

International Trade Outlook

for Latin America and
the Caribbean **2023**

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



UNITED NATIONS

ECLAC



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Executive Secretary

2 November 2023

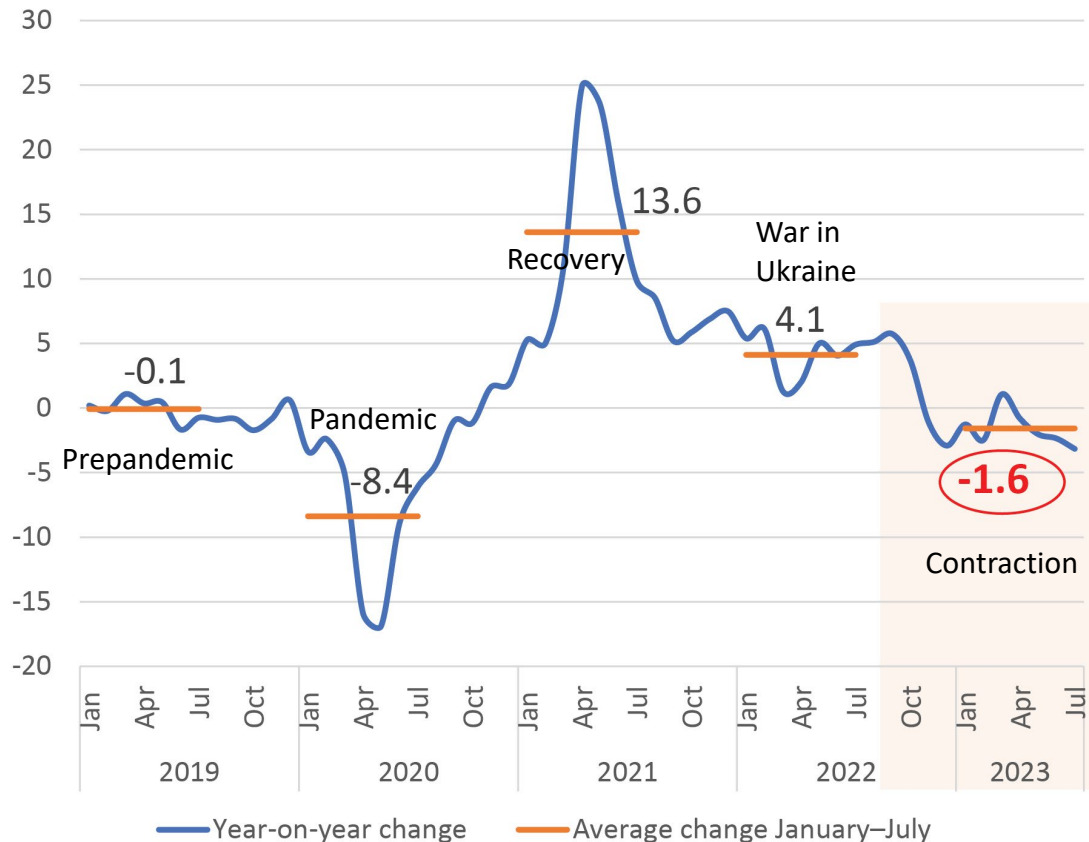
Contents

1. Structural and cyclical factors weaken regional and global trade
2. The trade relationship between Latin America and the Caribbean and China in the period 2000–2022: assessment and outlook
3. Trade facilitation in Latin America and the Caribbean: formalities, infrastructure and logistics

I. Structural and cyclical factors weaken regional and global trade

Contraction in global trade in goods since fourth quarter of 2022 amid weakened global economy

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

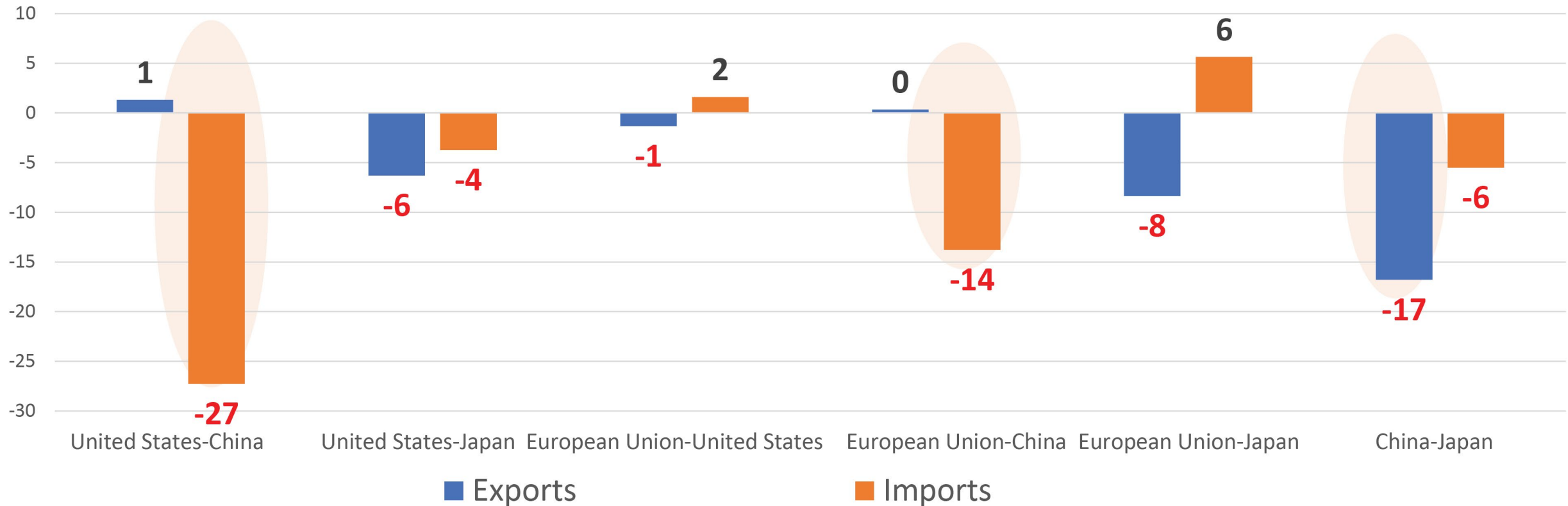


- Volume of global trade in goods for January–July 2023 down 1.6% year-on-year.
- In October, **WTO** revised 2023 growth forecast **downward, to 0.8%**.
- Sluggish global trade attributable to slackened economic activity in United States and Europe, the real estate crisis in China and rising geopolitical tensions.

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

Fall in bilateral trade between major global economies, owing partly to geopolitical tensions

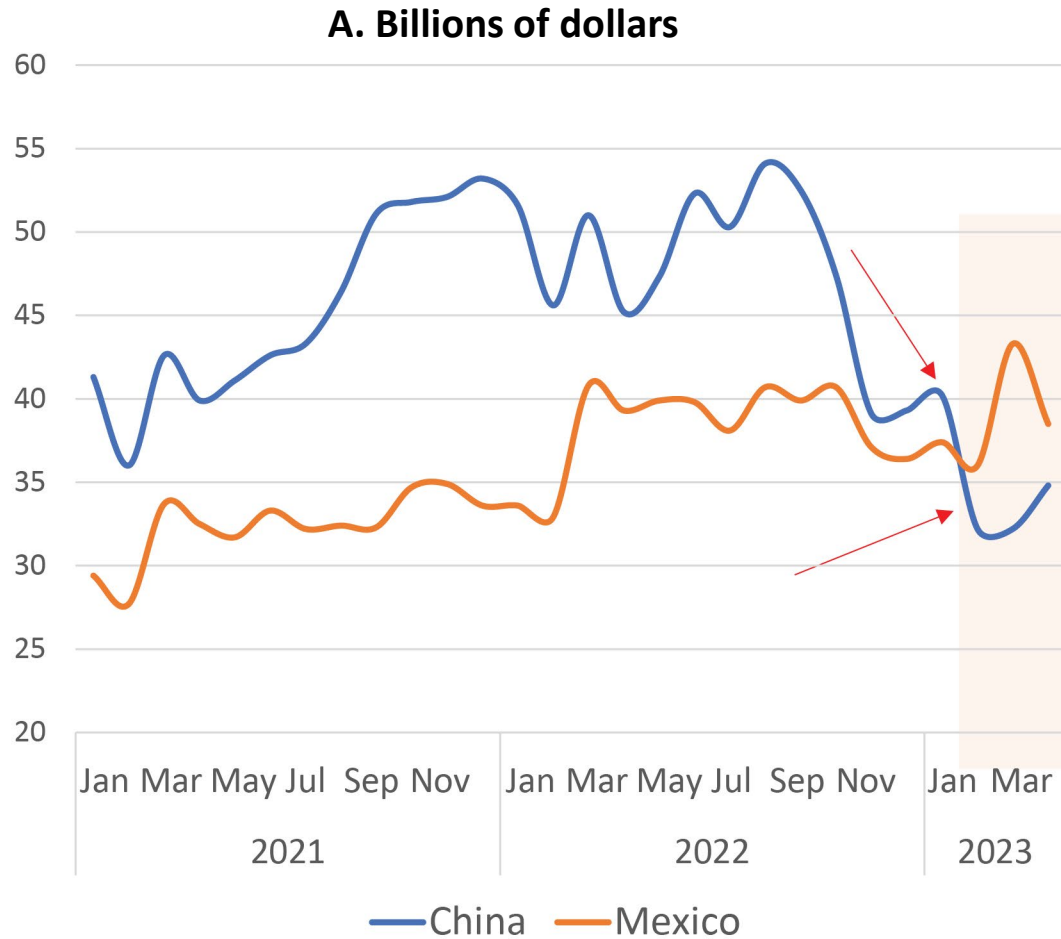
China, Japan, United States and European Union: year-on-year change in the value of trade in goods, January–June 2023
(Percentages)



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

Ongoing reconfiguration of United States supply chains favours several countries, in particular Mexico

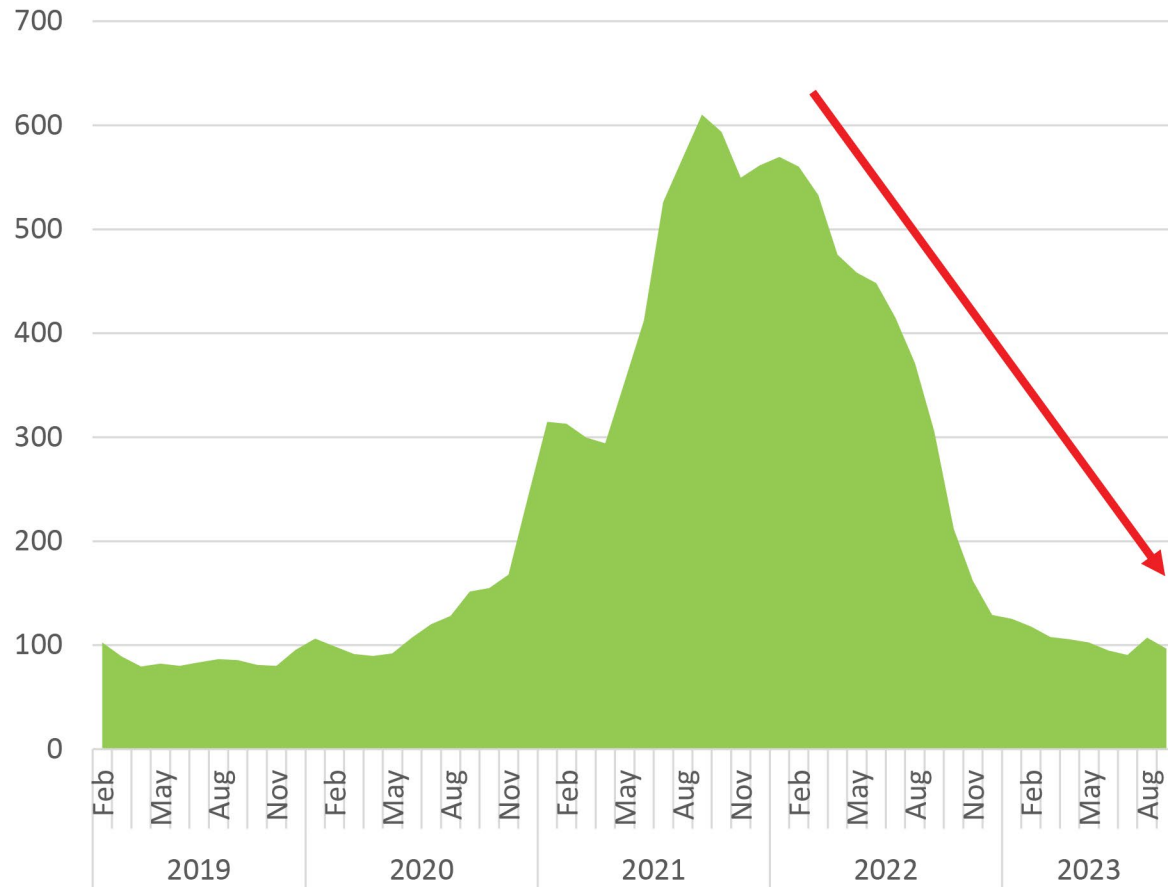
United States: goods imports from China and Mexico, January 2021–June 2023



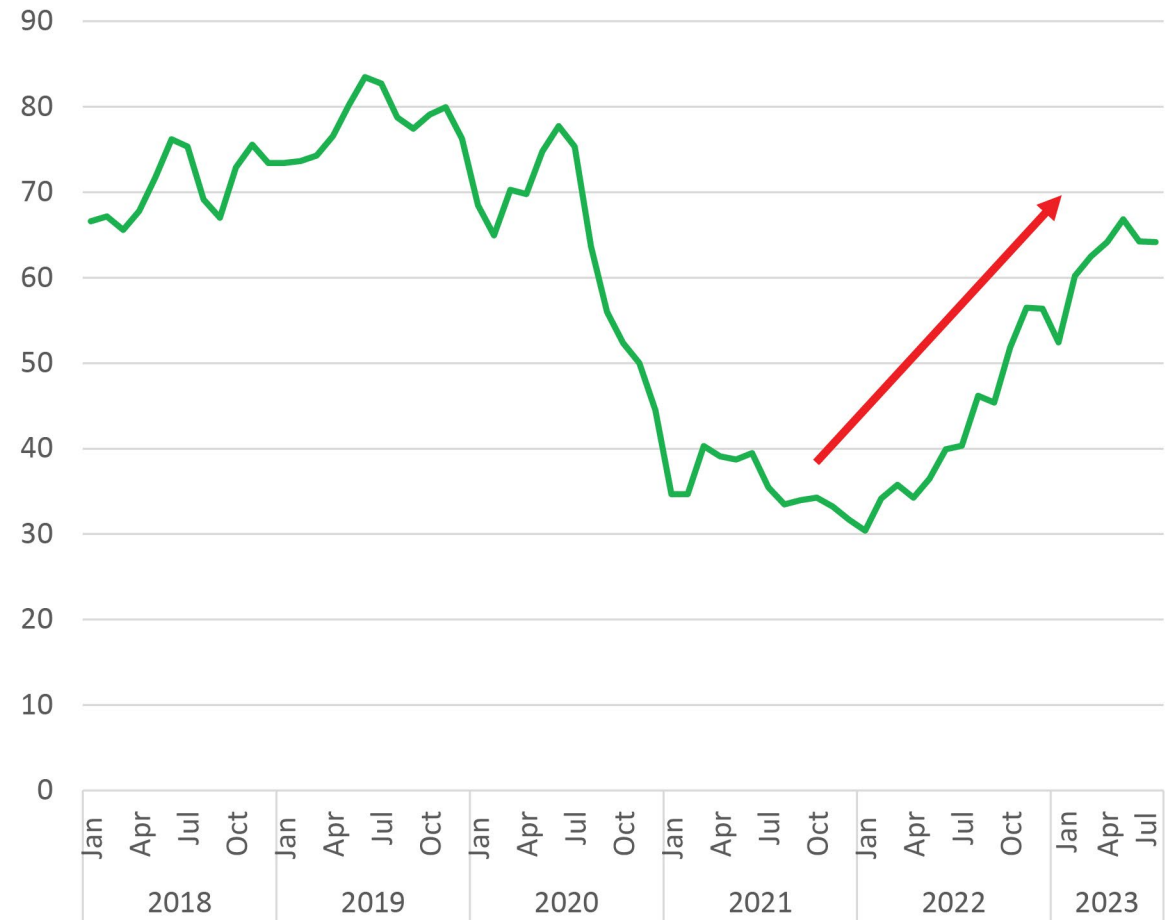
Source: ECLAC, on the basis of United Nations, UN Comtrade Database [online] <https://comtradeplus.un.org/>.

