



2021

International Trade Outlook for Latin America and the Caribbean



UNITED NATIONS

ECLAC

An asymmetrical and heterogenous recovery in a context of heightened uncertainty



Global situation

- Recovery in international trade
- Global reconfiguration:
 - Disruption in global value chains
 - Productive self-sufficiency agendas
- Factors of uncertainty surrounding the recovery



Regional situation

- Asymmetries in the recovery in trade
- The impact of commodity prices
- Situation regarding intraregional trade



Integration agenda

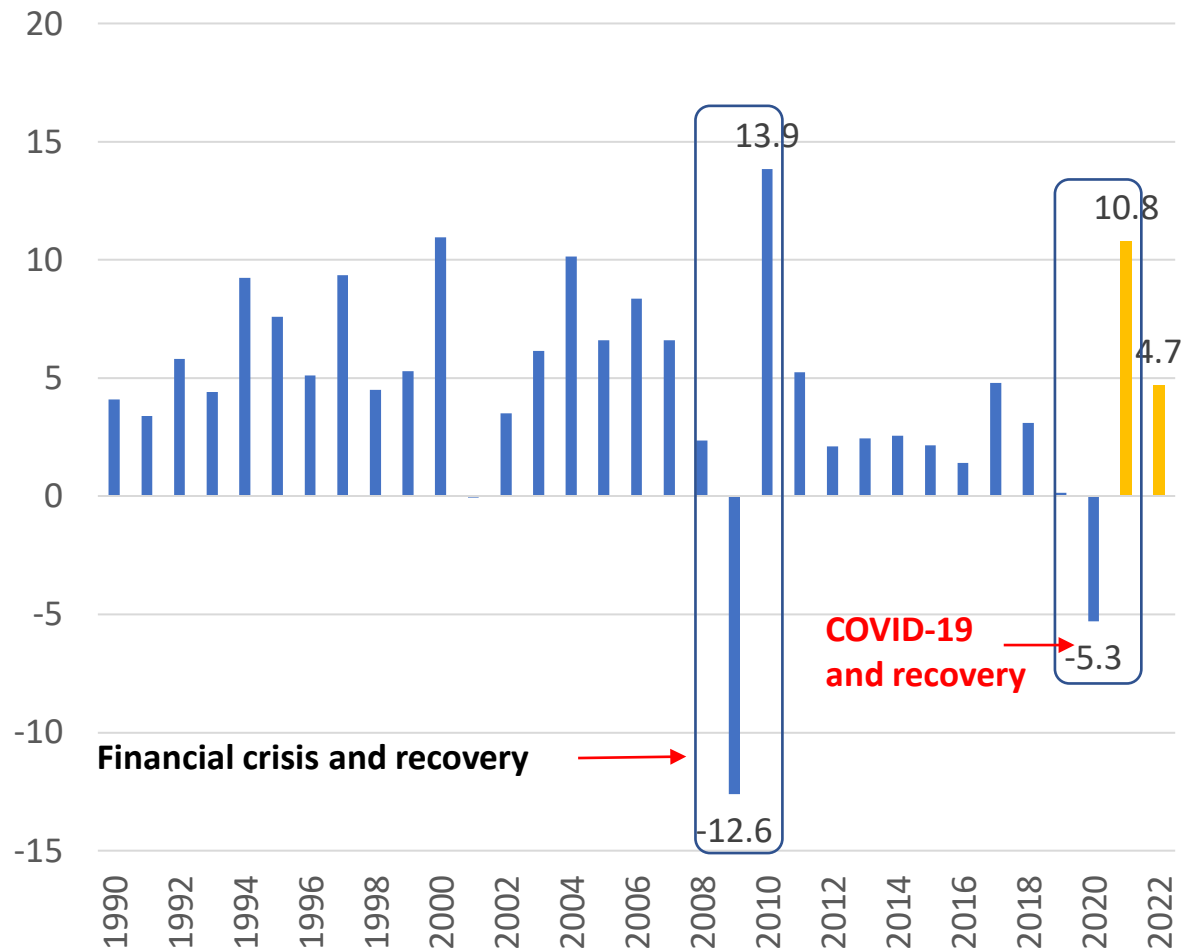
- Importance of regional integration for a resilient recovery
- Areas and sectors that can drive integration of production:
 - Regional productive autonomy in the **health-care industry**
 - More **digital and sustainable** regional trade

The outlook for global trade

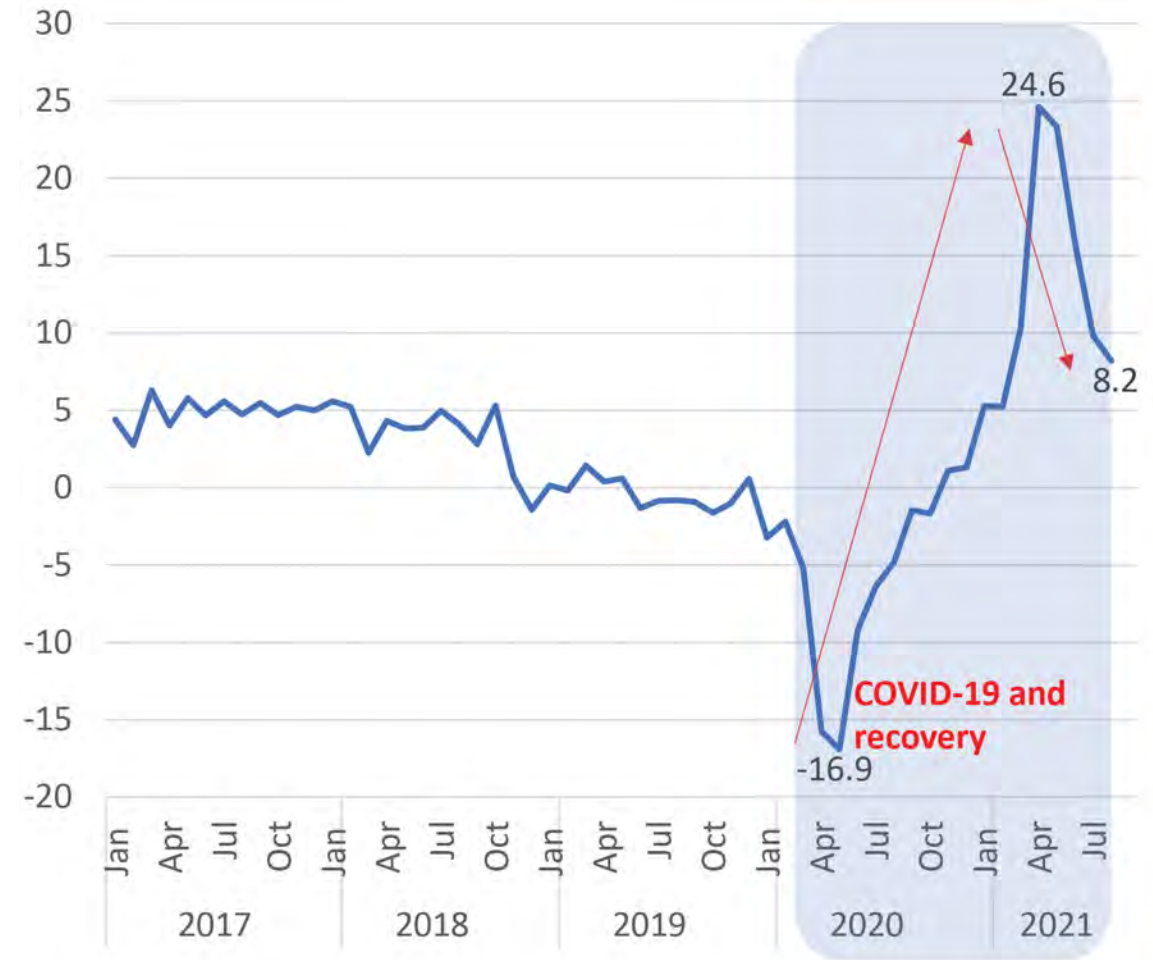


A strong recovery in 2021, but there are signs it is slowing

**ANNUAL VARIATION IN THE VOLUME OF WORLD TRADE
IN GOODS, 1990-2022^a**
(Percentages)



**YEAR-ON-YEAR VARIATION IN THE VOLUME OF WORLD TRADE
IN GOODS, JANUARY 2017–AUGUST 2021**
(Percentages)

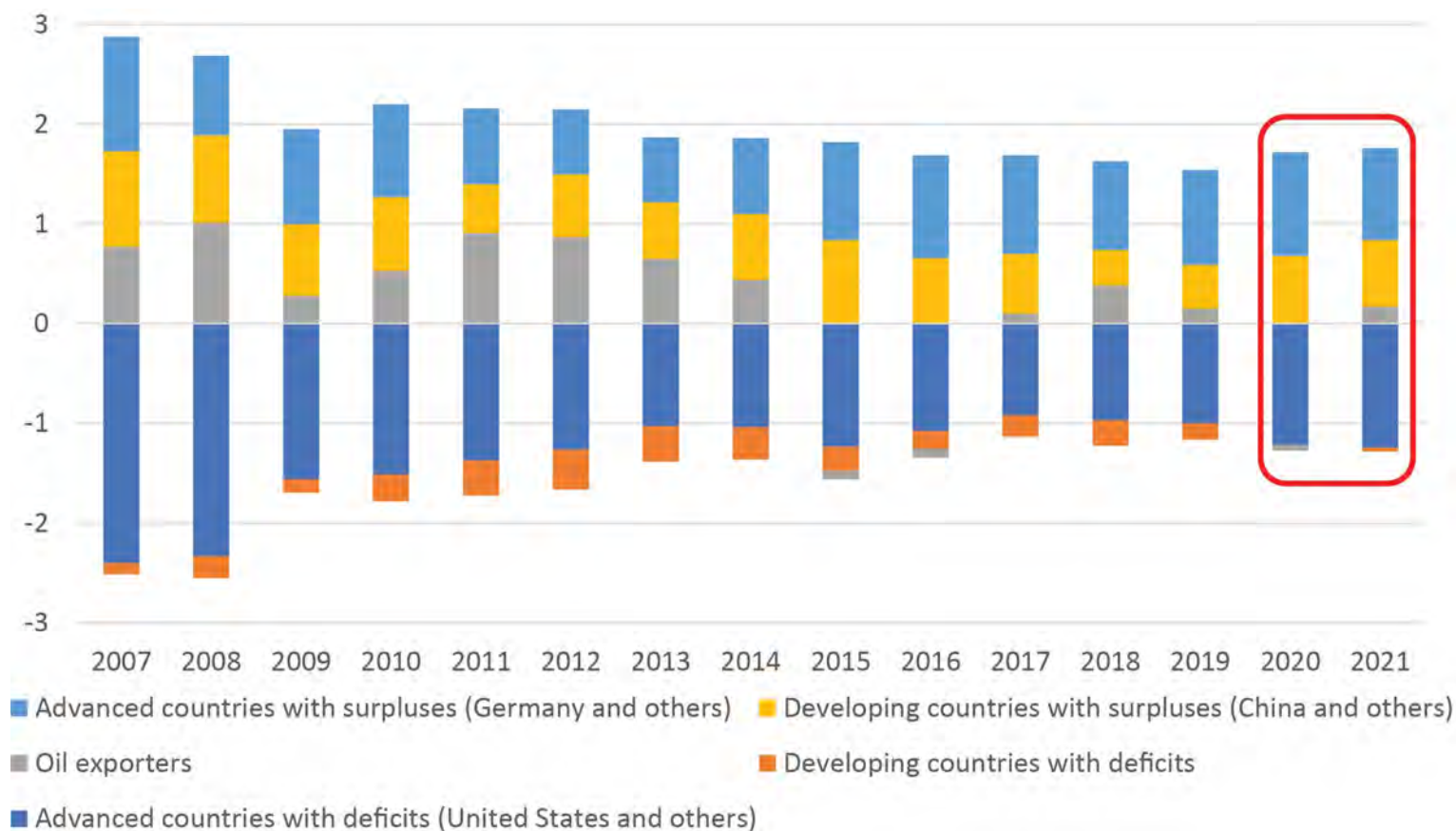


^a The figures for 2021 and 2022 are World Trade Organization (WTO) projections (Oct. 2021). Source: ECLAC, on the basis of data from World Trade Organization (WTO) and Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor.

The pandemic has exacerbated imbalances in the global current account

MAIN GROUPS OF COUNTRIES: CURRENT ACCOUNT SURPLUSES AND DEFICITS, 2007-2021

(Percentages of global GDP)



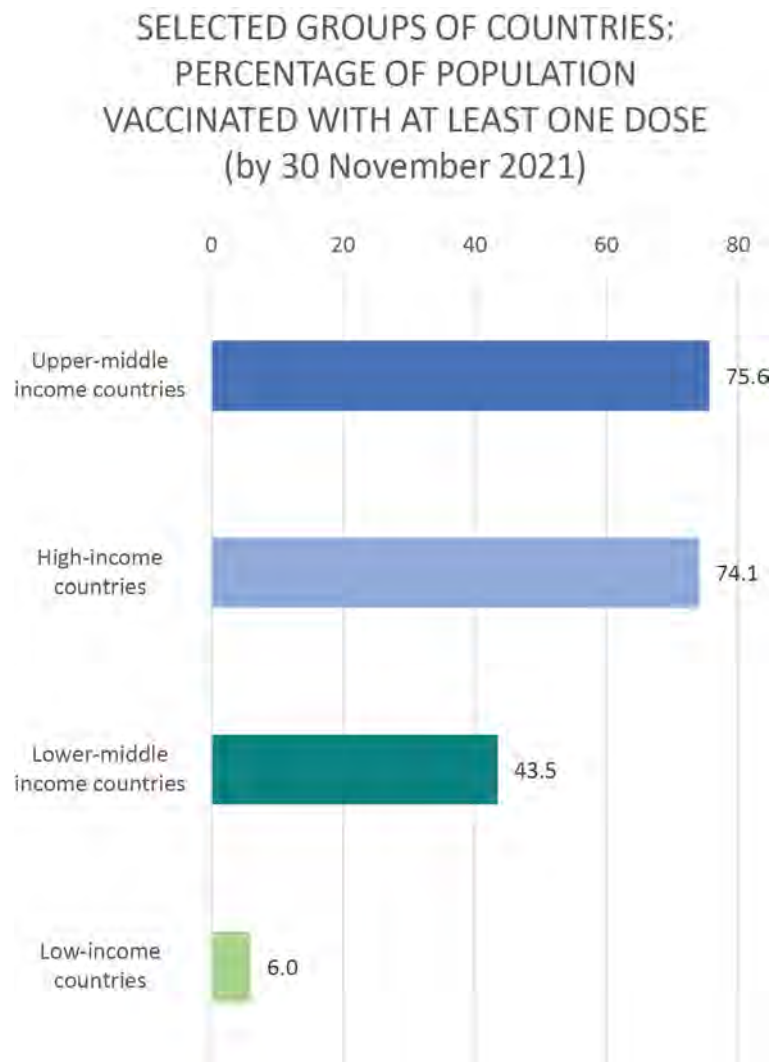
Trends in 2020 and 2021

- China's surplus has expanded because of a rise in exports (medicines, electronics) and less tourism spending.
- Higher oil prices have led to larger surpluses for oil-exporting countries in 2021.
- Greater fiscal expenditure has increased deficits in the United States and the United Kingdom.

Source: ECLAC, on the basis of data from International Monetary Fund (IMF), *External Sector Report: Divergent Recoveries and Global Imbalances*, Washington, D.C., August 2021.

