LAC-Gulf Countries:

Bridging Regions, Unlocking Sustainable Growth Potential

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FOREWORD

While Latin America and the Caribbean and the Gulf countries are separated by great distance, the two regions are connected by shared interests and complementary strengths. As both navigate profound economic and technological change, the two regions are seeking new sources of investment, expertise, and opportunity. This creates a timely basis for closer engagement.

This report highlights both the opportunities and the challenges ahead. Countries in Latin America and the Caribbean offer abundant natural resources, energy potential, entrepreneurial talent, and investment opportunities. Gulf countries bring significant expertise in infrastructure, logistics, technology, and long-term financing. Together, these strengths create a compelling case for deeper cooperation, particularly in areas that are critical to sustainable growth and economic resilience.

Realizing this potential will require sustained dialogue and new channels for collaboration. It will also require identifying concrete opportunities where governments, businesses, and development institutions can combine their capabilities and resources to achieve results at scale.

The Inter-American Development Bank (IDB) Group is committed to helping translate this potential into practical results. Through our regional presence, deep local knowledge, and broad range of financing and risk-mitigation instruments, we can connect Gulf partners with opportunities that generate development impact. Our growing partnership with the State of Qatar and the Qatar Fund for Development (QFFD) is laying the foundation for more structured cooperation, while the broader engagement of Gulf partners reflects the strategic importance of strengthening ties between our regions.

The task before us is clear: to move from opportunity to implementation and from individual projects to long-term partnerships. By working together across governments, businesses, development institutions, and civil society, we can strengthen economic ties, mobilize investment, and deliver tangible benefits for the people of both regions. I hope this report contributes to that shared effort and helps advance a new chapter of cooperation between Latin America and the Caribbean and the Gulf.

Ilan Goldfajn
President
Inter-American Development Bank Group

In an increasingly interconnected world, the challenges and opportunities facing nations extend well beyond geographical boundaries. Sustainable development, economic resilience, food and energy security, and climate action require stronger connections between regions and greater cooperation in bringing together complementary resources, expertise, and perspectives. Cross-regional partnerships can therefore play an important role in addressing shared challenges and advancing sustainable and inclusive development.

Against this backdrop, the relationship between Latin America and the Caribbean and the Gulf countries is entering a promising new phase. While geographical distance has historically limited interaction between our regions, their complementary strengths and shared development challenges provide a strong foundation for deeper and more purposeful cooperation.

This report offers a timely assessment of the opportunities to strengthen ties between our regions. Latin America and the Caribbean possesses significant resources, productive capacity, and expertise across sectors essential to sustainable development, while the Gulf has emerged as an increasingly important partner in development finance, infrastructure, innovation, and economic diversification.

For Qatar Fund for Development, strengthening partnerships across regions is central to our commitment to advancing sustainable development and promoting meaningful and lasting impact. We believe development cooperation must increasingly move beyond traditional approaches and toward partnerships that are strategic, responsive, and capable of mobilizing resources, expertise, and innovation to address today's interconnected challenges.

The opportunities outlined in this report extend beyond trade and investment. They point to deeper collaboration in areas of shared importance, including food security, sustainable agriculture, energy, climate resilience, infrastructure, education, and human development.

Multilateral and regional partnerships have an important role to play in realizing this potential. Today, only around 3% of Gulf development financing to Latin America and the Caribbean is channeled through multilateral institutions, highlighting significant available scope to strengthen cooperation through more coordinated, scalable, and strategic platforms.

By combining development finance with regional knowledge, technical expertise, and established project pipelines, such partnerships can help translate shared ambitions into sustainable and impactful solutions. QFFD's growing cooperation with the IDB Group reflects the value of this approach, exploring opportunities for co-financing and innovative financial solutions while bringing together complementary expertise and resources to advance sustainable and inclusive development across Latin America and the Caribbean.

The imperative now is to turn this shared ambition into action, building stronger bridges between our two regions and thereby advancing greater resilience and sustainable development for future generations.

We hope that the experience and opportunities highlighted in this report can also serve as a model for other regions, demonstrating how cross-regional cooperation built on complementary strengths and shared ambitions can deliver meaningful and lasting impact.

