

2019

International Trade Outlook for Latin America and the Caribbean

Adverse global conditions leave the region lagging further behind



UNITED NATIONS

ECLAC



Key messages

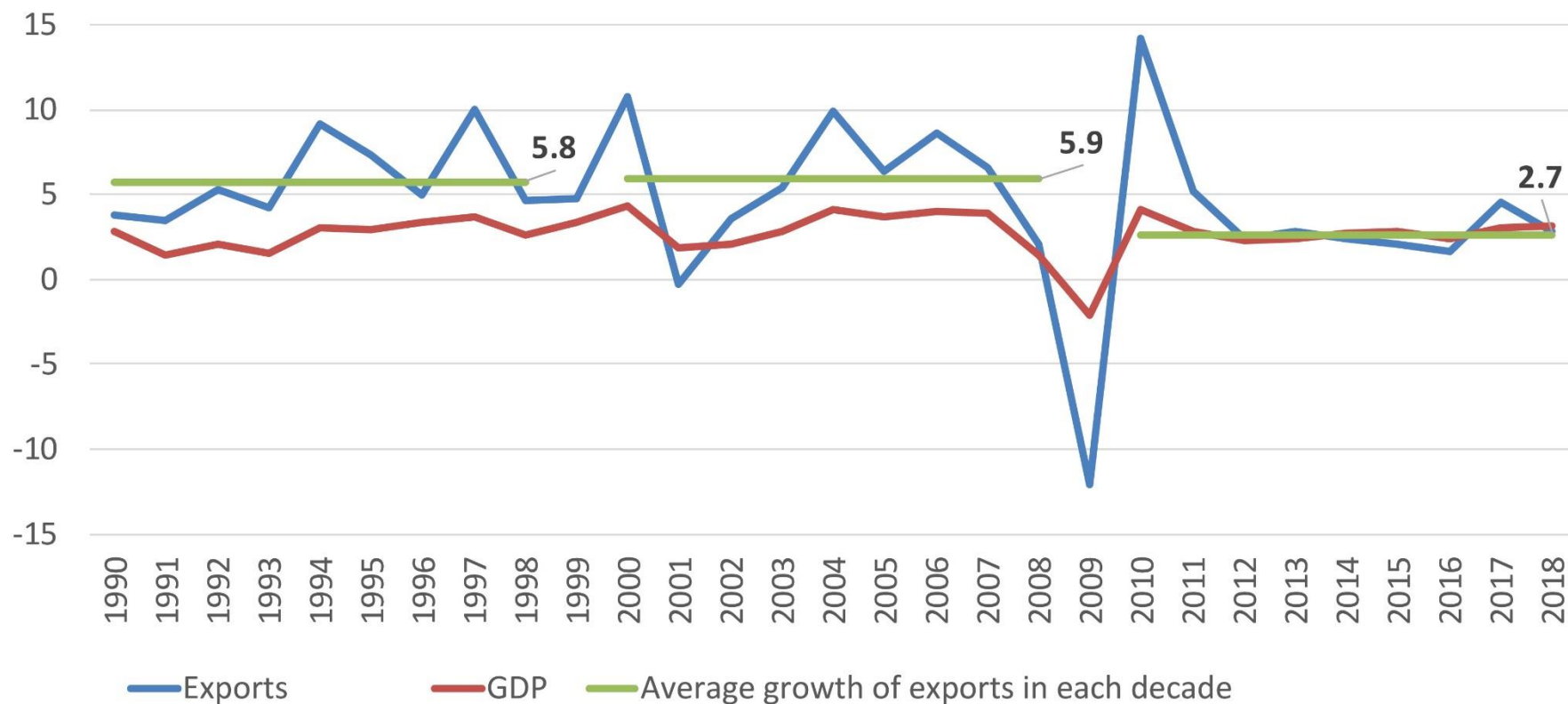
- Global and regional trade are shrinking and trade tensions are mounting, widening the region's structural gaps
- Trade can contribute to environmental sustainability and reduce climate change
- Regional infrastructure and logistics are crucial to trade, production and integration

Chapter I

**Global and regional trade
are shrinking and trade tensions
are mounting, widening
the region's infrastructure gap**

Since 2012, world trade has grown by less than half the rate of the previous decade

World: real variation in merchandise exports and GDP, 1990-2018
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), *World Trade Statistical Review 2019*, Geneva, 2019.

Note: The averages of the first and second decades of this century exclude the years of crisis (2009) and recovery (2010 and 2011).

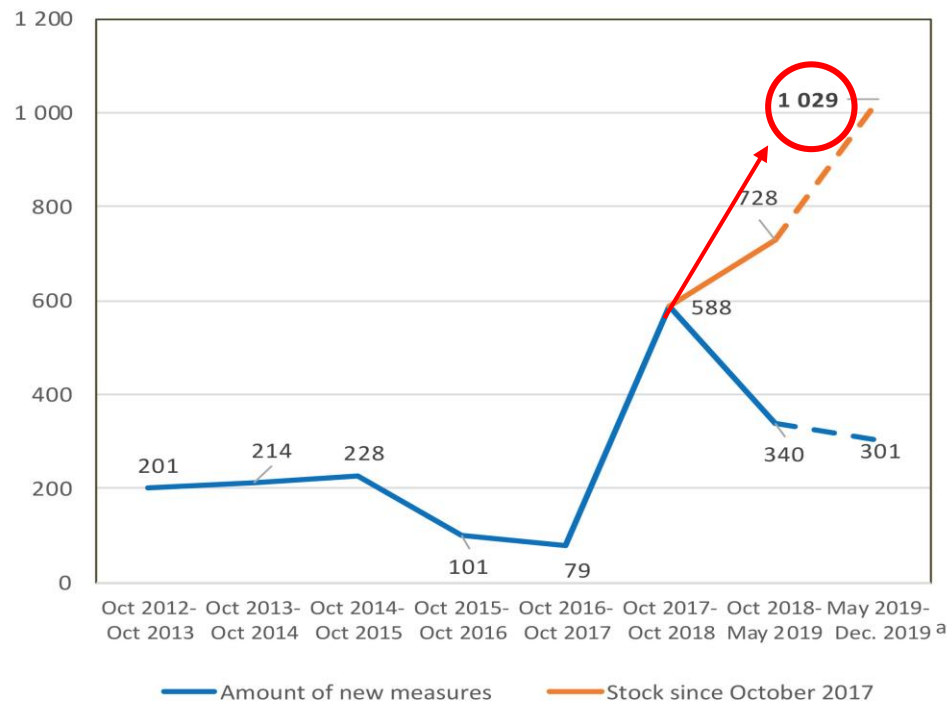
The slowdown has worsened owing to the build-up of trade barriers

Year-on-year change in the volume of global merchandise trade, January 2012–July 2019
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor [online database] <https://www.cpb.nl/en/worldtrademonitor>.

Coverage of import restriction measures, October 2012–December 2019
(Trillions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), *Report of the TPRB from the Director-General on Trade-Related Developments (mid-October 2018 to mid-May 2019)*, (WT/TPR/OV/W/13), Geneva, 2019, and ECLAC estimates for the period 16 May to 31 December 2019.

a This estimation considers only measures implemented and those officially announced up to 1 September 2019.

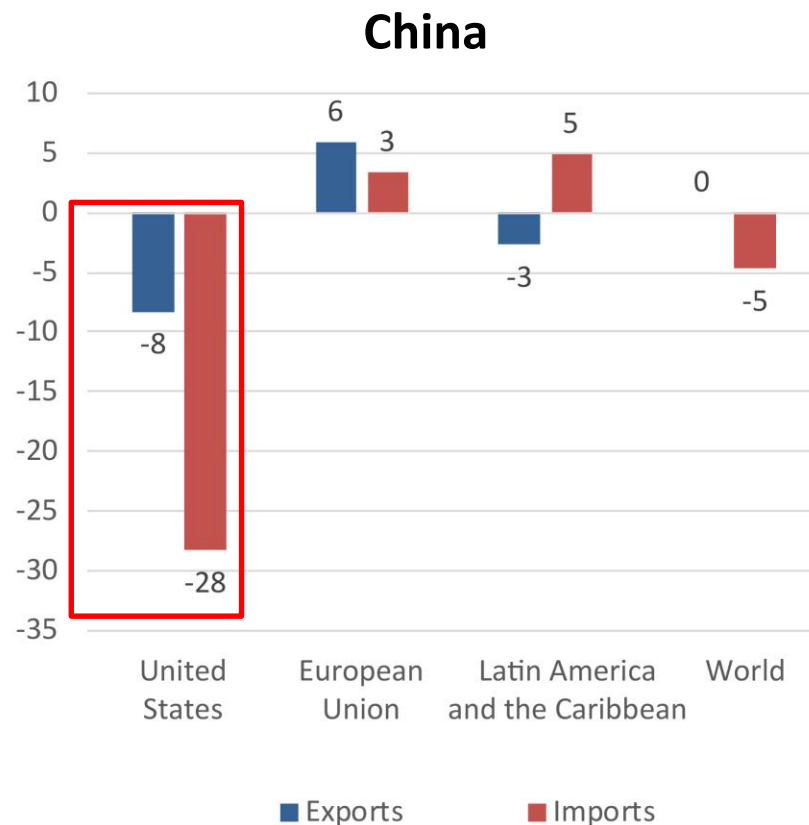
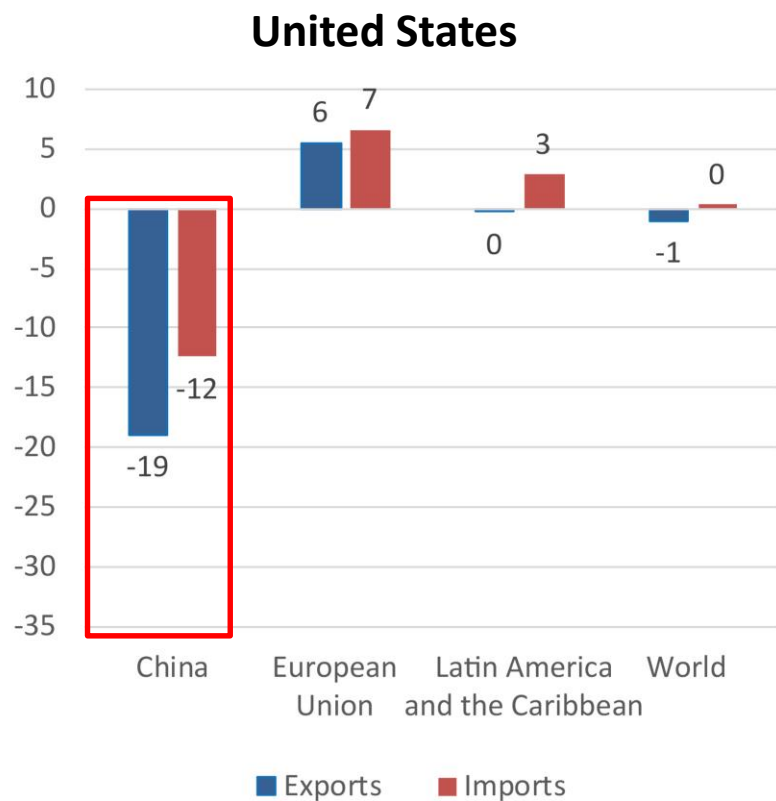
The dissatisfaction of the United States with WTO is one of the main causes of trade tensions

- The main points of criticism are:
 - WTO has failed to persuade China to change its economic model
 - Some high-income countries have declared themselves developing countries
 - The WTO Appellate Body oversteps its mandate
- The current administration has taken unprecedented measures:
 - Unilateral tariff increases in defiance of WTO rules
 - Proposal of a graduation mechanism for “advanced” developing economies
 - Blocking the selection of new Appellate Body members
- Calls for WTO reform have proliferated, but there is great uncertainty about the possibility of the Appellate Body ceasing to function in December 2019

The economies of the United States and China are decoupling in terms of trade and technology

United States and China: change in the value of merchandise trade with the world and selected trading partners, first half of 2019 relative to the same period in 2018

(Percentages)

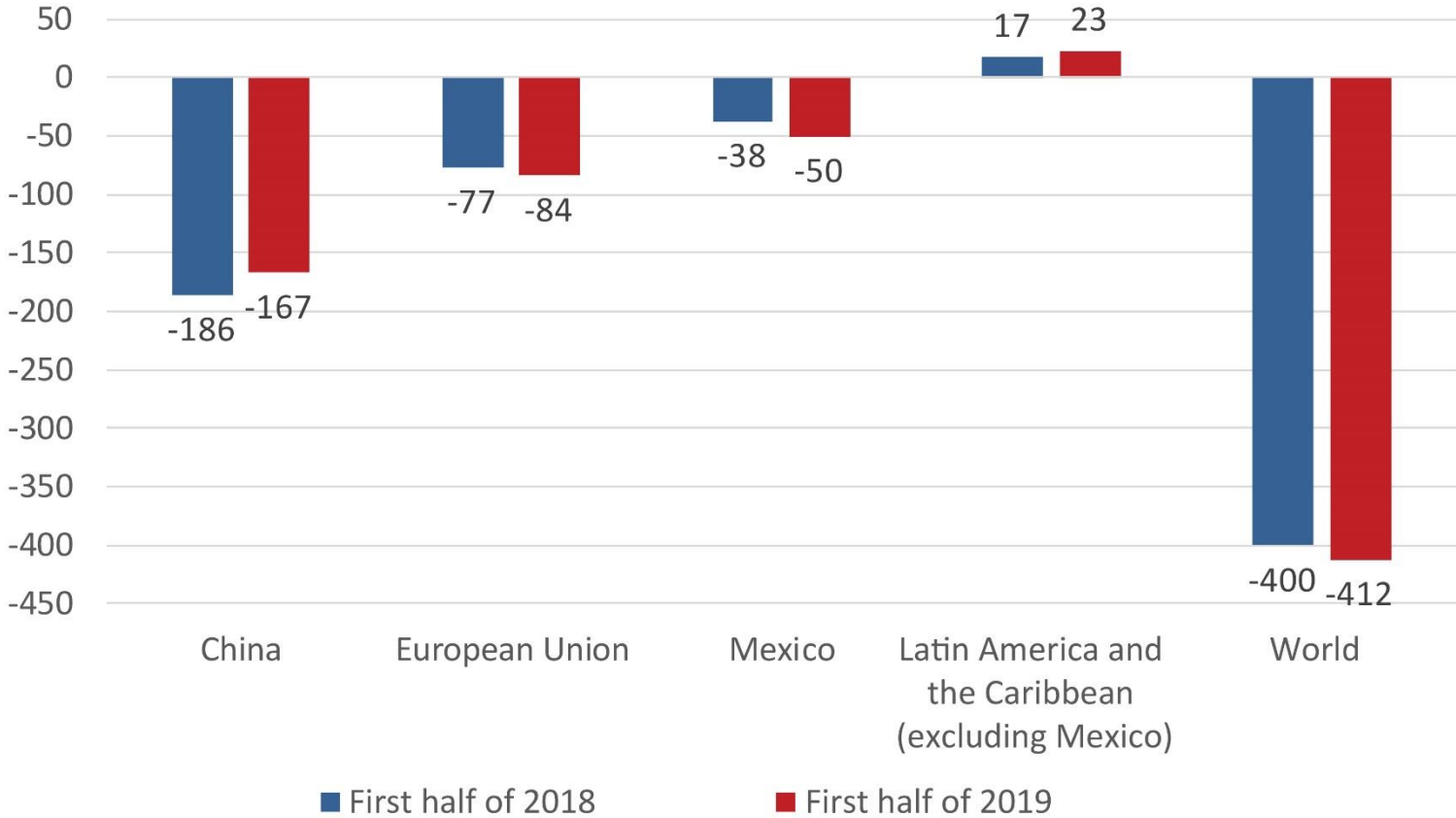


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the United States International Trade Commission (USITC)