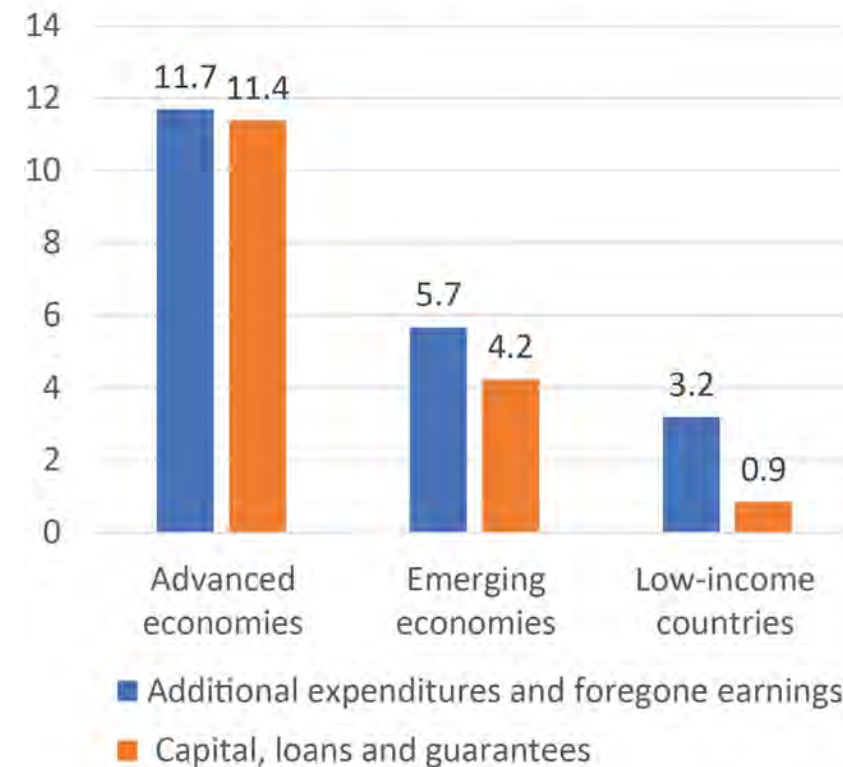
Factors driving uncertainty over global trade

- Uneven rates of vaccination and new COVID-19 variants
- Inflationary pressure and difficulties in maintaining fiscal stimulus
- Trade tension and risks in the Chinese real estate sector
- Disruption in supply chains and rises in freight charges
- Extreme events caused by climate change



Source: Our World in Data [online] <https://ourworldindata.org/>

SELECTED GROUPS OF COUNTRIES: FISCAL
MEASURES ADOPTED IN RESPONSE TO COVID-19^A
(Percentages of 2020 GDP)

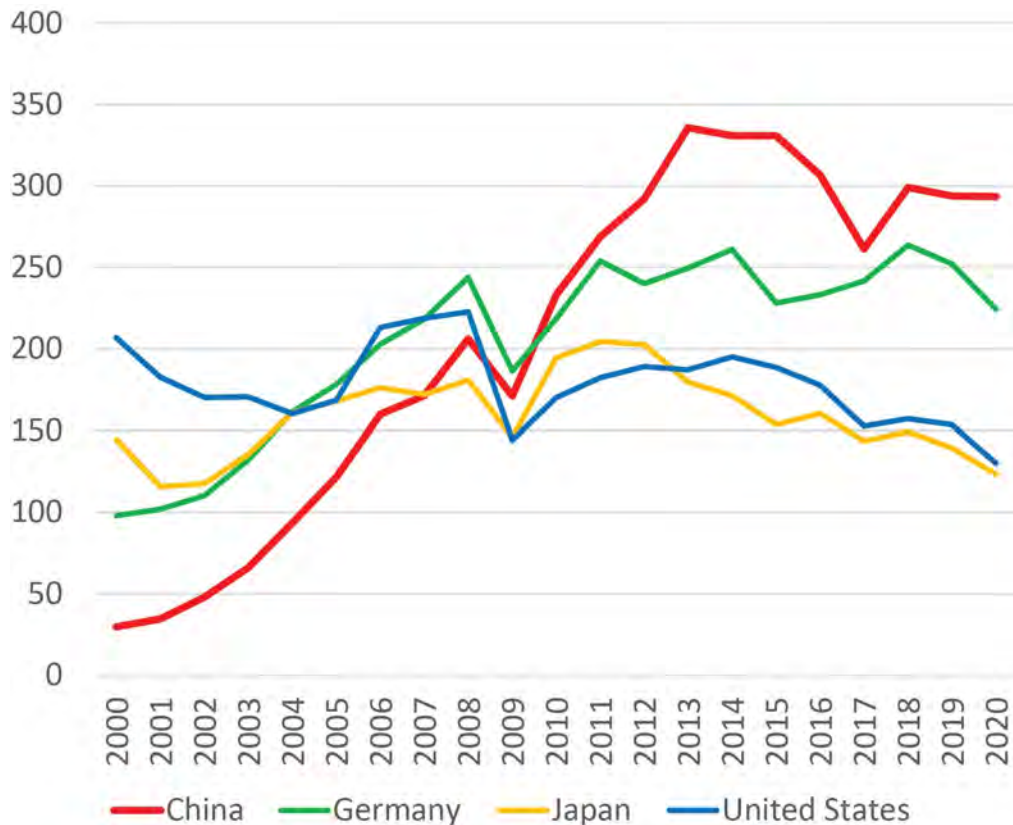


Source: ECLAC, on the basis of International Monetary Fund (IMF), "Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic", October 2021 [online] <https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19>.

^A Includes measures implemented or announced by 27 September 2021.

Towards a more regionalized global economy: the United States and Europe are seeking to reduce their dependence on China

SELECTED COUNTRIES: EXPORTS OF PARTS AND COMPONENTS, 2000-2020
(Billions of dollars)

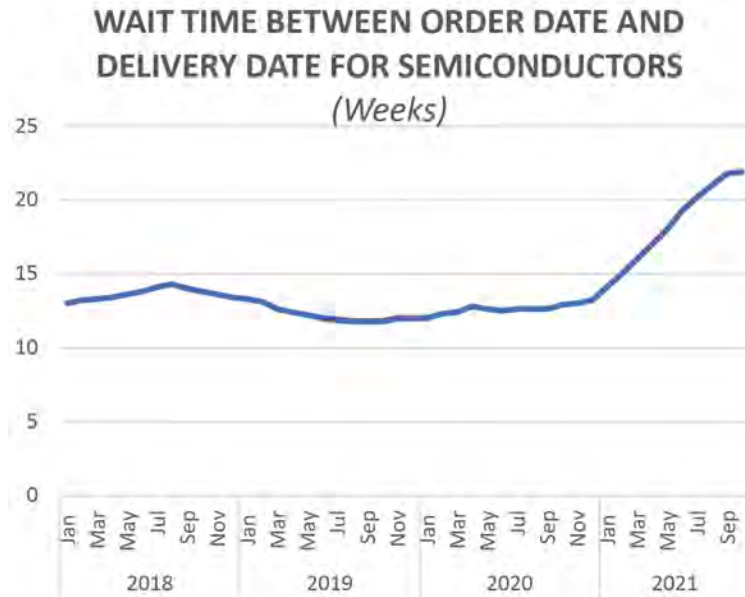


- In 2020 **China** remained the leading exporter of parts and components and also became the top exporter of medical devices.
- **The United States and the European Union** have reacted with plans to increase their productive autonomy in strategic sectors:
 - ✓ Semiconductors
 - ✓ Electric vehicles and batteries
 - ✓ Medicines and active ingredients
 - ✓ Critical minerals
 - ✓ Green hydrogen
 - ✓ Cloud computing technology
- Instruments: subsidies, public investment, public procurement, incentives for nearshoring and reshoring.
- Impact on global patterns in production and trade will only become visible in the medium term.

Source: ECLAC, on the basis of United Nations, UN Comtrade Database [online] <https://comtrade.un.org/>.

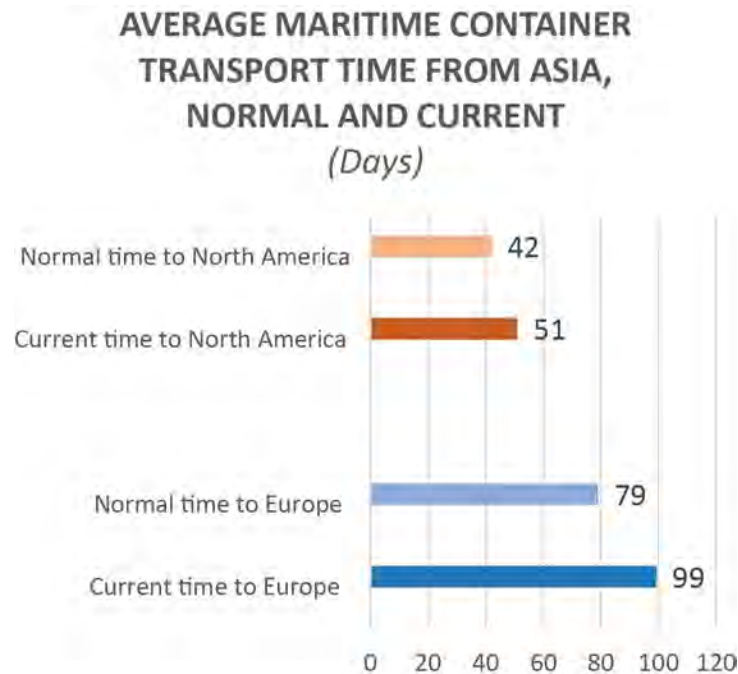
The pandemic has disrupted supply chains

Restricted supply of critical inputs



Source: Susquehanna International Group (SIG).

Shipping and logistics difficulties



Source: ECLAC, on the basis of Alphaliner, *Weekly Newsletter*, vol. 45, 2021, and consultations with operators.

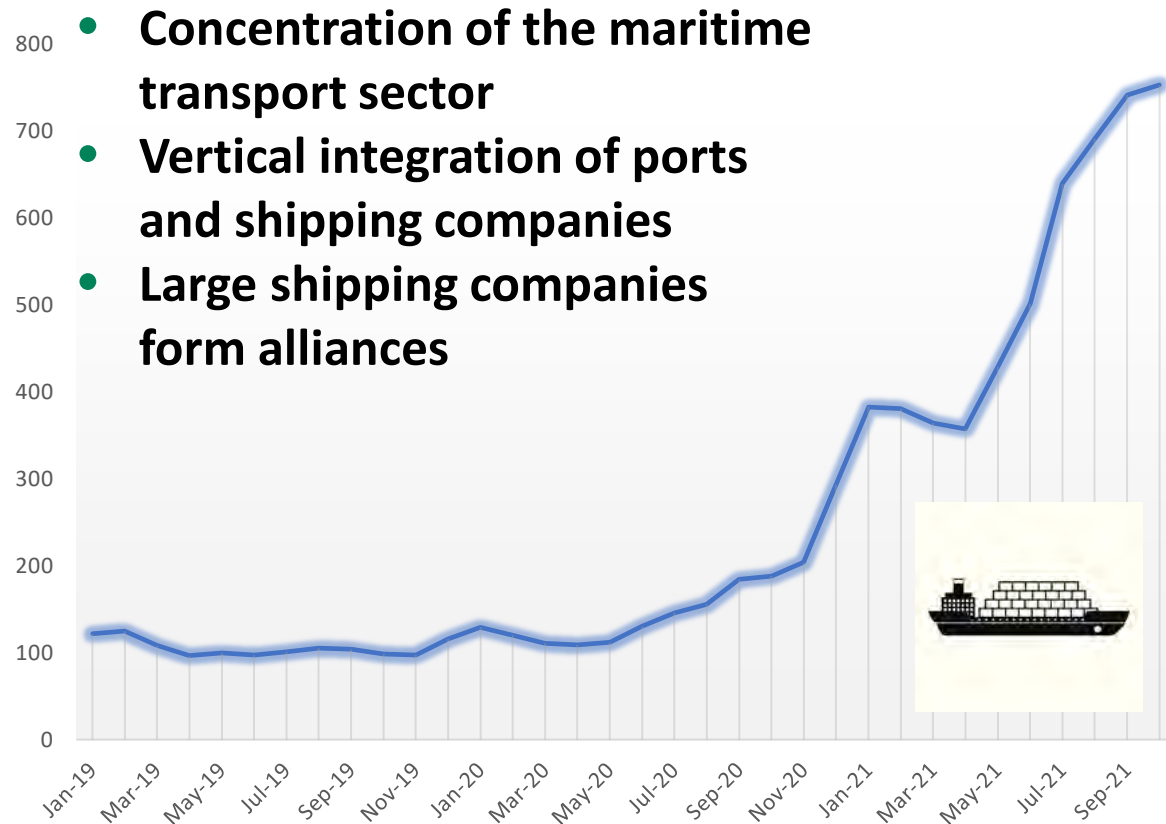
Decline in inventories



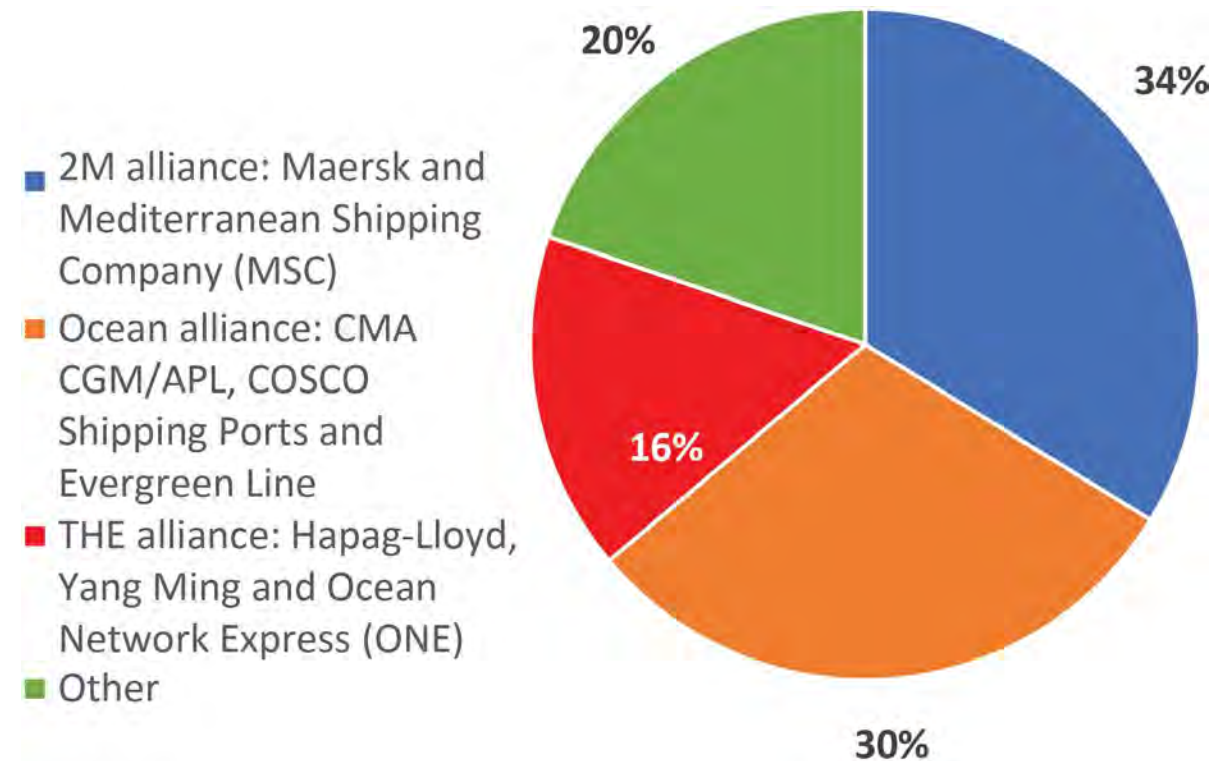
Source: United States Census Bureau, "Retailers: Inventories to Sales Ratio (RETAILIRSA)" [online] <https://fred.stlouisfed.org/series/RETAILIRSA>.