Gradual normalization of global shipping after three years of disruptions

Composite monthly average index of seaborne container freight spot rates, February 2019–September 2023



Reliability of shipping schedules, monthly averages, January 2018–July 2023



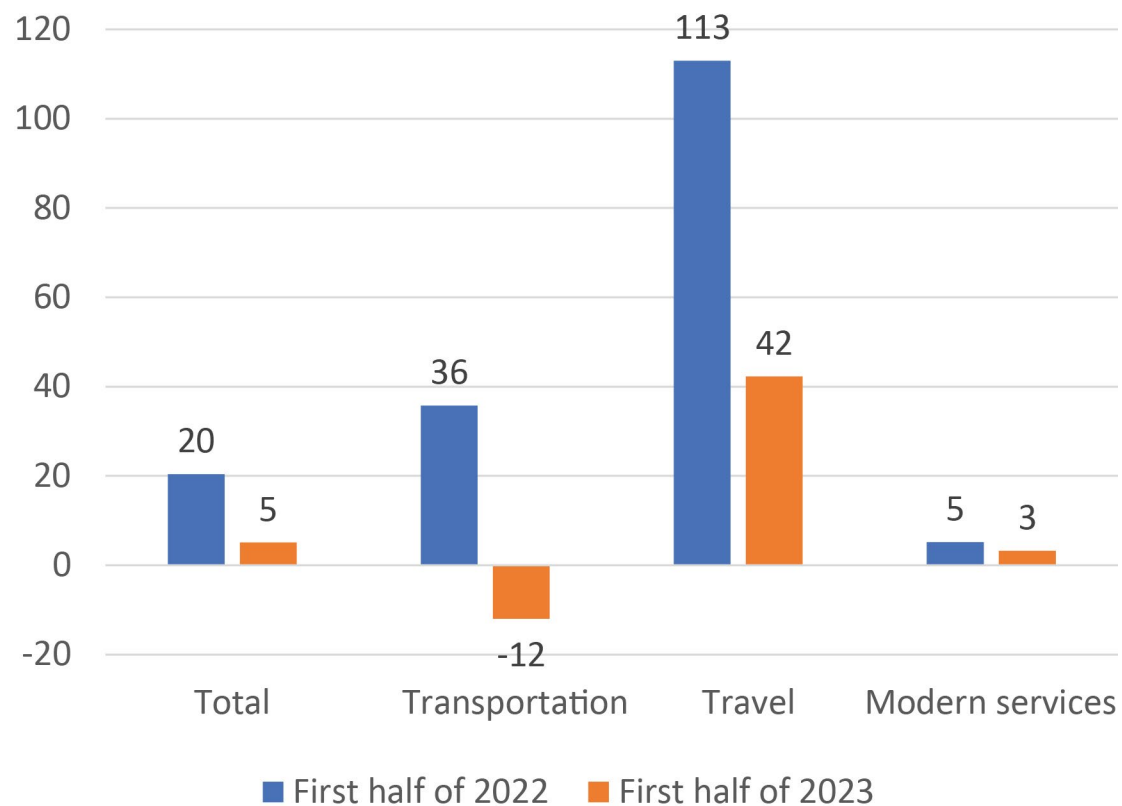
Source: M. Saade and E. Barleta, "Informe portuario 2022: ¿tras la tempestad llega la calma?", *FAL Bulletin*, Santiago, ECLAC, forthcoming.

Source: ECLAC, on the basis of data from Sea-Intelligence, "Global schedule reliability", August 2023 [online] <https://sea-intelligence.com/press-room/176-schedule-reliability-continues-on-its-upwards-trend>.

Deceleration of global trade in services in first half of 2023

Year-on-year variation in the value of global trade in services, by category, first half of 2022 and first half of 2023

(Percentages)

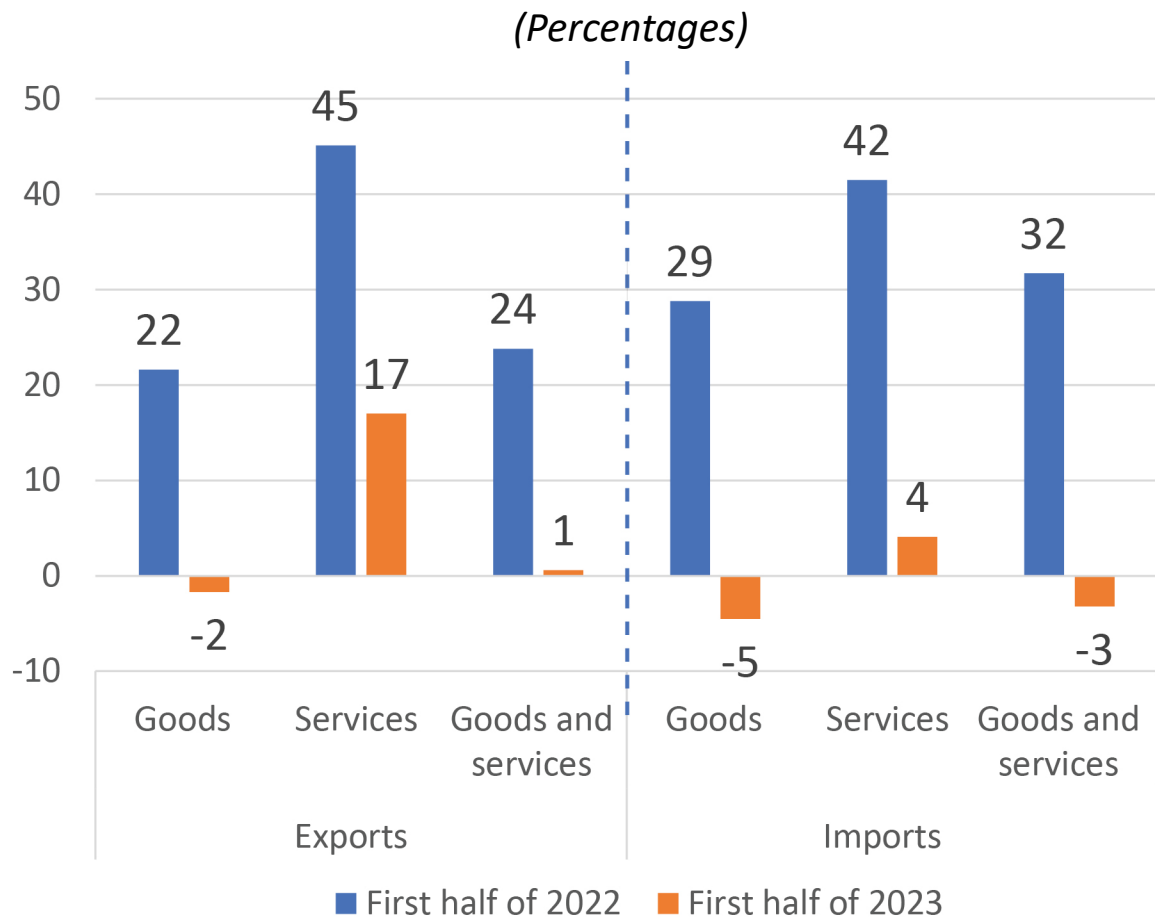


- Global trade in services grew by 5% in the first half of 2023.
- Travel services fell by 12%, mirroring trend in global trade in goods.
- Growth in travel slows compared to 2022 but remains high owing to the recovery of international tourism.
- Greater stability in modern services, which accounted for 60% of global services exports in 2022.
 - This category includes digitally supplied services (engineering, administration, finance, legal, design etc.)

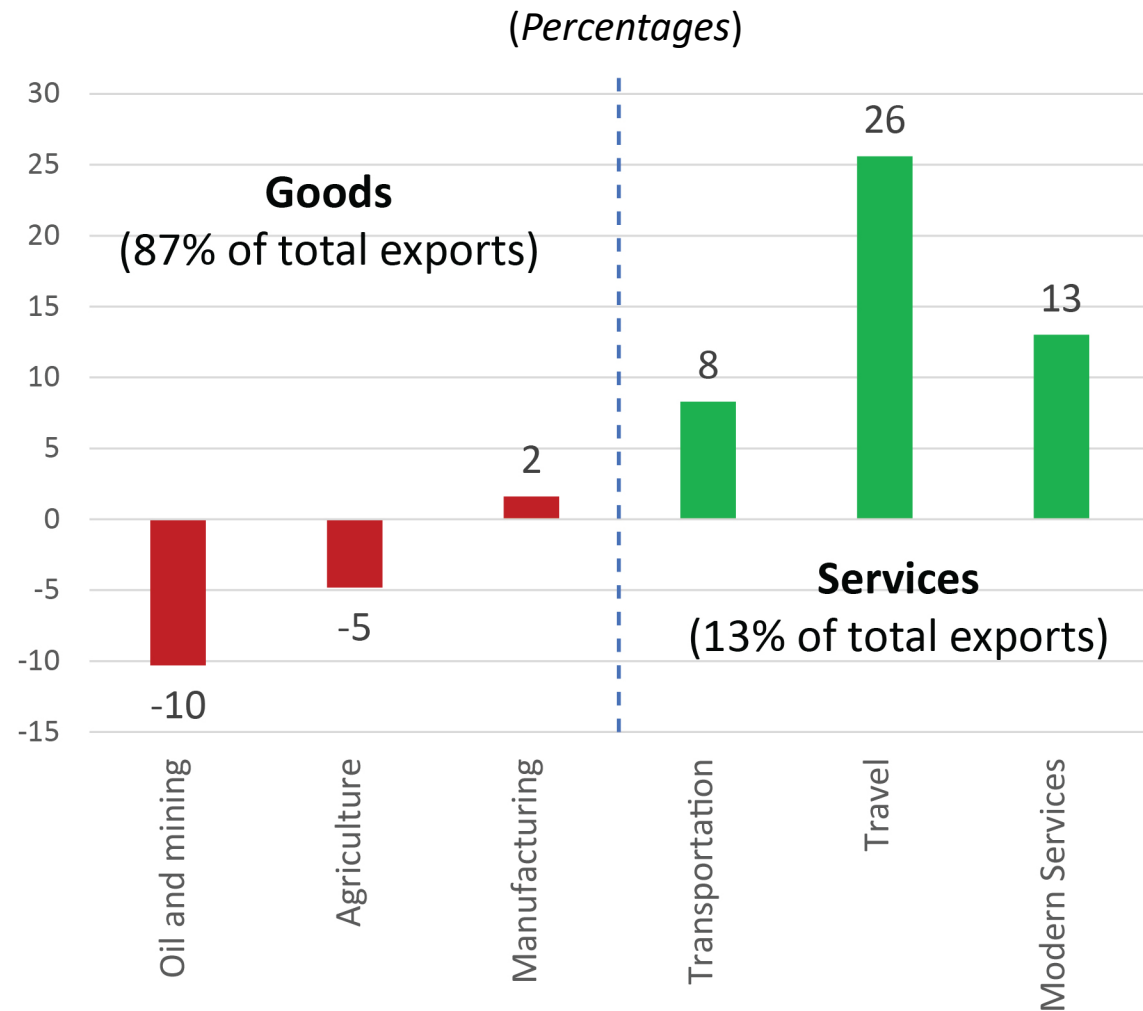
Source: ECLAC, on the basis of United Nations Conference on Trade and Development (UNCTAD), UNCTADstat [online database] <https://unctadstat.unctad.org/datacentre/>.

The region: goods exports fall (-2%) while services exports grow, but at a slower rate (17%) in first half of 2023

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



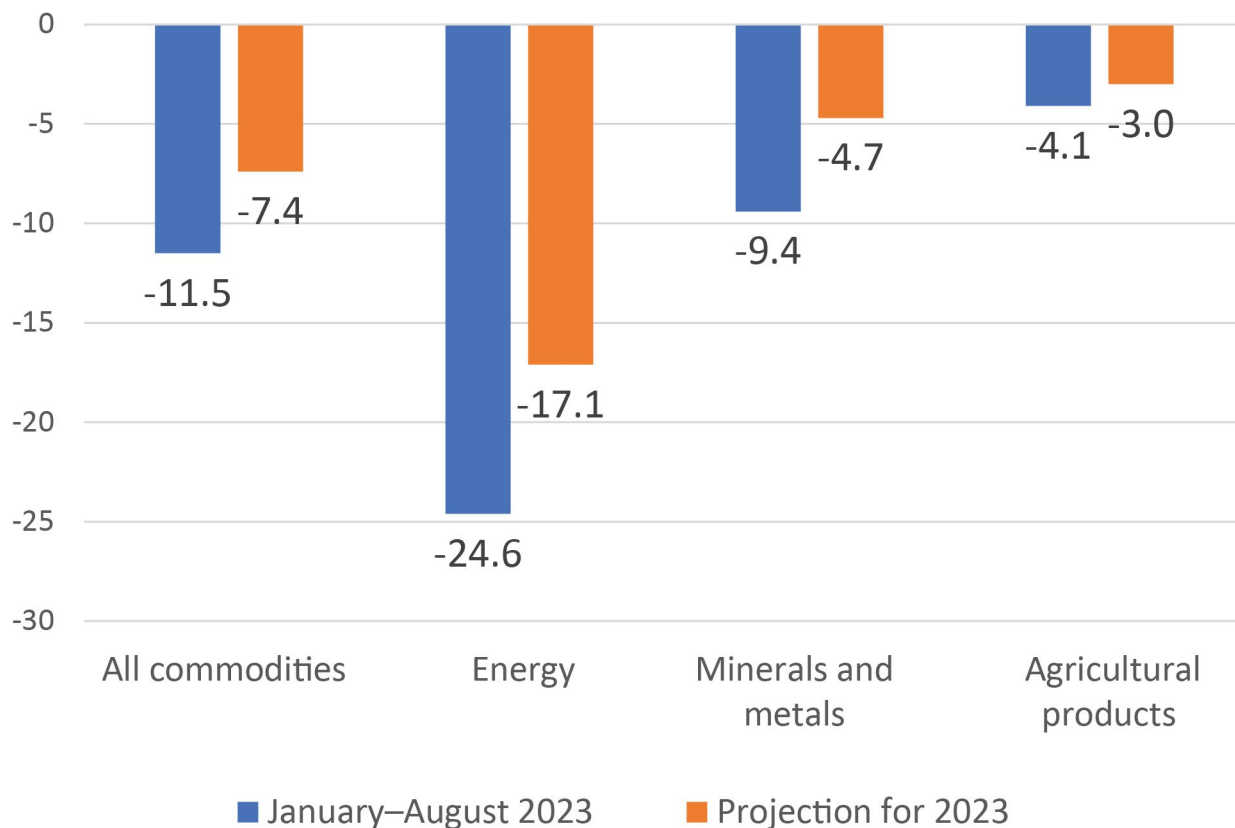
Latin America and the Caribbean: year-on-year variation in goods and services exports, January–June 2023



Source: ECLAC, on the basis of official data from central banks, customs services and institutes of statistics from the region.

Prices of key export commodities have fallen, but are expected to rebound over the remainder of the year

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



- Prices of minerals and metals have been affected by weak demand in China.
- Hydrocarbon prices have fallen from their exceptional highs in 2022, following the start of the war in Ukraine.
- The downtrend in **oil prices reversed** recently owing to production cuts by OPEC and the Russian Federation. Developments in the conflict between Israel and Hamas could cause further rises.
- Similarly, an **uptick in prices of minerals and metals** is projected, driven by expected faster growth in China.

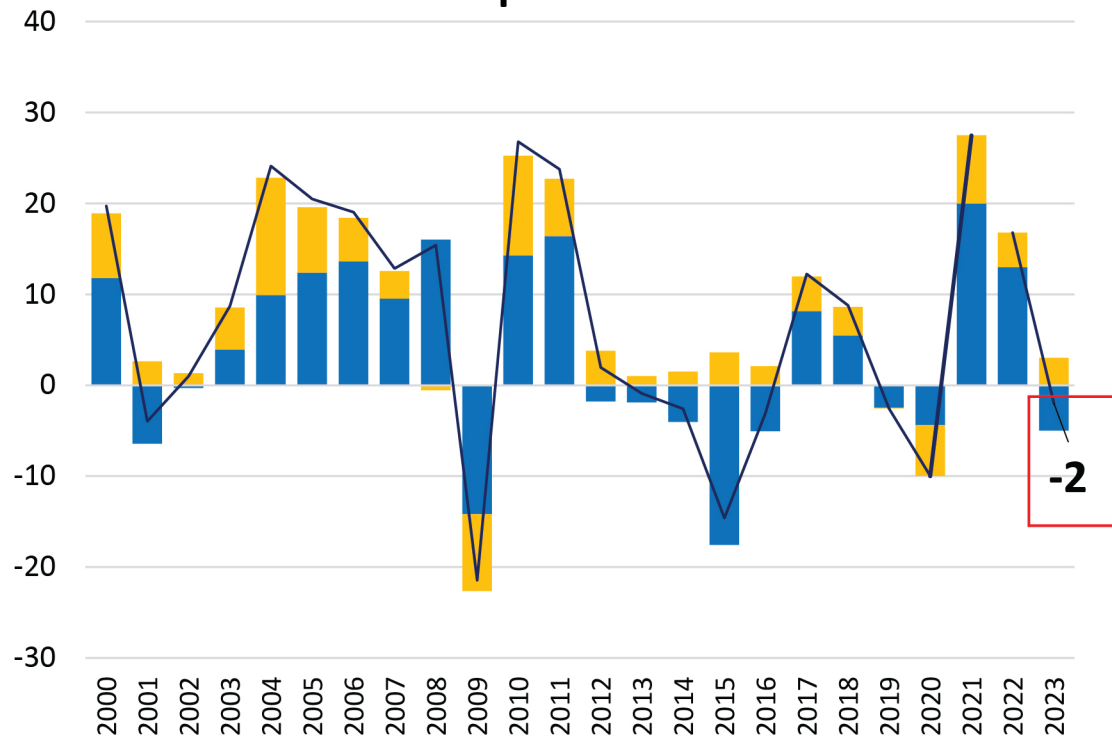
Source: ECLAC, on the basis of information from the World Bank, Bloomberg, The Economist Intelligence Unit, the Buenos Aires Grain Exchange, the Chilean Copper Commission (COCHILCO) and the Agrarian Research and Policy Office (ODEPA) of Chile.