Fahad bin Hamad Al-Sulaiti

Director General
Qatar Fund for Development

EXECUTIVE SUMMARY

While economic relations between Latin America and the Caribbean (LAC) and the Gulf Cooperation Council (GCC) countries remain limited relative to the size of both regions, they are expanding and rest on strong structural complementarities. LAC is the main net exporter of agricultural products worldwide and a leading supplier of minerals and energy. GCC countries have become increasingly important actors in global energy markets, infrastructure investment, and development finance, and have been increasing investment in renewable energy, logistics, and technology-related activities in line with economic diversification strategies. In 2024, bilateral trade in goods amounted to $29.6 billion: LAC exported $20 billion to the GCC and imported $9.6 billion. As export destinations, the GCC accounted for 1.37% of LAC's total sales to the world, while LAC accounted for 0.71% of the Gulf's. Bilateral trade has nevertheless expanded over the past decade and its share in the total trade of both regions has increased compared with 2016.

The structure of trade reflects complementarity based on natural endowments and production structures. LAC exports to the GCC consist mainly of natural resource-based products – including gold, iron ore, raw cane sugar, poultry, maize, and beef – while imports from the Gulf are dominated by petroleum products and fertilizers, which together account for close to two-thirds of the total. These flows are linked to key development challenges in both regions, including food security, energy supply, and economic diversification.

Services trade is smaller and more balanced than trade in goods, while direct investment remains low but has expanded markedly compared with the late 2010s. LAC services exports to the GCC reached $7.8 billion in 2024 while imports reached $7.3 billion, weighing somewhat more heavily in the Gulf's services trade (roughly 3%) than in LAC's (roughly 2%). Travel and transport dominate these flows, while knowledge-based services account for 24% of LAC services exports to the GCC and 21% of imports. Corporate footprints remain sparse and concentrated, both geographically and sectorally, primarily in services: LAC-based firms operate 45 affiliates in the GCC, with a strong concentration in the UAE (28), while GCC firms maintain 60 affiliates across LAC, mainly in Mexico, Brazil, and Colombia.

An analysis of trade patterns identifies a substantial number of products in which LAC economies have potential to expand exports to GCC markets while GCC countries could increase exports to LAC. Opportunities in both directions concentrate in energy products, metals, and fertilizers, while those identified for LAC exports also include food and pharmaceutical products such as butter, milk, wheat, bovine cuts, and medicaments. The clearest scope for expansion lies principally in lines where established supply capacity and import demand coexist with minimal exchange between the two regions.

Tariffs do not appear to be the main determinant of export performance in either direction, but non-tariff and regulatory measures remain an important constraint. Products with significant flows often face tariffs similar to those applied to competitors. At the same time, some duty-free products register no trade at all. Tariffs likewise do not appear to play a decisive role in shaping GCC export performance in LAC markets, although certain tariff lines for light trucks, where high tariffs combine with preferential access for competing suppliers, are associated with very low GCC export levels and indicate that tariffs can be binding in specific sectors. However, regulatory heterogeneity in technical measures remains an important challenge: average regulatory distance – that is, a product has a greater share of a country's own exports than in world trade – between the two regions is 51%, lower than that between LAC and other major trading partners such as the EU and the United States but still substantial, and it obliges exporters to adapt products to destination-specific requirements and raises compliance costs. Empirical evidence indicates that greater regulatory distance reduces both the likelihood of market entry and the value of bilateral trade flows.

Maritime and air connectivity remain limited, although the first direct links between the two regions have opened. Bilateral trade has historically relied on hub-and-spoke networks routed through European or Asian hubs. A direct container service linking Argentina and Brazil with the UAE was launched in late 2025 and is the only such service between the two regions; it operates as a direct sailing only from South America to the Gulf. As of August 2026, Brazil is the only LAC country with direct passenger flights to the region, serving Dubai and Doha, which also provide belly cargo capacity for time-sensitive exports. A new direct flight between Colombia-Venezuela and Qatar is expected to begin operating by the end of 2026.

The institutional framework linking the two regions is still shallow. Only two free trade agreements are in force, and two further agreements have been signed without entering into force. Of the 23 bilateral investment treaties signed, nine are in force, while one GCC member and nine LAC countries have no formal economic arrangement with partners in the other region. Double taxation agreements are the exception, with 22 in force.