Structural factors have also contributed to the 660% rise in maritime freight charges

AVERAGE GLOBAL COSTS OF MARITIME CONTAINER FREIGHT, JANUARY 2019 TO OCTOBER 2021
(Index 100=25 June 2019)



MARKET SHARES OF LEADING SHIPPING ALLIANCES, 2021
(Percentages of total capacity in TEU)



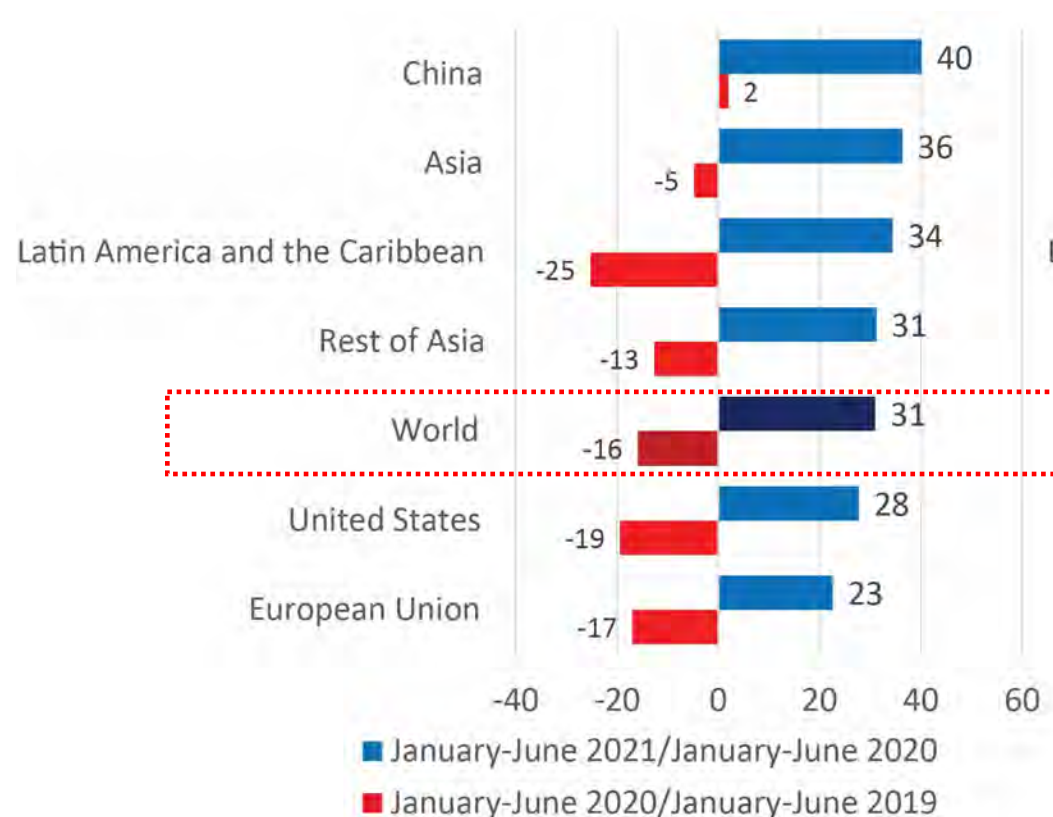
The outlook for regional trade



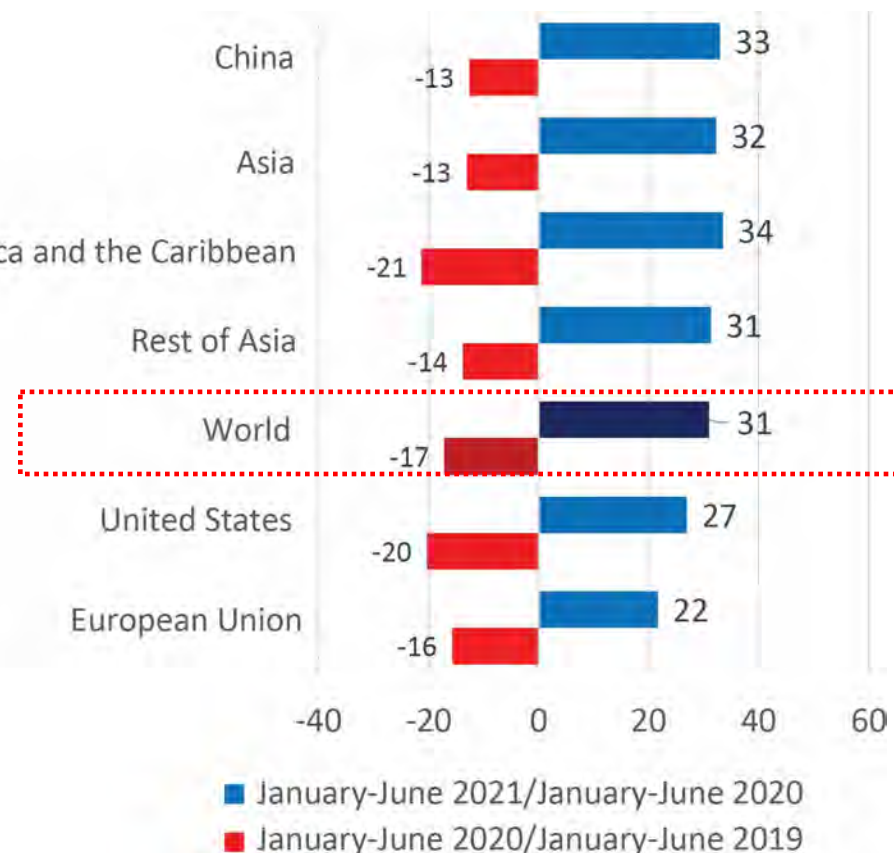
Trade with all partners recovered in the first half of 2021

LATIN AMERICA AND THE CARIBBEAN: YEAR-ON-YEAR VARIATION IN THE VALUE OF TRADE IN GOODS, BY MAIN TRADING PARTNERS, JANUARY-JUNE 2020 AND JANUARY-JUNE 2021
(Percentages)

EXPORTS



IMPORTS



Source: ECLAC, on the basis of official information from the central banks, customs services and institutes of statistics of the respective countries.

Asymmetries in the recovery in trade in goods and services

**LATIN AMERICA AND THE CARIBBEAN: YEAR-ON-YEAR VARIATION IN THE VALUE OF EXPORTS OF GOODS AND SERVICES
BY MAJOR SECTORS, FIRST HALF 2019 TO FIRST HALF 2021**
(Percentages)

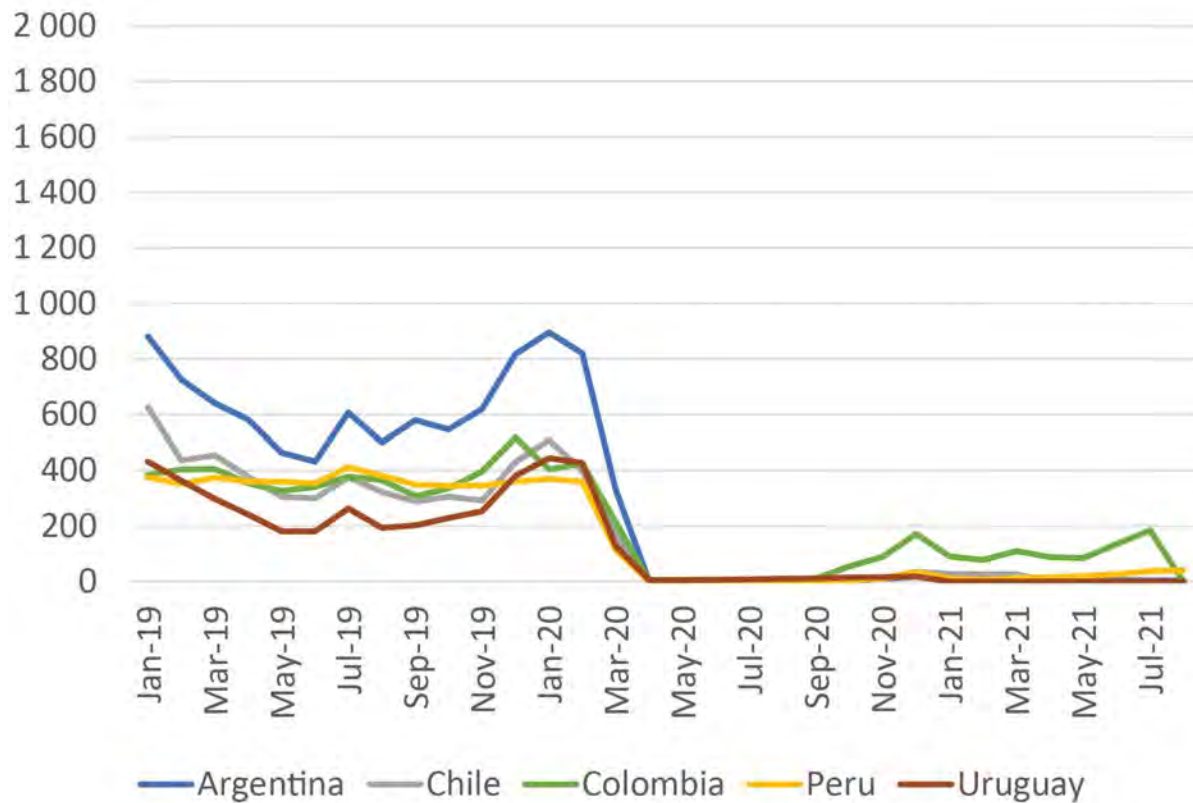


Source: ECLAC, on the basis of official information from the central banks, customs services and institutes of statistics of the respective countries.

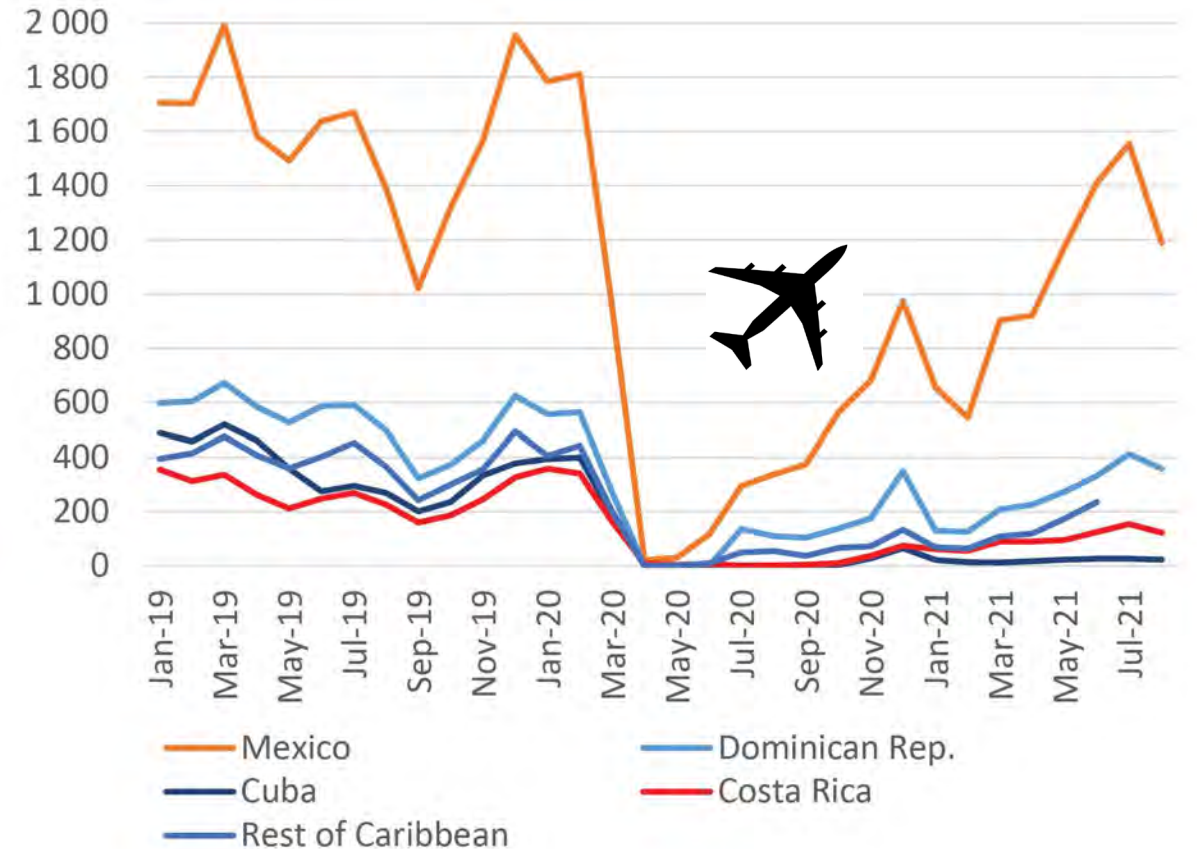
No country has managed to recover the pre-pandemic levels of international tourist arrivals

INTERNATIONAL TOURIST ARRIVALS JANUARY 2019 TO AUGUST 2021
(Thousands of people)

SOUTH AMERICA



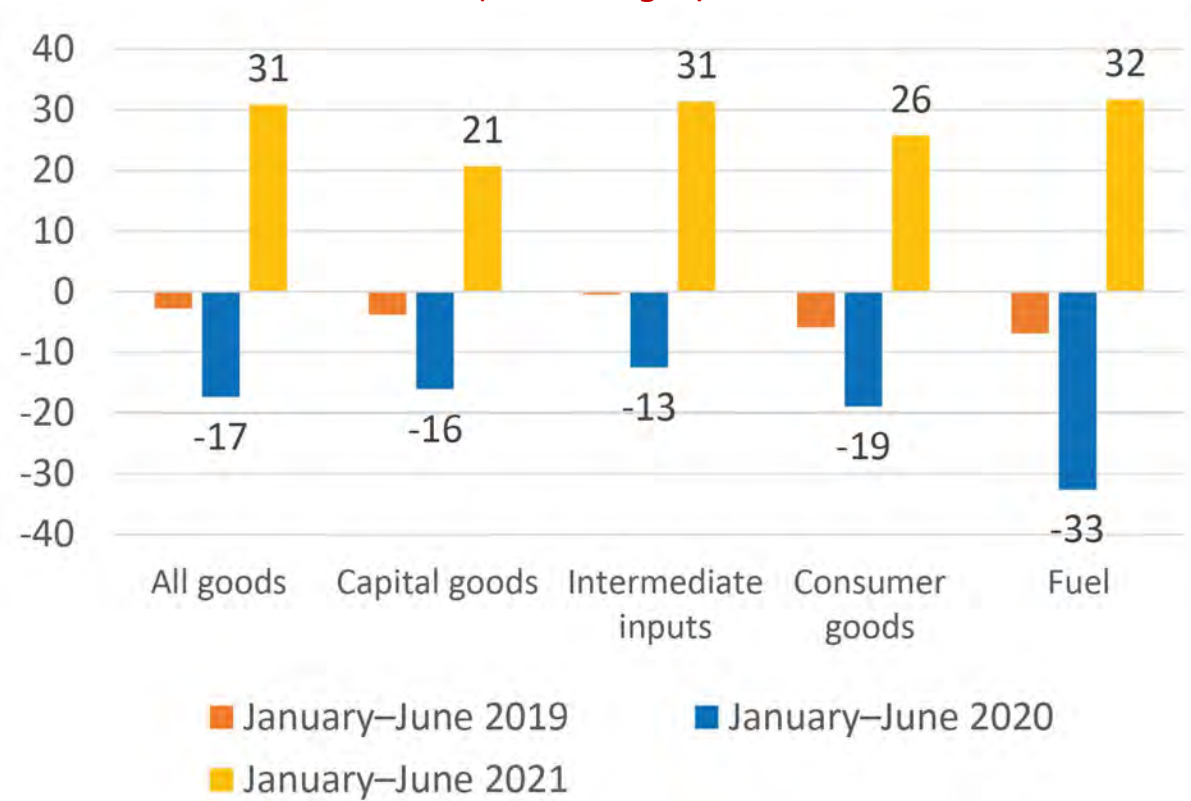
OTHER COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN



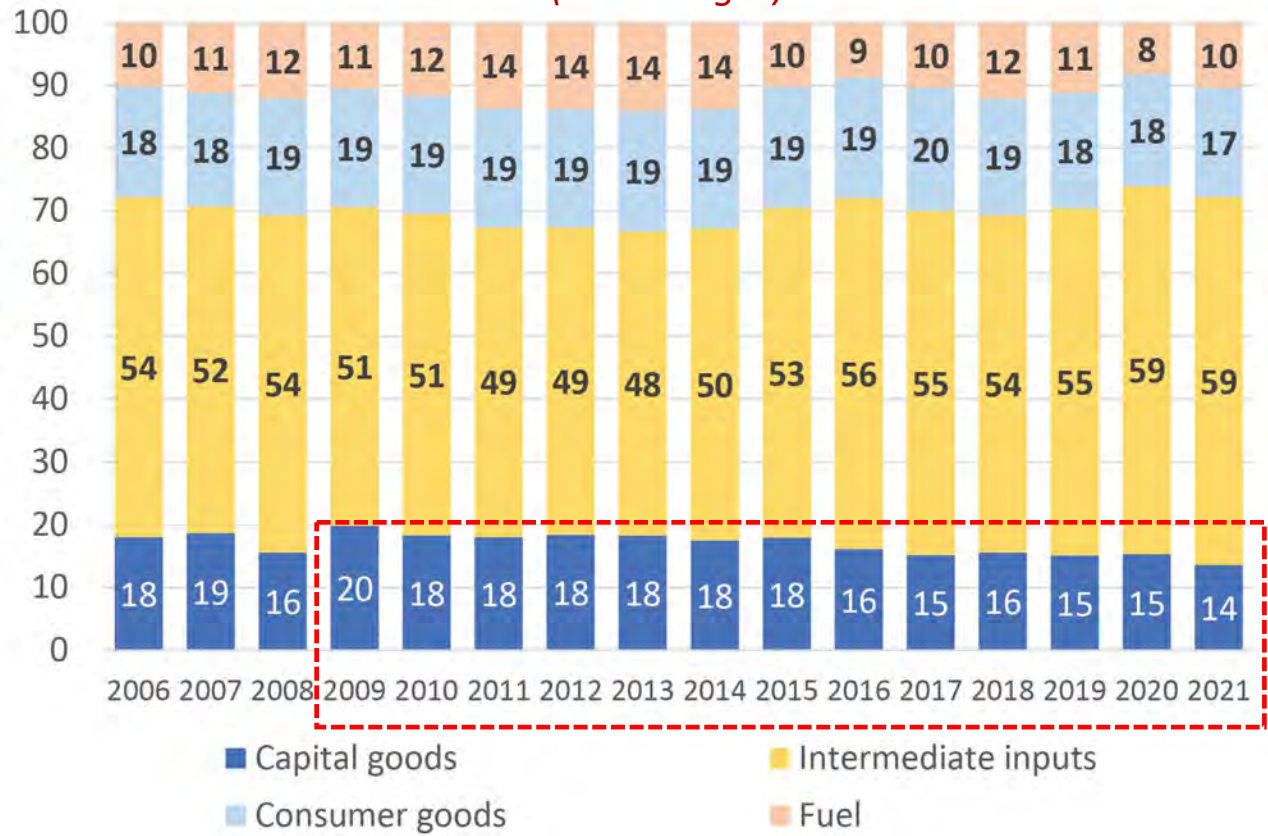
All categories of goods imports are growing rapidly, but the shrinking share of capital goods is concerning