In 2023, the value of regional goods exports is projected to fall by 2% and goods imports by 6%

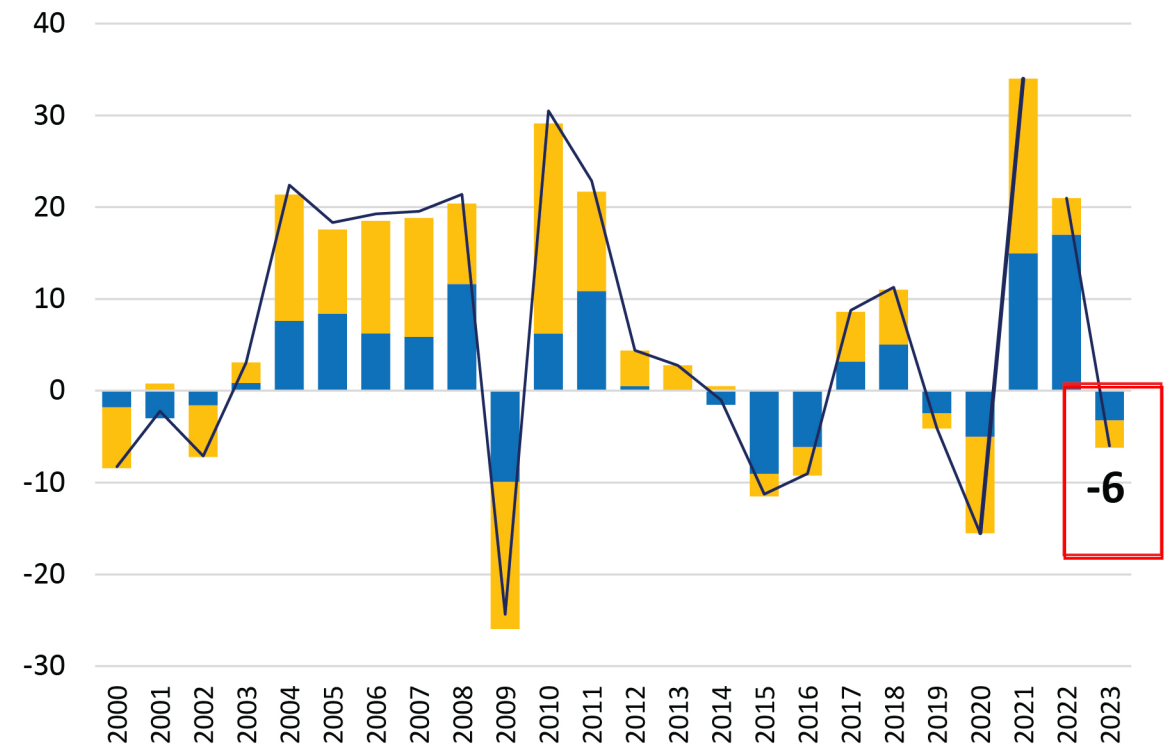
Latin America and the Caribbean: yearly change in goods trade, 2000–2022 and projection for 2023

(Percentages)

A. Exports



B. Imports



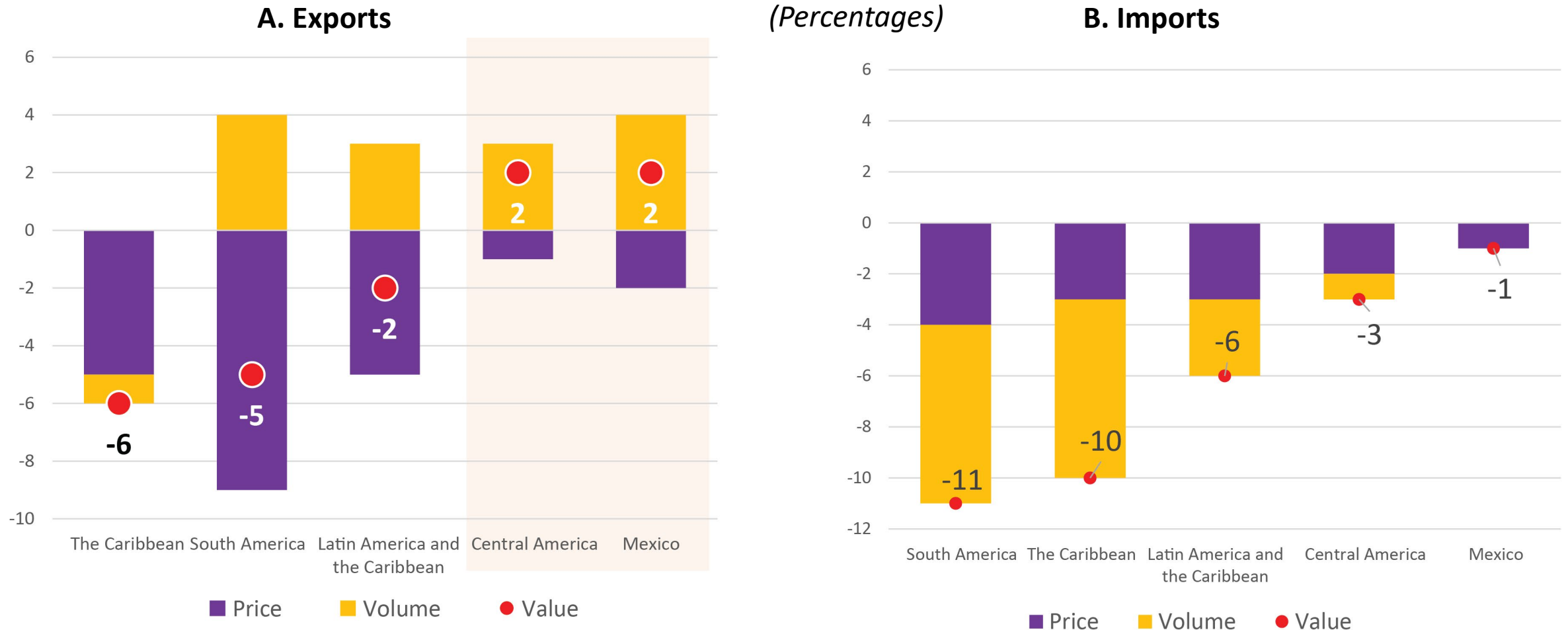
Price Volume Value

Price Volume Value

Source: ECLAC, on the basis of official data from central banks, customs services and institutes of statistics from the region.

By subregion, only Central America and Mexico will see slight increase in exports. Imports will fall across the board

Latin America and the Caribbean, subregions and Mexico: projected changes in goods trade by price, volume and value, 2023

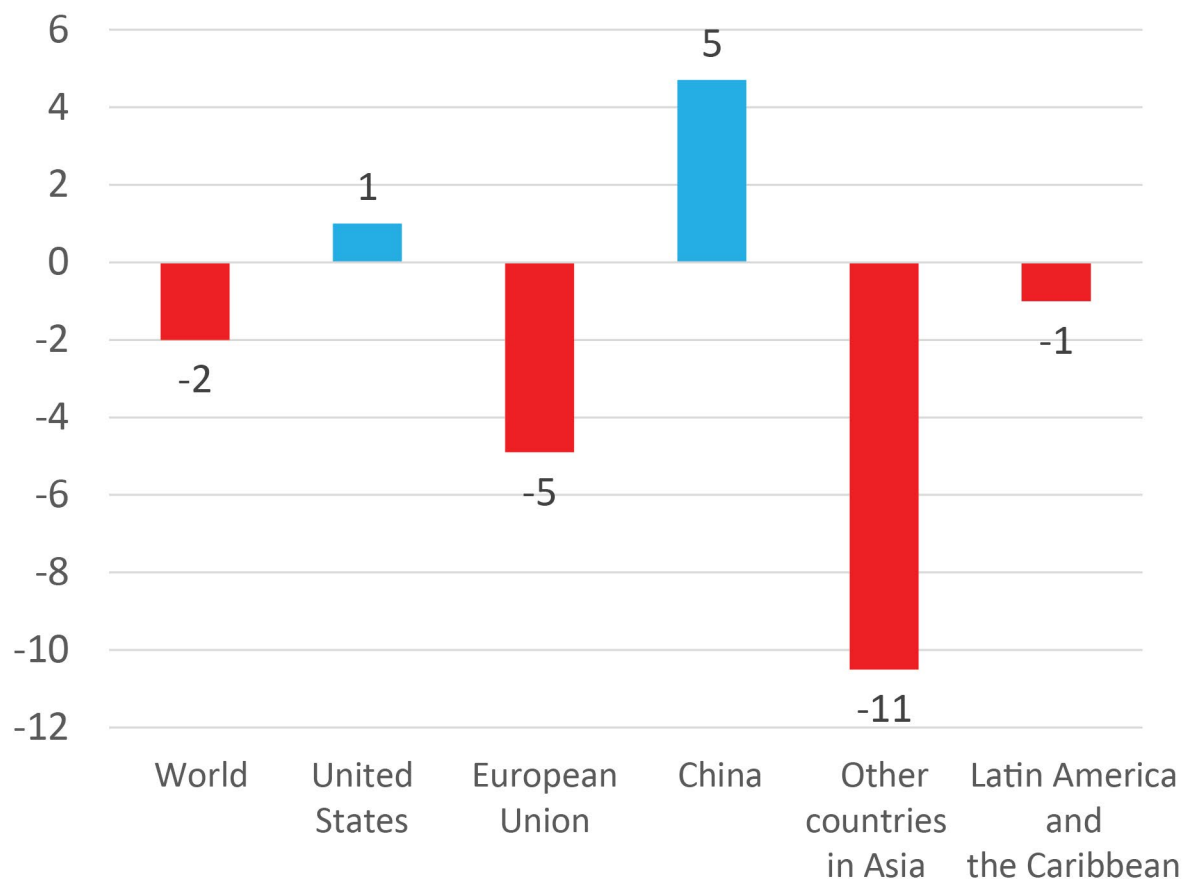


Source: ECLAC, on the basis of official data from central banks, customs services and institutes of statistics from the region.

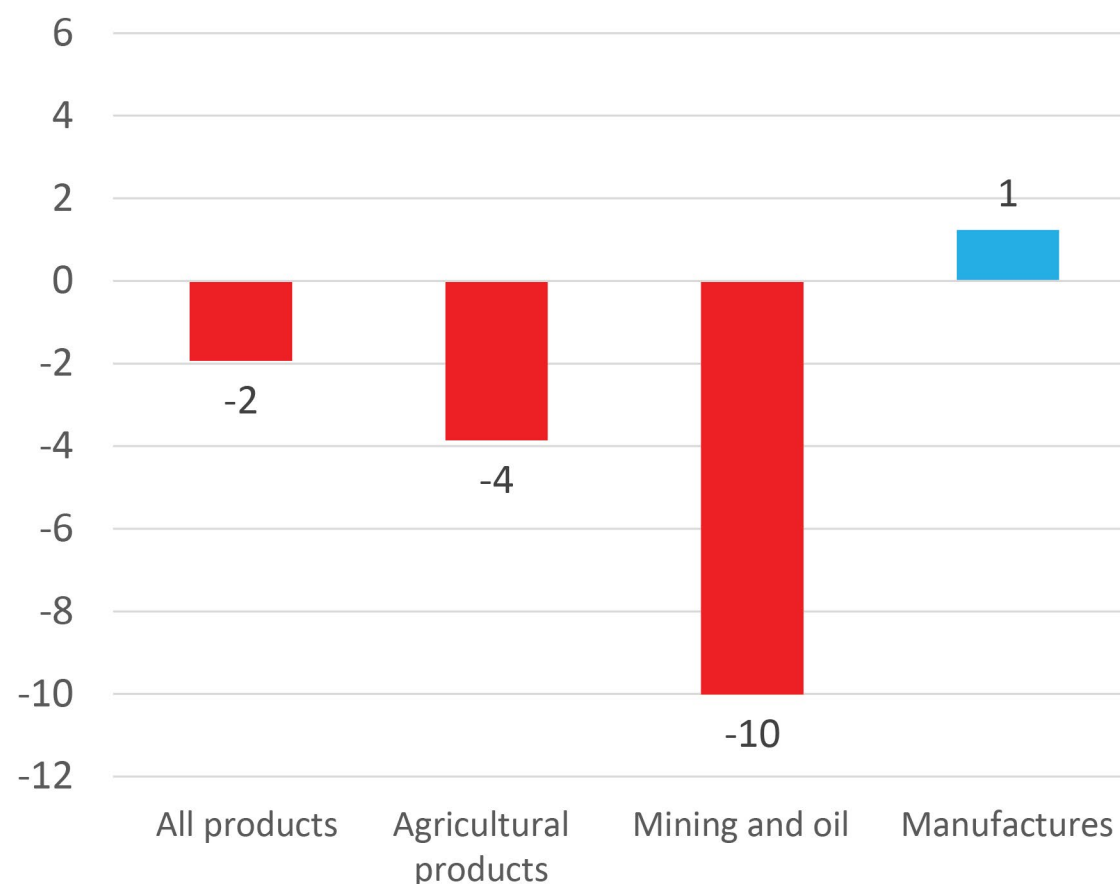
By destination, export growth will be concentrated in China and the United States only; by sector, in manufactures

Latin America and the Caribbean: projected annual variation in the value of goods exports, 2023
(Percentages)

A. By destination



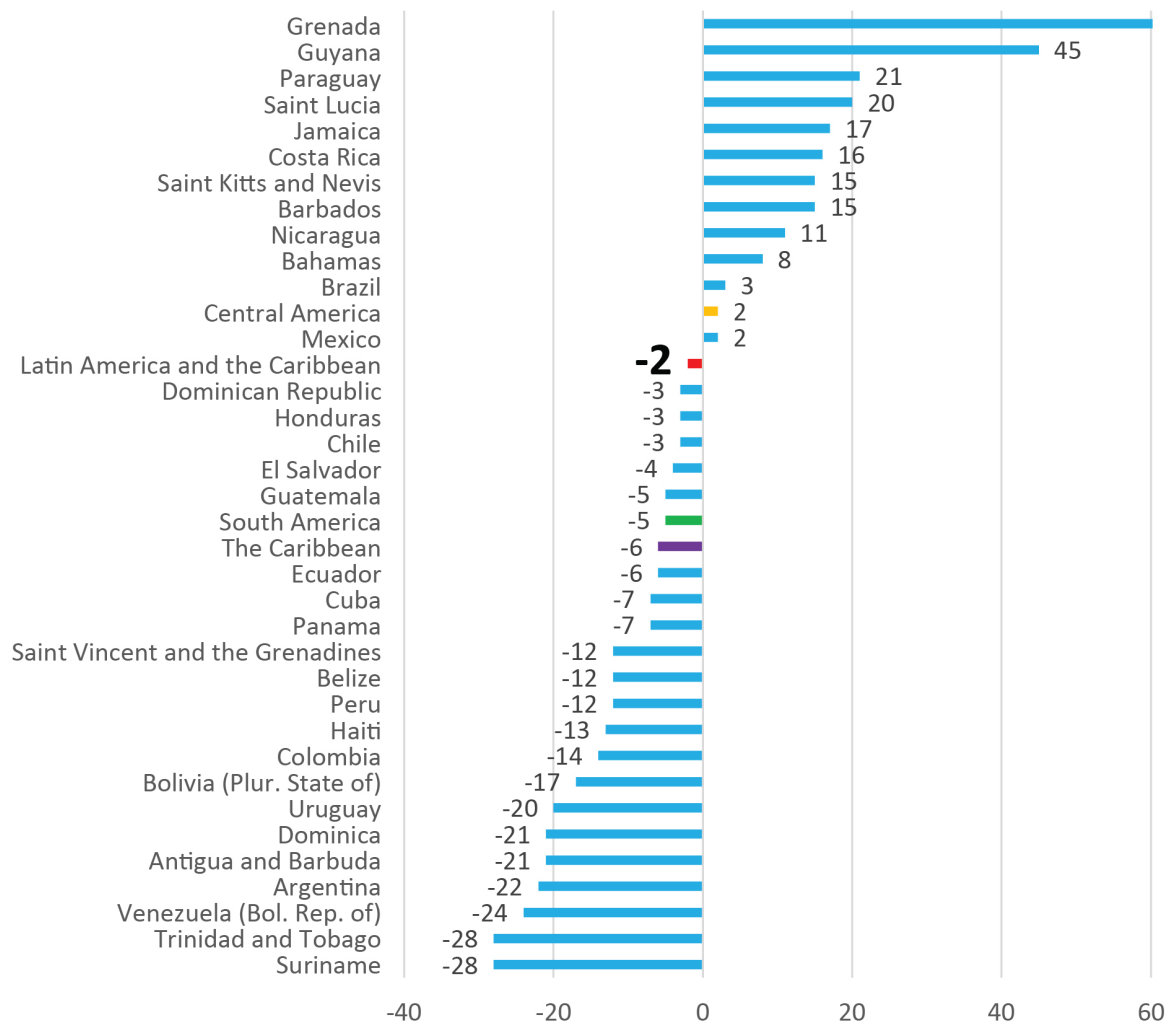
B. By sector



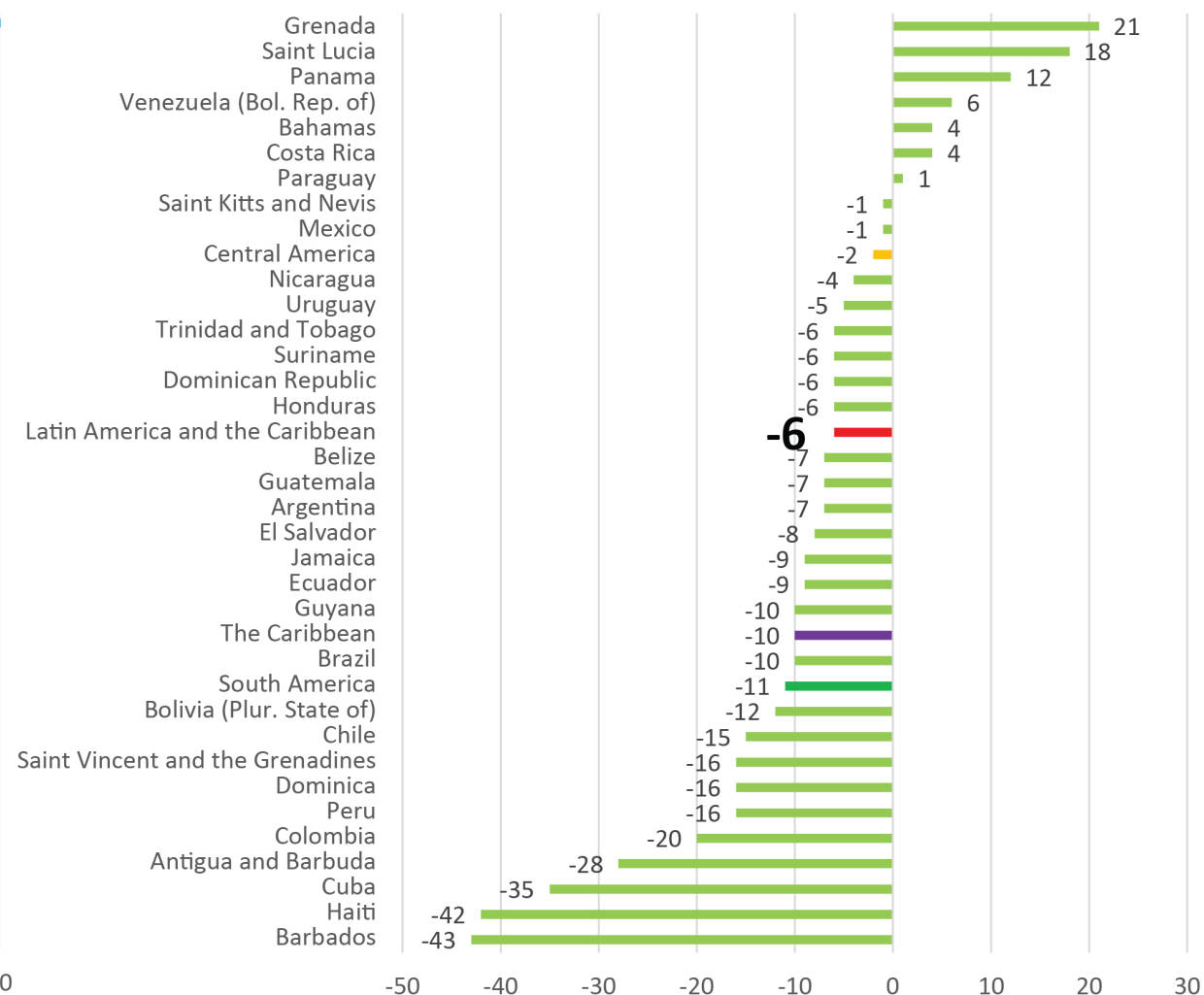
Source: ECLAC, projections on the basis of official data from central banks, customs services and institutes of statistics from the region, for the period from January to August 2023.