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

United States reduces its trade deficit with China by 10%, but its trade deficit with other partners increases

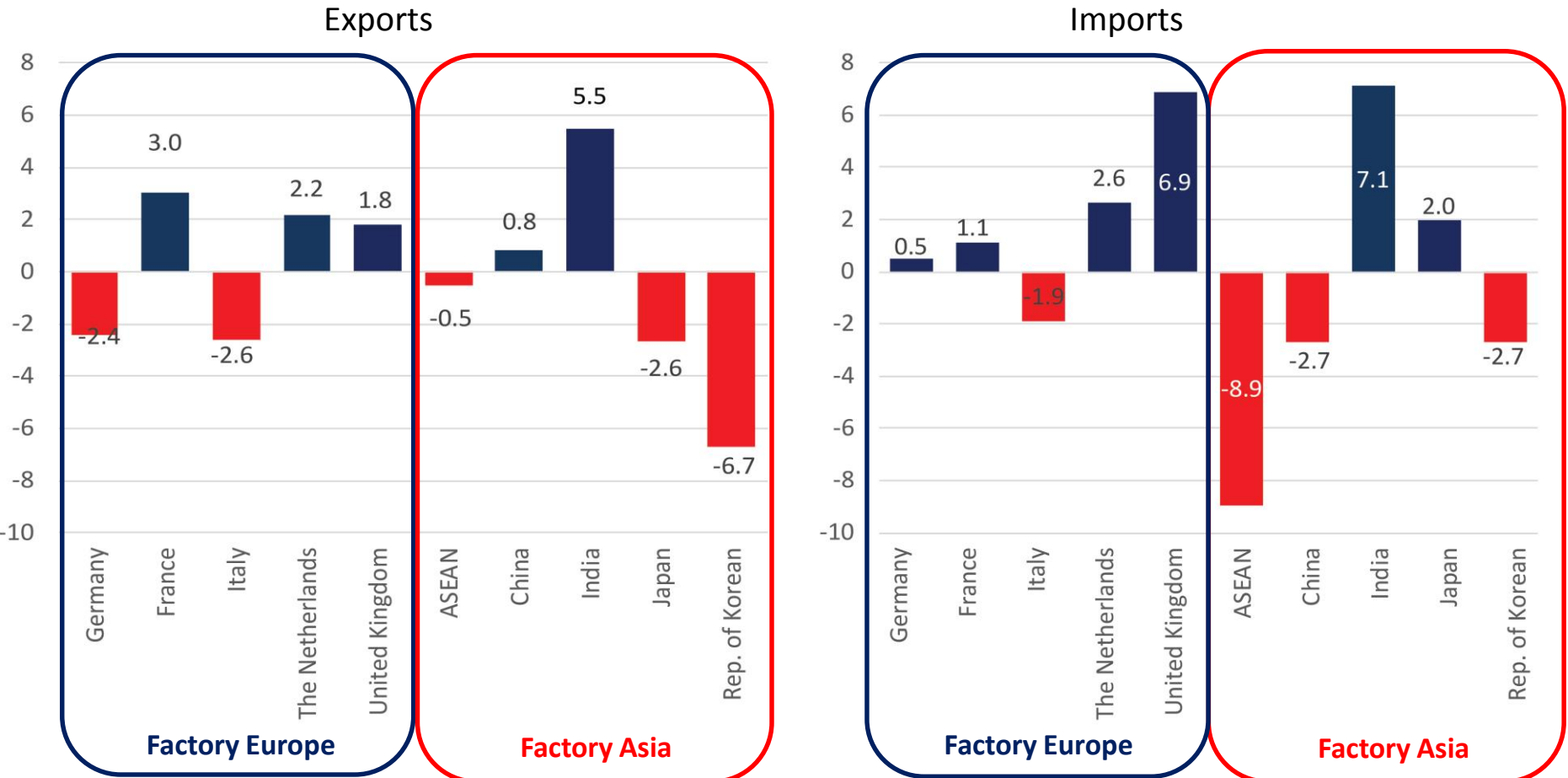
United States: trade balance with the rest of the world and selected partners, first half of 2018 and of 2019
(Billions of dollars)



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

Trade tensions spread through value chains to the “factories” of Asia and Europe

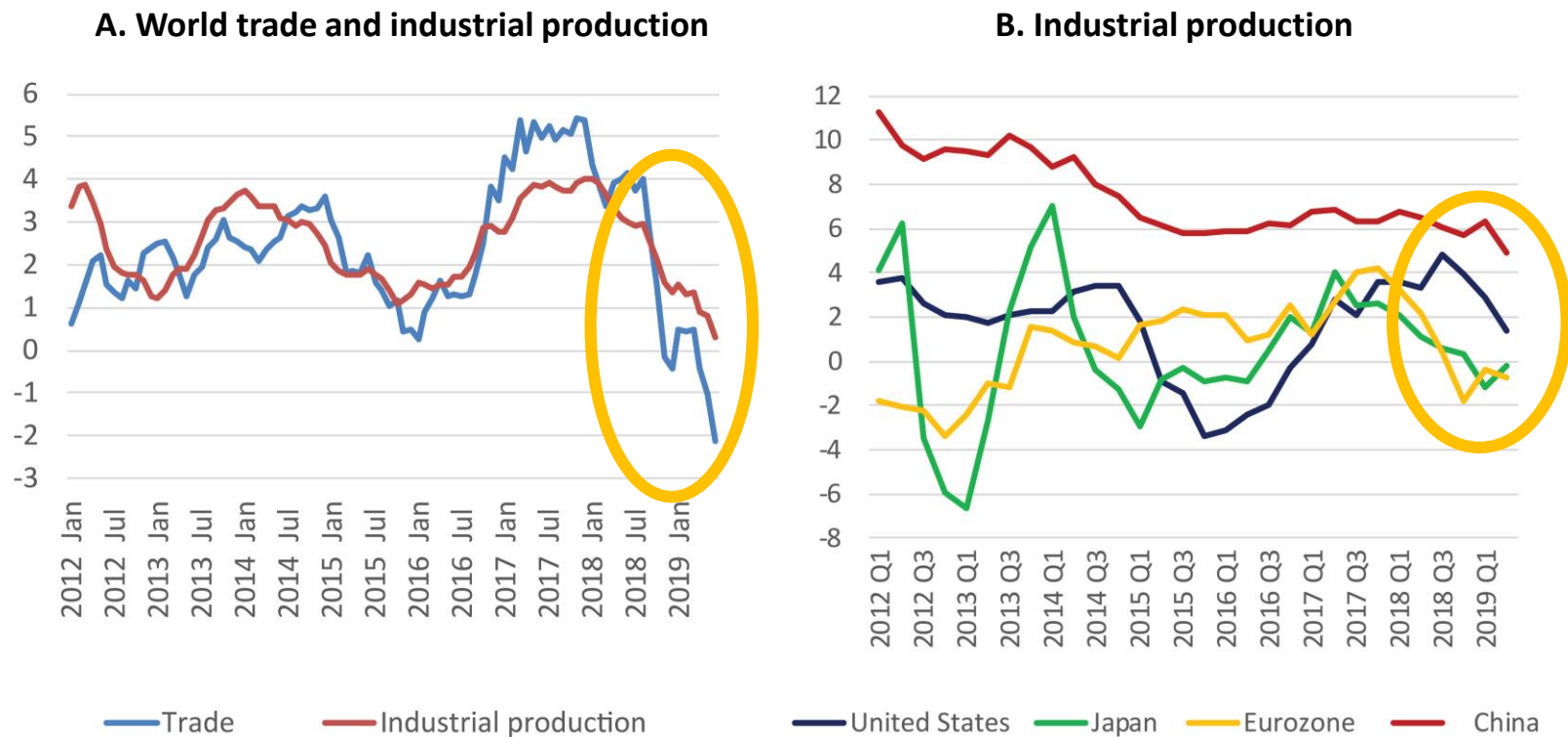
Selected countries and groupings: change in volume of merchandise trade, January–June 2019 relative to the same period in 2018
(Percentages)



Source: Economic Commission for Latin America and the Caribbean, on the basis of data from World Trade Organization (WTO) and Eurostat.

Trade tensions hit the industrial production of major economies

World and selected countries and groupings: year-on-year change in the volume of trade and industrial production, 2012–2019
(Percentages)



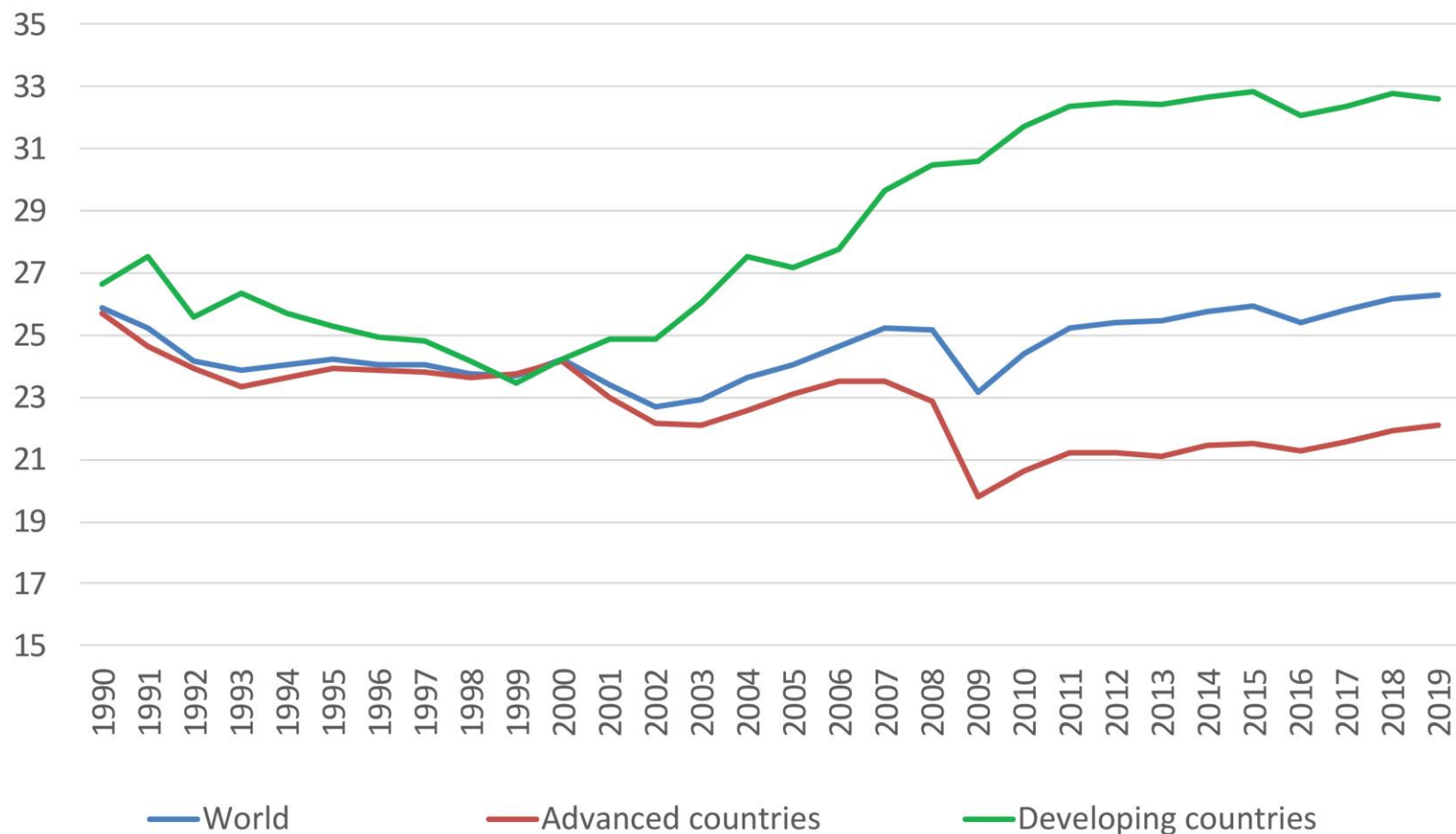
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor [online database] <https://www.cpb.nl/en/worldtrademonitor> and Organization for Economic Cooperation and Development (OECD), OECD Main Economic Indicators [online database] <https://www.oecd.org/sdd/oecdmaineconomicindicatorsmei.htm>

Several factors are weakening trade in the post-crisis period

- Slowdown in global GDP growth and particularly in investment
- China's decreasing dependence on trade
- Gradual decoupling of the economies of the United States and China
- Weaker momentum in FDI
- Curtailing of global value chains
- Digitization and other technological changes