Trade procedural infrastructure within each region has significantly improved in recent years but is not connected across the two regions. Within each region, trade facilitation implementation ranges from 24% to 87% across LAC economies and from 78% to 97% across GCC countries. Single Windows (SWs)[1] for Foreign Trade are widely implemented, and Authorized Economic Operator (AEO) programs[2] operate in all six GCC states and in most LAC economies. No Mutual Recognition Arrangement/Agreement (MRA) yet links these programs across the two regions, although one is in progress.

Information frictions – the difficulty and cost of finding partners and learning how the other market works – are a significant source of trade and investment costs, and the institutions that address them are expanding from a low base. Diplomatic representation is still incomplete: Brazil is the only LAC country with resident embassies in all six GCC member states, LAC missions are concentrated in the UAE and Qatar, and ties with Bahrain and Oman are frequently managed through concurrent embassies located elsewhere in the Middle East. Meanwhile, GCC missions in LAC are concentrated in Brazil, Argentina, and Mexico. Some LAC trade and investment promotion agencies maintain offices in Dubai, with additional representation in Abu Dhabi and Doha, while other LAC countries operate through embassies and consulates, and GCC promotion agencies do not currently maintain offices in LAC. Private-sector platforms, including business councils, bi-

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[1] The SW is a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single-entry point to fulfill all import, export, and transit-related regulatory requirements.

[2] AEOs are firms certified by (or on behalf of) the national customs as complying with relevant supply chain security standards based on an exhaustive scrutiny of their plants and their tax and customs behavior. As such, these firms are entitled to trade facilitation benefits primarily consisting of access to express processing lanes, less frequent physical inspections and, when their shipments are subject to these inspections, reduced clearance times.

regional chambers of commerce, the Gulfood exhibition, and halal certification systems, support business contacts and market access, but their coverage remains concentrated in a few countries and sectors.

Development cooperation between the two regions is expanding but remains modest in scale and predominantly bilateral. Between 2020 and 2024, GCC countries provided an estimated $606.8 million in cross-border development resource flows to LAC, compared with roughly $39 billion in global cross-border flows disbursed by these partners over the same period. Flows channeled through multilateral development banks (MDBs) and international organizations (IOs) represented 3%. Five recipients accounted for around 80% of flows. Grants reached approximately $333 million and standard loans $268 million, with direct provider spending marginal at just over $5 million. Financing was concentrated in water supply and sanitation ($181 million), energy ($151 million), humanitarian assistance ($64.5 million), and food security ($60 million).

Emerging partnerships with multilateral development banks point to more structured forms of cooperation. Cooperation between the IDB Group and the State of Qatar advanced in 2025 with the signing of several memoranda of understanding (MOUs), including with the Qatar Fund for Development (QFFD), laying the groundwork for a concessional co-financing facility and blended finance structures with IDB Invest. The IDB Group's renewed partnership with the Education Above All Foundation channels a combined $100 million over 2025 to 2030, pairing up to $40 million in grants with $60 million in IDB loans, and builds on joint efforts that have reached more than 112,000 children in Haiti since 2019. Multilateral channels complement bilateral approaches by pooling resources, mitigating risks, providing technical expertise and regional knowledge, and aligning investments with regional priorities.

Realizing the potential of the relationship will require moving from opportunity identification toward structured and scalable implementation. Achieving this objective requires action in two areas: lowering trade and investment costs and deploying development finance more strategically.

Lowering the costs of trade and investment

- **Strengthen transport and logistics connectivity.** Expand direct maritime services, including return sailings from the Gulf, which currently require at least one transshipment; increase air cargo and passenger connectivity; and support multimodal platforms and port and airport infrastructure along the corridors that already carry the most trade, including routes that can underpin the expansion of tourism.
- **Complete and extend the economic integration framework.** Bring into force the agreements already signed but not yet ratified, including two free trade agreements, and extend the network to the countries in both regions that currently have no arrangement, building on the 22 double taxation agreements already in place.
- **Connect existing trade facilitation instruments rather than multiply them.** Single windows and Authorized Economic Operator programs are already widely established in both regions but are not linked across them. The priorities are mutual recognition of AEO programs, including the arrangement under negotiation between Brazil and Saudi Arabia; interoperability of electronic single windows, since

evidence from Costa Rica indicates that their export effects are largest for shipments to destinations that also operate one; and cooperation on technical standards, transparency, and regulatory dialogue to reduce the compliance costs implied by a regulatory distance of 51%.