Latin America and the Caribbean (33 countries): projected change in goods trade by value, 2023 (Percentages)

A. Exports



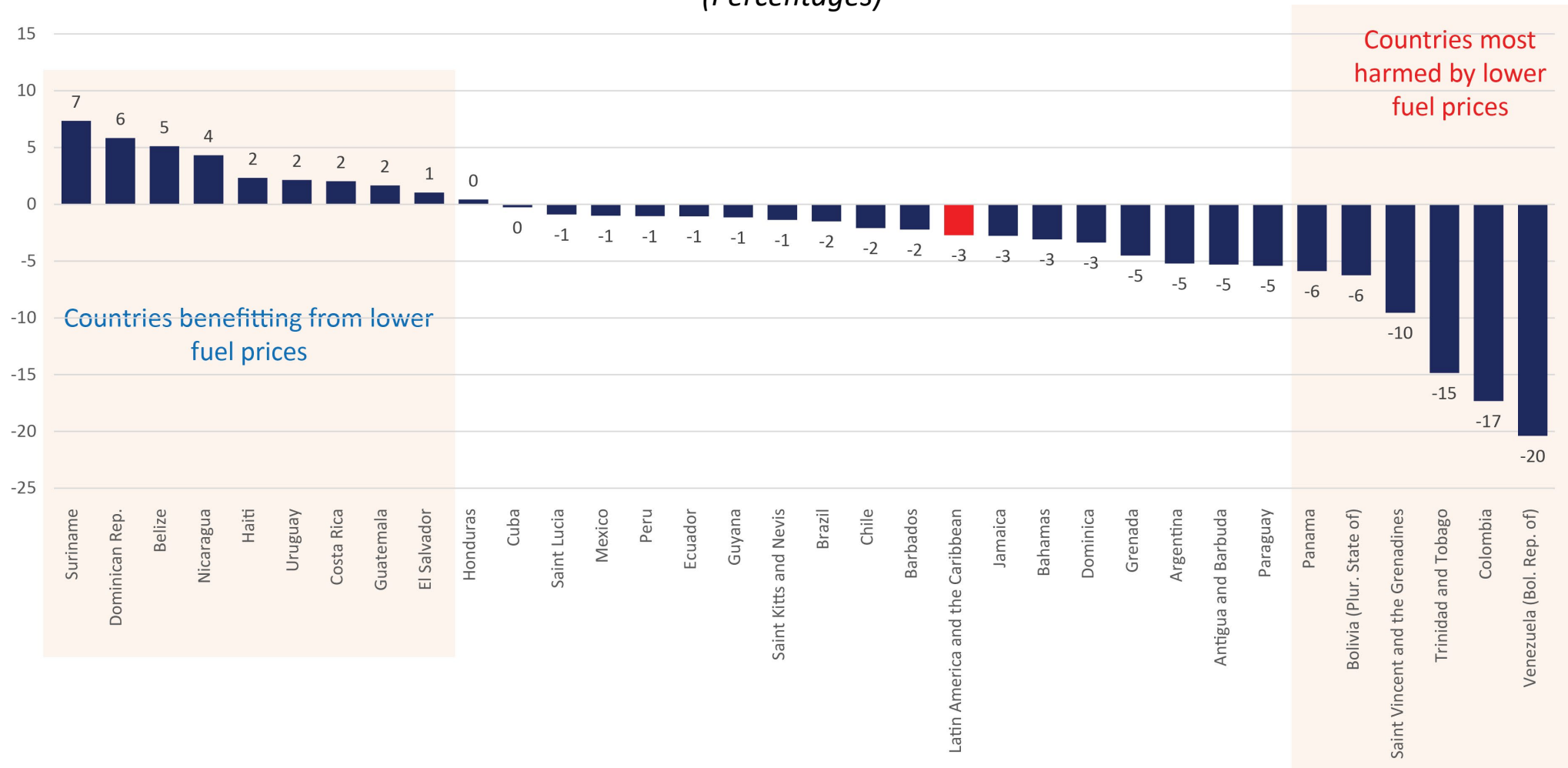
B. Imports



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

Region's terms of trade expected to deteriorate by 3% in 2023, with the largest falls for hydrocarbon-exporting countries

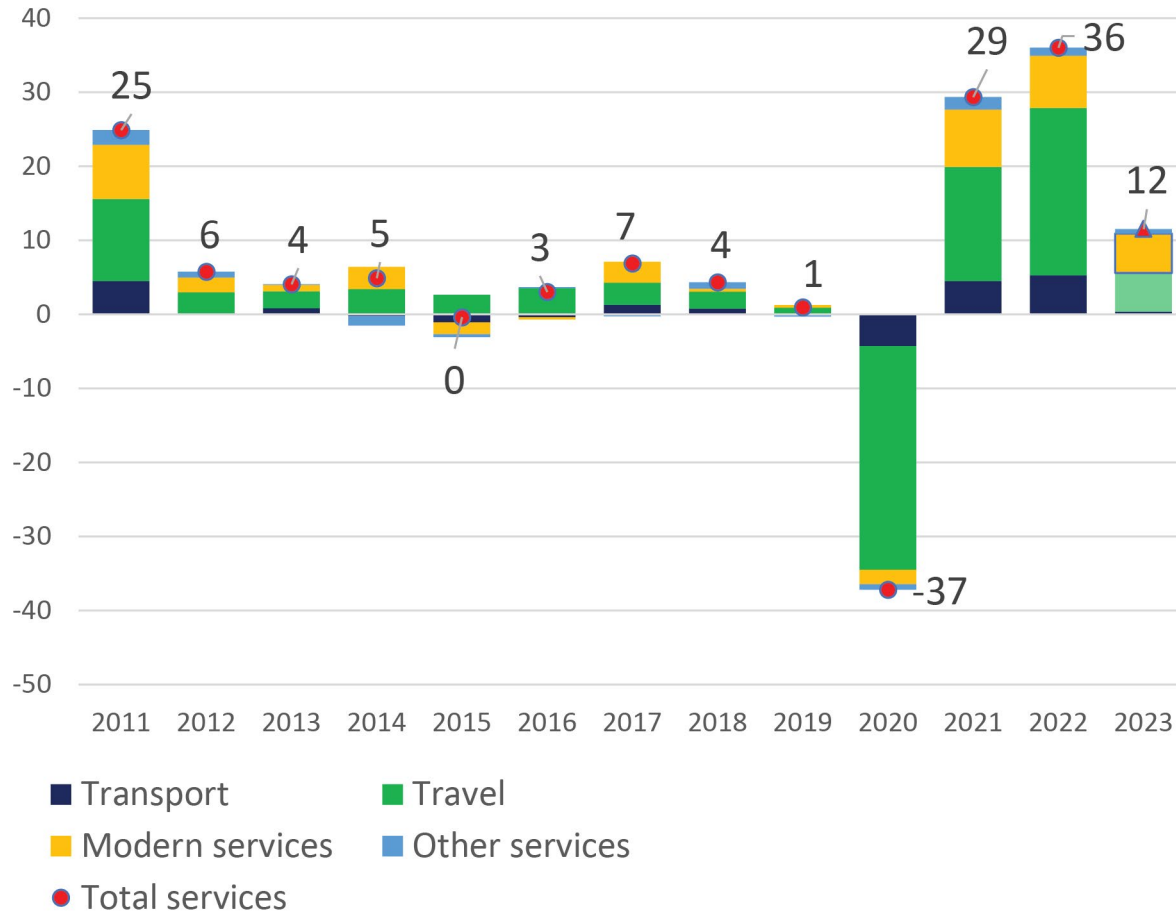
Latin America and the Caribbean (33 countries): projected change in the terms of trade, by country, 2023
(Percentages)



Source: ECLAC, on the basis of official data from central banks, customs services and institutes of statistics from the region.

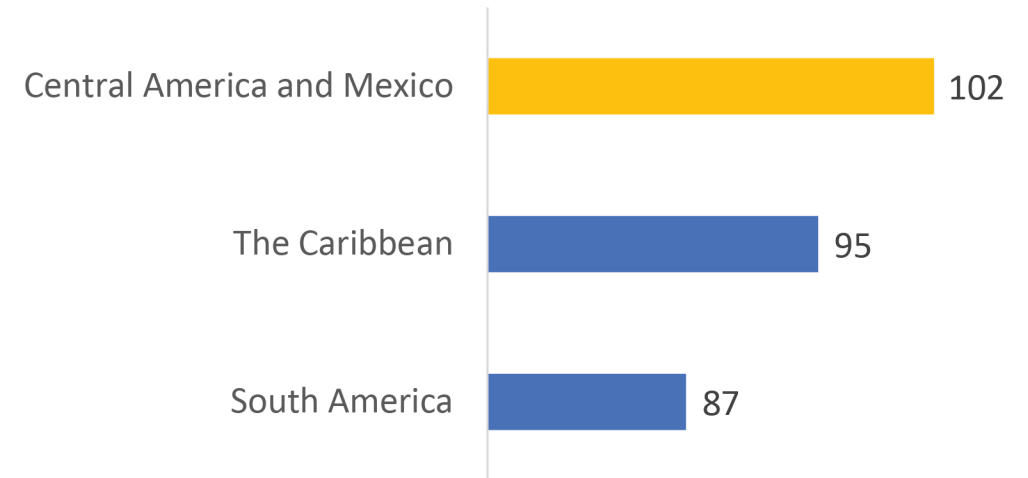
Services: regional service exports projected to grow by **12%**, driven equally by tourism and modern services

Latin America and the Caribbean: change in the value of service exports, 2011–2022 and projection for 2023
(Percentages)



Source: ECLAC, on the basis of official balance-of-payments data provided by the central banks and institutes of statistics of the countries of the region.

International tourist arrivals, January-July 2023
(January-July 2019 = 100)



Source: ECLAC, on the basis of World Tourism Organization (UNWTO), UNWTO Tourism Data Dashboard.

- Exports of services are expected to grow less than in 2021 and 2022, but more than in any of the years from 2012 to 2019.
- Most of the growth in 2021 and 2022 came from the recovery in tourism.
- As tourism returns to pre-pandemic levels, modern services have become more prominent in 2023.

Key messages

- In value terms, **regional exports of goods are expected to fall by 2%** in 2023 and **services exports are projected to grow by 12%**. However, goods account for 87% of total regional exports, compared with 13% for services.
- The volume of regional exports is on course to rise by 3%, but this is not enough to offset a forecast 5% drop in prices of the region's key commodity exports.
- Exports will perform better in **Central America and Mexico**, as they are less dependent on commodities and have closer trade links with the United States.
- **Goods imports are expected to fall 6%**, reflecting weak economic activity in the region, with projected GDP growth of just 1.7% for 2023.
- **Regional service exports** are set to rise in 2023 (12%), slowing from 2021 and 2022 as inbound tourism returns to normal.
- WTO projects a **recovery in global trade in 2024** (3.3% in volume) which, if it occurs, should boost regional exports.

Recommendations

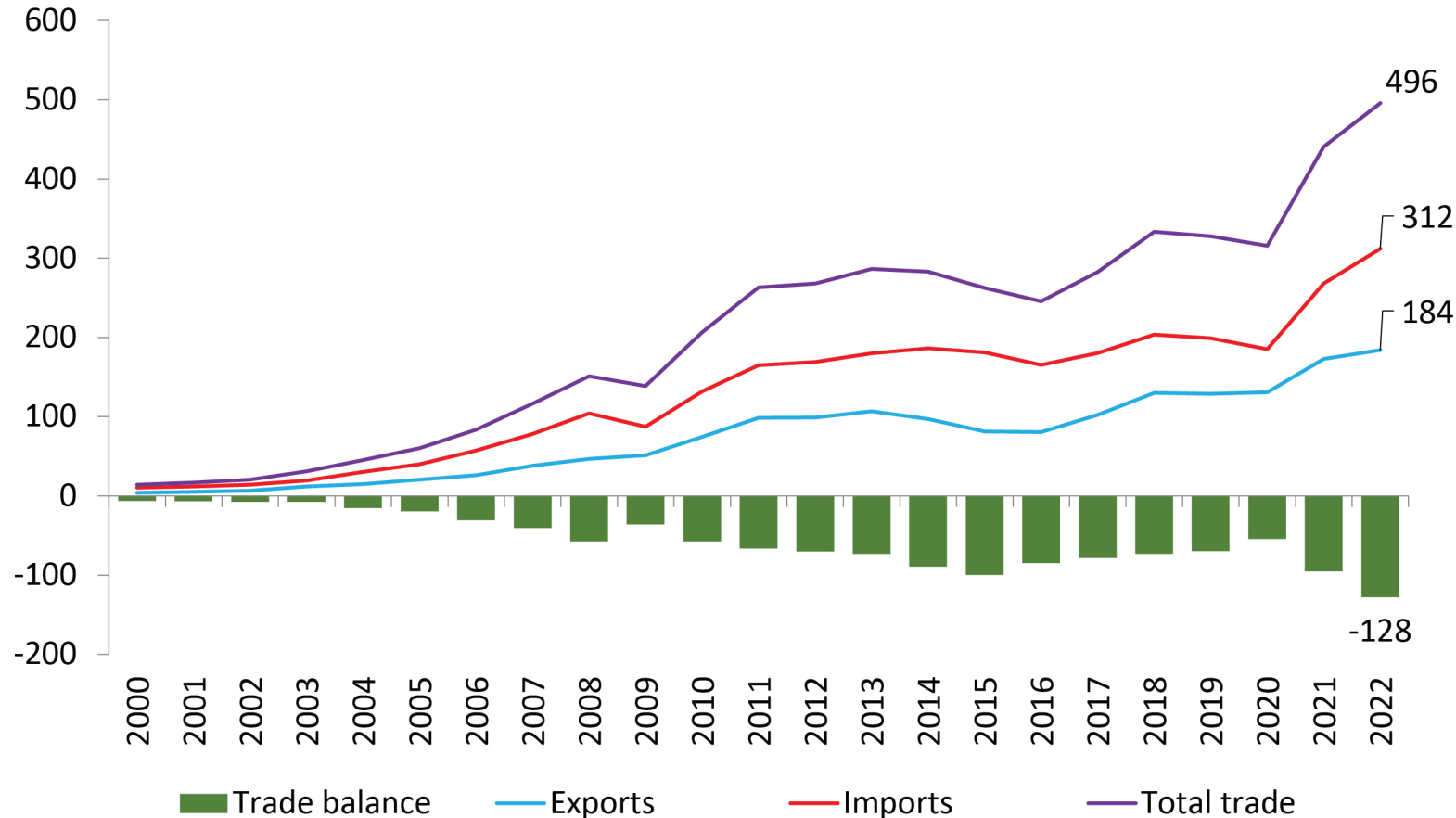
- The region still faces the challenge of **diversifying and increasing the sophistication of its export basket**, to reduce its overdependence on commodities, especially in the case of South America.
- To achieve this, it is vital to implement **productive development policies** with a cluster-based approach in strategic sectors.
- The region should take advantage of its enormous **endowment of strategic natural resources** to attract foreign investment in processing.
- At a time of growing regionalization of global trade, it is also imperative to **deepen regional integration**, to:
 - Reduce vulnerability to more uncertain global trade.
 - Attain efficient production scales for the region's industries.