Weak investment in the advanced countries has hit trade especially hard

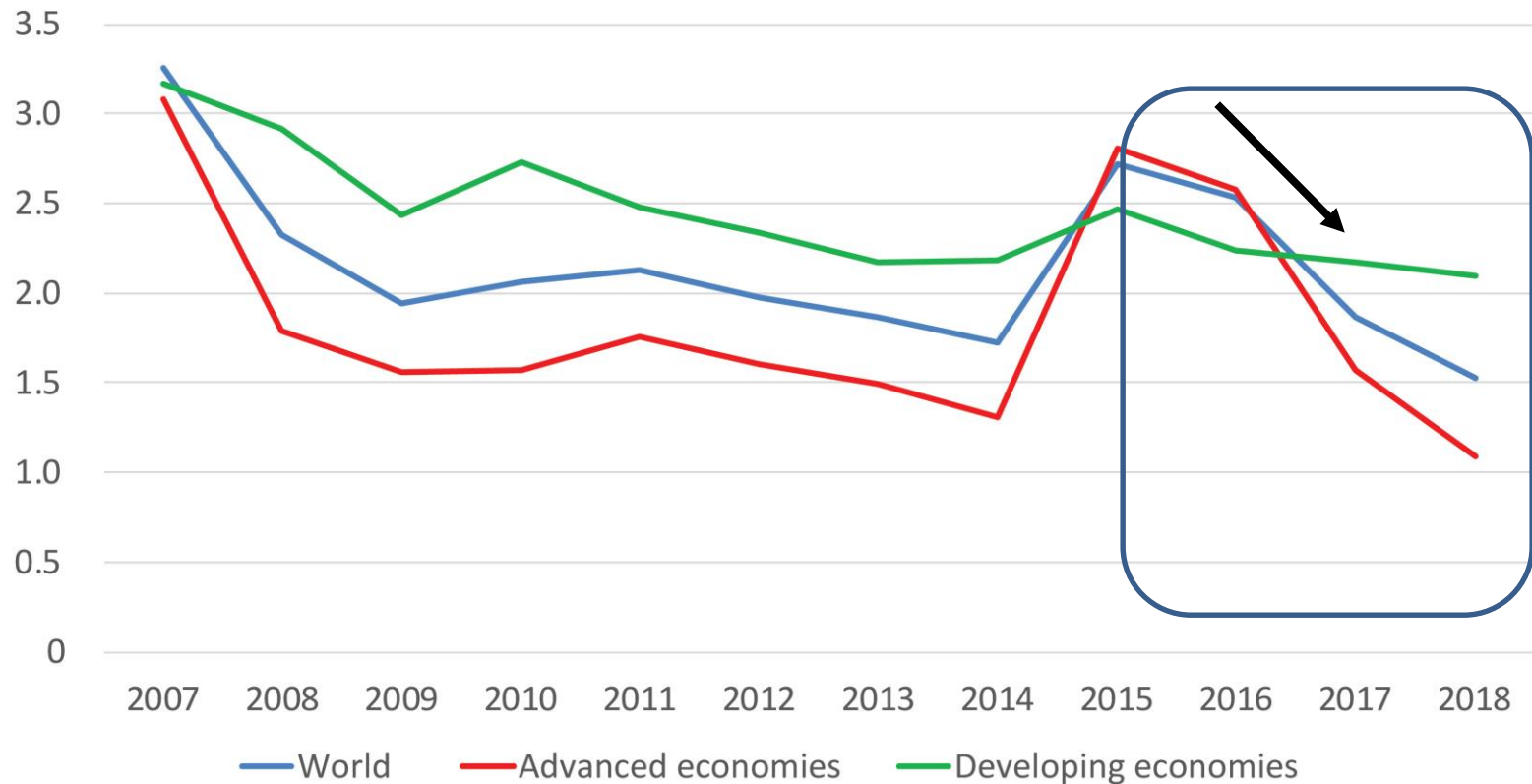
Investment as a percentage of GDP, 1990–2017



Source: ECLAC, on the basis of data from the European Central Bank and the International Monetary Fund.

FDI growth was subdued in the post-crisis period, weakening trade within global value chains

World, advanced and developing economies: foreign direct investment inflows, 2007–2018
(Percentages of the GDP of each group)



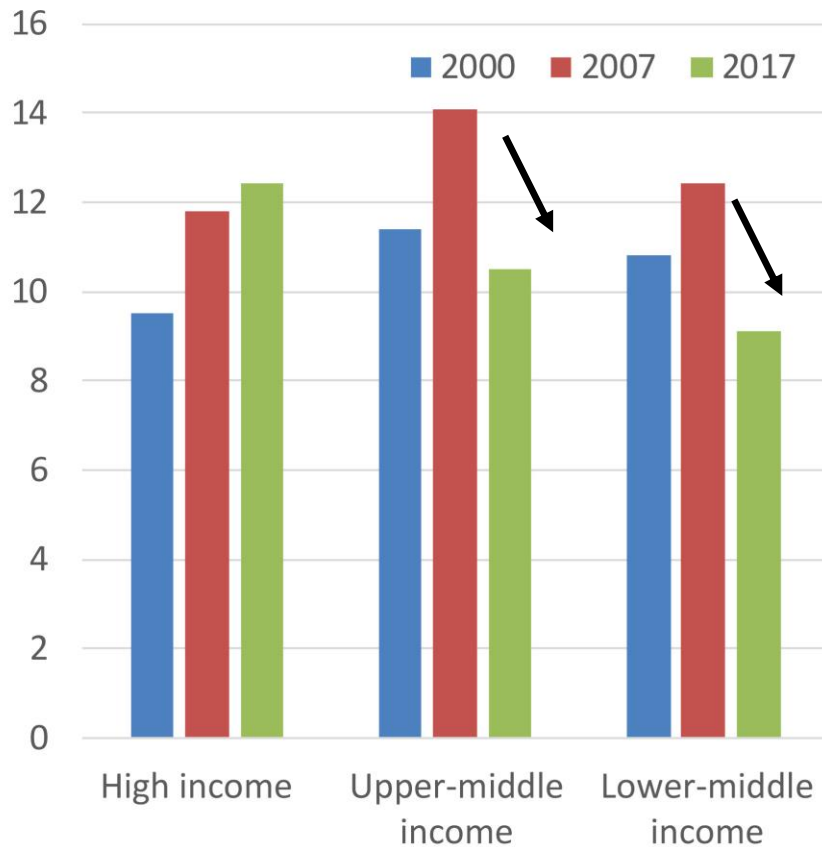
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the United Nations Conference on Trade and Development (UNCTAD) and International Monetary Fund (IMF), World Economic Outlook Database, for global GDP.

The expansion of global value chains has been curtailed

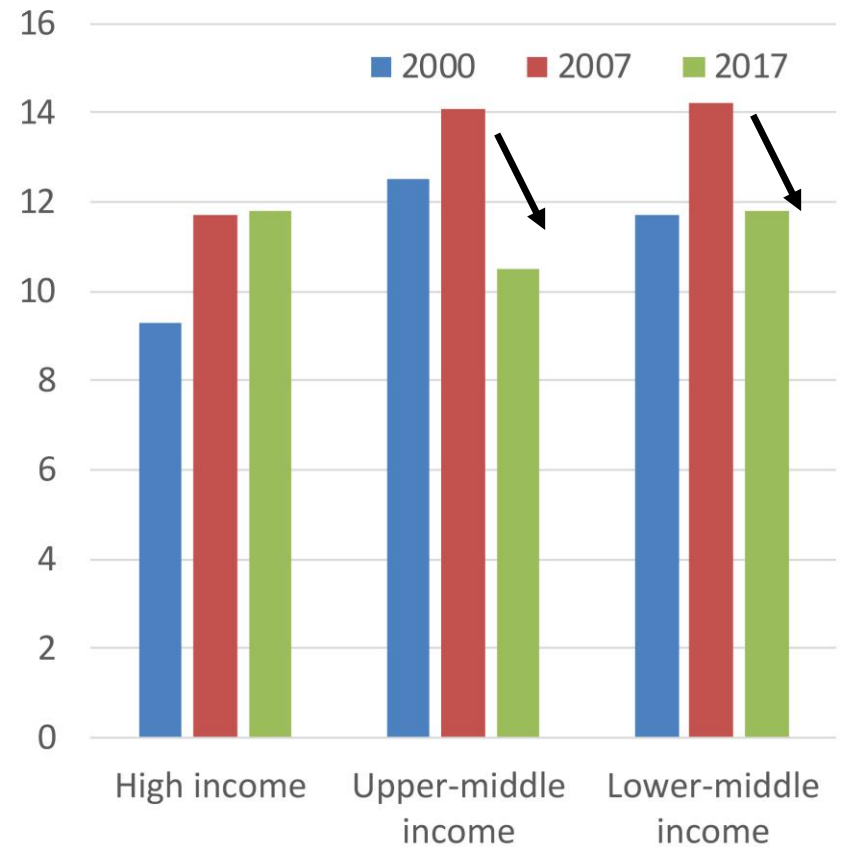
High-, upper-middle- and lower-middle-income countries: downstream and upstream participation in global value chains, 2000, 2007 and 2017

(Percentages)

Forward linkages
(Percentage of GDP)



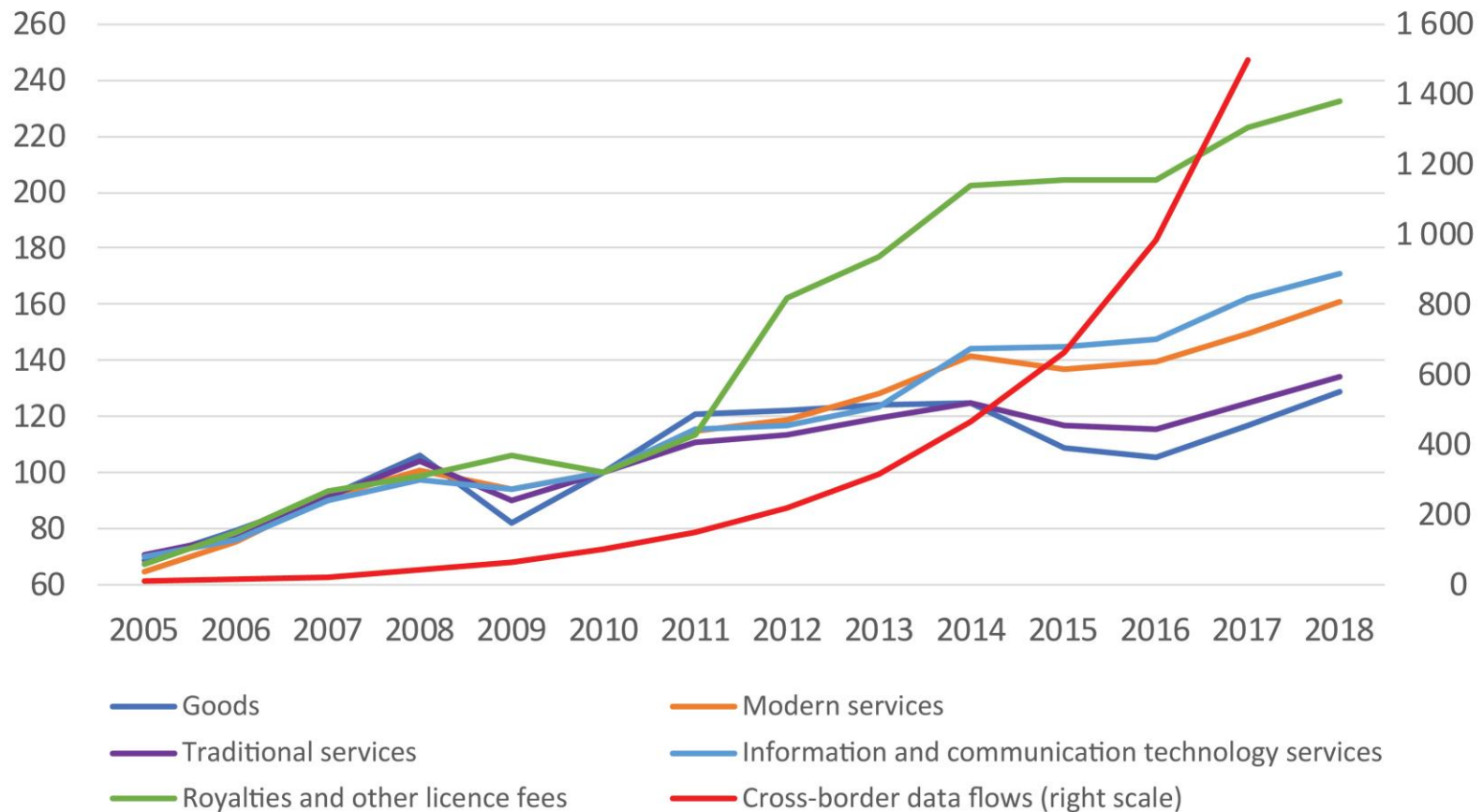
Backward linkages
(Percentage of goods production)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO) and others, *Global Value Chain Development Report 2019: technological innovation, supply chain trade, and workers in a globalized world*, Geneva, 2019

Trade is becoming less material: services and digital products are growing faster than physical goods

World trade in goods, traditional and modern services, and cross-border data flows, 2005–2018
(Index 2010 = 100)

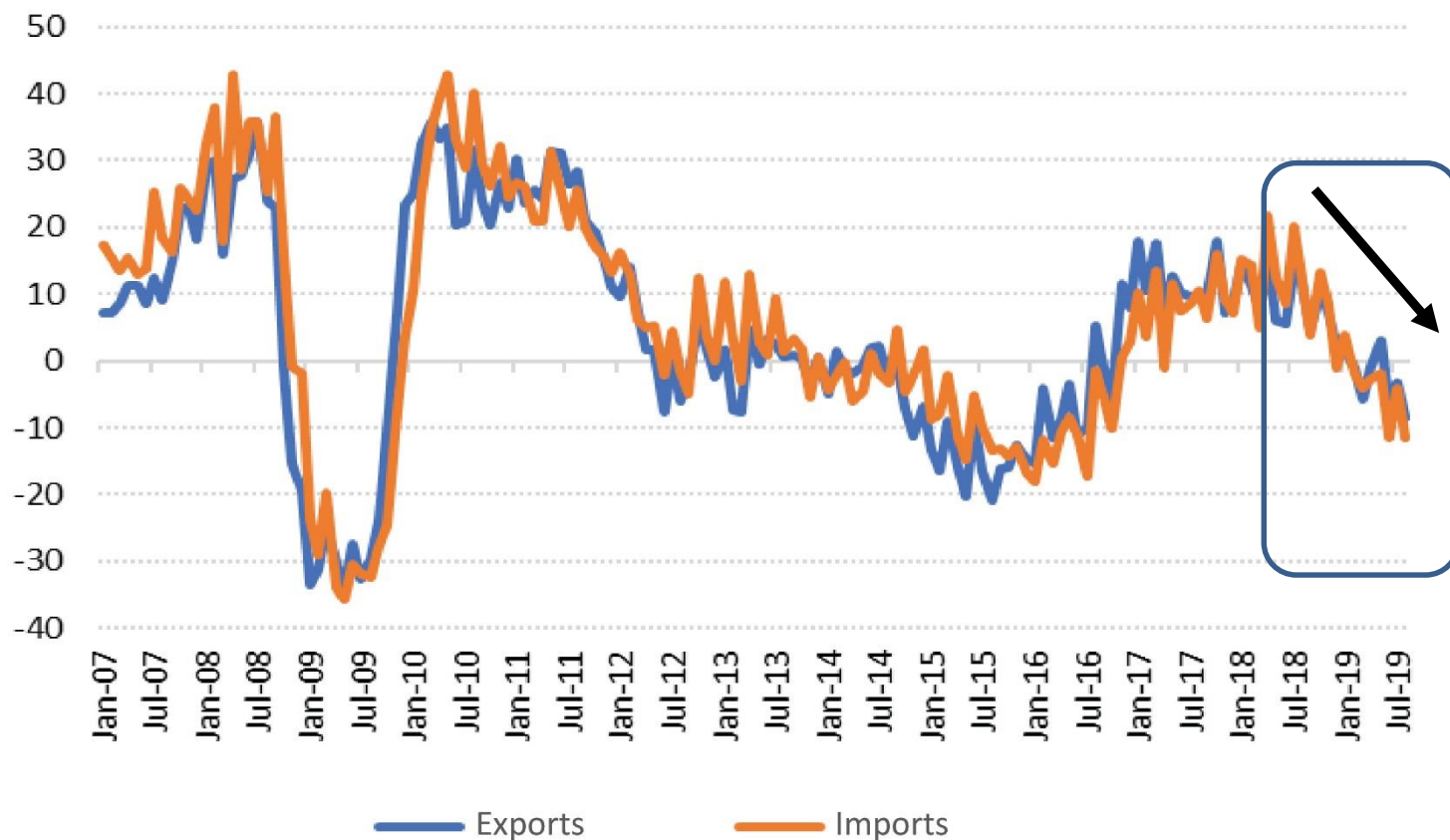


Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of World Trade Organization (WTO) Statistics Database [online] <http://stat.wto.org/Home/WSDBHome.aspx?Language=E>, and McKinsey Global Institute, *Globalization in Transition: The Future of Trade and Value Chains*, Washington, D.C., 2019.