LATIN AMERICA AND THE CARIBBEAN: VALUE OF GOOD IMPORTS, BY MAJOR CATEGORIES

YEAR-ON-YEAR VARIATION, FIRST HALVES OF 2019, 2020 AND 2021
(Percentages)



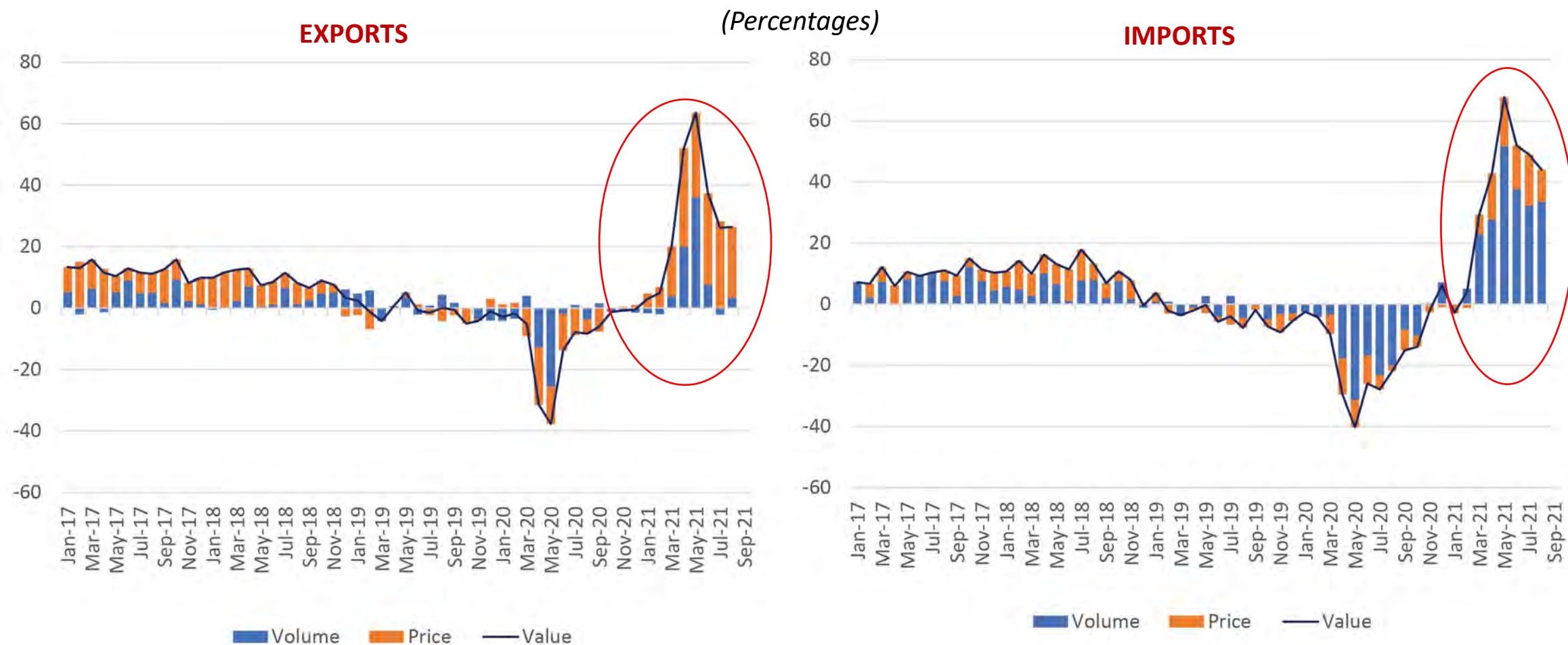
IMPORT STRUCTURE, 2006–2021
(Percentages)



Source: ECLAC, on the basis of official information from the central banks, customs services and institutes of statistics of the respective countries.

While exports grew mainly because of prices, imports rose primarily because of volumes

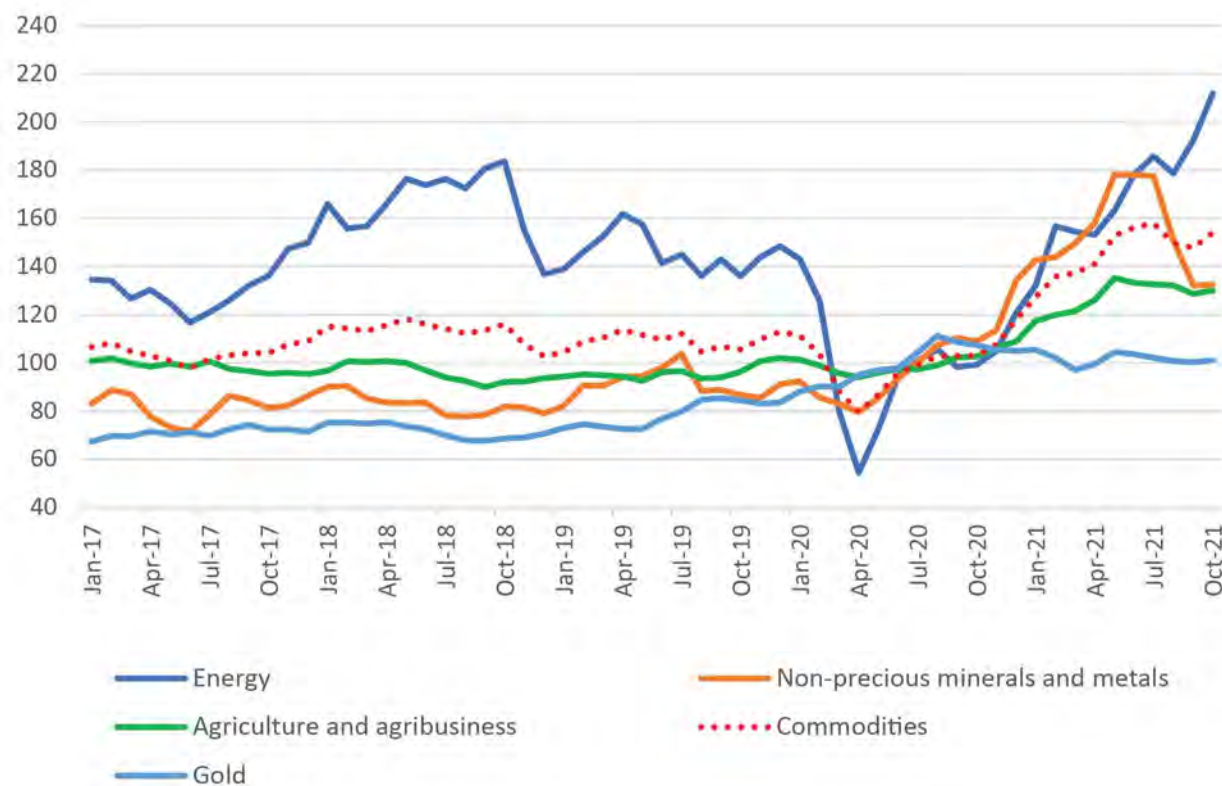
LATIN AMERICA AND THE CARIBBEAN: YEAR-ON-YEAR VARIATION IN GOODS TRADE BY VALUE, PRICE AND VOLUME, JANUARY 2017–AUGUST 2021



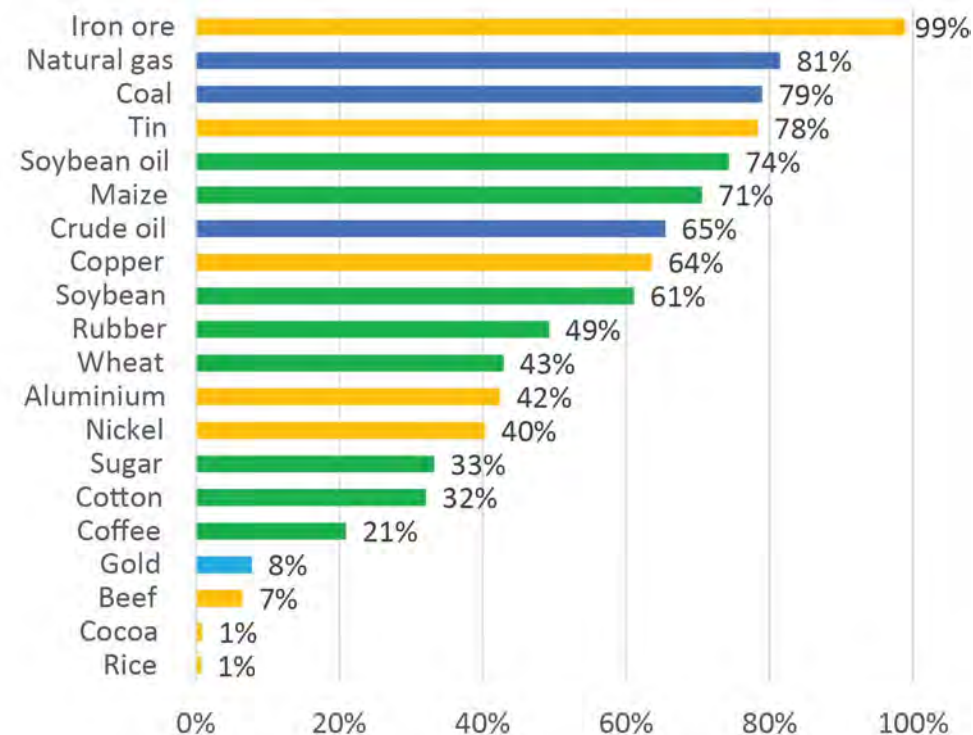
Source: ECLAC, on the basis of official information from the central banks, customs services and institutes of statistics of the respective countries.

The increase in commodity prices has driven the recovery in regional goods exports in 2021

**COMMODITY PRICE INDICES, JANUARY 2017–OCTOBER 2021
AND TREND IN COMMODITIES, JANUARY–OCTOBER 2021**
(Index: January–December 2020=100 and percentage changes)



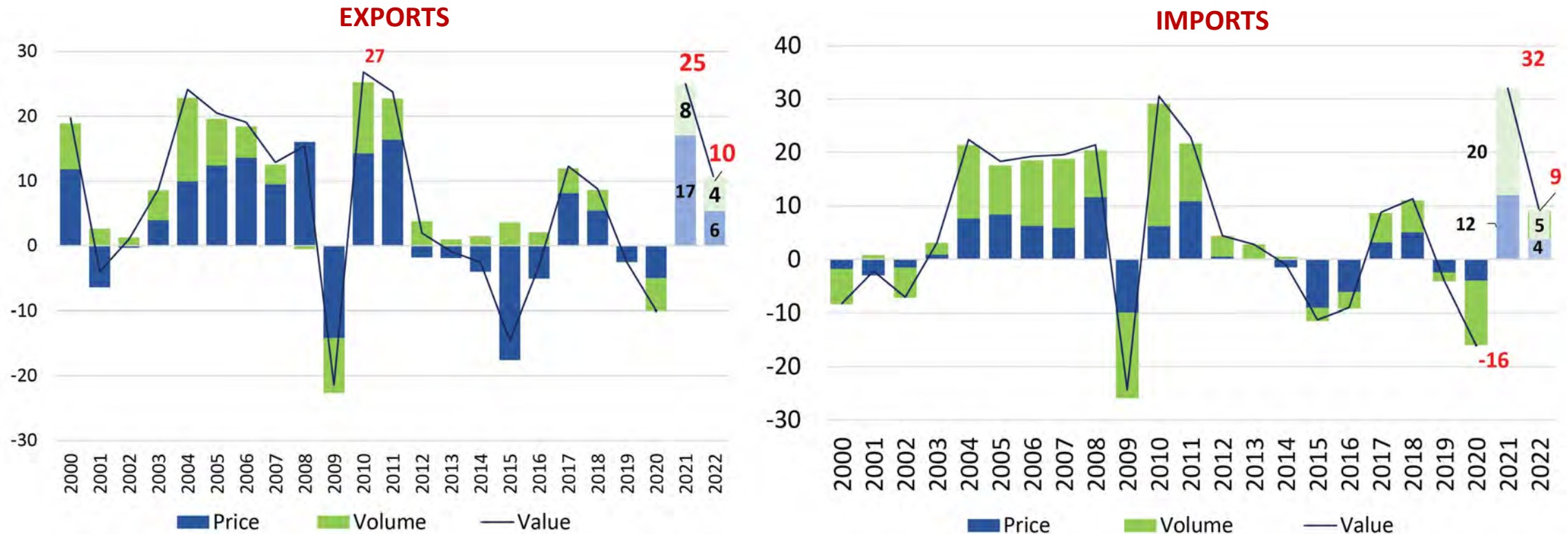
JANUARY–OCTOBER 2021 COMPARED TO JANUARY–OCTOBER 2020



Source: ECLAC, on the basis of data from World Bank, “Pink Sheet Data”, International Monetary Fund (IMF), The Economist Intelligence Unit, Bloomberg, Capital Economics, United States Energy Information Administration (EIA) and Central Bank of Chile.

Regional goods trade expected to recover sharply in 2021 then to slow down in 2022

LATIN AMERICA AND THE CARIBBEAN: VARIATION IN GOODS TRADE BY VALUE, VOLUME AND PRICE, 2000–2022
(Percentages)



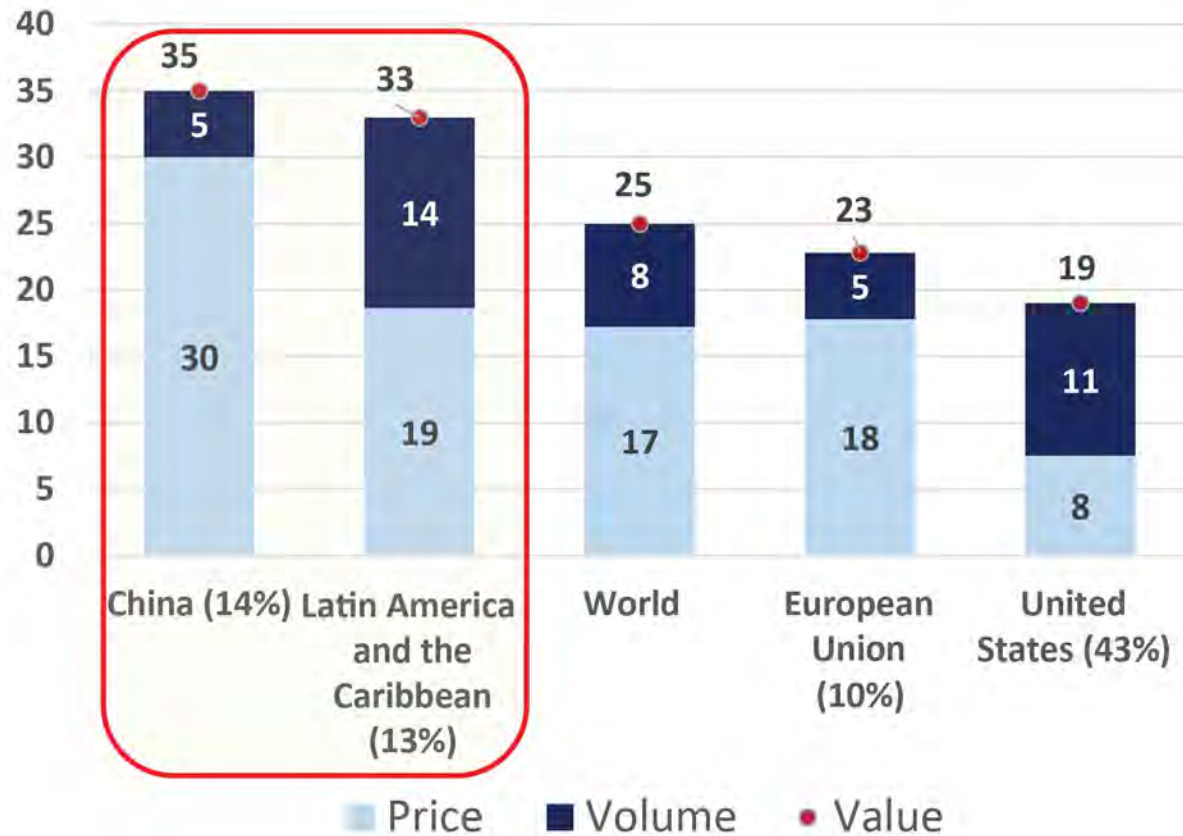
Source: ECLAC, on the basis of official information from the central banks, customs services and institutes of statistics of the respective countries.

The figures for 2021 and 2022 (only exports) are ECLAC projections based on data from January–September.