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

Goods trade between the region and China increased by a factor of 35 between 2000 and 2022

Latin America and the Caribbean: goods trade with China, 2000–2022

(Billions of dollars)

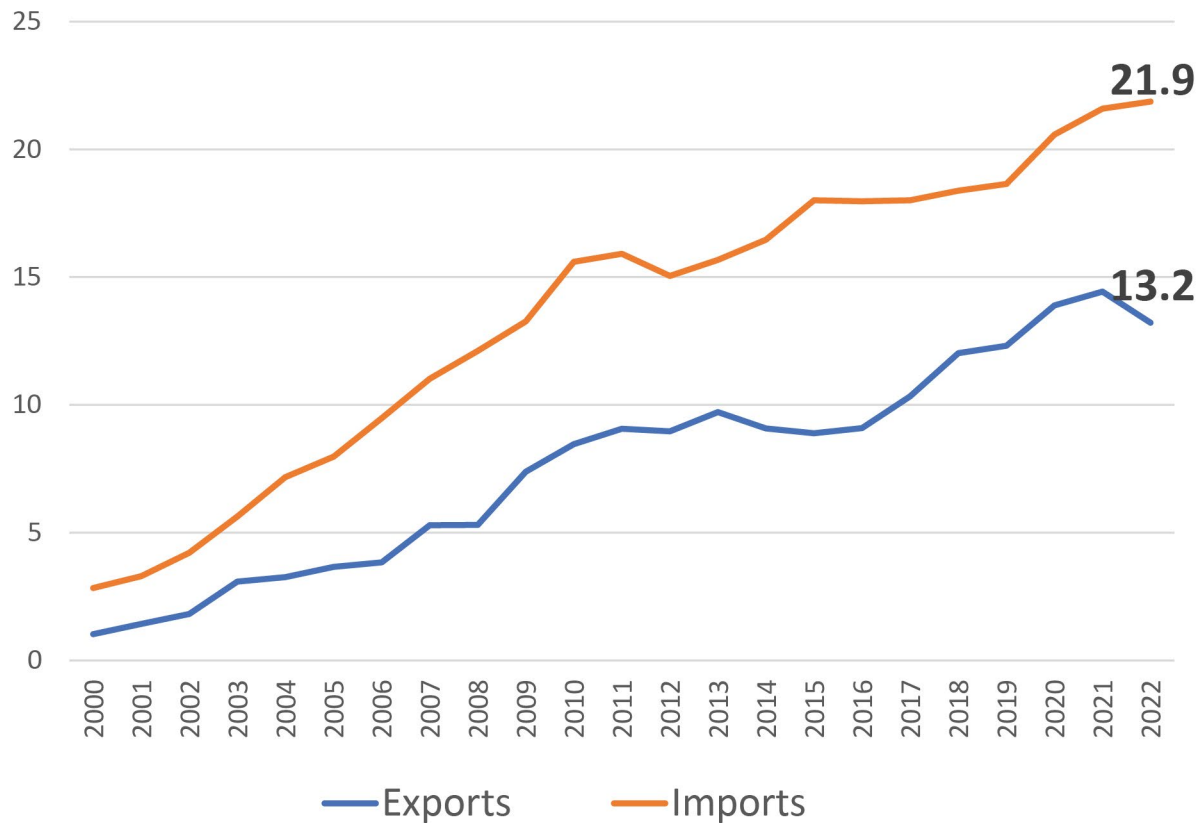


- Over the same period, total trade between the region and the world only increased fourfold.
- Bilateral trade, having barely exceeded US\$ 14 billion in 2000, approached US\$ 500 billion in 2022.
- In 2010, China displaced the European Union as the region's second largest trading partner.
- China is South America's largest trading partner.

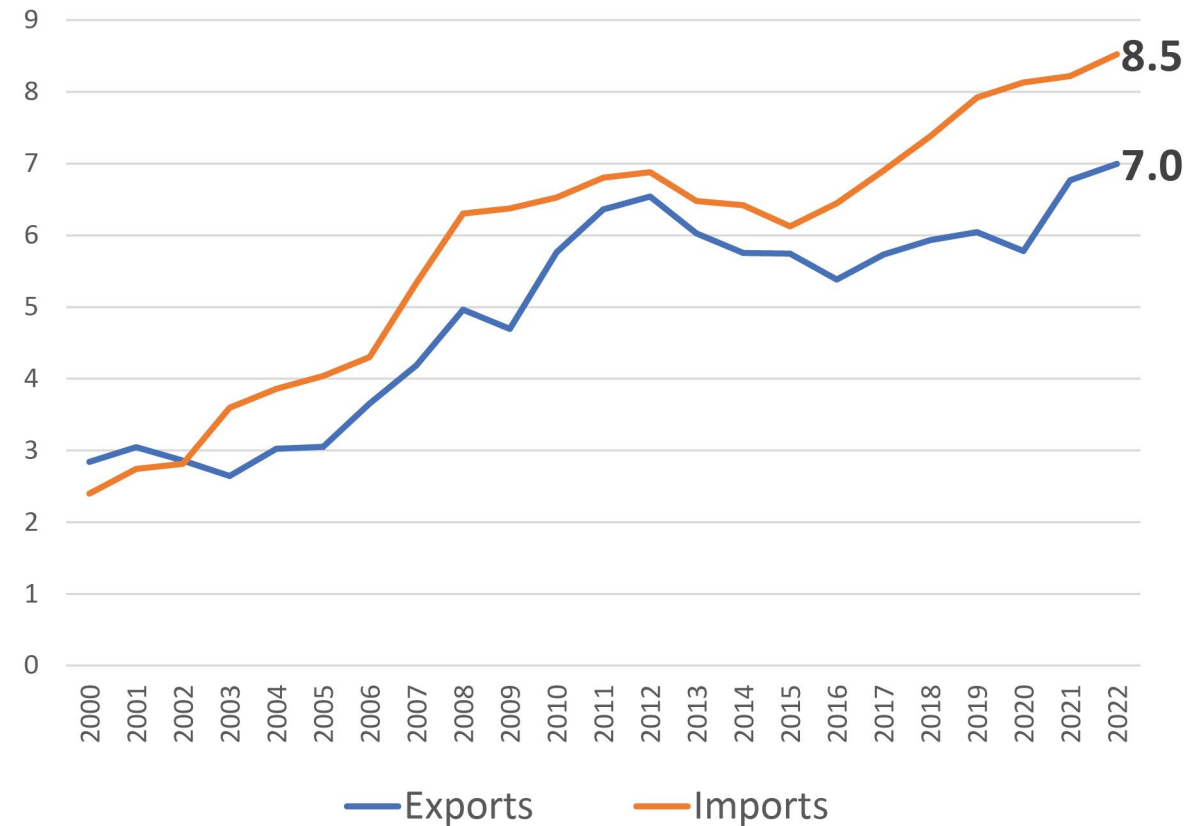
Source: ECLAC, on the basis of United Nations, UN Comtrade Database [online] <https://comtradeplus.un.org/>.

A steep rise in mutual dependence

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



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

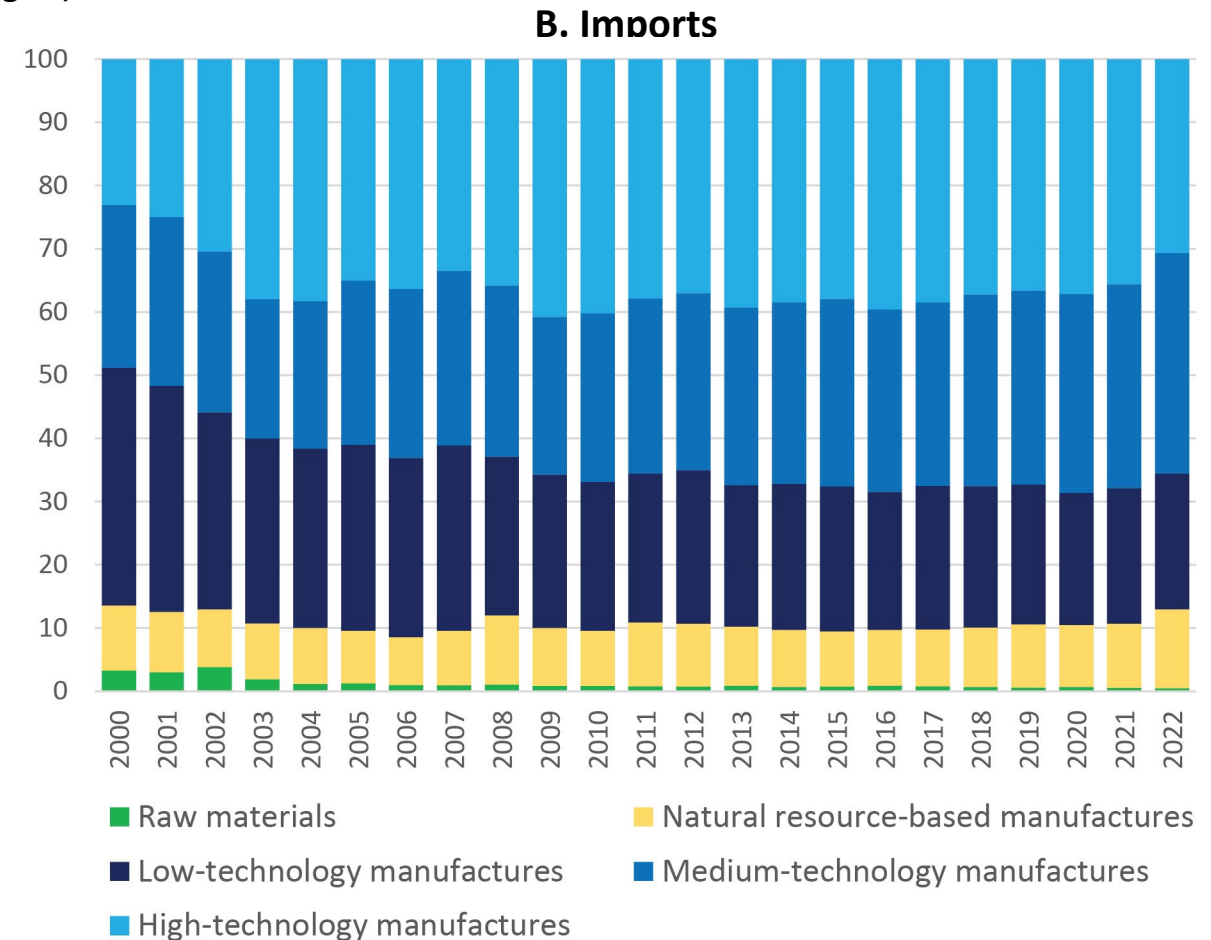
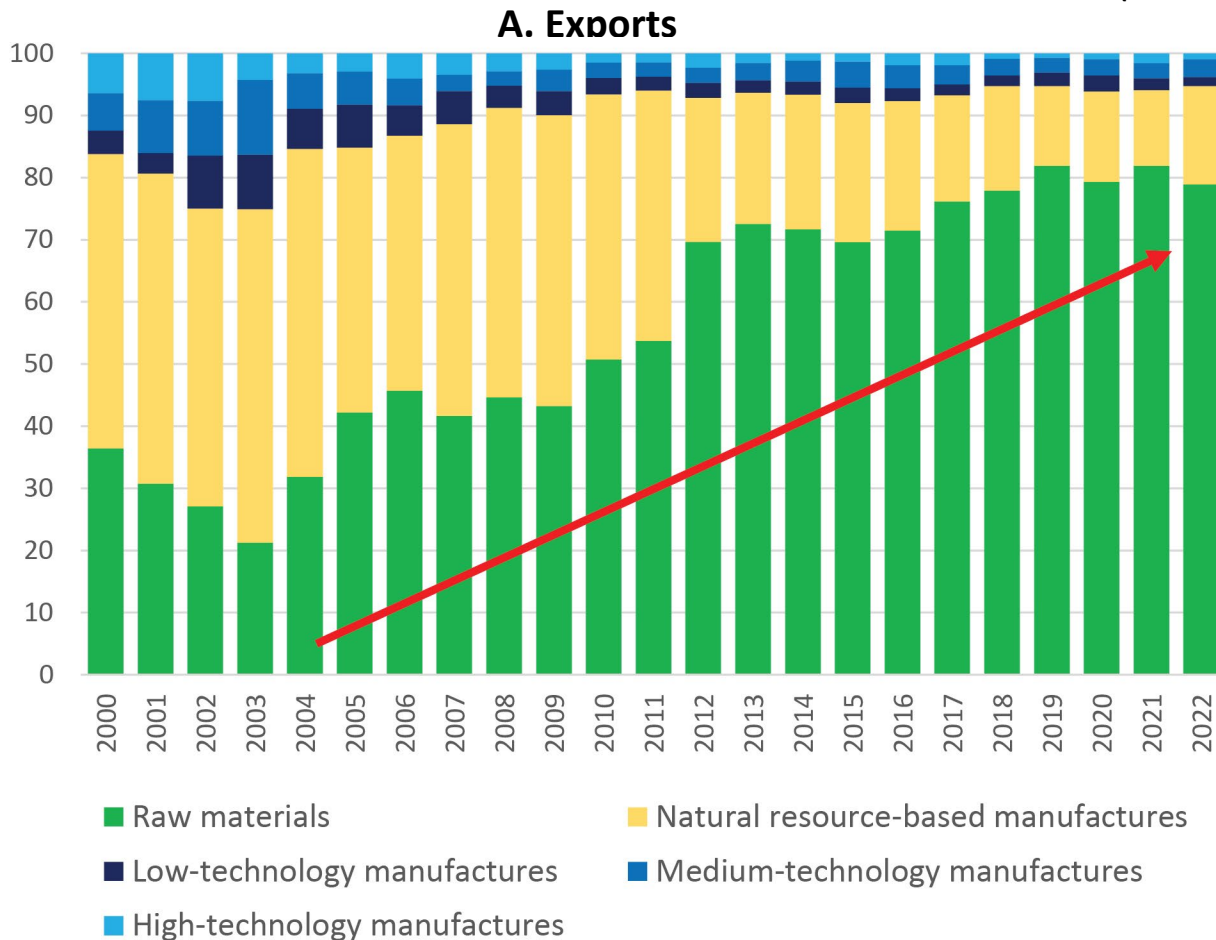


Source: ECLAC, on the basis of United Nations, UN Comtrade Database [online] <https://comtradeplus.un.org/>.

Nearly all exports to China are raw materials and natural resource-based manufactures; nearly all imports from China are manufactures

Latin America and the Caribbean: structure of goods trade with China, by technology intensity categories, 2000–2022

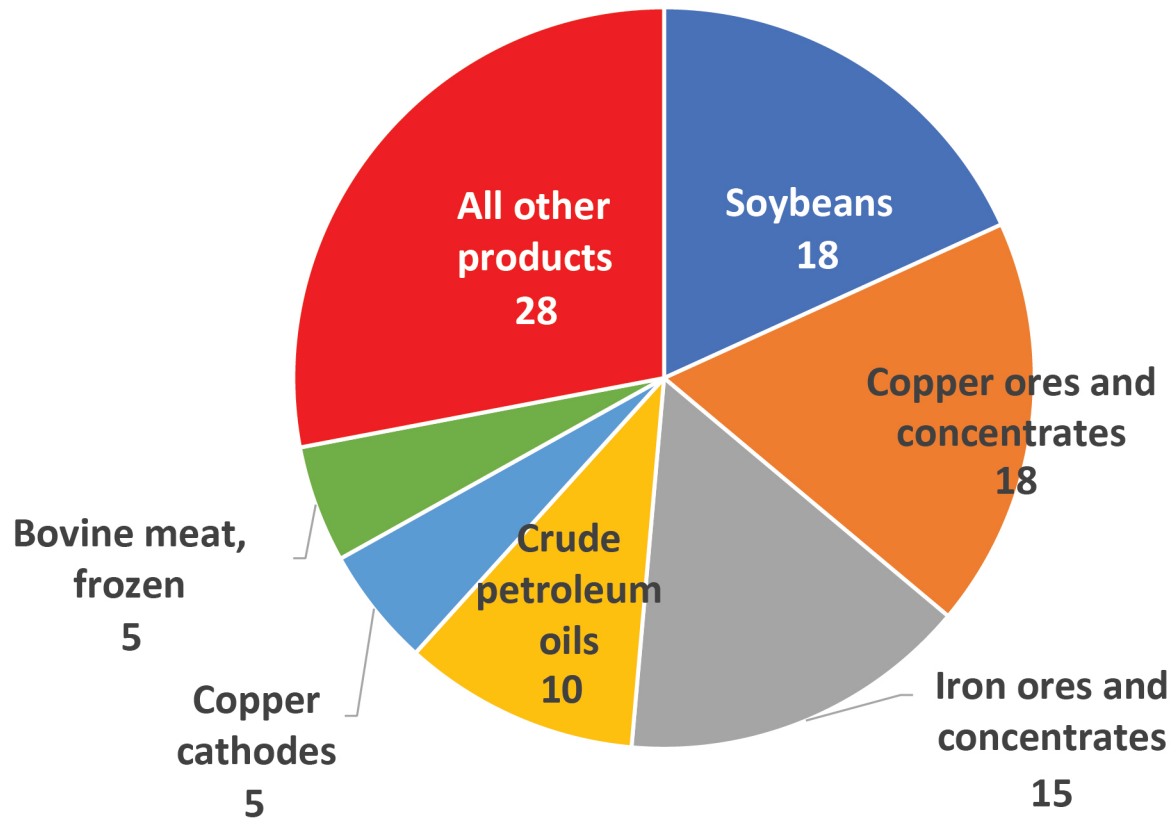
(Percentages)