After two years of recovery, regional trade is faltering again

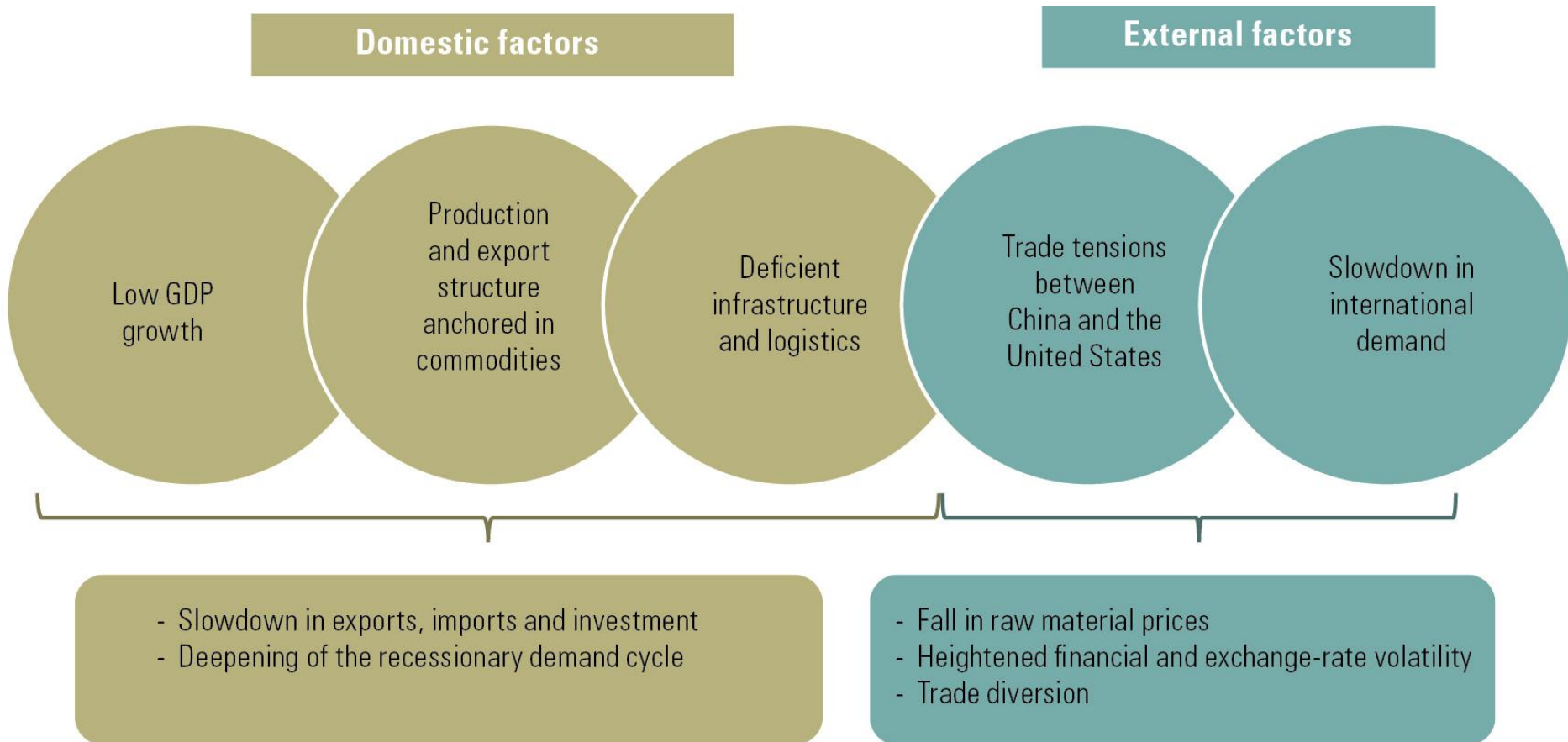
After two years of recovery, regional trade is now in a sustained decline

Latin America and the Caribbean: annualized variation in trade in goods and services, January 2017–June 2019
(Percentages)



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

Internal and external factors are influencing the region's export performance



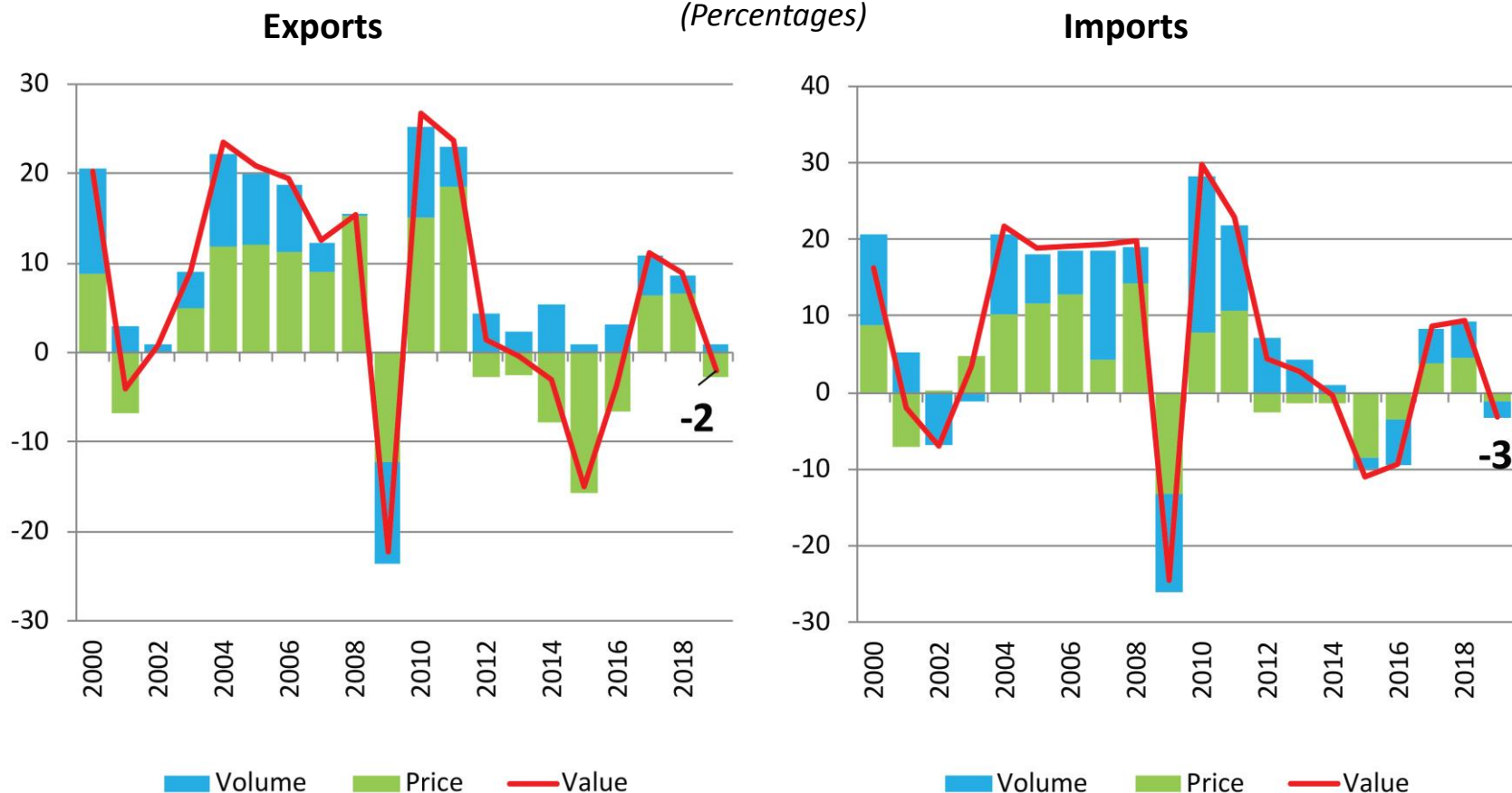
Source: Economic Commission for Latin America and the Caribbean (ECLAC)

In 2019, the value of regional trade is projected to fall for both exports and imports

Latin America and the Caribbean: annual variation in merchandise trade by price, value and volume, 2000–2019^a

2000–2019^a

(Percentages)

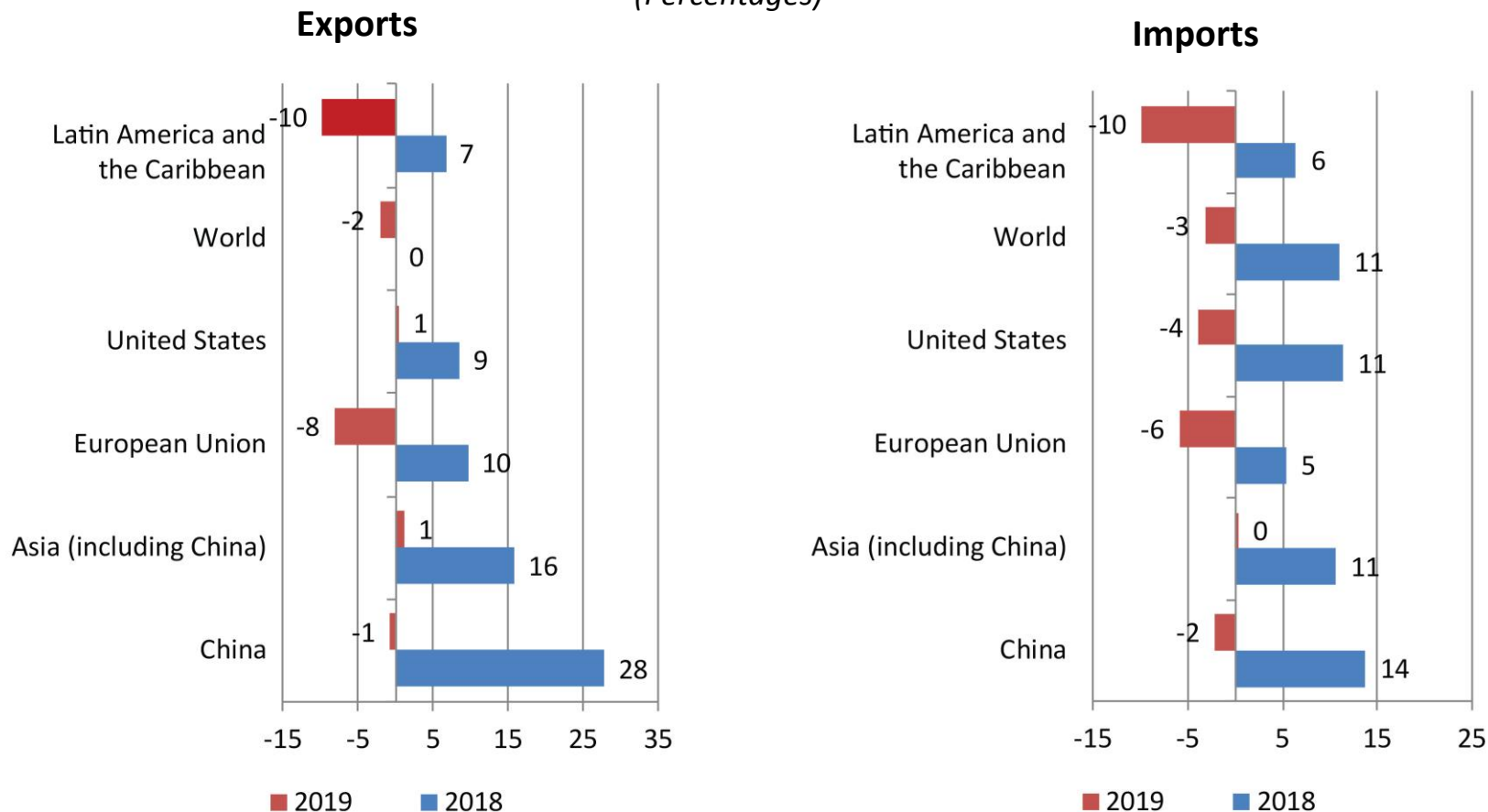


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from customs offices, statistical institutes and central banks of the countries.

^a The figures for 2019 are projections.

Synchronized slowdowns in trade with the rest of the world and within the region

Latin America and the Caribbean: variation in value of merchandise trade by origin and destination, 2018 and 2019^a
(Percentages)



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

^a The figures for 2019 are projections.