- **Reduce information frictions through promotion and business networks.** Extend commercial representation beyond its present concentration in Dubai and a small group of LAC countries, strengthen cooperation between chambers of commerce, support sectoral business missions and participation in trade fairs, leverage digital technologies, and facilitate compliance with certification requirements, including halal certification.

Deploying development finance more strategically

- **Scale financing through multilateral platforms, particularly the IDB.** Multilateral channels currently carry 3% of Gulf flows to the LAC region. Expanding their use would improve coordination and impact, drawing on regional expertise, established project pipelines, and risk-mitigation mechanisms, and would complement rather than replace bilateral engagement.
- **Complement grants and sovereign lending with catalytic instruments.** Blended finance, guarantees, and co-financing structures can mobilize private capital in sustainable infrastructure, energy transition, and climate resilience, provided that the risks arising from differing sovereign and sub-sovereign credit profiles, currency mismatches, and execution capacity are explicitly allocated.
- **Move from project-level engagement to programmatic frameworks.** Multi-year frameworks aligned with national development strategies would improve coherence and extend cooperation beyond the five countries that currently account for around 80% of flows, including to smaller and more vulnerable economies.

Food security and sustainable agrifood systems are where the two tracks converge and where the complementarity between the regions is strongest. LAC is a leading global supplier of food and agricultural products, while GCC countries rely on food imports and have been expanding capabilities in water management, desert agriculture, and climate-related innovation. Combining these capacities in sustainable agriculture, food logistics, and climate-smart production would serve Gulf food security while supporting the upgrading and diversification of LAC's agrifood exports, and would draw on both trade policy instruments and development finance.

Firms in both regions have moved ahead of the institutional framework. Latin American food processors, confectioners, coffee retailers, pharmaceutical firms, and aircraft manufacturers operate in Gulf markets, in several cases through regional hubs in the UAE and partnerships with local distributors and producers. Gulf companies and sovereign investment vehicles operate container terminals and logistics platforms across LAC, participate in offshore energy projects, and hold stakes in Latin American agribusiness. This presence has been built with only two free trade agreements in force, with no mutual recognition arrangement linking the two regions and, for most of the 2020-2024 period, without direct shipping between them. The agenda set out above would lower the costs faced by firms already committed to this corridor and open it to those that are not, providing a practical basis for more sustainable, resilient, and impactful economic linkages.

CONTENTS

ACRONYMS

AEO	Authorized Economic Operator
BaTiS	Balanced Trade in Services Dataset
BIT	Bilateral investment treaty
DFI	Development finance institution
DTA	Double taxation agreement
EAA	Education Above All Foundation
EFTA	European Free Trade Association
EU	European Union
FDI	Foreign direct investment
FTA	Free trade agreement
GCC	Gulf Cooperation Council
GDP	Gross domestic product
HS	Harmonized System
IDB	Inter-American Development Bank
IO	International organization
IsDB	Islamic Development Bank
KBS	Knowledge-based services
LAC	Latin America and the Caribbean
MDB	Multilateral development bank
MOU	Memorandum of understanding
MRA	Mutual recognition agreement
OAS	Organization of American States
ODA	Official development assistance
QFFD	Qatar Fund for Development
RCA	Revealed comparative advantage

SDGs	Sustainable Development Goals
SIDS	Small Island Developing States
SW	Single Window
TOSSD	Total Official Support for Sustainable Development
UAE	United Arab Emirates
UN	United Nations
US	United States
$	United States dollars
WTO	World Trade Organization

COUNTRY CODES

LAC

ATG	Antigua and Barbuda
ARG	Argentina
BHS	Bahamas
BRB	Barbados
BLZ	Belize
BOL	Bolivia
BRA	Brazil
CHL	Chile
COL	Colombia
CRI	Costa Rica
DOM	Dominican Republic
ECU	Ecuador
GTM	Guatemala
GUY	Guayana
HON	Honduras
JAM	Jamaica
MEX	Mexico
NIC	Nicaragua
PAN	Panama
PRY	Paraguay
PER	Peru
SLV	El Salvador
SUR	Surinam
TTO	Trinidad and Tobago
URY	Uruguay
VEN	Venezuela

GCC

BHR	Bahrain
KWT	Kuwait
OMN	Oman
QAT	Qatar
SAU	Saudi Arabia
ARE	United Arab Emirates

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This report examines trade, investment, and development cooperation between Latin America and the Caribbean and the Gulf Cooperation Council countries, identifies opportunities to strengthen economic ties, and outlines policy recommendations to unlock sustainable and mutually beneficial growth.