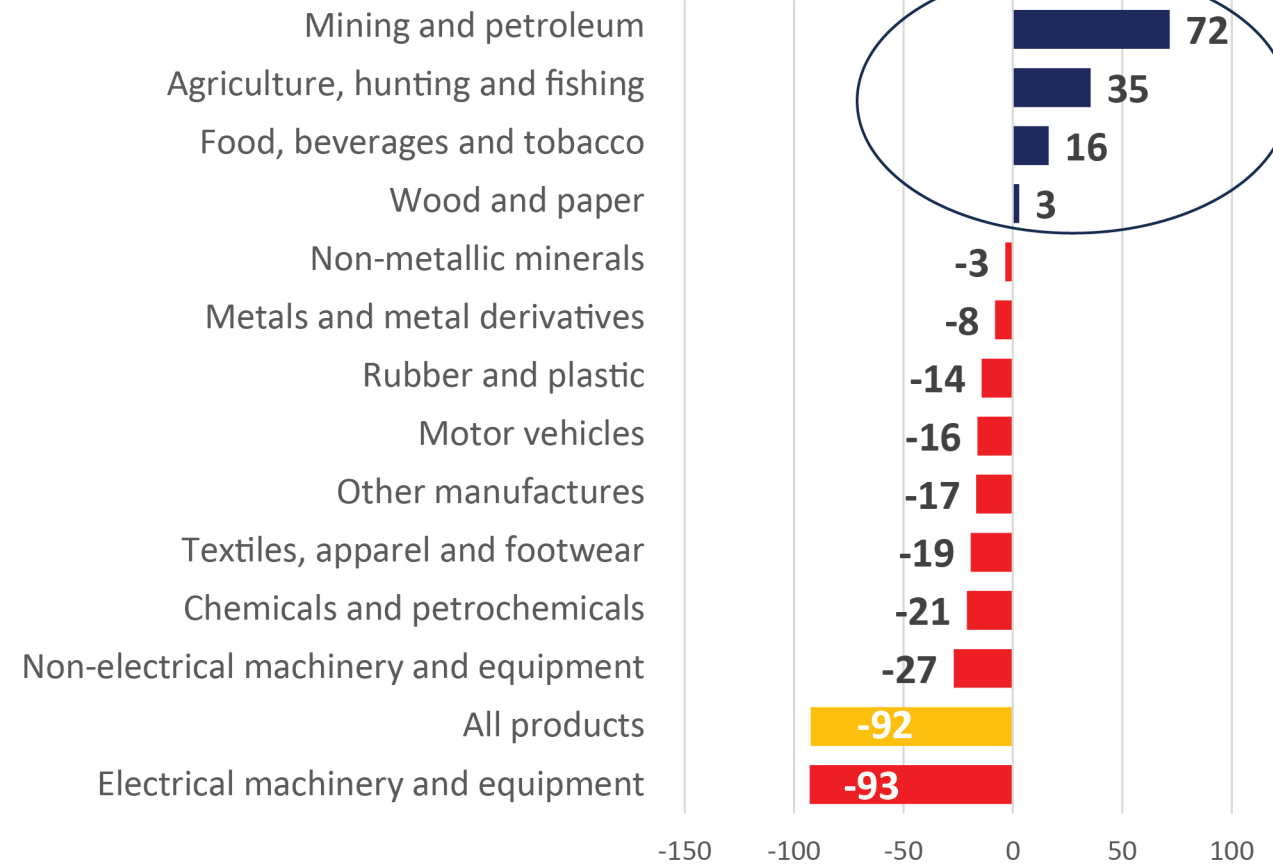
Source: ECLAC, on the basis of United Nations, UN Comtrade Database [online] <https://comtradeplus.un.org/>.

Six products account for 72% of exports to China; the region has a surplus in the primary sectors only

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



Latin America and the Caribbean: exports to China by major economic sector, 2020–2022 averages
(Percentages)

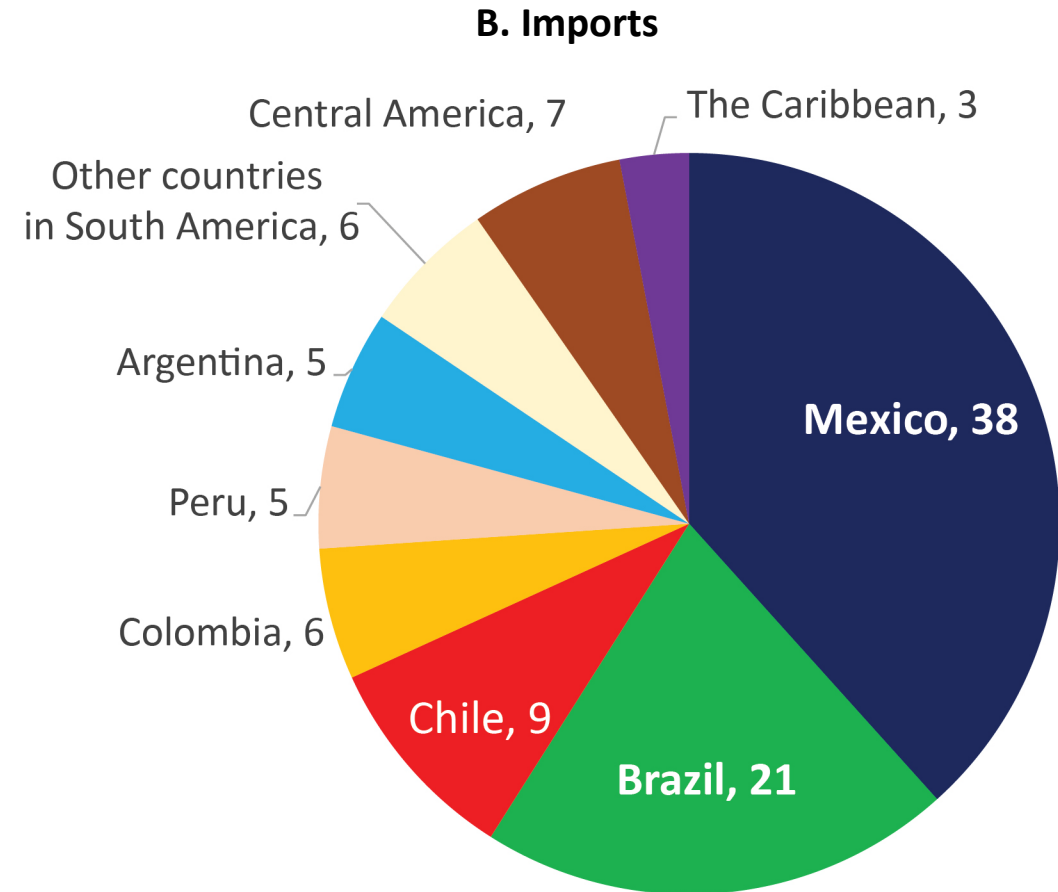
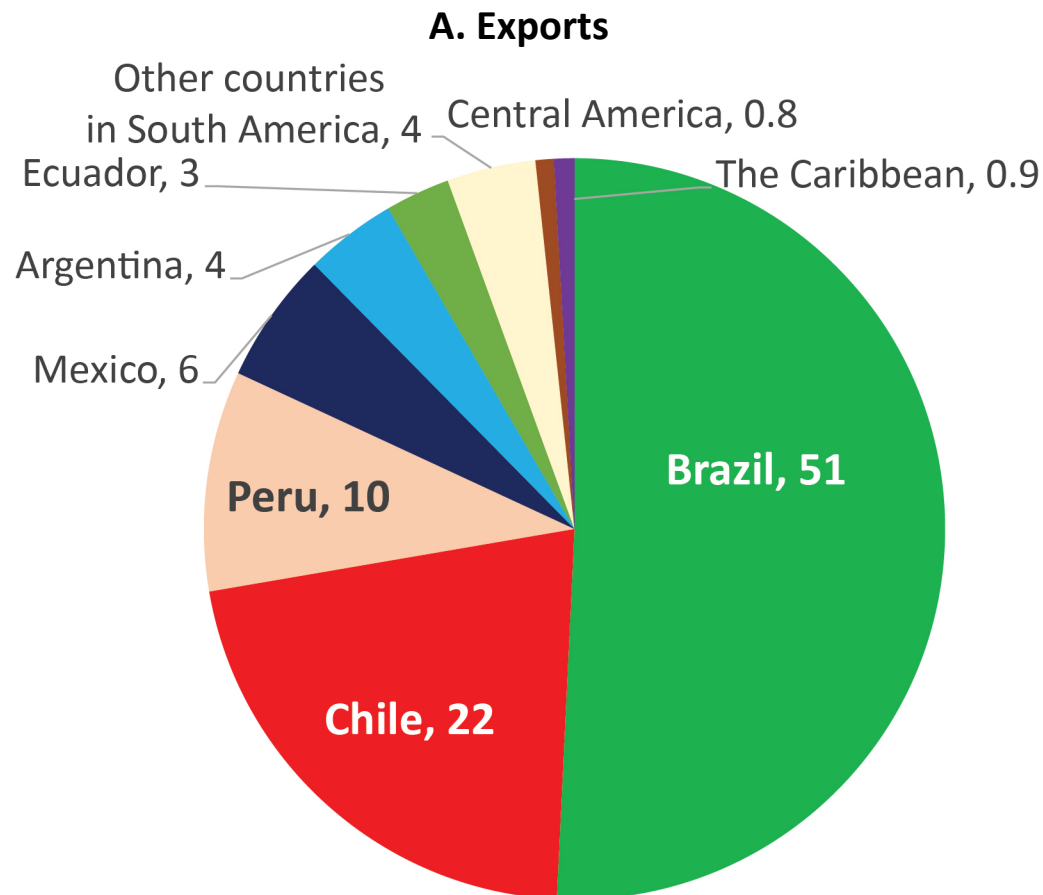


Source: ECLAC, on the basis of United Nations, UN Comtrade Database [online] <https://comtradeplus.un.org/>.

93% of the region's exports to China originate in South America; imports are less geographically concentrated

Latin America and the Caribbean: distribution of goods trade with China by country, 2020–2022 averages

(Percentages)

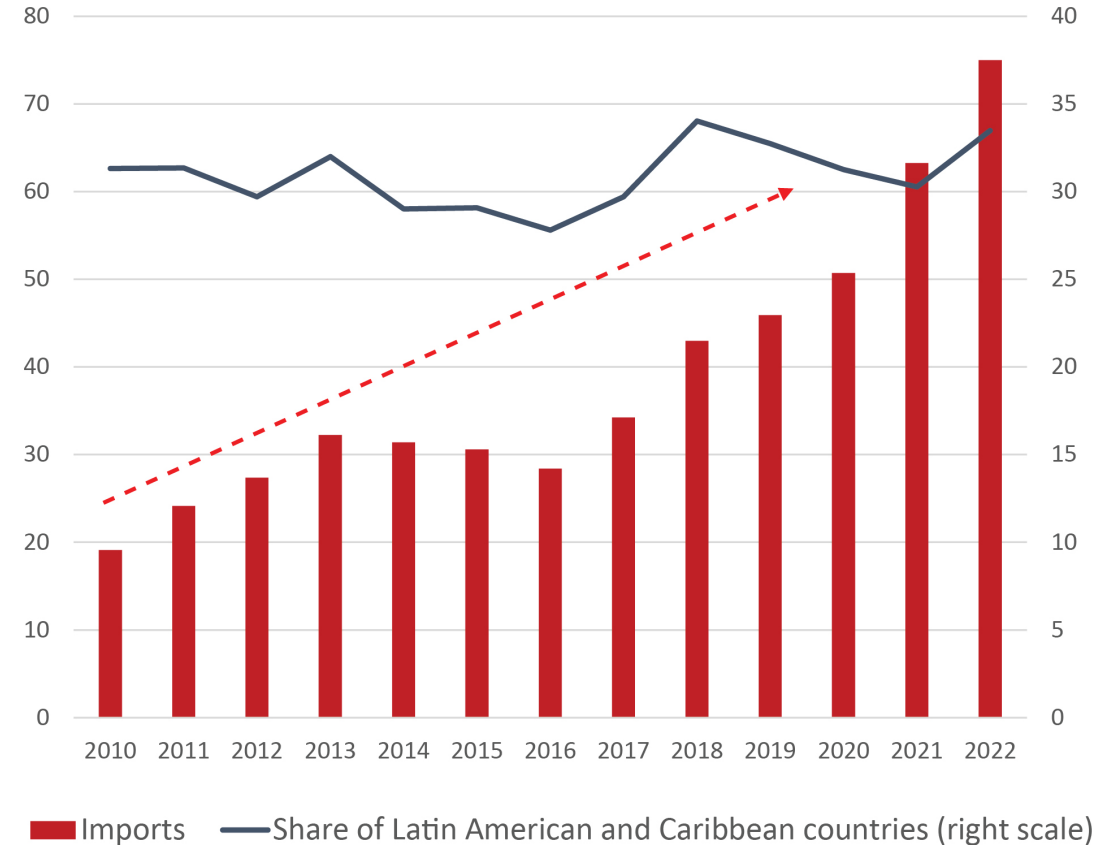
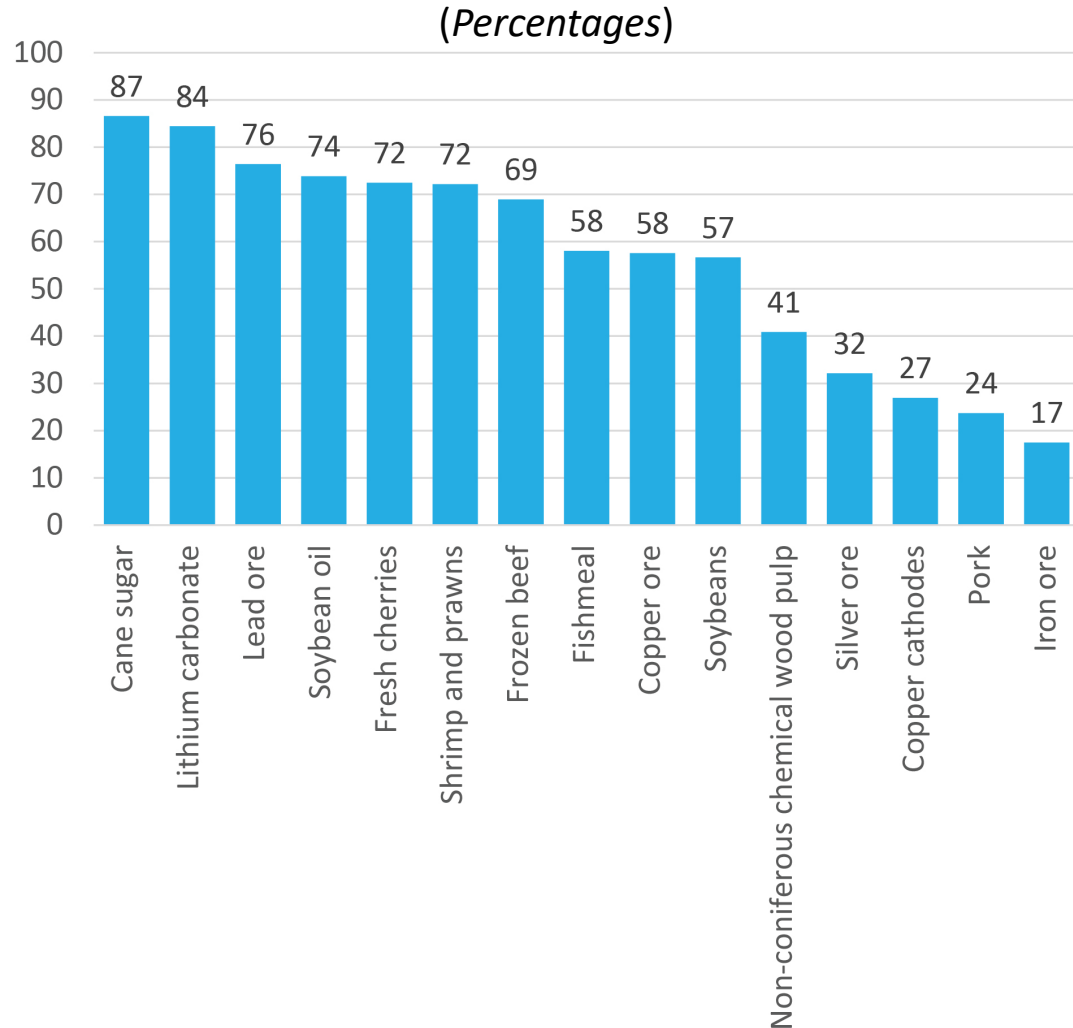


Source: ECLAC, on the basis of United Nations, UN Comtrade Database [online] <https://comtradeplus.un.org/>.