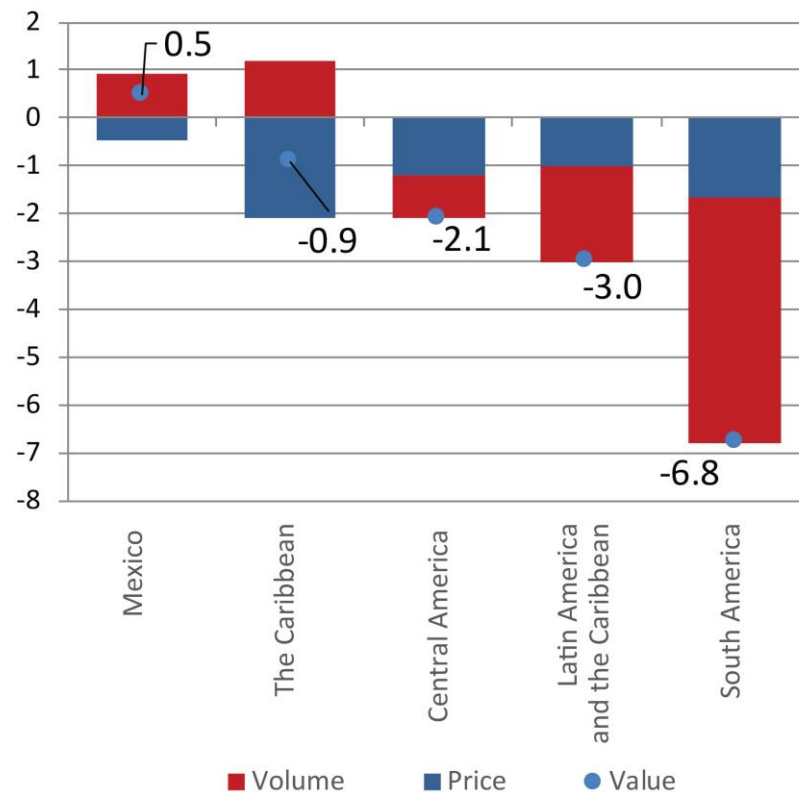
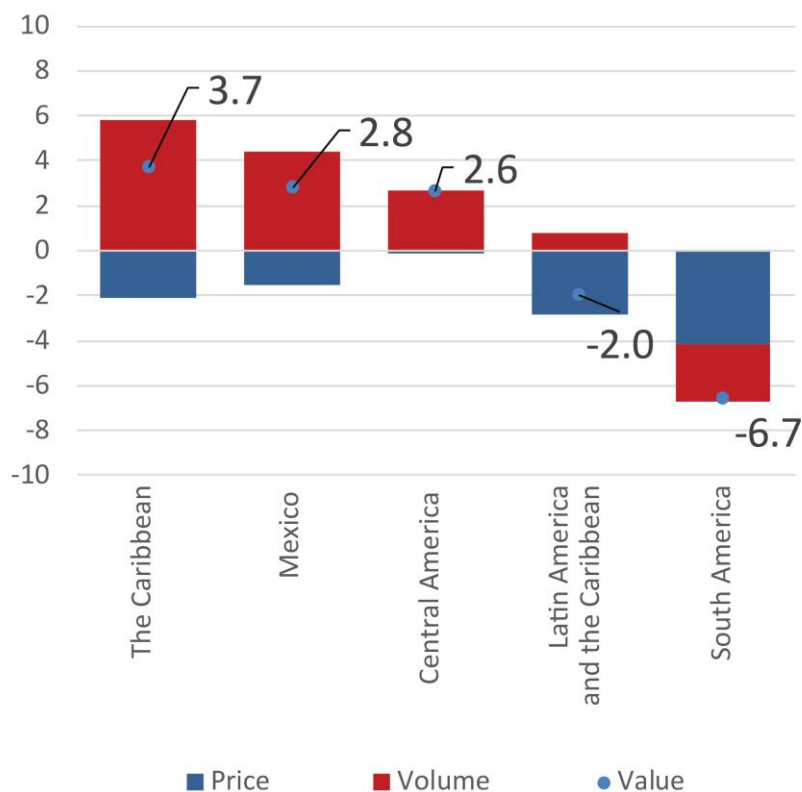
Exports decline in South America, but grow in Central America, Mexico and the Caribbean

Latin America and the Caribbean, Mexico and subregions: projected variation in merchandise trade, by volume, price and value, 2019

Exports

(Percentages)

Imports

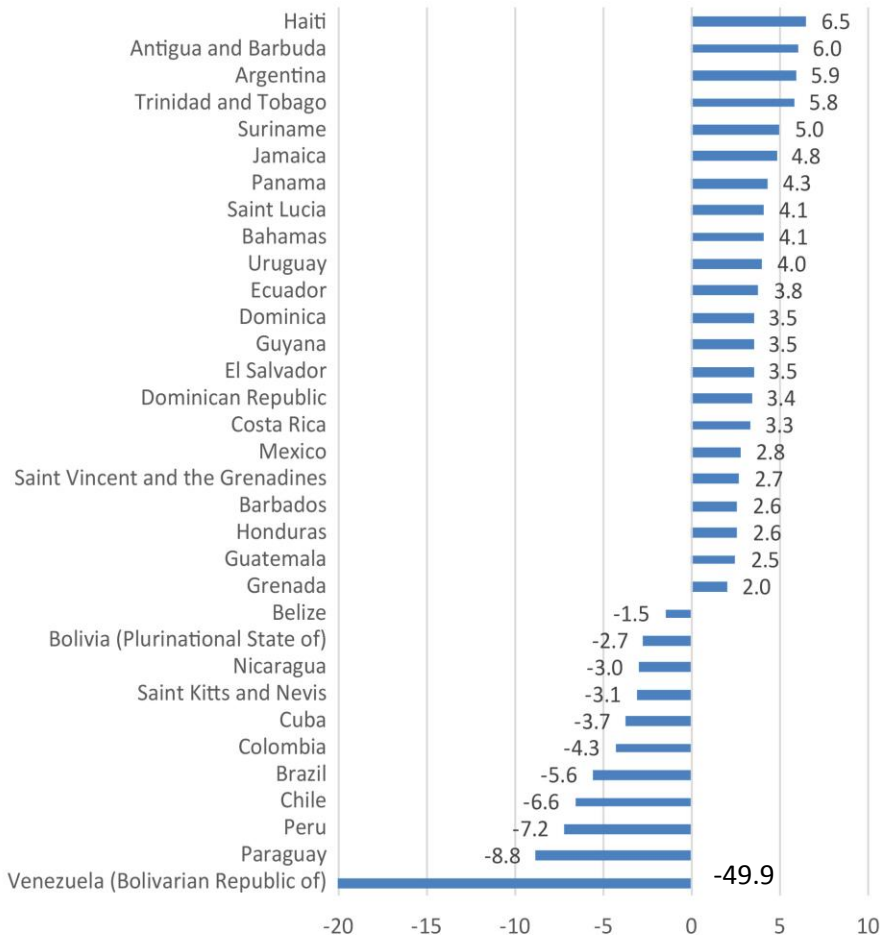


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from customs offices, statistical institutes and central banks of the countries.

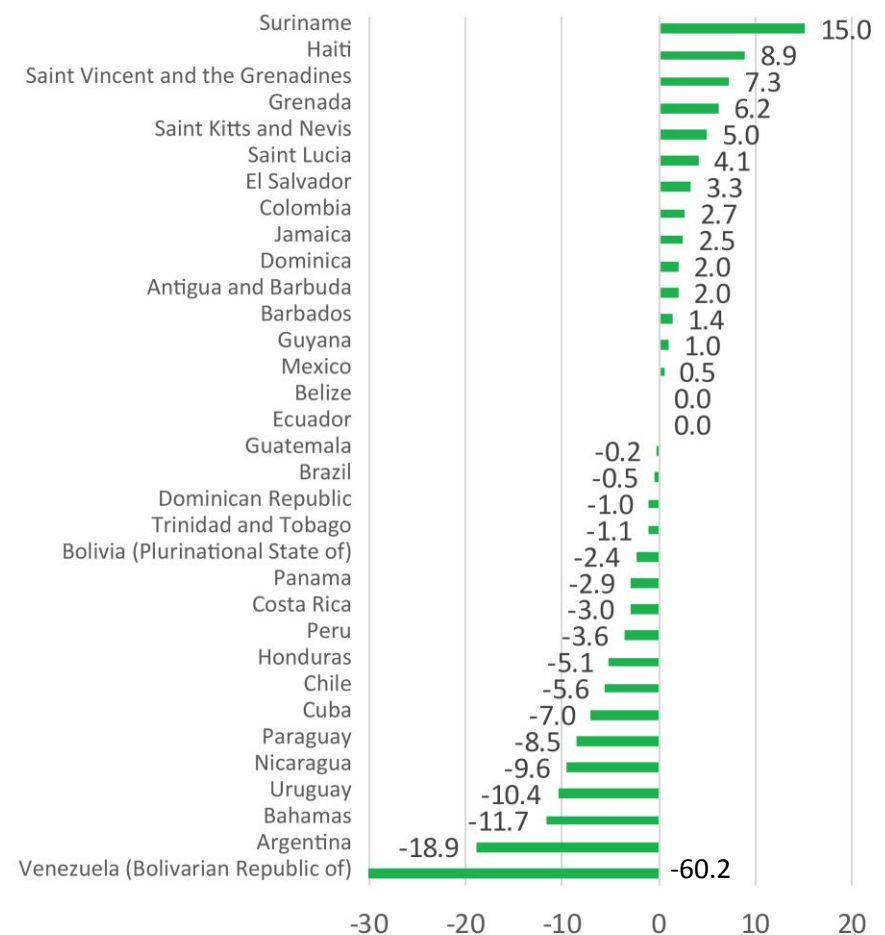
Very varied performance at the country level

Projected variation in merchandise trade by value, 2019 (Percentages)

Exports



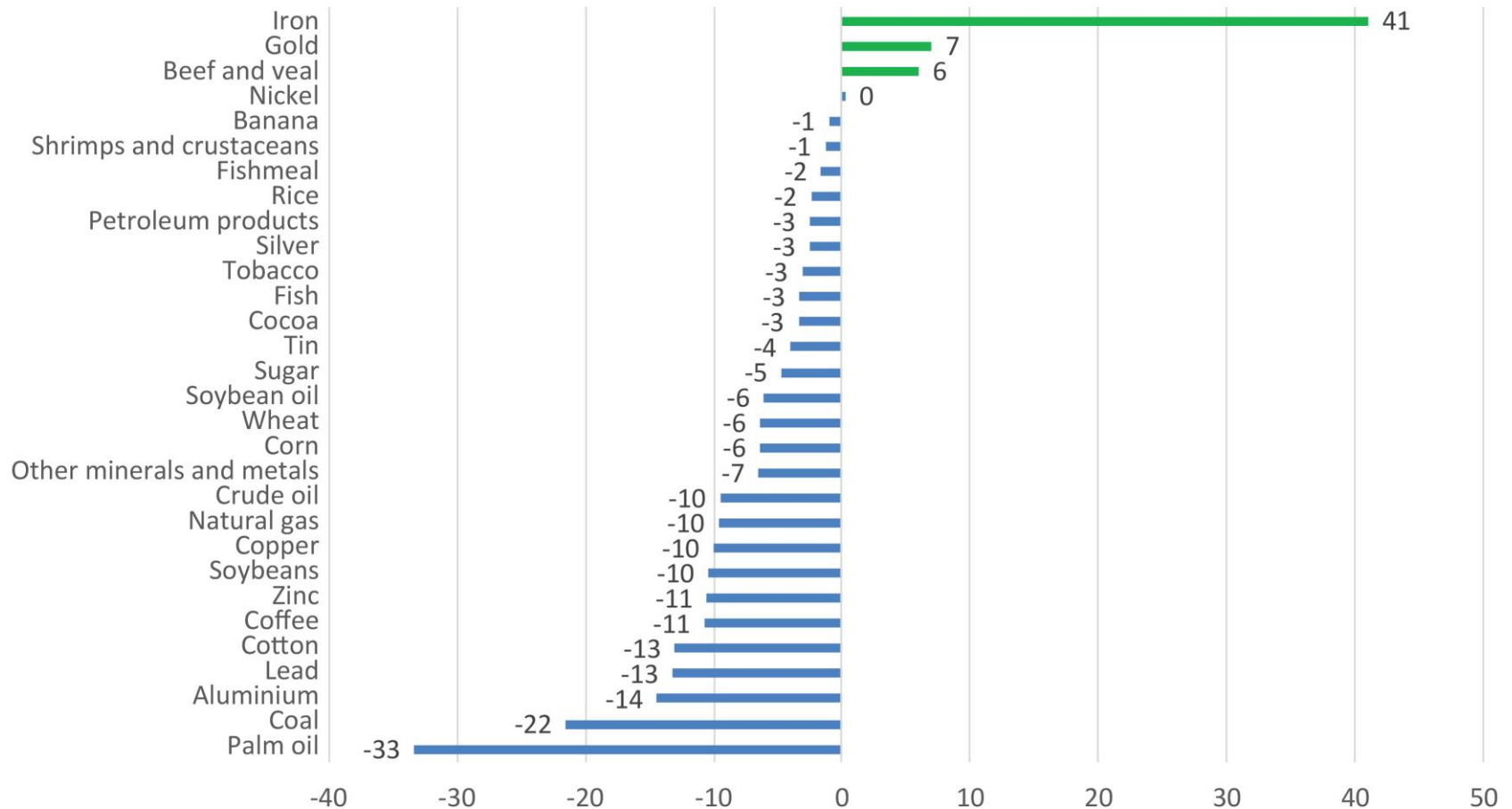
Imports



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from countries. Panama excludes the Colón Free Zone.