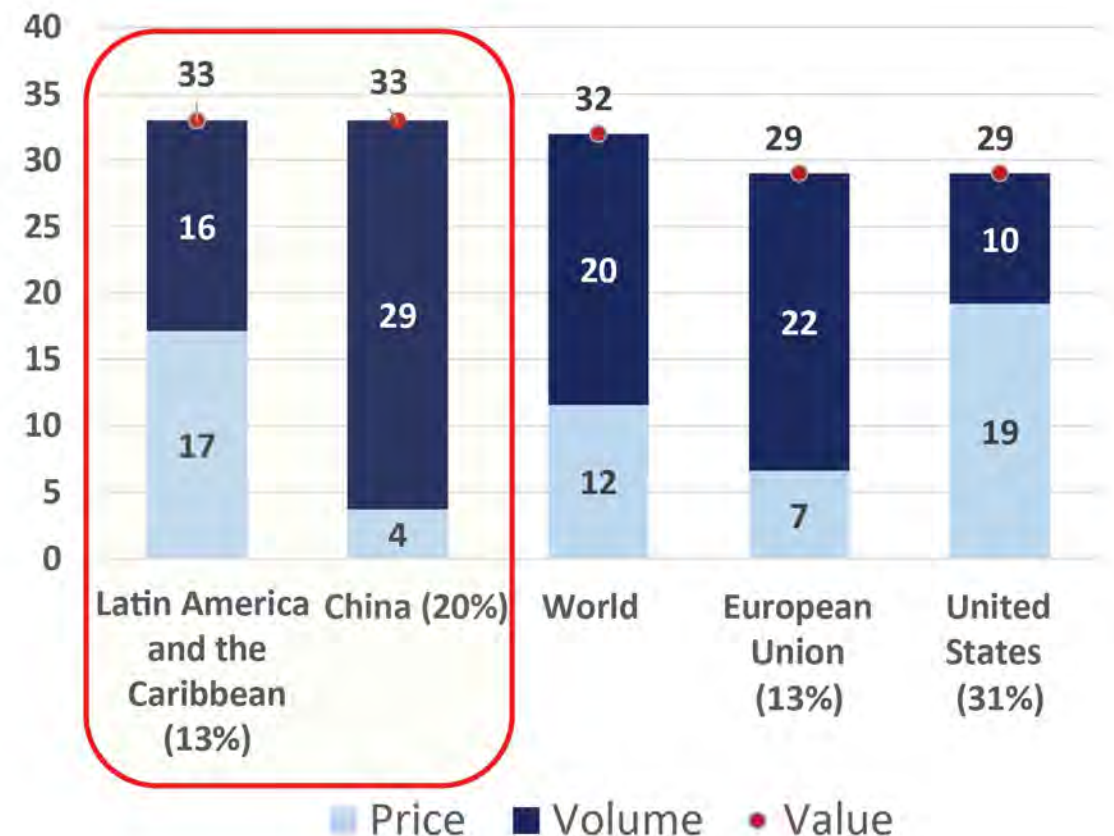
Stronger momentum in trade with China and within the region itself, although reflecting very different trends

LATIN AMERICA AND THE CARIBBEAN: ANNUAL VARIATION IN VALUE OF TRADE IN GOODS WITH MAJOR TRADING PARTNERS, 2021
(Percentages)

EXPORTS



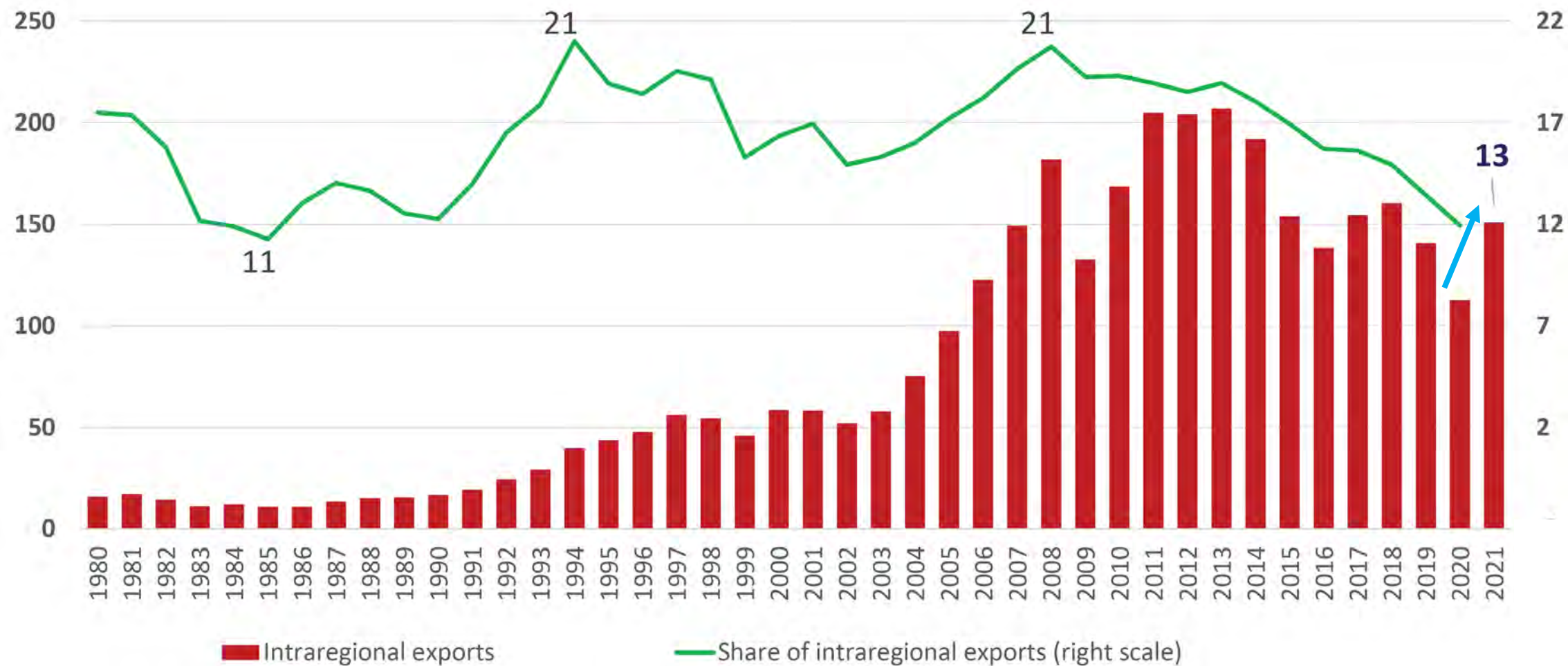
IMPORTS



Source: ECLAC, on the basis of official information from the central banks, customs services and institutes of statistics of the respective countries.

Intraregional exports remain below record highs despite increase in 2021

LATIN AMERICA AND THE CARIBBEAN: INTRAREGIONAL EXPORTS, 1980–2021^a
(Billions of dollars and percentages of total goods exports)



Source: ECLAC, on the basis of official information from the central banks, customs services and institutes of statistics of the respective countries.

^a The figures for 2021 are ECLAC projections.

Exports from South America and the Caribbean expected to record the strongest growth owing to higher commodity prices

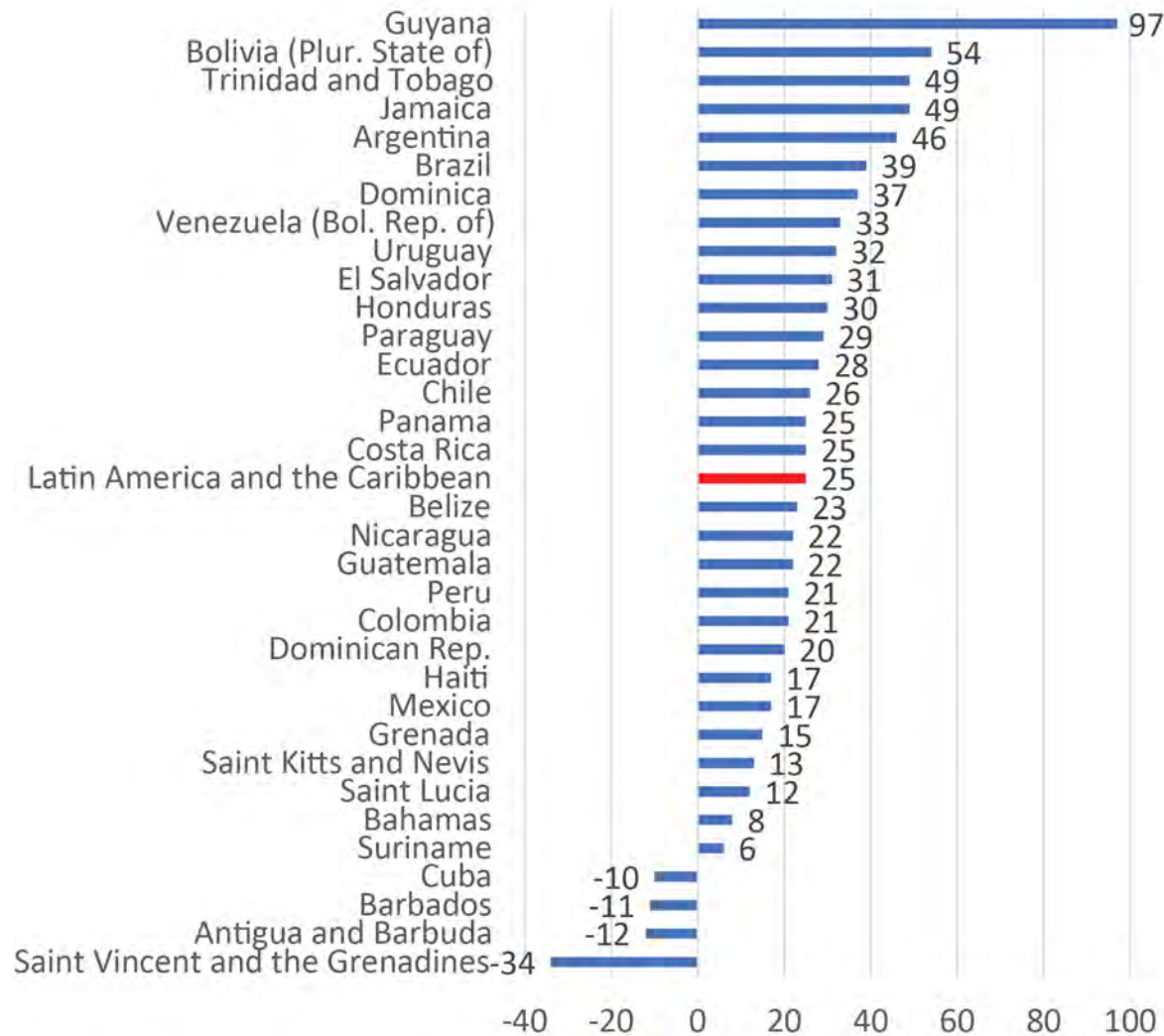
**LATIN AMERICA AND THE CARIBBEAN AND SELECTED SUBREGIONS AND COUNTRIES:
PROJECTED VARIATION IN GOODS TRADE, 2021**
(Percentages)



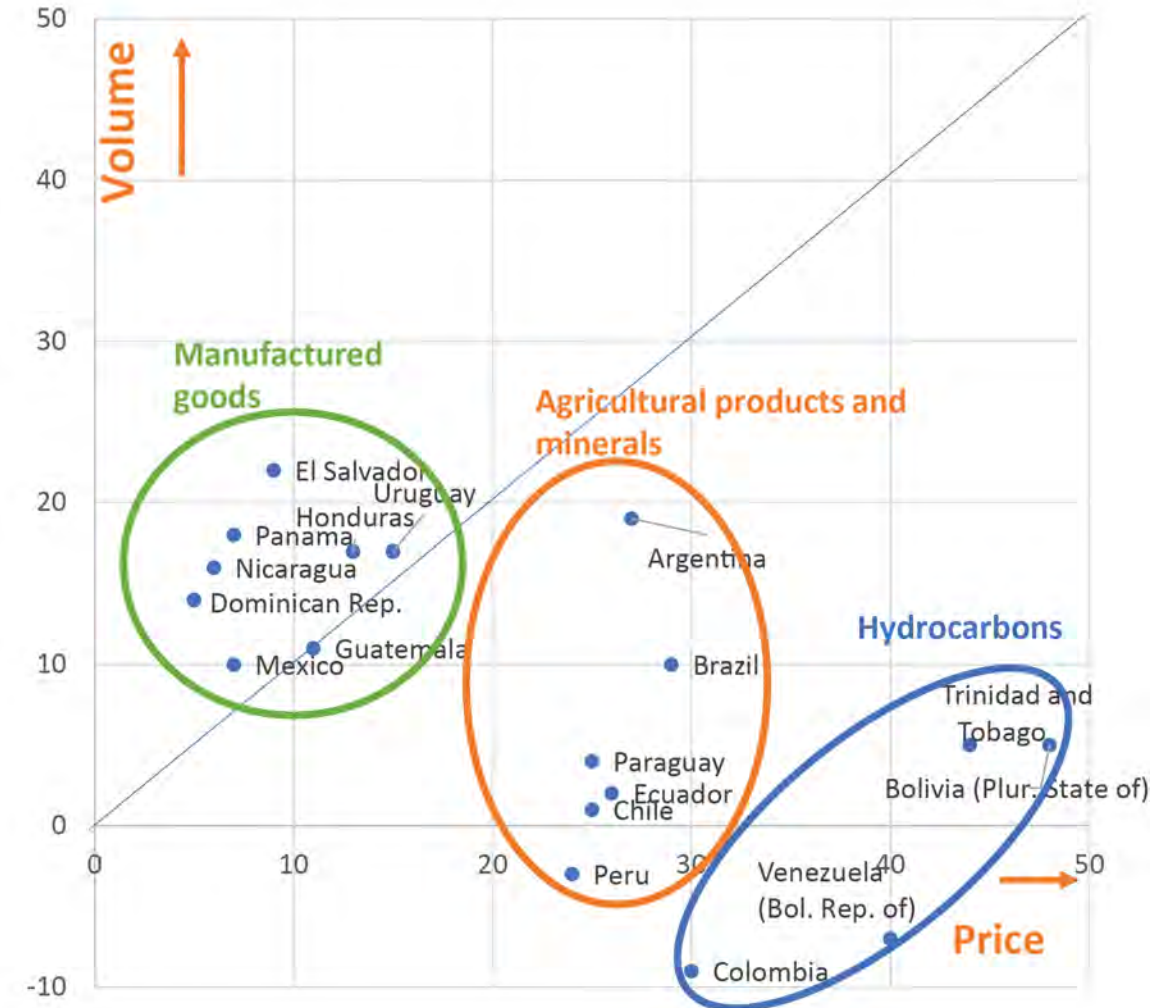
Source: ECLAC, on the basis of official information from the central banks, customs services and institutes of statistics of the respective countries.