Region a key supplier of several commodities to China and accounts for nearly one third of its food imports

China: shares of Latin American and Caribbean countries in total imports of selected products, 2020–2022

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



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

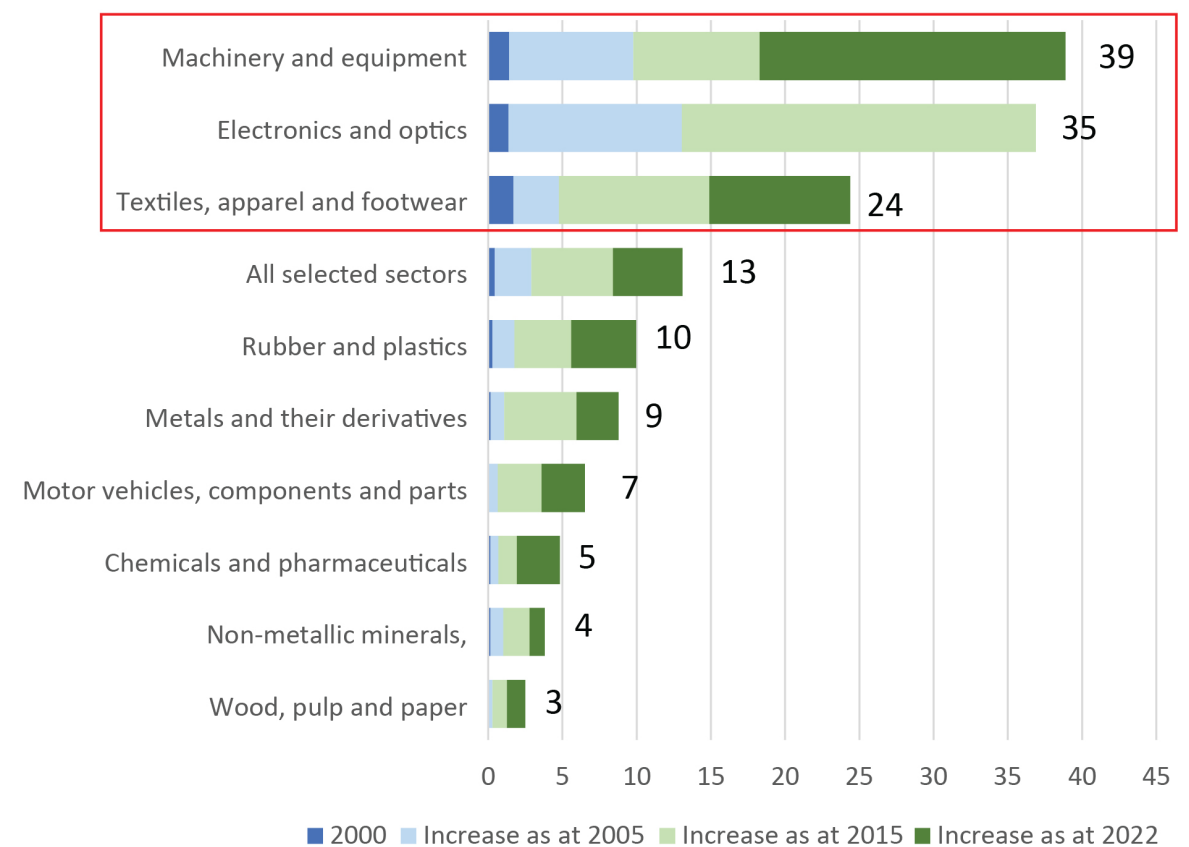
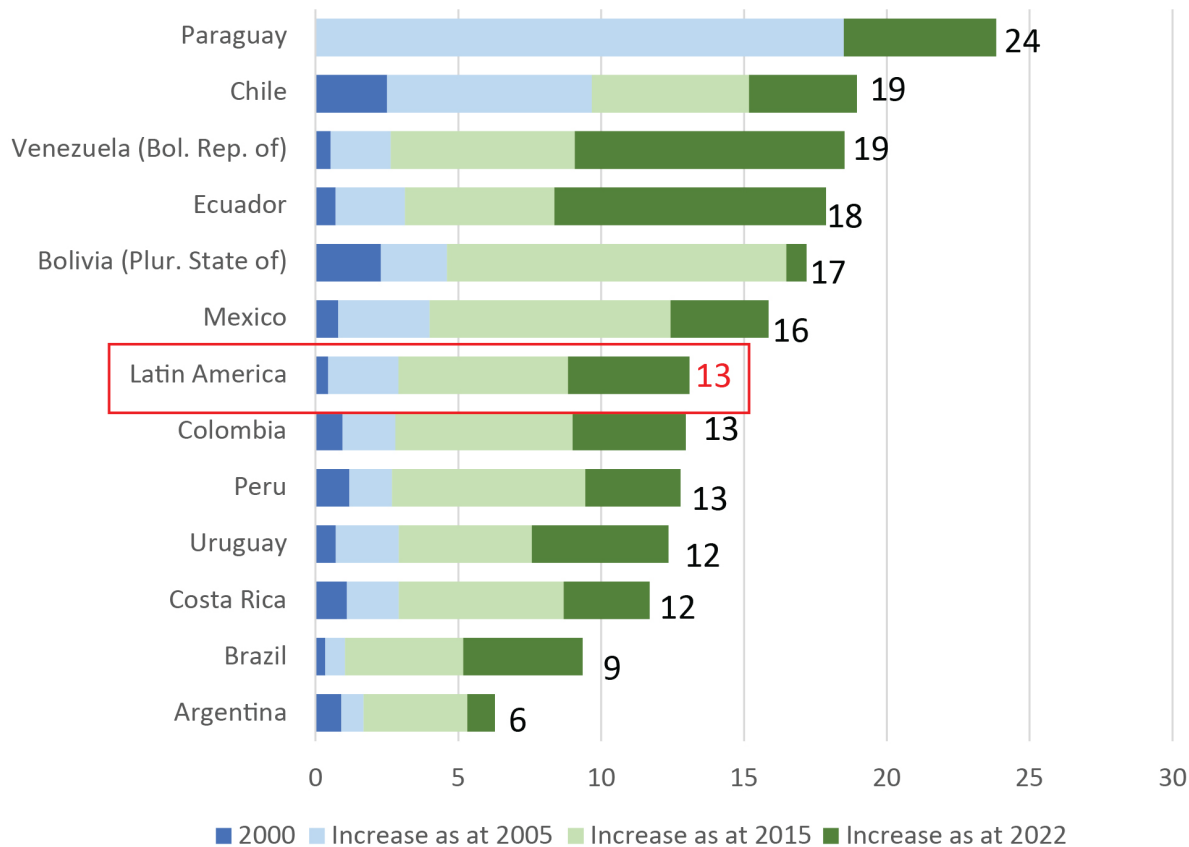
Sharp increase in China's share of consumption of the region's manufactures

Latin America (12 countries): share of China in apparent consumption of manufactures, 2000, 2005, 2015 and 2022

A. By country

(Percentages)

B. By sector



Source: ECLAC, on the basis of United Nations Industrial Development Organization (UNIDO), "INDSTAT 2 2023, ISIC Revision 3". Does not include the food, beverages and tobacco sector.

Key messages

- Trade with China has boomed since 2000; however, it remains largely confined to **raw materials for manufactures**.
- Exports are concentrated in a **few countries and products**.
- The growing penetration of Chinese manufactures has improved households' and companies' access to goods, but it has also **displaced regional production**.
- The net result is the **heightened primary export specialization of the region**, especially in South America.

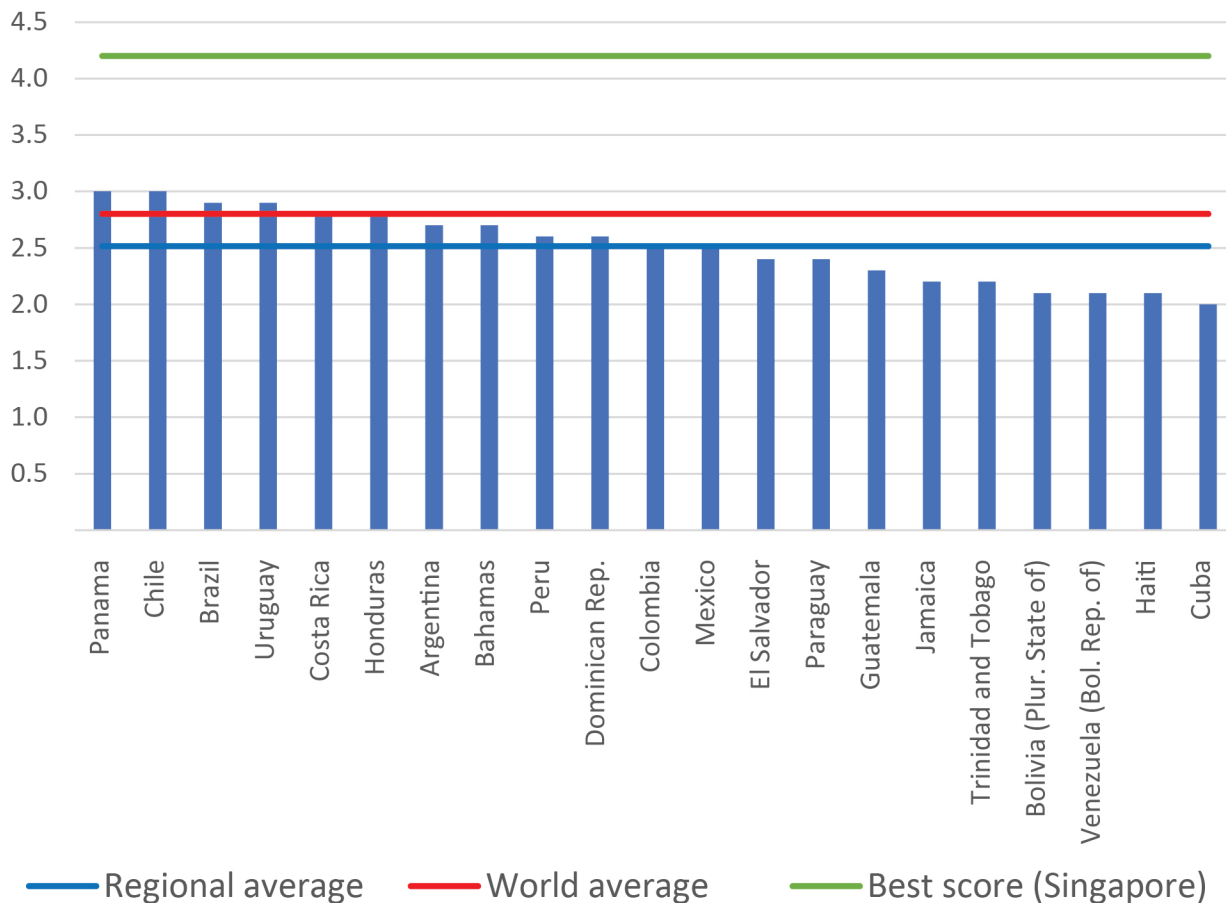
Recommendations

- The **food sector** represents the greatest opportunities for **diversifying and increasing the sophistication** of exports to China in the short term.
 - Remove non-tariff barriers.
 - Increase market intelligence efforts to better meet Chinese consumers' needs and tastes.
- Attract **Chinese FDI** to strategic natural resource processing projects (e.g. lithium), creating forward linkages with manufacturing activities (e.g. electric batteries and vehicles).

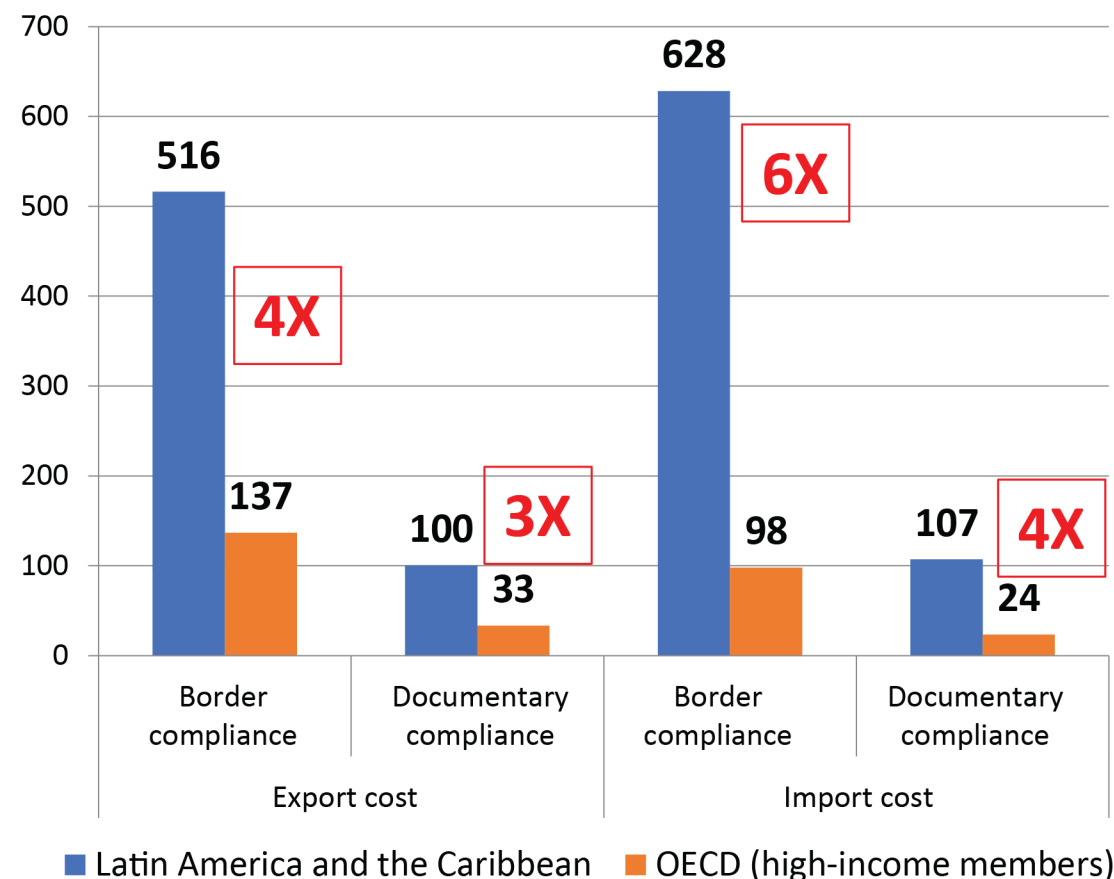
III. Trade facilitation in Latin America and the Caribbean: formalities, infrastructure and logistics

In the region, cumbersome customs formalities drive up trade costs

**Latin America and the Caribbean (21 countries):
customs formalities efficiency, 2023**
(1: Very low to 5: Very high)



**Latin America and the Caribbean and OECD member countries:
export and import cost indicators, 2019**
(Dollars)



Source: ECLAC, on the basis of J.-F. Arvis and others, *Connecting to Compete 2018: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2018.

Source: ECLAC, on the basis of World Bank, *Doing Business, 2020* [online database] <https://archive.doingbusiness.org/es/data/exploretopics/trading-across-borders>.

Since 2017, the WTO Agreement on Trade Facilitation has fostered the simplification, modernization and harmonization of trade procedures

- The main provisions of the Agreement include:

- ✓ **Publication of trade regulations** on the Internet.
- ✓ **Mandatory consultation** with stakeholders on new regulations.
- ✓ Establishment of **electronic single windows for international trade**.
- ✓ Establishment of **national trade facilitation committees**.
- ✓ Facilitation measures for **authorized economic operators**.
- ✓ Selective inspection of goods through use of **risk management** systems.

- In the first half of 2023, ECLAC conducted a survey in 26 countries of the region on their progress in these and other measures.
- A total of 123 countries responded to the survey.

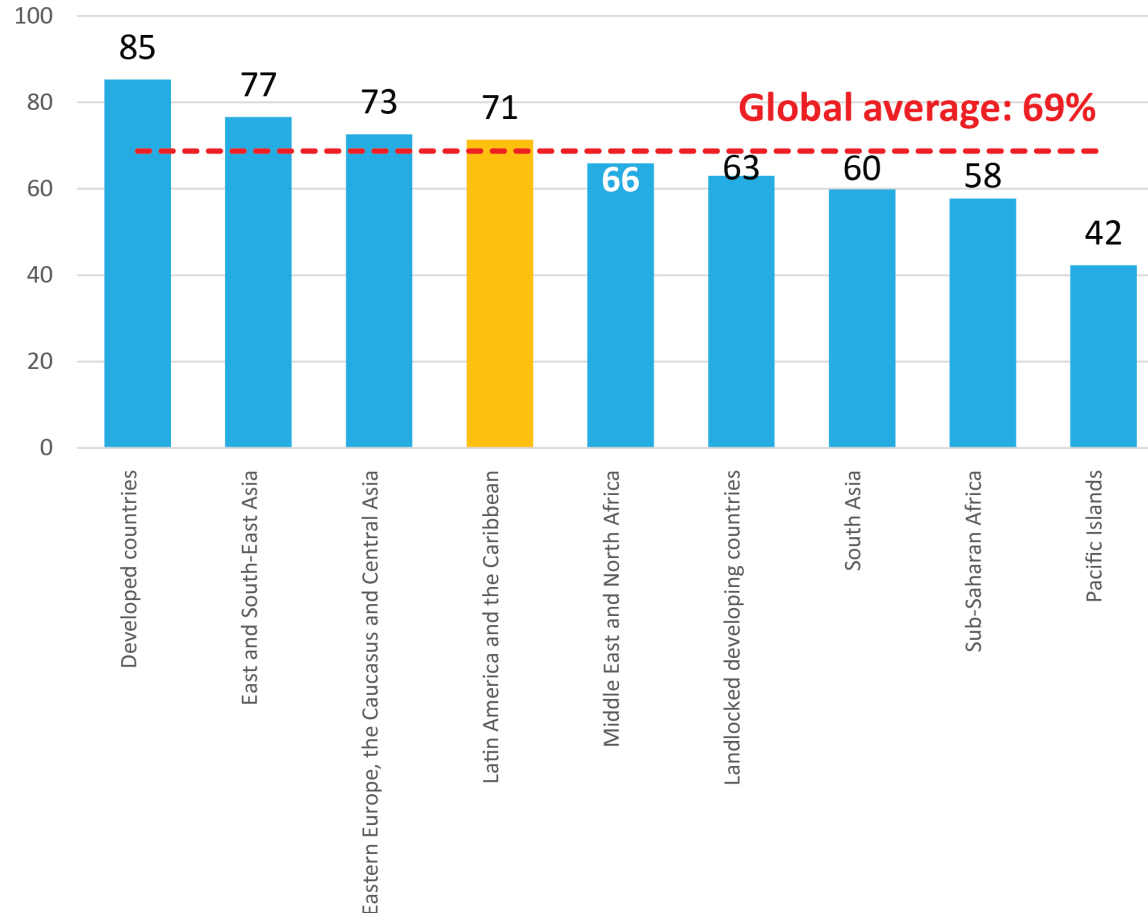


Region slightly above the world average, but small Caribbean economies lag behind