Across-the-board fall in commodity prices

Latin America and the Caribbean: projected variation in prices of major export commodities in 2019
(Percentages)

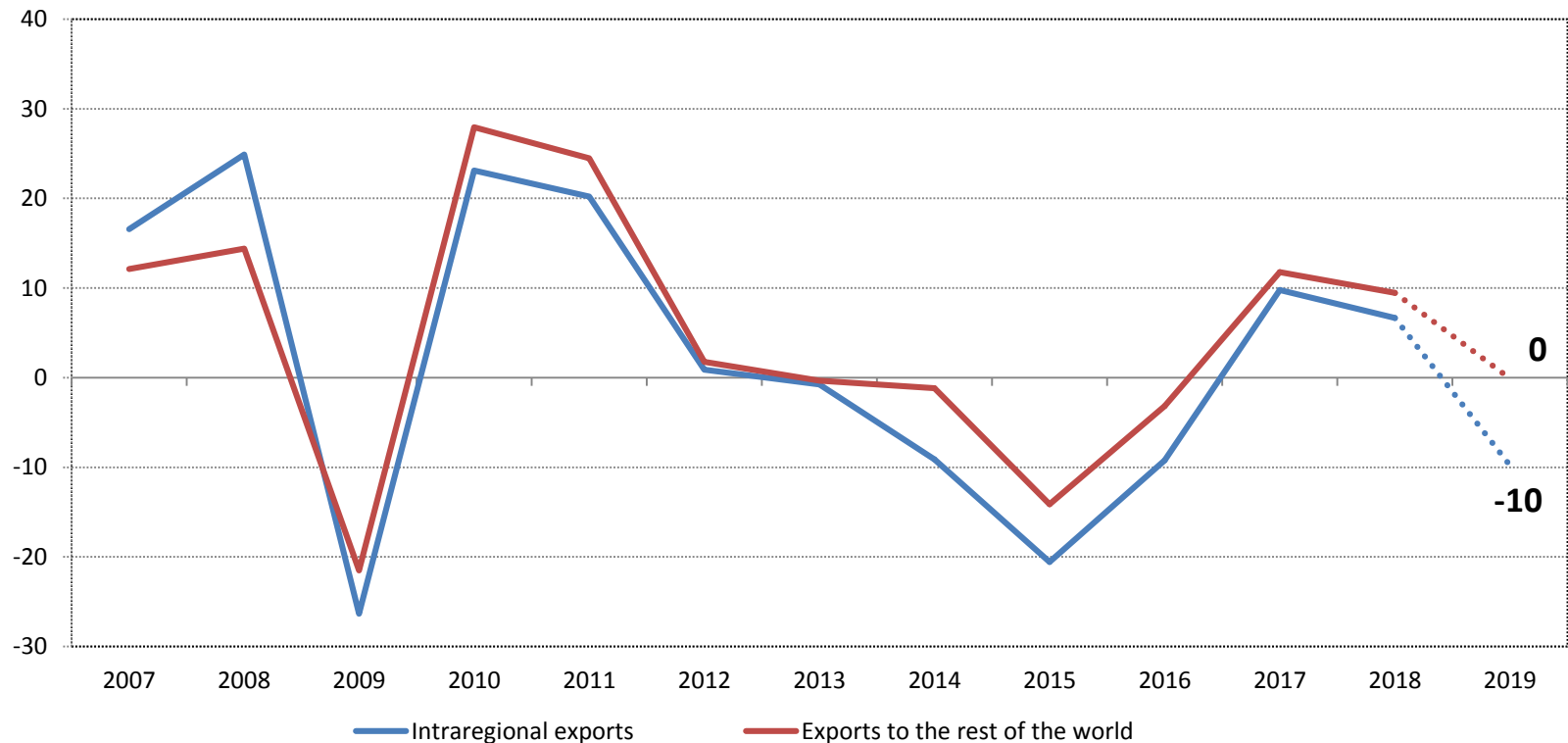


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the United Nations Conference on Trade and Development (UNCTAD), the World Bank, the Economist Intelligence Unit, International Monetary Fund (IMF), and specialized websites.

The region's weak growth mirrors the sharp contraction in intraregional trade

Latin America and the Caribbean: annual variation in the value of intraregional exports and exports to the rest of the world, 2007–2019^a

(Percentages)

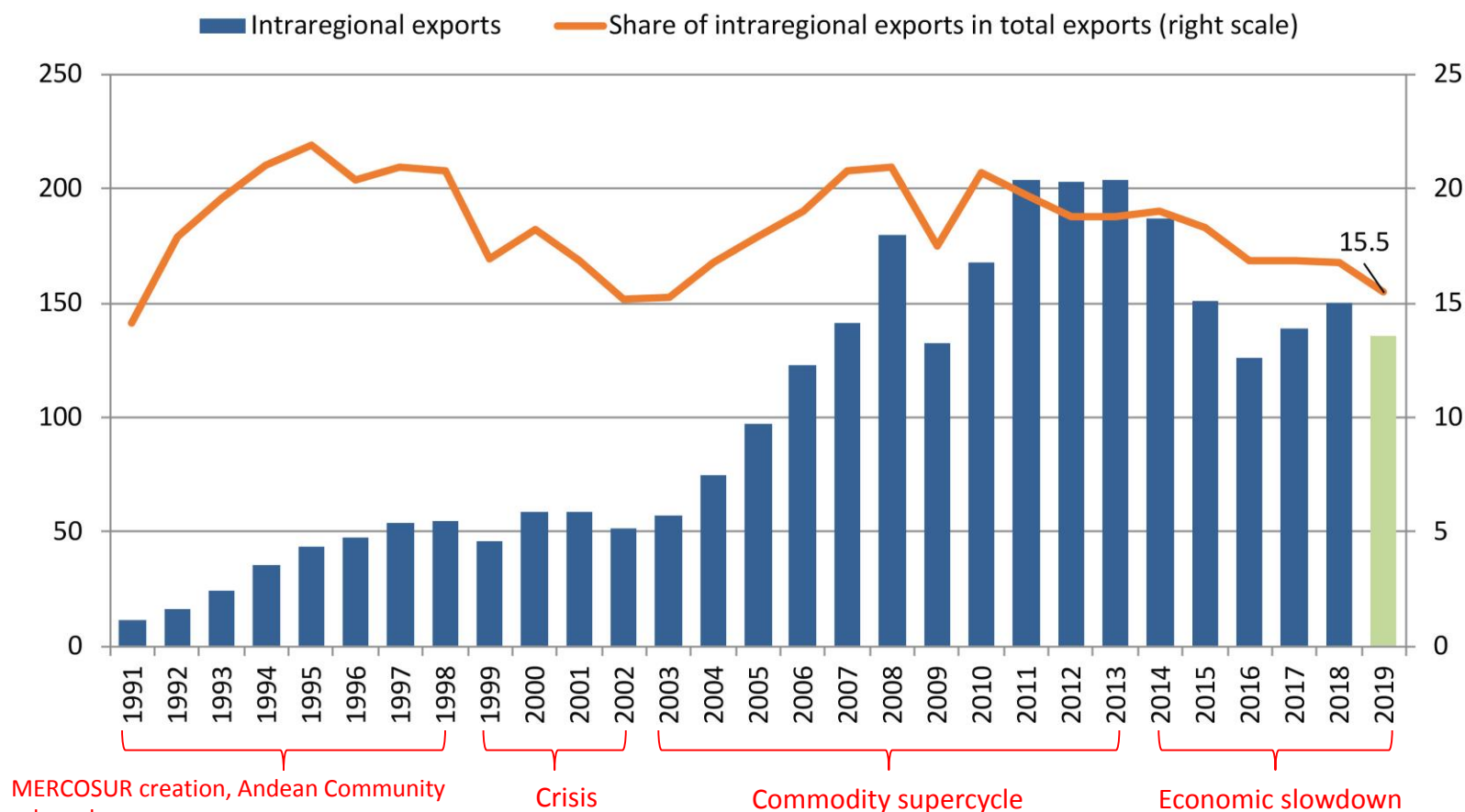


Source: ECLAC, on the basis of official figures from the countries' central banks, customs offices and national institutes of statistics.

^a Figures for 2019 are projections.

Intraregional trade remains well below historic levels registered in 2011–2013

Latin America and the Caribbean: intraregional exports of goods, 1991–2019 ^a
(Millions of dollars and percentages of total goods exports)

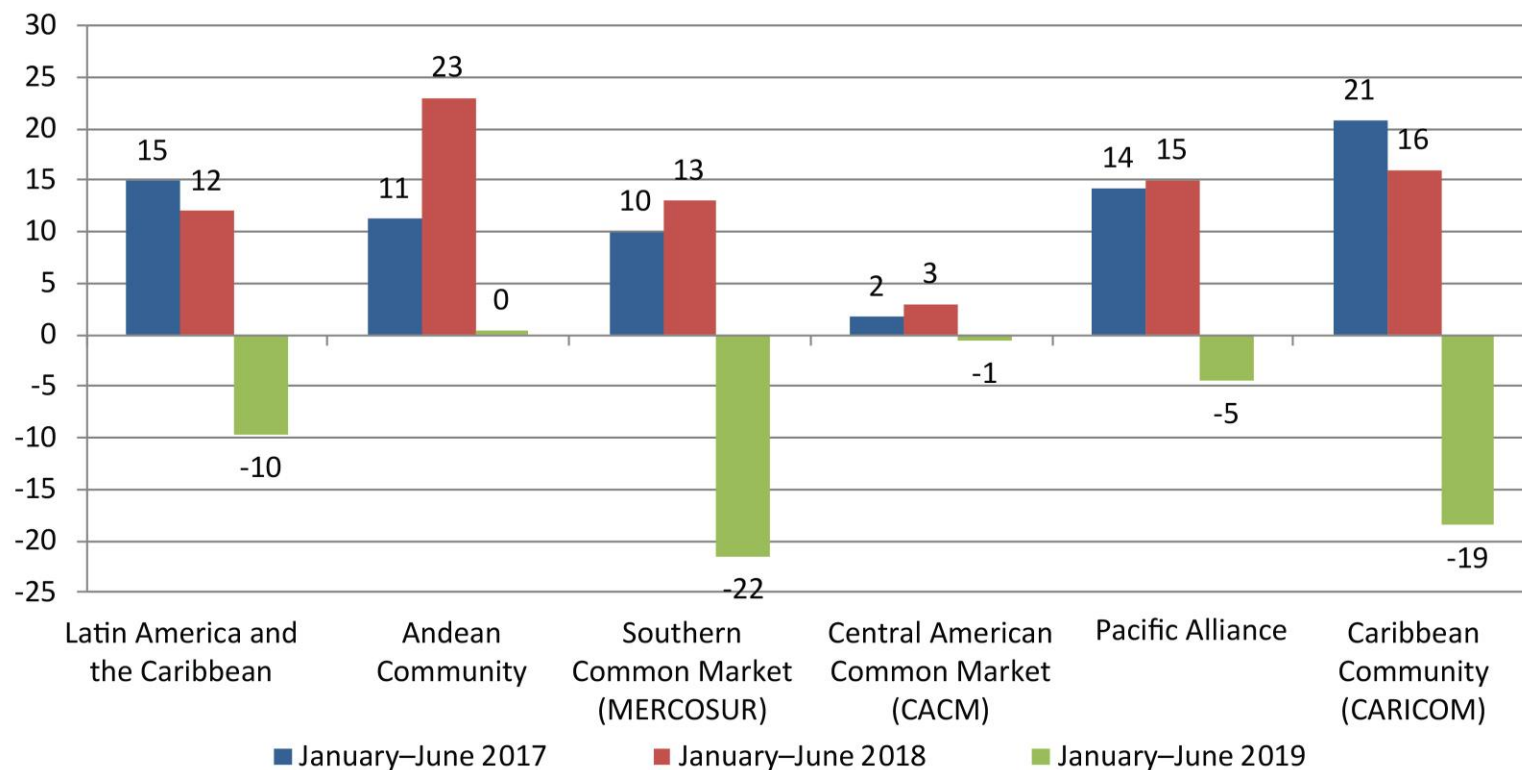


Source: ECLAC, on the basis of official information from countries of the region, the Andean Community and the Central American Common Market.

^a Figures for 2019 are projections.

The slowdown in intraregional trade is reproduced in virtually all integration mechanisms

Latin America and the Caribbean: variation in intraregional exports by integration mechanism, January–June 2017, 2018 and 2019, relative to the year-earlier period
(Percentages)



Source: ECLAC, on the basis of official information from customs offices, statistical institutes and central banks of the countries, and data from the Andean Community and the Central American Common Market.

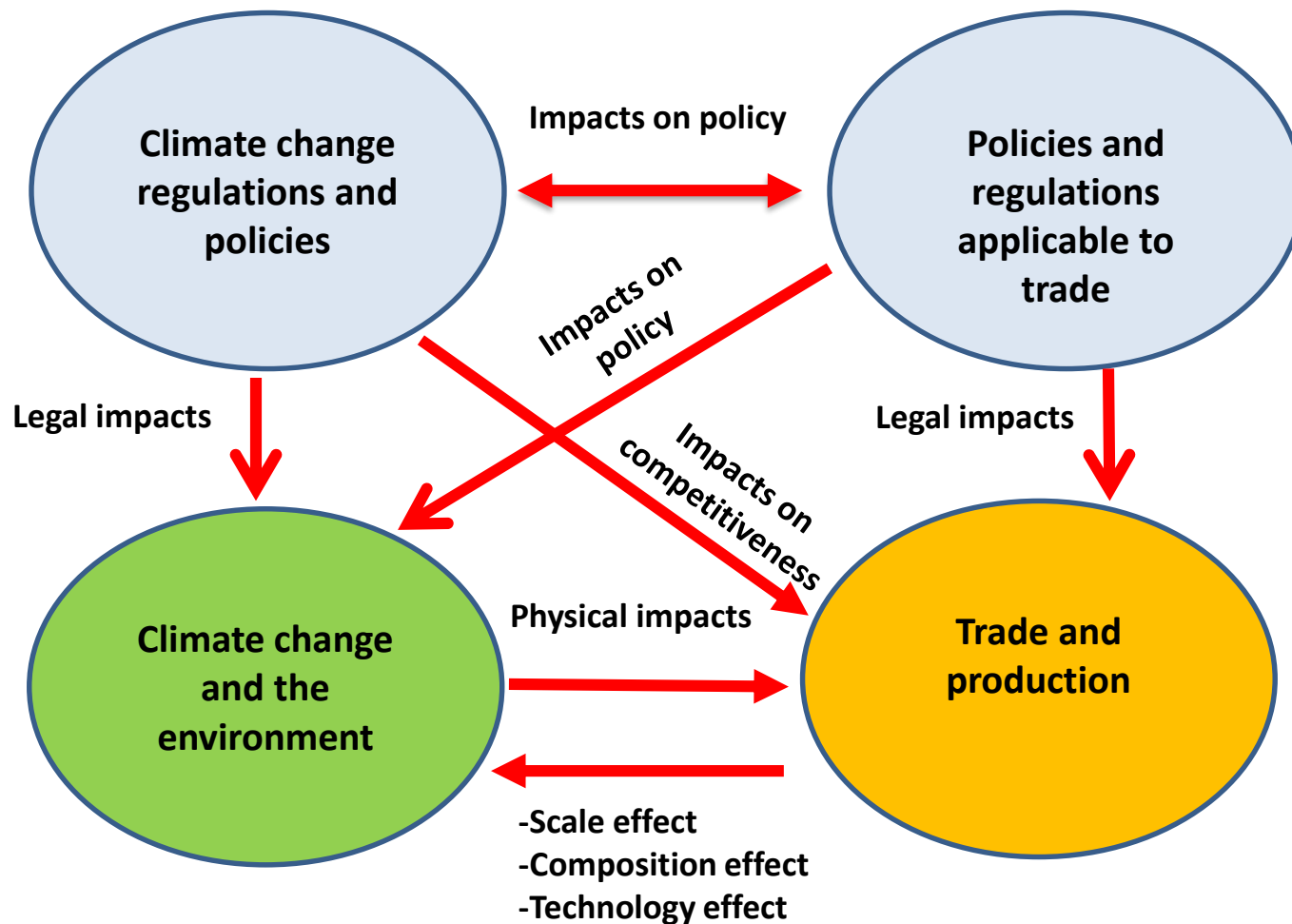
The region is lagging behind and must rethink its participation in international trade