Export growth expected to vary from one country to the next

**LATIN AMERICAN AND CARIBBEAN COUNTRIES:
PROJECTED VARIATION IN VALUE OF GOODS EXPORTS, 2021**
(Percentages)



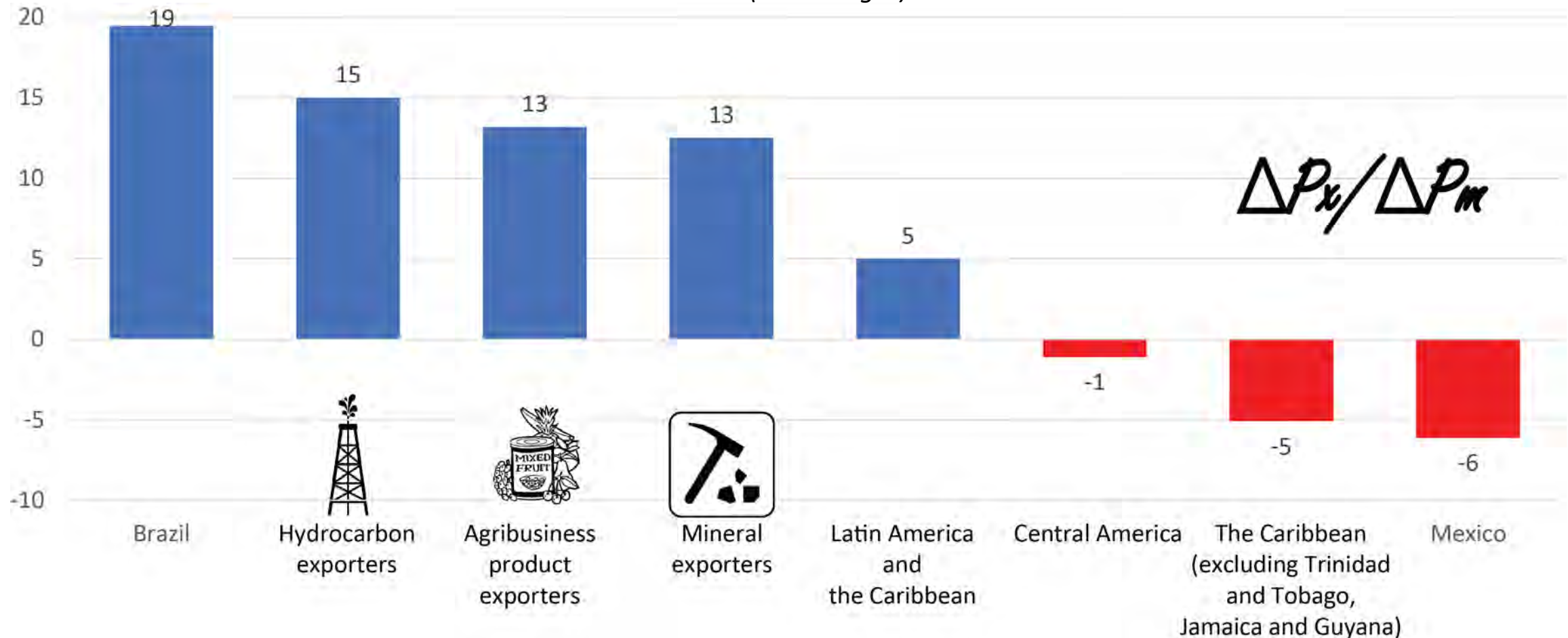
**LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES):
PROJECTED VARIATION IN EXPORTS, BY PRICE AND VOLUME, 2021**
(Percentages)



Differentiated impacts on terms of trade of net exporters and importers of commodities

LATIN AMERICA AND THE CARIBBEAN AND SELECTED GROUPINGS AND COUNTRIES:
PROJECTED VARIATION IN TERMS OF TRADE, 2021

(Percentages)



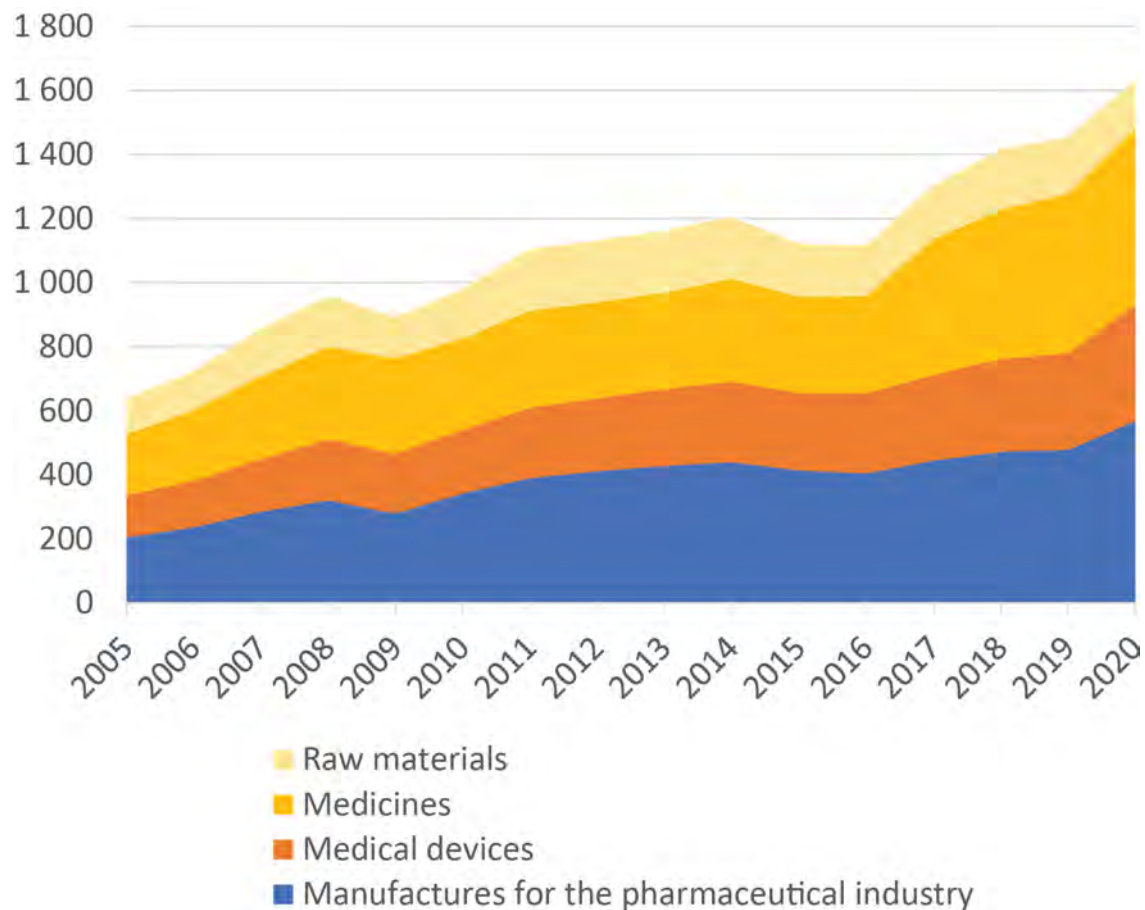
Source: ECLAC, on the basis of official information from the central banks, customs services and institutes of statistics of the respective countries.

Regional productive self-sufficiency in the health-care industry



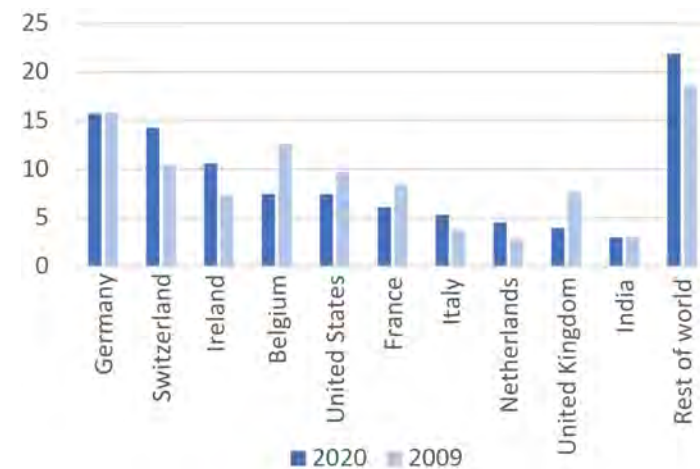
Trade in the global health-care industry is dynamic and, with few exceptions, dominated by developed countries

GLOBAL HEALTH-CARE INDUSTRY EXPORTS, 2005–2020
(Trillions of dollars)

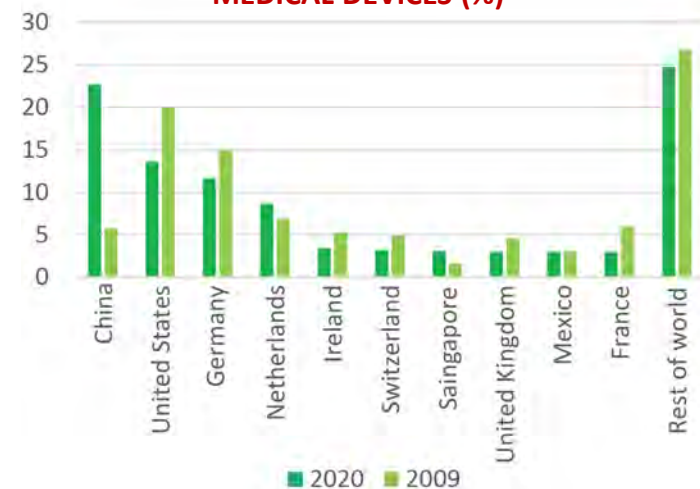


Health-care industry:
Production activities that apply biology and technology to improve health

THE WORLD'S TOP EXPORTERS OF MEDICINES (%)



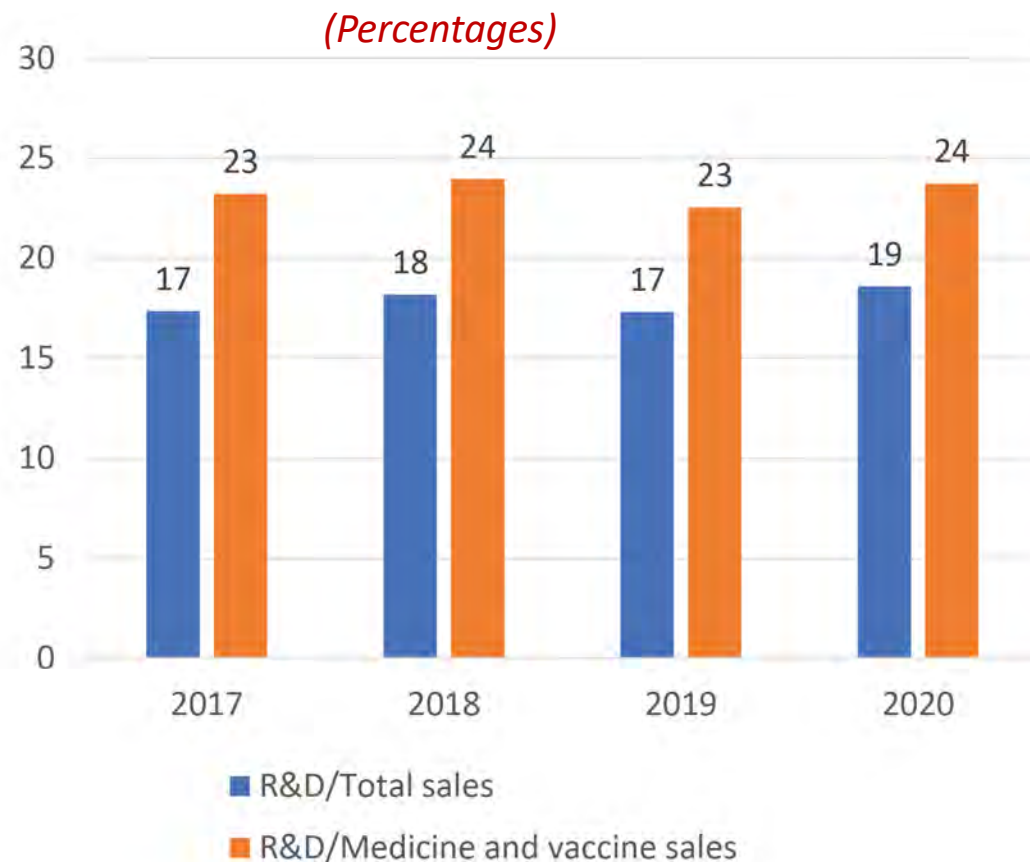
THE WORLD'S TOP EXPORTERS OF MEDICAL DEVICES (%)



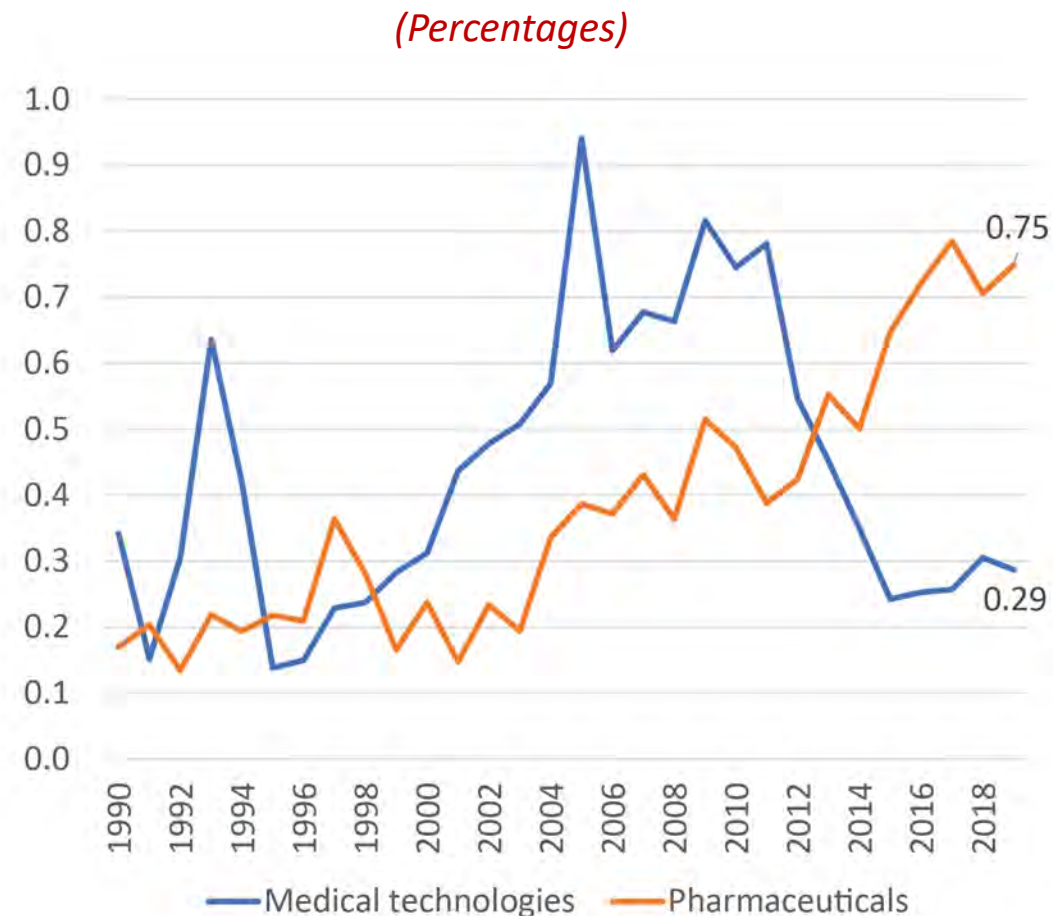
Source: ECLAC, on the basis of United Nations, UN Comtrade Database [online] <https://comtrade.un.org/>.

The health-care industry is R&D intensive, but the region's share of global patents in the sector is less than 1%

R&D AS A SHARE OF SALES OF THE WORLD'S TOP 20 PHARMACEUTICAL COMPANIES, 2017–2020



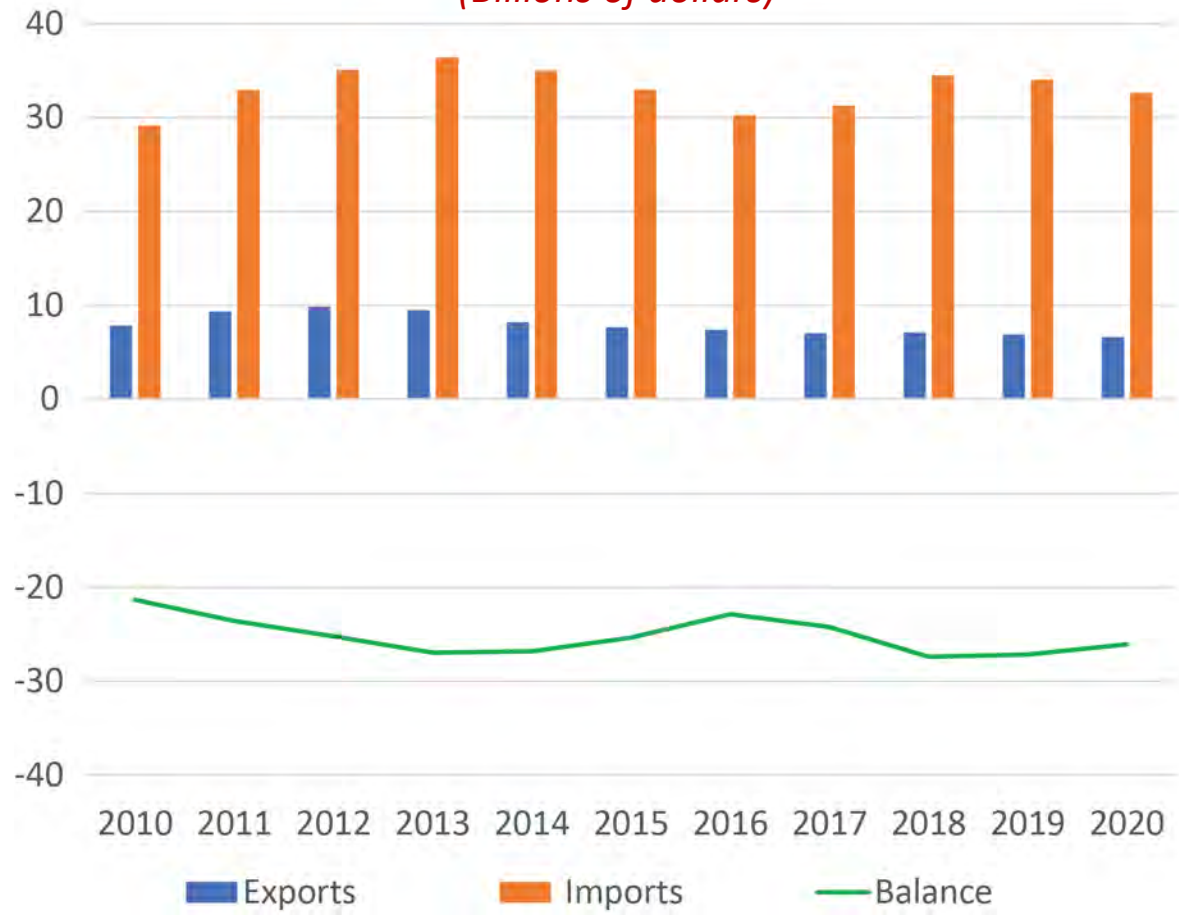
LATIN AMERICA AND THE CARIBBEAN: SHARE OF PHARMACEUTICAL AND MEDICAL TECHNOLOGY PATENTS GRANTED GLOBALLY, 1990–2019