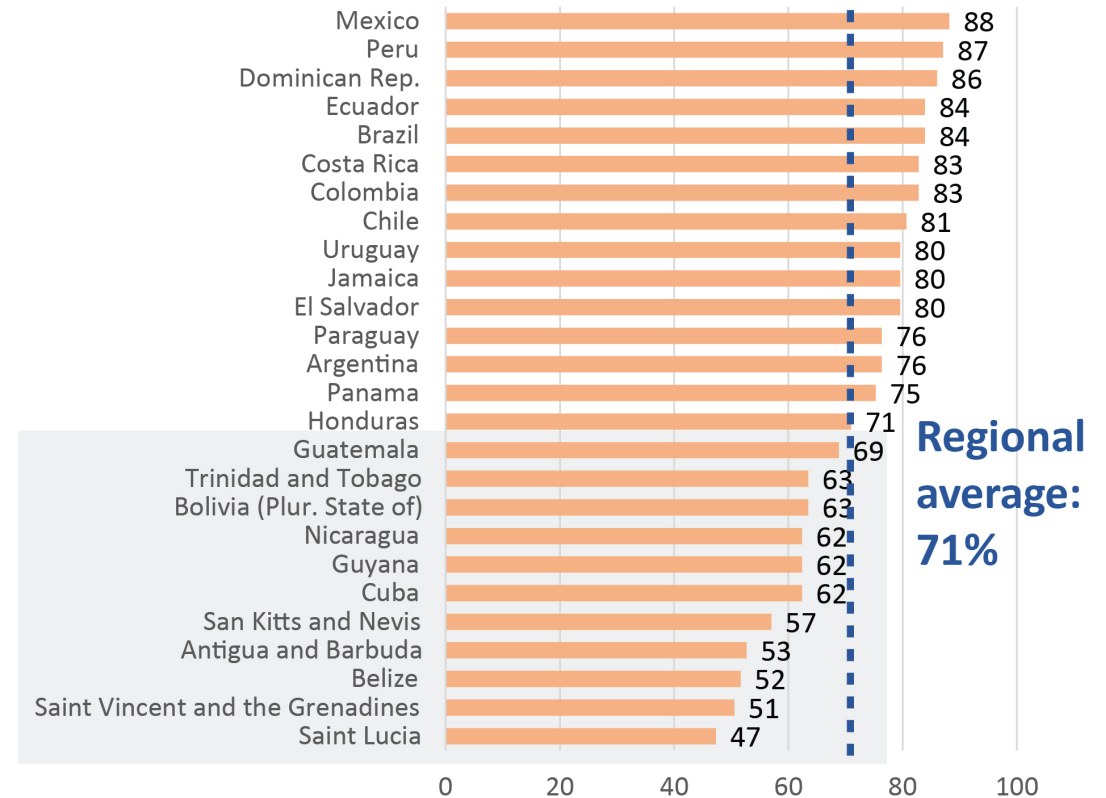
Scores of the United Nations Global Survey on Digital and Sustainable Trade Facilitation 2023

(Percentages of the maximum possible score)

A. By regions and groups of countries



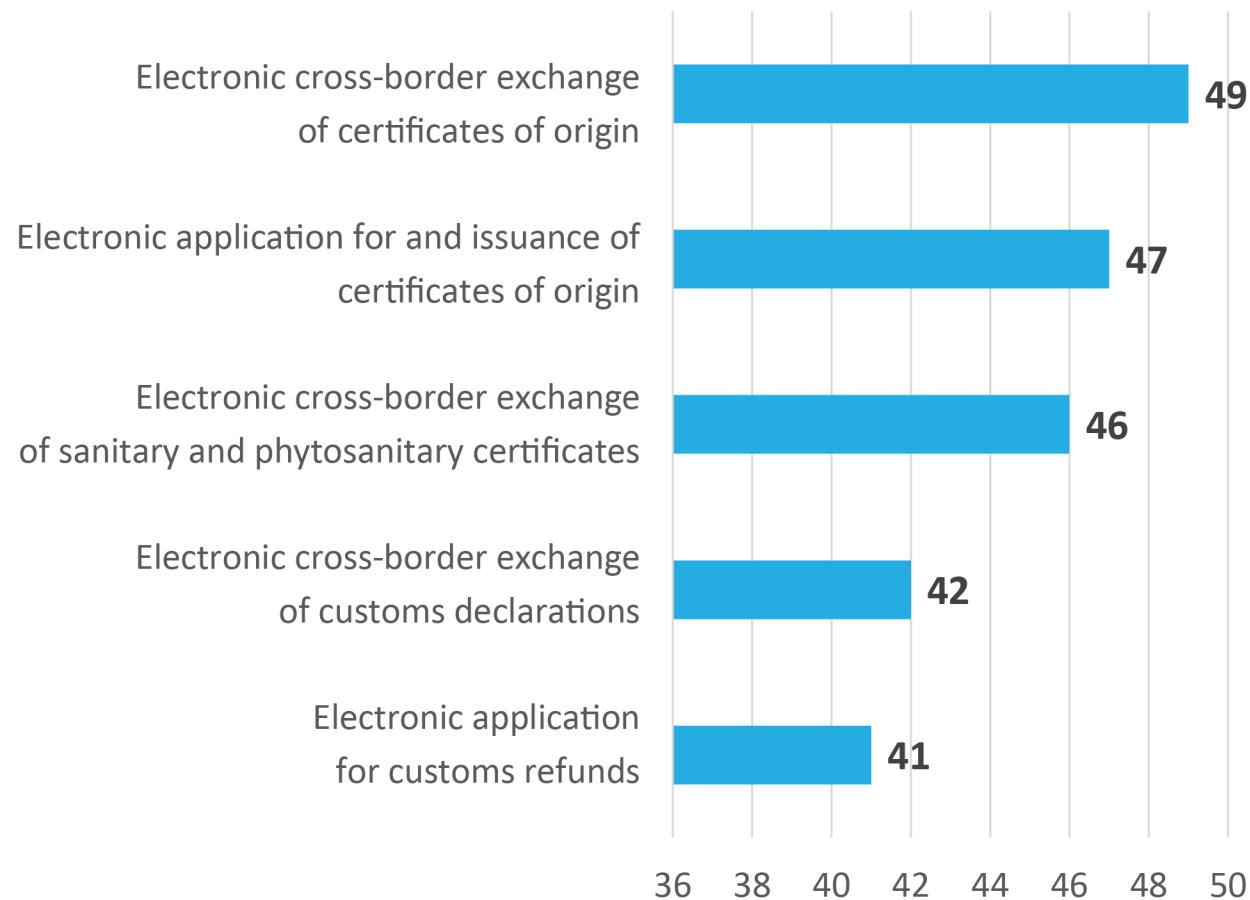
B. By countries of Latin America and the Caribbean



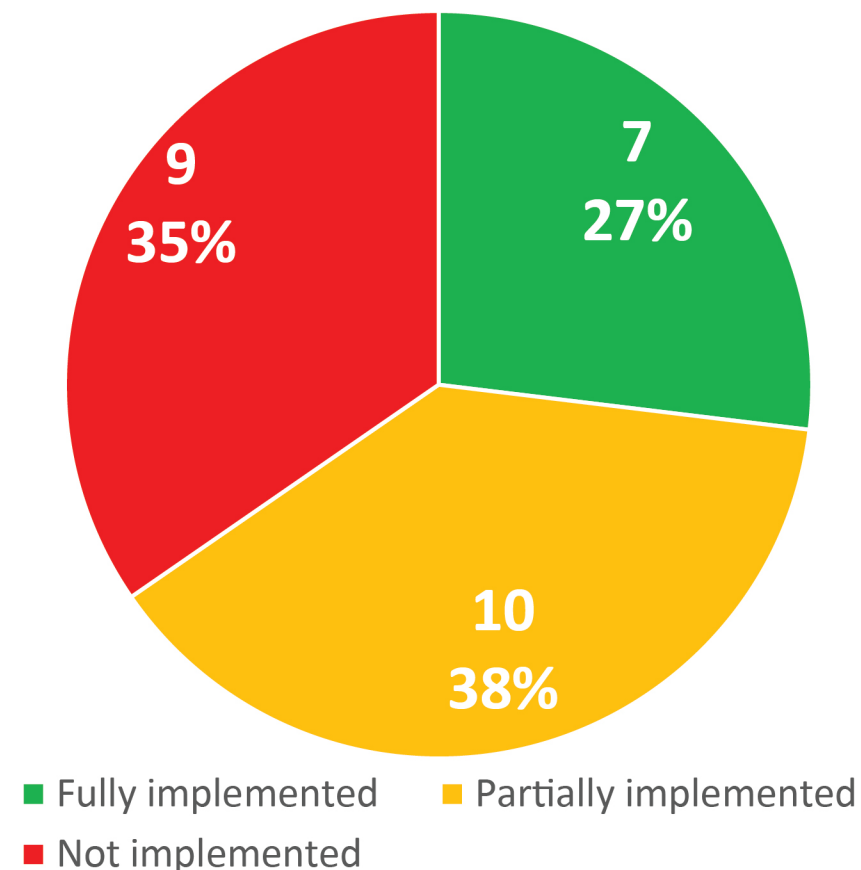
Source: ECLAC, on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation, 2023.

Region's worst performance in digitalization of trade procedures, owing to low implementation of electronic single windows for international trade

Latin America and the Caribbean (26 countries): implementation of trade digitalization measures, May 2023
(Percentages)



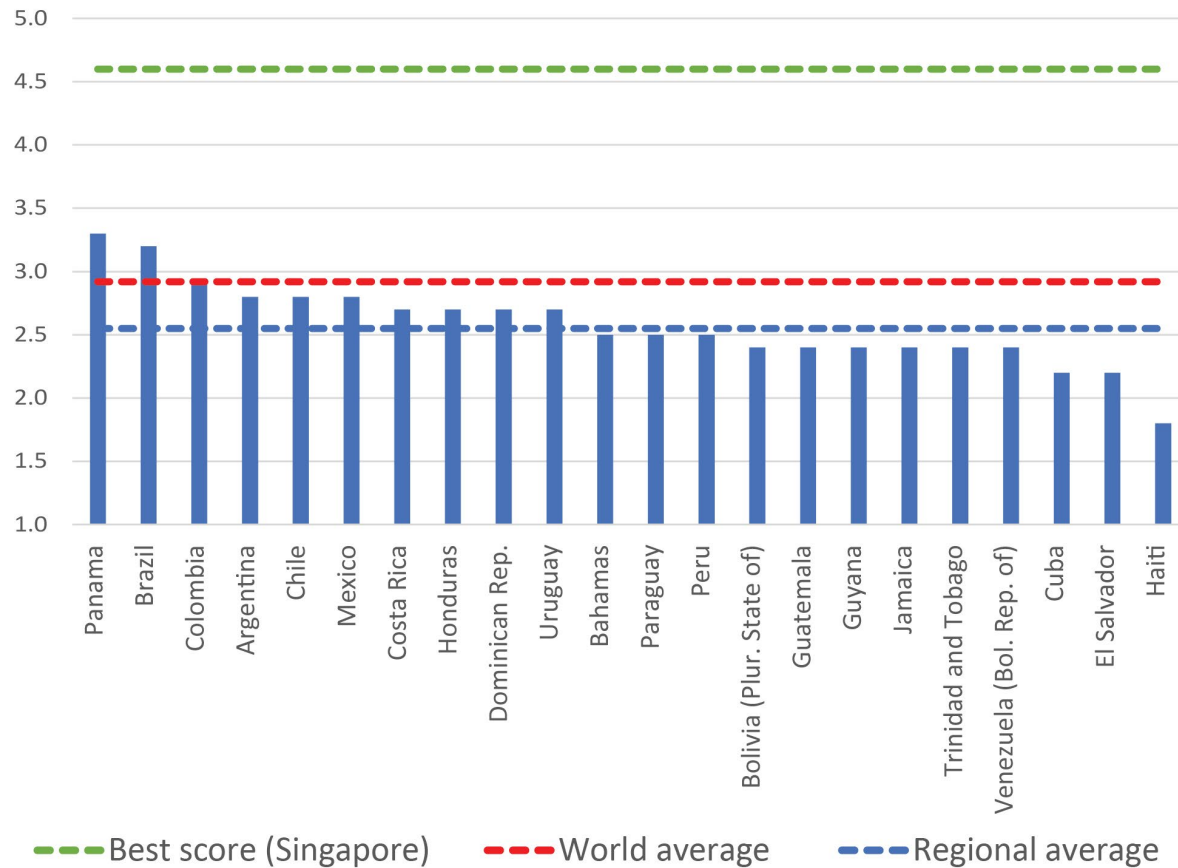
Latin America and the Caribbean (26 countries): status of implementation of electronic single windows for international trade, May 2023
(Numbers of countries and percentages)



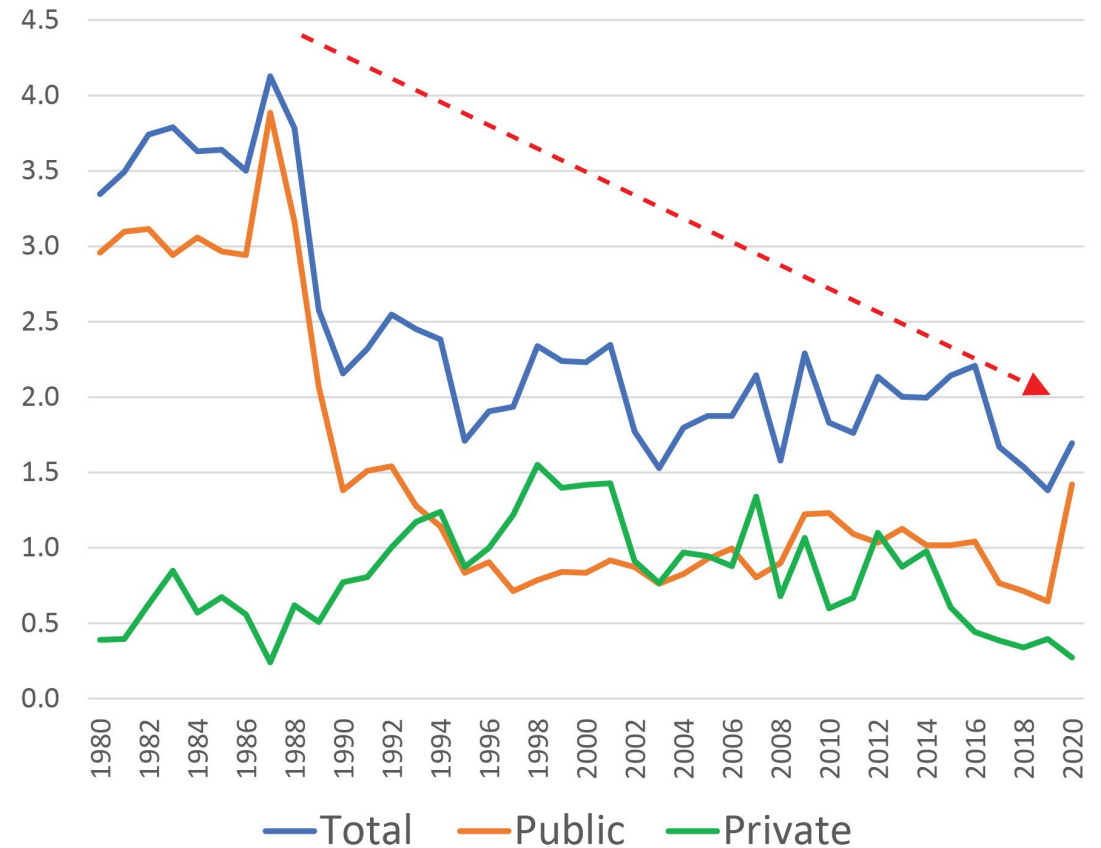
Source: ECLAC, on the basis of the United Nations Global Survey on Digital and Sustainable Trade Facilitation, 2023.

Region also lagging behind in transport and logistics infrastructure owing to weak public and private investment

**Latin America and the Caribbean (22 countries):
quality of trade and transport infrastructure, 2023**
(1: Very low to 5: Very high)



**Latin America (6 countries): public and private
sector infrastructure investment, 1980–2020**
(Percentages of GDP)



Source: ECLAC, on the basis of J.-F. Arvis and others, *Connecting to Compete 2018: Trade Logistics in the Global Economy*, Washington, D.C., World Bank, 2018.

Source: ECLAC, on the basis of Infratlatam, “Public Investment in Economic Infrastructure” [online] <http://infratlatam.info/en/home/>.

The countries included are Argentina, Brazil, Chile, Colombia, Mexico and Peru.

Key messages

- Progress in trade facilitation is crucial:
 - Foster **internationalization of SMEs**, which are disproportionately affected by cumbersome trade procedures.
 - **Attract new investment** within the framework of nearshoring.
 - Foster **regional economic integration**.
 - Improve **State efficiency** and fight against corruption.
- The region has made great strides in trade facilitation, but:
 - Small **Caribbean** economies are lagging behind.
 - There is much room to improve the **digitalization** of procedures and documents.
- The region also suffers from serious gaps in its transport and logistics infrastructure
 - Owing to more than three decades of insufficient public and private investment.

Recommendations for trade facilitation

- Accelerate the **implementation and interoperability of electronic single windows for international trade** to advance towards paperless trade.
 - This could be done by mobilizing international cooperation resources or loans from development banks.
- Move forward on agreements on mutual recognition of national **authorized economic operator systems**.
- Explore **innovative financing options** to gradually close the infrastructure gap in a context of limited fiscal space.
 - E.g. green infrastructure funds, institutional investors
- Advancing towards **multimodality**, reducing the current overdependence on road transport and increasing rail and waterway transport.

Concluding remarks

- The region's international trade has been weakened by the **unfavourable global context** and by long-term **structural shortcomings** resulting from the lack of diversification and sophistication of productive development.
- The trade relationship with China, and more recently, demand for strategic minerals, have given rise to the **reprimarization** of the region's export basket. China's increased prominence has also displaced production of **manufactures**.
- The region lags behind in the **digitalization of procedures** and has a significant infrastructure **investment deficit**; those factors must be addressed to facilitate trade.
- Therefore, ECLAC recommends:
 - Implementing **productive development policies** to diversify and increase the sophistication of the export basket, including attracting **FDI to strategic sectors**.
 - Exploring innovative financing options to **close the infrastructure and logistics gap**.

International Trade Outlook

for Latin America and
the Caribbean **2023**

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