- Global trade in goods has been sluggish since the financial crisis, made worse by trade tensions
- Seemingly related to structural factors such as a shortening of global value chains, China's decreasing dependence on trade, and digitization
- The region's outdated export pattern must adapt to technological, logistical and sustainability challenges
- This means rethinking its international positioning strategy and making greater efforts to boost intraregional trade

Chapter II

Enhancing trade's contribution to environmental sustainability

Trade, climate change and their respective regulatory frameworks are linked



The unfinished agenda: incorporating environmental sustainability into trade agreements

- As a minimum, trade agreements must:
 - ✓ Create incentives for the diffusion of green goods, services and technologies
 - ✓ Discourage the expansion of sectors or industries with a high environmental footprint
 - ✓ Be in line with environmental agreements and the nationally determined contributions set forth in the Paris Agreement
- To this end, they can promote sustainability in a number of way:

Mechanisms that affect relative prices

- Lower barriers to environmental goods and services
- Subsidies for renewable energies
- Fossil fuel taxes

Regulatory mechanisms

- Environmental labelling
- Standards on energy efficiency, emissions, sustainable management of fishery, forestry and agricultural products

Green public procurement

- Goods
- Services
- Public works

Intellectual property

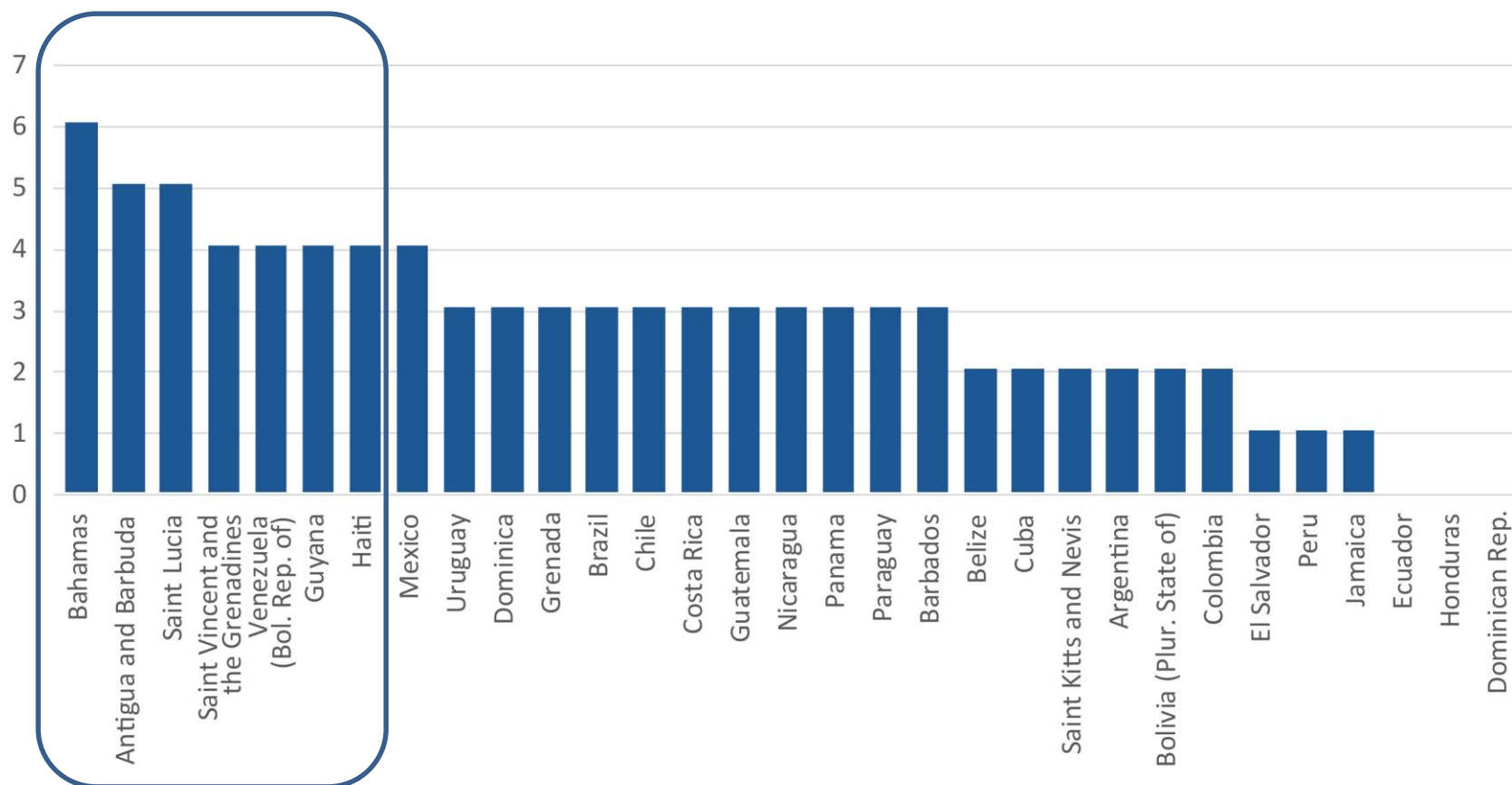
- Technology transfer mechanisms (e.g. mandatory licences for green technology)

Investment

- Ensure the right of the host State to protect the environment

Unlike in the Caribbean, few countries in the region have included trade measures in their climate change mitigation strategies

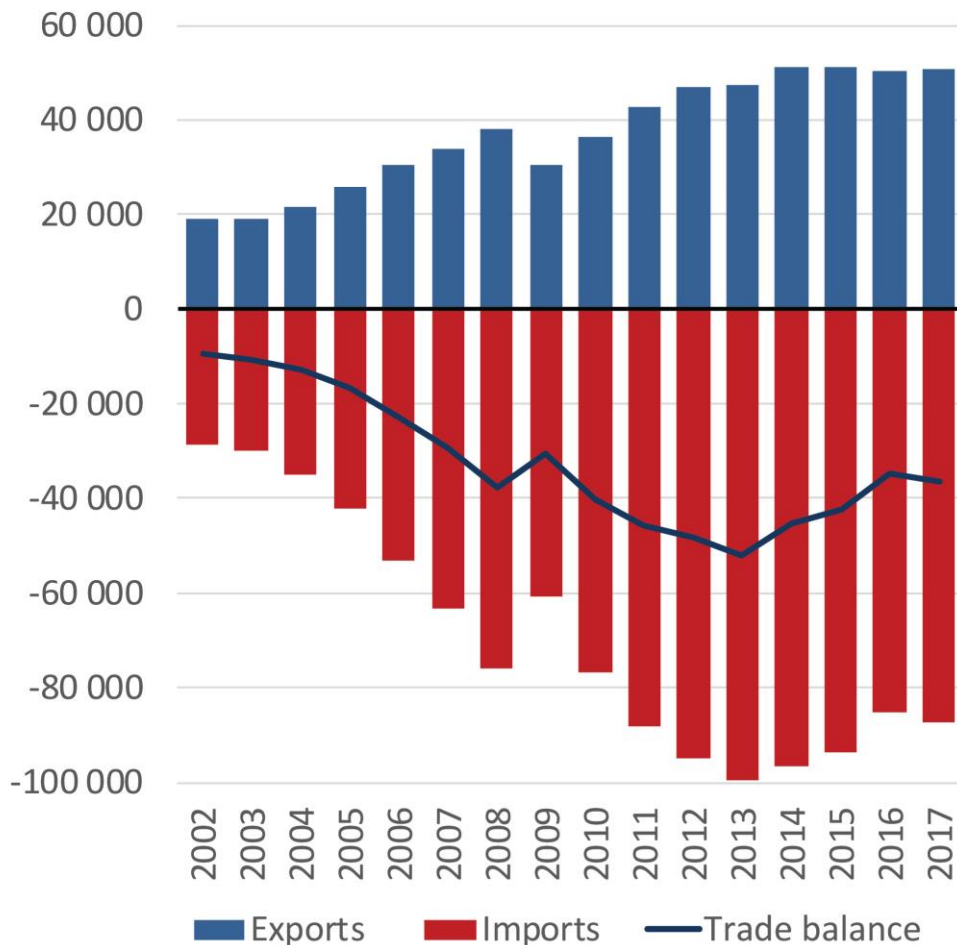
Latin America and the Caribbean: presence of trade measures in the nationally determined contributions
(Number)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the analysis of nationally determined contributions.

The region has a trade deficit in environmental goods

Latin America and subregions: trade in environmental goods,
2002–2017
(Millions of dollars)



- Environmental goods, which include non-conventional renewable energies measure and correct environmental damage to water, air and soil
- There is no consensus definition because of, inter alia, goods that have dual or multiple use (e.g. gas turbines can generate electricity either from biogas or traditional gas)
- The definition used here is derived from the Consolidated List of Environmental Goods, comprising 248 goods

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

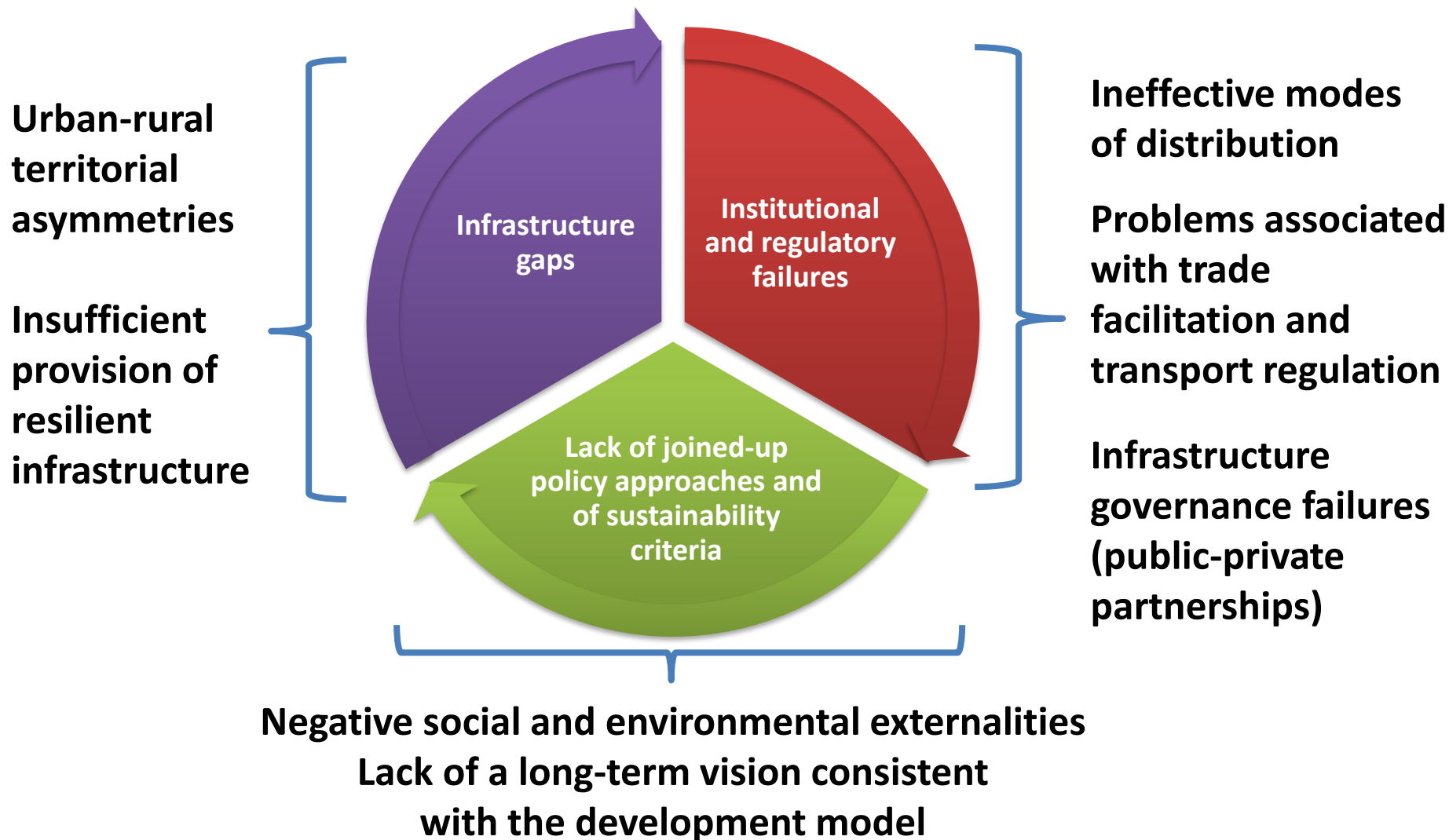
In short

- **Need for greater coherence between the international regimes on trade and the environment in order to:**
 - Reach agreements to limit fisheries and fossil fuel subsidies, protecting vulnerable populations
 - Restore the legality of subsidies for environmental retrofitting
 - Legalize measures adopted by countries in the framework of the Paris Agreement, such as border carbon adjustments and support for renewable energies
 - Establish a waiver on the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) for green technologies in developing countries with low levels of absolute emissions
- **Introduce a green industrial policy that:**
 - Boosts the production of environmental goods and services
 - Enhances the sustainability of exports, especially natural-resource-based exports