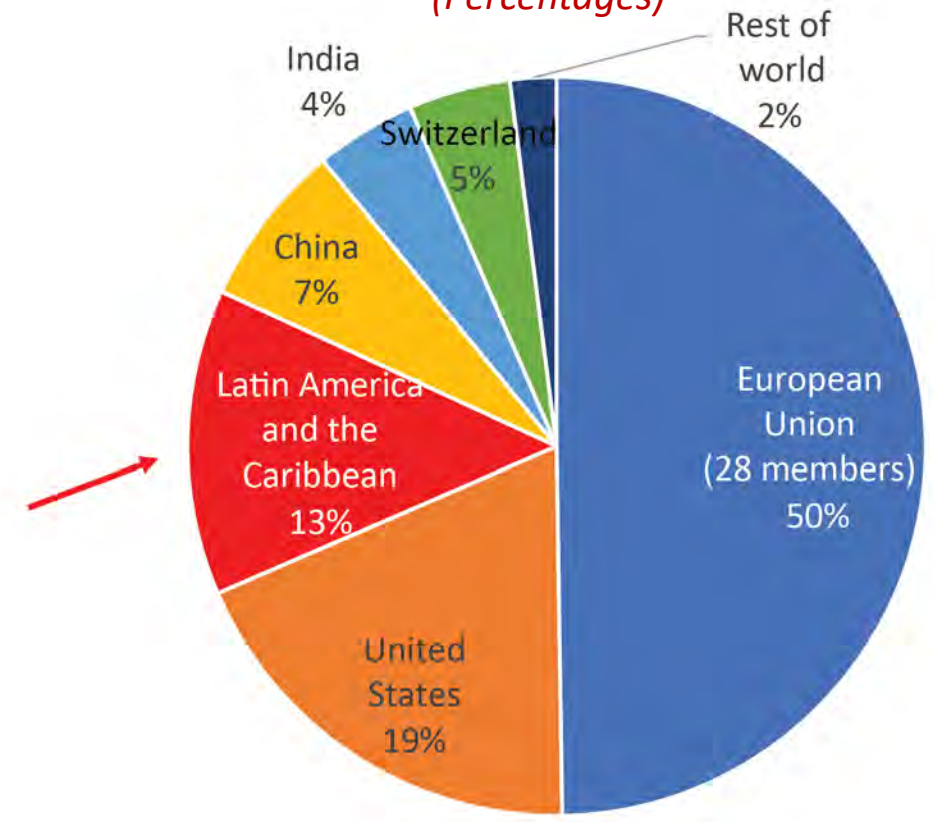
Source: ECLAC, on the basis of information from World Intellectual Property Organization (WIPO), the companies' annual reports, Bloomberg and The Economist Intelligence Unit.

The region has a persistent trade deficit in the pharmaceutical sector, and just 13% of its imports come from the region itself

LATIN AMERICA AND THE CARIBBEAN: INTERNATIONAL TRADE IN PHARMACEUTICAL PRODUCTS, 2010–2020
(Billions of dollars)



LATIN AMERICA AND THE CARIBBEAN: DISTRIBUTION OF PHARMACEUTICAL IMPORTS, BY ORIGIN, 2018–2020
(Percentages)

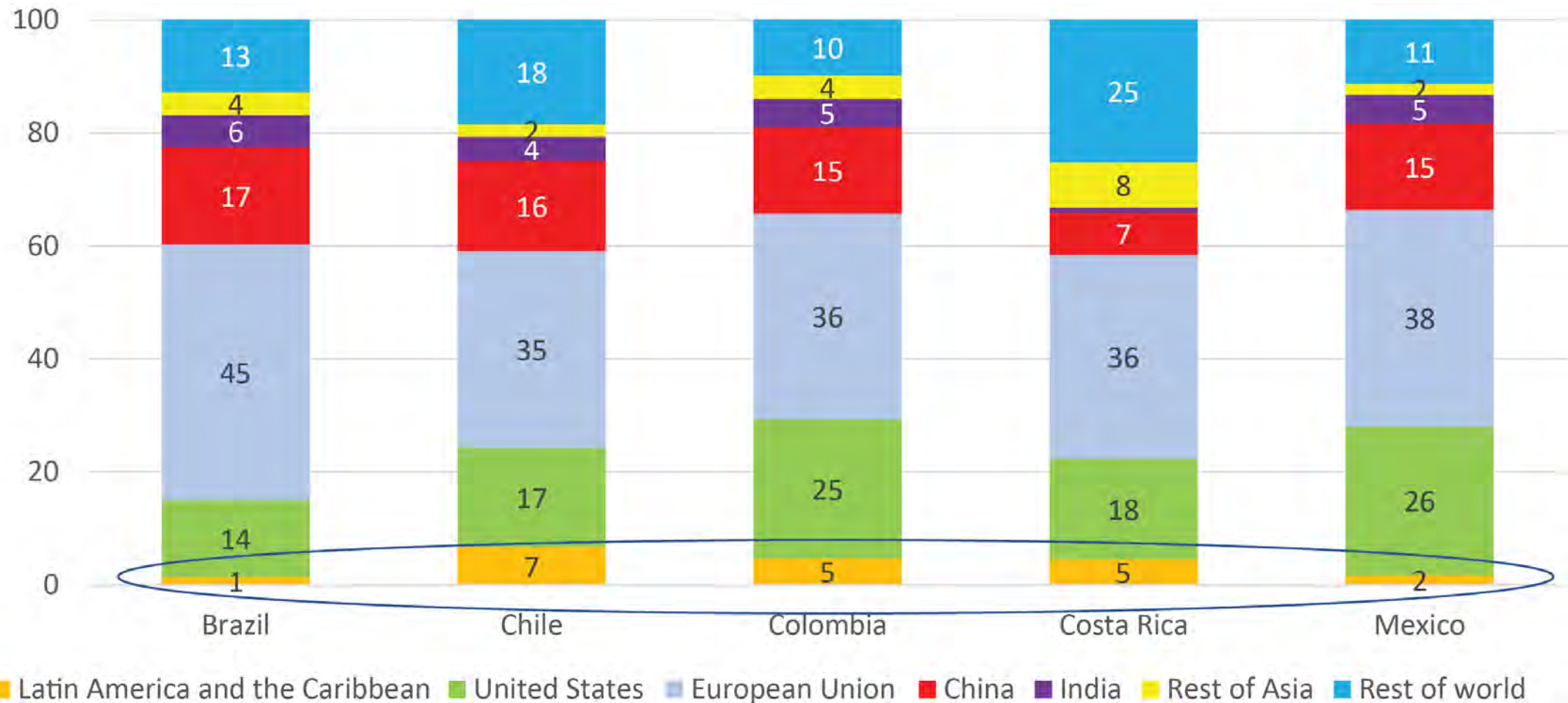


Source: ECLAC, on the basis of United Nations, UN Comtrade Database [online] <https://comtrade.un.org/>.

Low intraregional productive integration in Latin America's pharmaceutical industry

IMPORTS OF CHEMICAL AND PHARMACEUTICAL INPUTS, BY ORIGIN, 2019

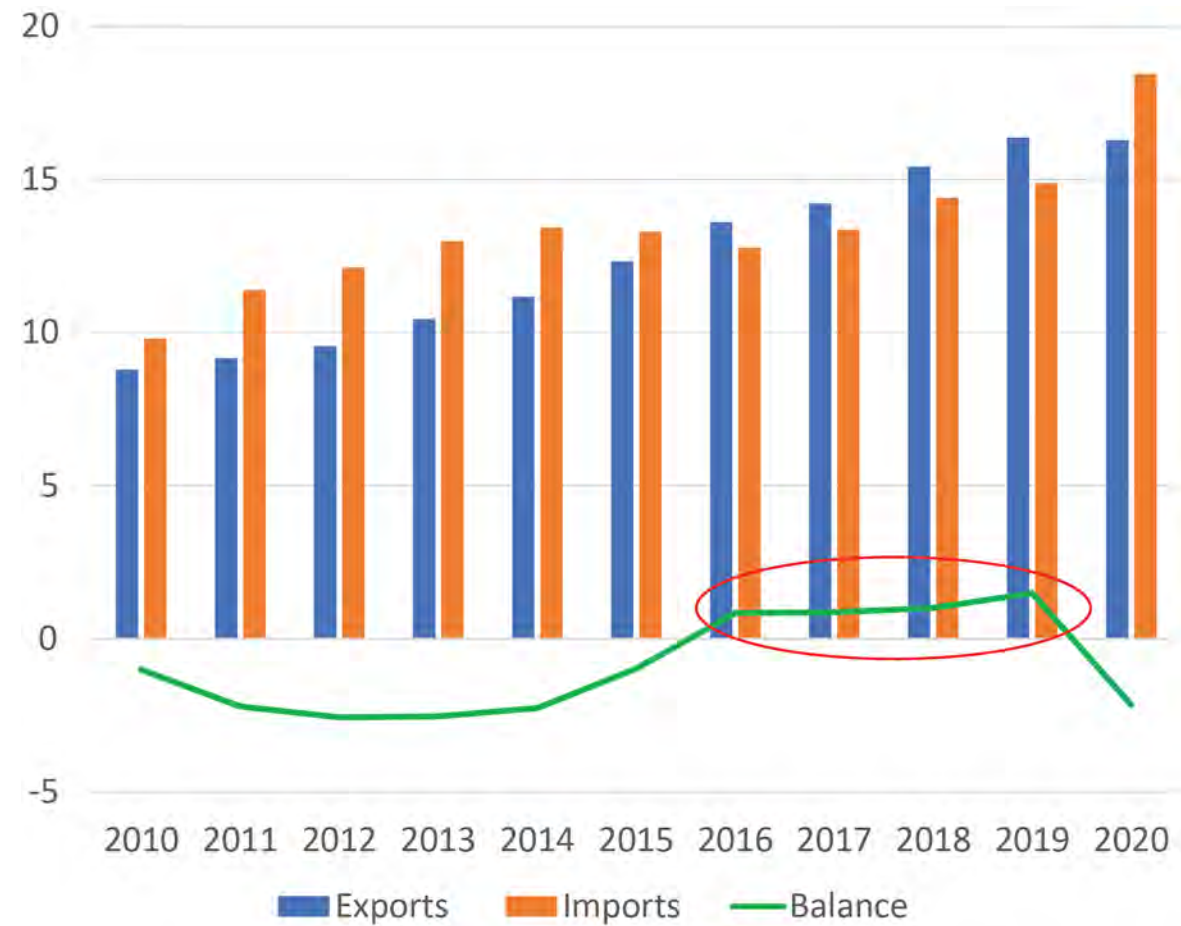
(Percentages of total value)



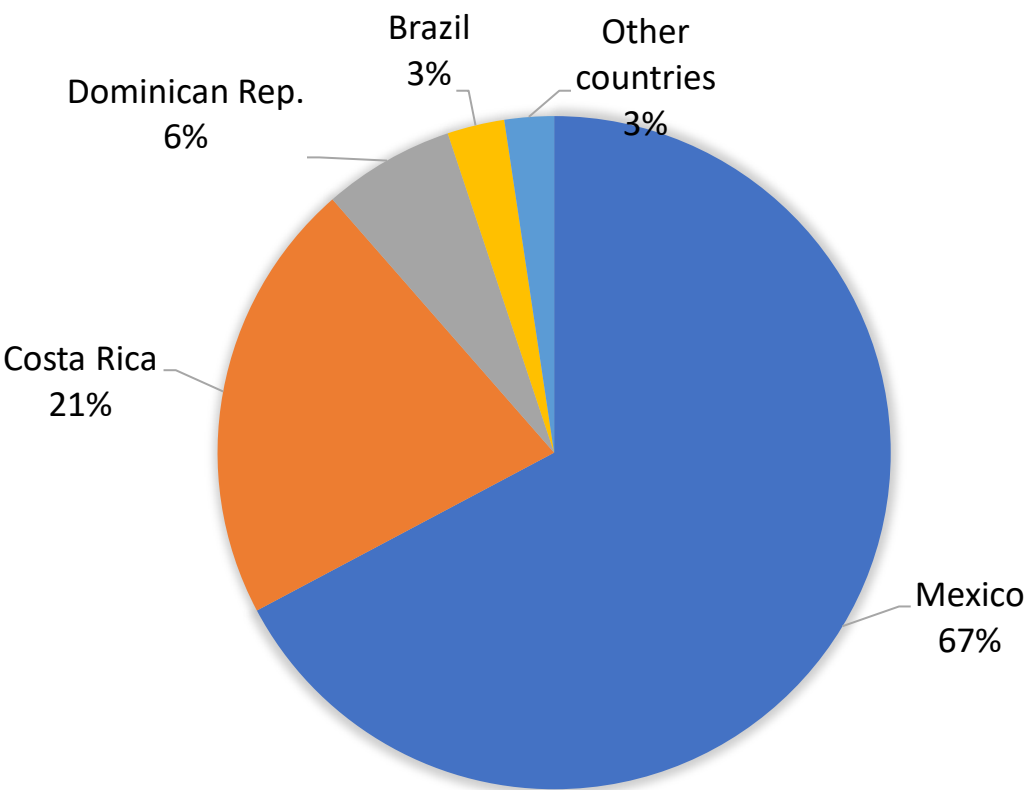
Source: ECLAC, on the basis of Centre for International Prospective Studies and Information (CEPII), International Trade Analysis Database (BACI).

Dynamic growth in region's exports of medical devices in the last 10 years, but concentrated in only a few countries

LATIN AMERICA AND THE CARIBBEAN: TRADE IN MEDICAL DEVICES, 2010–2020
(Billions of dollars)



DISTRIBUTION OF MEDICAL DEVICE EXPORTS, BY ORIGIN, 2018–2020 AVERAGE
(Percentages)



Source: ECLAC, on the basis of United Nations, UN Comtrade Database [online]
<https://comtrade.un.org/>.

The region's trade dynamics in the pharmaceutical and medical devices industries vary widely

PHARMACEUTICAL INDUSTRY

- **1.1%** of global exports
- Persistent **deficit**, primarily in patented medicines and active ingredients
- **3 main exporters:** Brazil, Mexico and Argentina (**58%** of total exports)
- **Main destinations:** region (46%), United States (25%), European Union (22%).
- **Main origins:** European Union (50%), United States (19%), region (13%).
- Substantial exports from **Latin American-owned laboratories**, especially of generic medicines

MEDICAL DEVICES

- **5.5%** of global exports
- Close to **balance**
- **3 main exporters:** Mexico, Costa Rica and Dominican Republic (**94%** of total exports)
- **Main destination:** United States (89%).
- **Main origins:** United States (33%) and China (32%); only 4% from the region
- Exports almost entirely by **transnationals** (based primarily in the United States) with production centres in the region

Integration is vital to reduce the region's vulnerability in the health industry

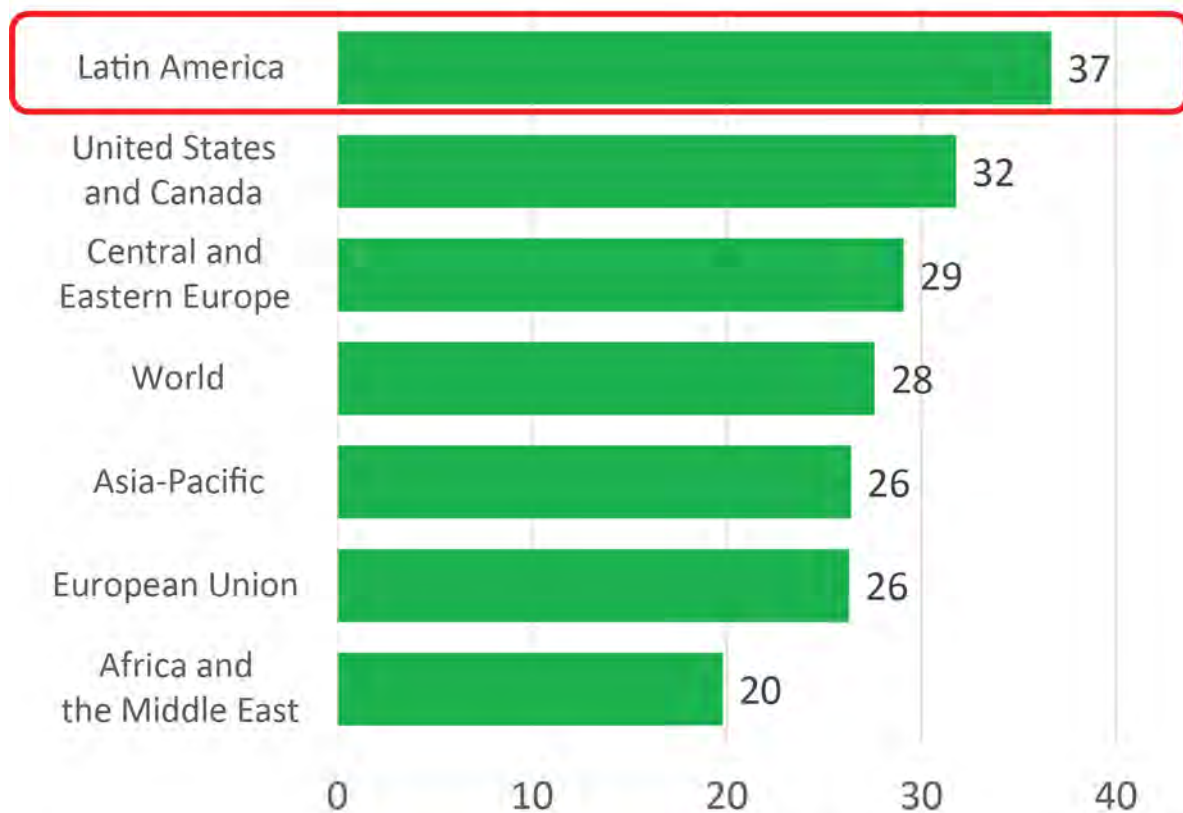
- The pandemic revealed the region's heavy dependence on extraregional imports of medicines, vaccines and medical devices.
- Strengthening regional productive autonomy in this strategic sector, as the world's major economic powers have done, is a matter of urgency.
- To this end, it is essential to advance towards an integrated regional market that generates the production scales required and leverages national complementarities, by:
 - using public procurement mechanisms strategically
 - implementing a regional platform for clinical trials
 - strengthening mechanisms for regulatory convergence and recognition
 - promoting regional consortiums for research in and production of medicines, vaccines and medical devices.

