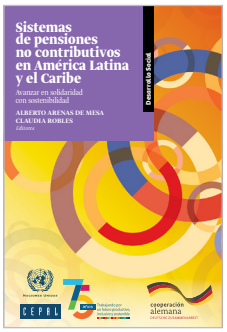

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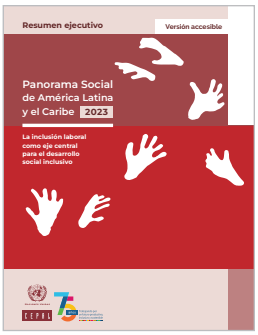

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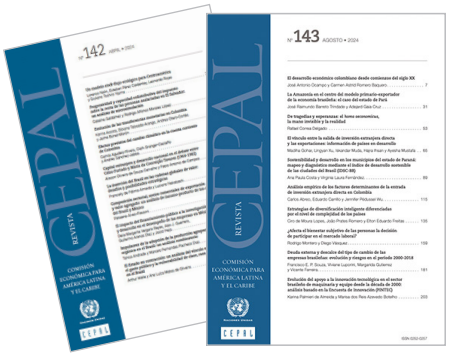

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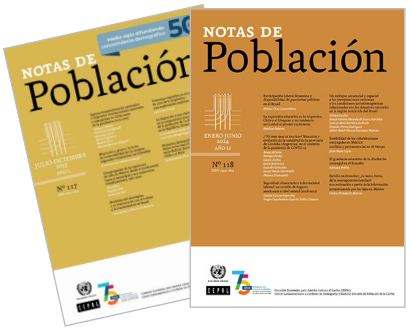

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