Chapter III

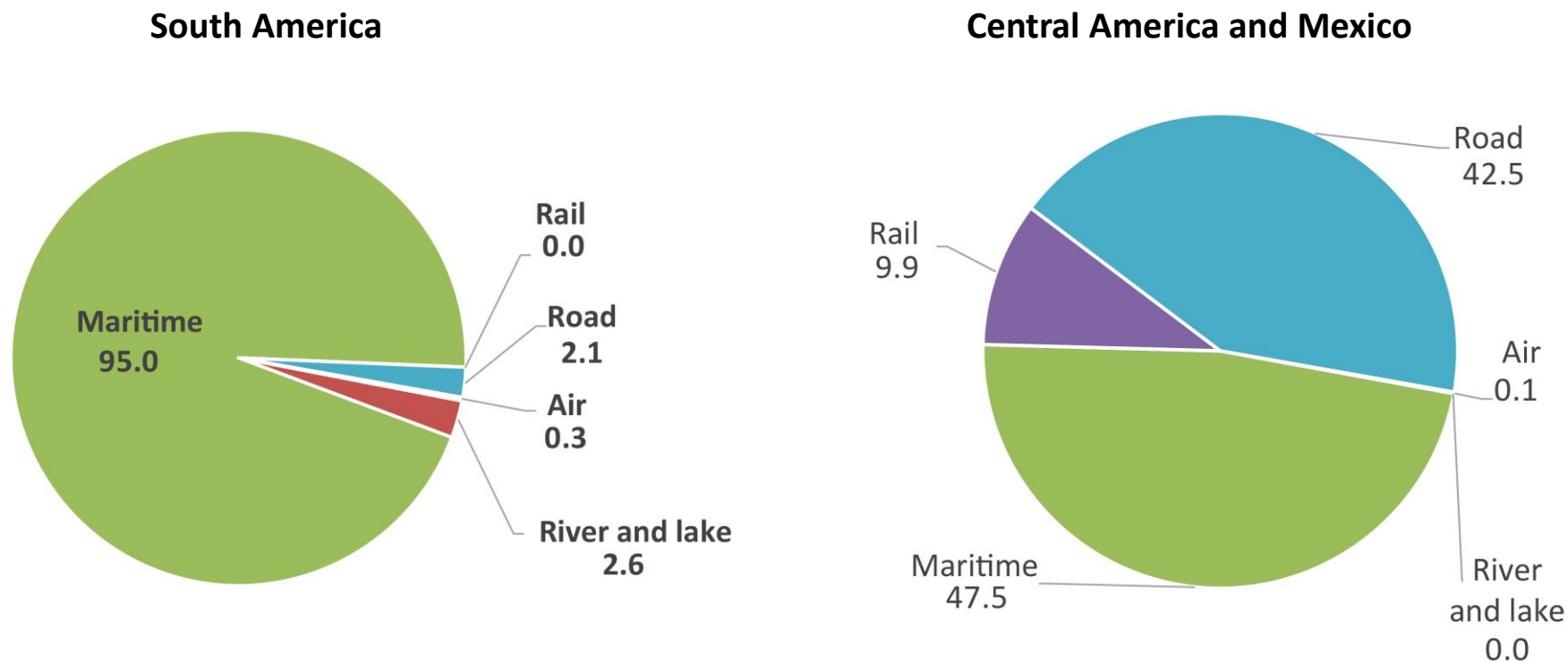
Logistics and infrastructure for trade, production and integration

Infrastructure weaknesses and logistics' costs affect regional competitiveness



Road transport accounts for a greater share of foreign trade in Central America and Mexico than in South America

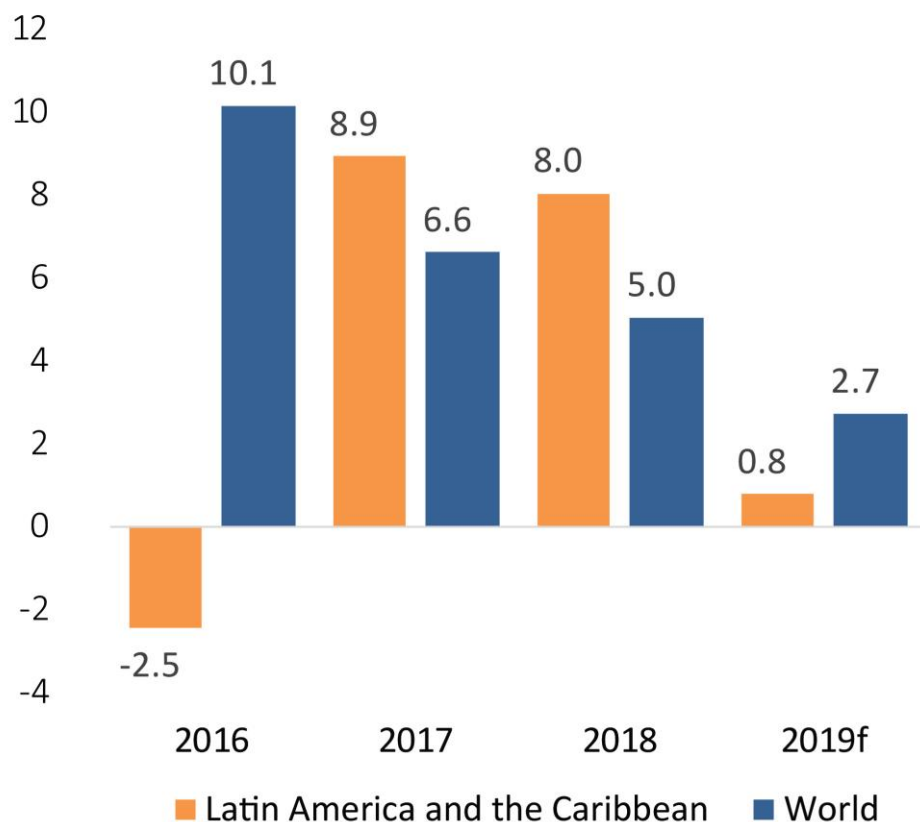
Foreign trade volume by transport mode, 2017
(Percentages)



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

Port activity is slowing down following the trade trend of recent years

Latin America and the Caribbean and the world:
total container movements, 2016–2019^a
(Percentages)



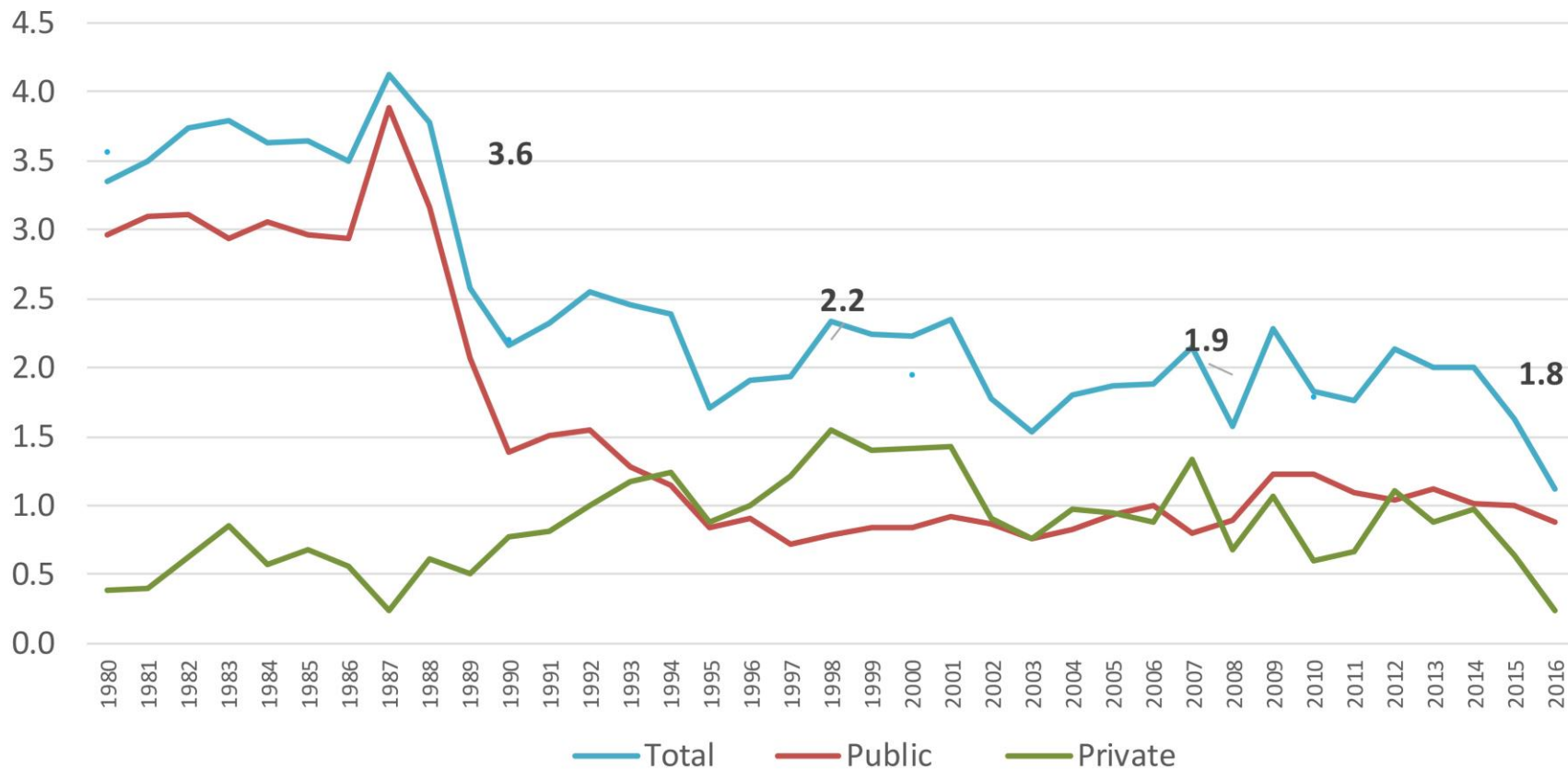
Latin America and the Caribbean: maritime
container trade in the first half of 2019 compared to
the same period of 2018
(Percentages)

	Share 2019	Variation between 2019 and 2018
Exports	40%	-0.3%
Imports	50%	-2.0%
Intraregional	10%	2.7%
Total	100%	-0.9%

^a Data for 2019 are preliminary.

The steady decline in infrastructure investment has led to a large gap in transport

Investment as a percentage of GDP, 1990–2017

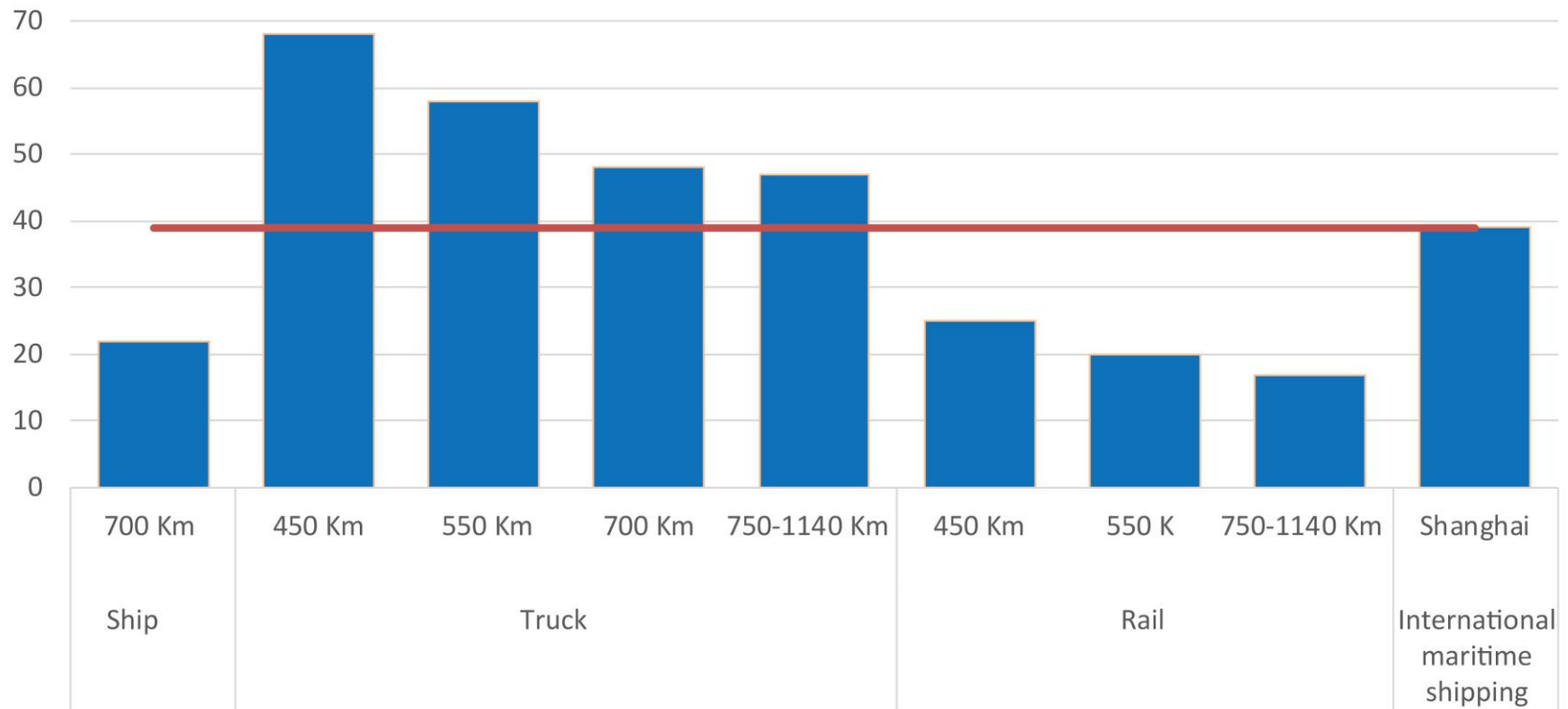


Source: ECLAC.

Note: Includes Argentina, Brazil, Chile, Colombia, Mexico and Peru. Does not include Chile for 2015. Does not include Chile or Colombia for 2016. Includes the following sectors: transport (road and rail), energy (electricity), telecommunications, water and sanitation.

The lack of infrastructure and logistics services' inefficiencies make domestic transport more expensive

Argentina: costs per ton and km transported from ports in Gran Rosario, 2019
(Dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Rosario Board of Trade (Bolsa de Comercio de Rosario, BCR).

The concentration of the logistics industry and regulatory weaknesses add to the infrastructure gap

Indicators of concentration in the global logistics industry

- ✓ **76%** of all container movements in ports is handled by the top 10 port operators
- ✓ **70%** of total container capacity belongs to the 3 large shipping alliances
- ✓ **1 in 7.5** commercial containers is handled by the top 25 freight forwarders

Latin America and the Caribbean: renegotiations of public-private partnership contracts, 1990–2015 (Percentages)

	1990–2004	2004–2010	2010–2015
All sectors	42	68	58
Electricity	10	41	30
Transport	55	81	60
Water and sanitation	75	76	66
Other social sectors	...	42	40

Main messages of chapter III:

- ✓ Infrastructure and logistics play a central role in trade competitiveness. They are affected by, among other things, investment, economic and technical regulations, industrial organization of services markets and public policy objectives.
- ✓ Freight transport in the region is concentrated in a few ways, leading to inefficiencies and negative environmental externalities.
- ✓ To close the infrastructure gap in transport, investments must be tripled, which, in the face of fiscal restrictions, means exploring new sources of financing.
- ✓ Regulations must also be improved, especially with regard to concessions and deconcentrating logistics services.
- ✓ Integrating infrastructure at the regional level, by means of co-modal logistical corridors, allows the pattern of investment to be refocused towards more competitive, sustainable and resilient modes of transport.



2019

International Trade Outlook for Latin America and the Caribbean

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