Towards digital and more sustainable regional trade



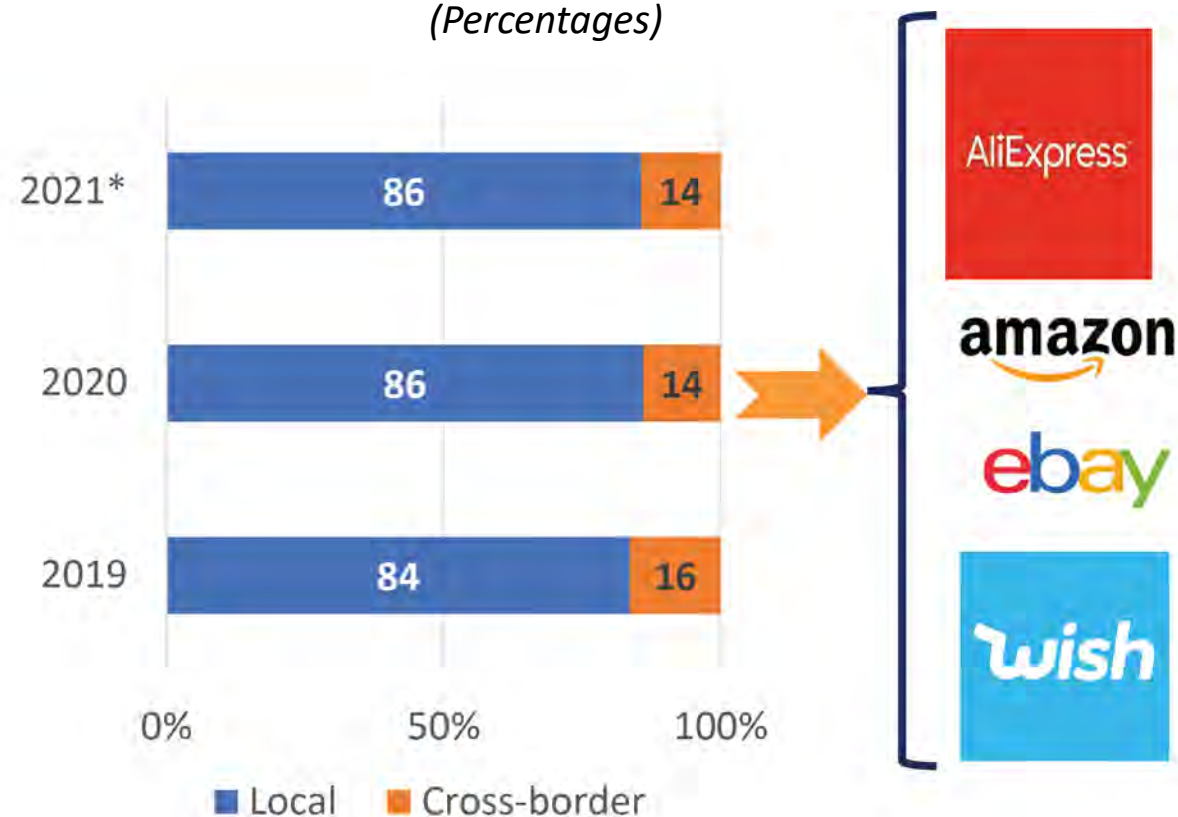
The region sees rapid growth in e-commerce

**WORLD AND SELECTED REGIONS: GROWTH
IN E-COMMERCE PURCHASES, 2020**
(Percentages)



Source: ECLAC, on the basis of data from eMarketer.

**LATIN AMERICA: BREAKDOWN OF LOCAL
AND CROSS-BORDER E-COMMERCE PURCHASES, 2019–2021**
(Percentages)



Source: ECLAC, on the basis of EBANX, *Beyond Borders 2020/2021. A Study on the State of Cross-Border e-Commerce in Latin America: Focus on Brazil, Chile, Colombia and Mexico*, 2020.

Note: * Data for 2021 are projections.

An agenda to promote cross-border e-commerce in the region



Improve the coverage, affordability and quality of digital connectivity and connection infrastructure at the regional level.



Streamline logistics for exports and imports of packages and final delivery within countries. Facilitate cross-border returns.



Foster participation by SMEs by reducing gaps in adoption of digital technology and skills that are needed to participate in ecommerce, leveraging in particular the B2B segment.



Produce statistics as a prerequisite for guaranteeing responsible, effective, evidence-based policy processes.

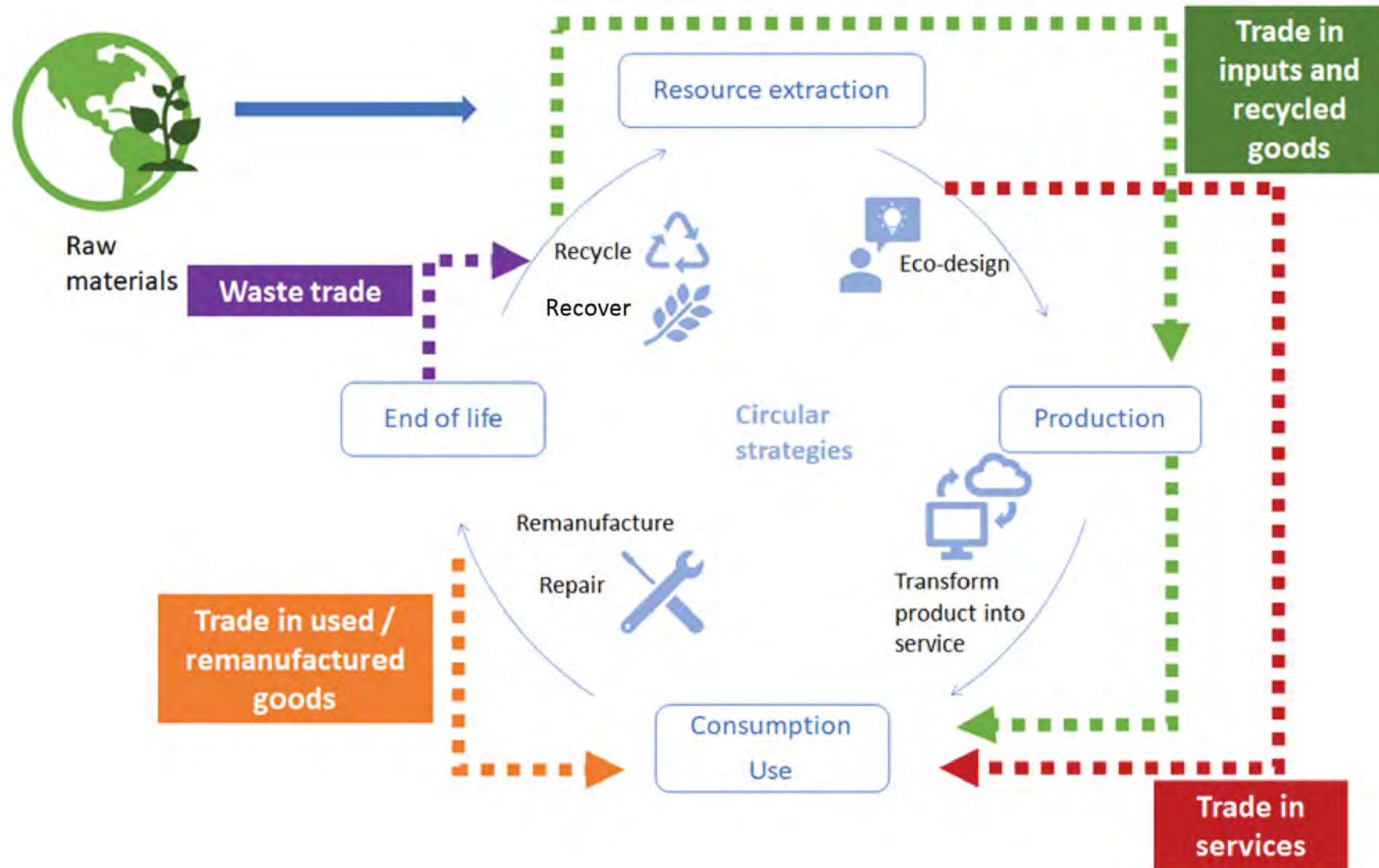


Modernize the regulatory framework for cross-border digital payments and enable innovation to further digital financial inclusion.



Improve the regulatory framework and regional cooperation in the areas of consumer protection, cybersecurity, data protection, privacy and cross-border data flows.

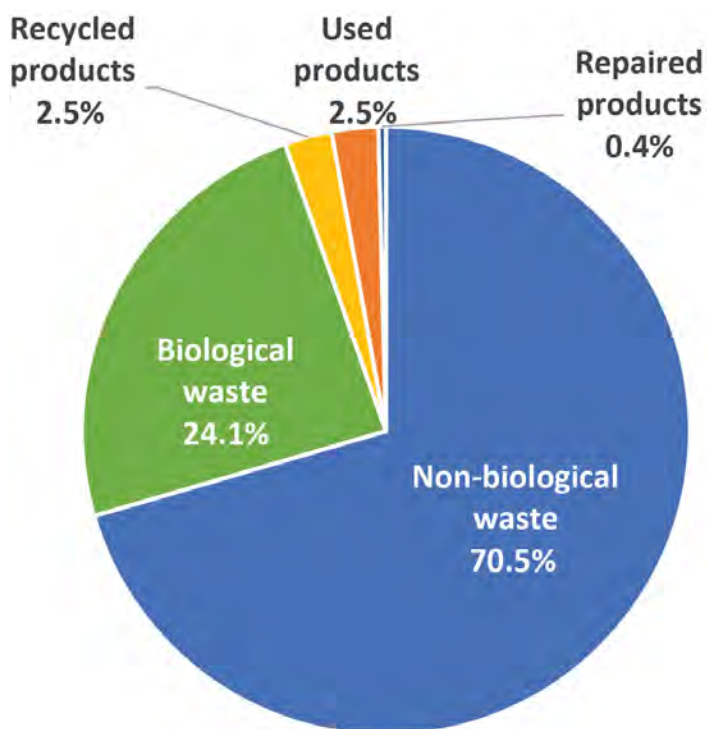
Trade can also contribute to the circular economy, creating new markets and technology



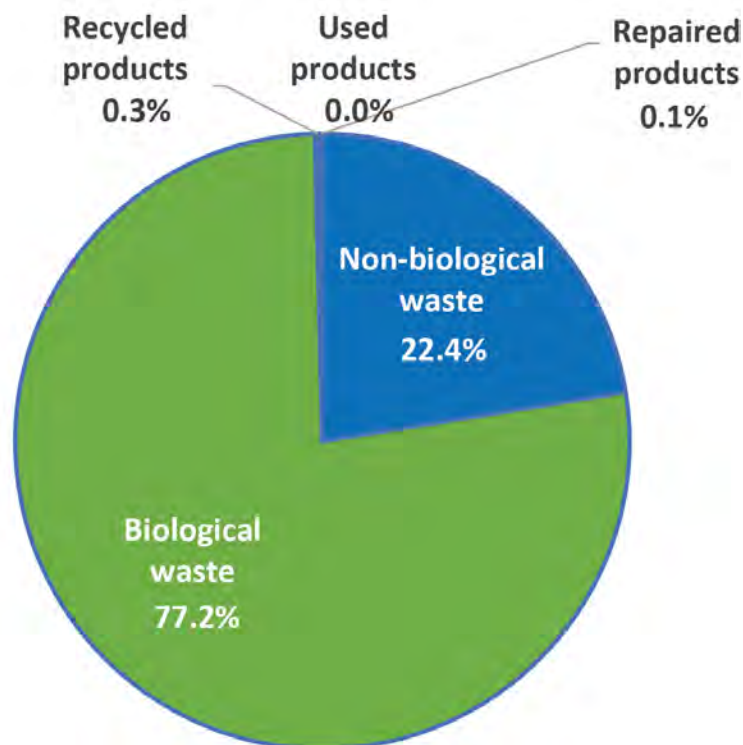
The region's exports of circular products are primarily concentrated in the agricultural waste segment

BREAKDOWN OF CIRCULAR EXPORTS BY VALUE, 2017–2019
(Percentages)

WORLD



LATIN AMERICA AND THE CARIBBEAN



EXAMPLES OF PRODUCTS WITH HIGH CIRCULAR ECONOMY POTENTIAL FOR THE REGION

- **Waste from extraction of oil**
- **Waste from fishing, aquaculture, livestock, food and wood**
- **Waste from copper and other metals**
- **Waste from glass, textiles, leather and plastic**
- **Recycled paper and cardboard (testliner)**
- **Remanufactured machinery for construction**
- **Remanufactured and reconditioned capital goods**

Source: ECLAC, on the basis of Centre for International Prospective Studies and Information (CEPII), International Trade Analysis Database (BACI).

The countries of the region must incorporate the circular economy perspective into their trade agendas

Incorporate trade into national circular economy agendas

Harmonize rules among countries and reduce trade barriers to create regional markets

Integrate the circular economy into trade agreements to obtain better market access and foster cooperation among partners

Increase recycled inputs and products in chains of sectors that export natural resources such as mining, agro industry and forestry

Concluding remarks: the global situation

- Global trade in goods is recovering strongly in 2021, but the outlook for 2022 is under threat from health and economic risks:
 - Supply chain disruption and high maritime freight charges
 - Uncertainty over the impact of the new omicron variant
 - Limited room for further fiscal and monetary stimulus
 - Competition between China and the United States and a crisis in multilateralism
- The United States and the European Union are seeking to reduce their dependence on China in strategic sectors through ambitious industrial policy measures.
- The most likely scenario for the coming years is one of “regionalized globalization”, with shorter supply chains and an increasingly important role for megaregional agreements (RCEP, CPTPP, USMCA).

Concluding remarks: the regional situation

- The recovery in the region's exports in 2021 is good news, but with considerable weaknesses:
 - Growth in goods exports is being driven primarily by external factors (commodity price rises).
 - The volume of imports has grown much more than that of exports (20% compared to 8%).
 - Manufacturing exports (such as those of the automotive industry in Mexico) are being affected by supply chain disruption.
 - Intraregional trade remains significantly below all-time highs.
 - Service exports have not yet recovered from the slump in tourism, and the recent reopening may be hindered by the new omicron variant.
- In short, the recovery in exports is based on traditional sources of static comparative advantages, rather than diversification into new products and services with a larger knowledge component and a smaller environmental footprint.

Concluding remarks: the crucial role of integration

- In a global economy that is becoming increasingly regionalized, the region has continued to focus on extraregional markets.
- Greater integration in production and trade is crucial to reach efficient production scales, diversify exports and reduce exposure to external shocks.
- Progress must be made towards a regional digital market that promotes intraregional trade, internationalization of SMEs and creation of digital products.
- The circular economy perspective must be incorporated into countries' trade agendas and integration mechanisms.
- Regional integration is vital for greater productive autonomy in strategic sectors: CELAC took an initial step in this direction with its plan for self-sufficiency in health matters in Latin America and the Caribbean.



2021

International Trade Outlook for Latin America and the Caribbean



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