This publication was prepared under the supervision of Fabrizio Opertti, Manager at the IDB's Productivity, Trade, and Innovation Sector (PTI), and coordinated by Christian Volpe Martincus, PTI's Principal Economic Advisor and Head of Research. The paper was written by Romina Gayá and Rosario Campos (Economists and consultants for IDB), with Juan Bautista Pavajeau Fuentes and Maryam Al Nasr, of the IDB, serving as co-authors. Juan S. Blyde of the IDB provided valuable technical inputs and advice throughout the preparation of the publication. The IDB's Matías Bendersky and Victoria Flórez provided strategic guidance throughout the preparation of the publication. Special thanks are extended to QFFD, including Kholoud Al Mohannadi, Nikklaus Eggenberger, Haya Abdulrahman Al-Thani, Rocio Redondo Alamillos, Rwodah Ibrahim AlNaimi, and Waleed Asad for their valuable contributions to the development of the report.

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1.

INTRODUCTION

1. INTRODUCTION

Economic relations between Latin America and the Caribbean (LAC) and the Gulf Cooperation Council (GCC) have expanded over the past two decades, reflecting broader shifts in global trade and investment patterns. GCC countries have become increasingly important actors in global energy markets, infrastructure investment, and development finance. At the same time, many LAC economies play a key role in global food supply chains and production based on natural resources. These structural characteristics create potential complementarities between the two regions and unique opportunities for business engagement and collaboration.

Economic ties between LAC and the GCC are still relatively limited. Investment links are concentrated in a small number of countries and sectors, and bilateral trade between the two regions represents a minor share of each region's total trade. Trade levels appear uneven across directions. On the one hand, GCC exports to LAC remain consistently below what could be expected given the size of LAC markets, suggesting significant untapped potential. On the other hand, LAC exports to the GCC show a more heterogeneous pattern: while the United Arab Emirates (UAE), a regional trade hub and re-export platform, Oman and Bahrain exhibit some trade links, Qatar and Kuwait remain below potential, and Saudi Arabia is broadly in line with expected levels.[3] In the case of services, travel and transport dominate trade between the two regions.

Geographic distance, limited transport connectivity, uneven trade and investment institutional frameworks, and information frictions continue to constrain deeper economic integration. Recent geopolitical volatility affecting Middle East energy markets adds a further challenge, underscoring how closely such volatility is bound up with fertilizer supply chains and agrifood systems. Because the region is a strategic center of global energy production, instability there generates supply disruptions and price volatility, which in turn raise the cost of fertilizer, a product whose manufacture depends heavily on natural gas. Transport costs have risen as well, driven by higher fuel prices, elevated insurance premiums, and longer shipping routes.

At the same time, recent developments suggest that new opportunities for cooperation may emerge. These developments include expanding diplomatic and trade networks, growing participation in international trade fairs, and actions by development finance institutions and private investors, among others.

This report examines the current state of economic relations and international cooperation between LAC and the GCC and identifies areas where bilateral engagement could be expanded. It analyzes the evolution and patterns of trade and investment, highlights sectors with potential for deeper exchange, and reviews key policy and institutional factors that shape economic interaction between the two regions.

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[3] A simple gravity-type model is used to benchmark bilateral trade flows, based on aggregate exports from each region (LAC and the GCC) disaggregated by destination country. Expected trade levels were estimated as a function of partner market size (GDP), using a log-linear specification. Actual trade was then compared with predicted values to assess whether flows are above or below what would be expected given the size of the trading partner. This framework provides an indicative measure of relative trade performance without controlling for other factors such as distance, trade costs, or policy variables.

The remainder of the report is structured as follows. Section 2 describes recent trends in trade and investment between LAC and GCC countries and identifies sectors where complementarities may create opportunities for expanding bilateral exchange. Section 3 reviews a set of structural and policy factors – including transport connectivity, economic integration agreements, trade facilitation initiatives, and promotion mechanisms – that shape economic interaction between the two regions. Section 4 analyzes the evolution and patterns of interregional cooperation, with a particular focus on development finance, institutional partnerships, and emerging areas of collaboration. Finally, Section 5 summarizes the main findings and presents actionable policy recommendations aimed at advancing the Gulf-LAC economic agenda.

2.

LAC-GULF COUNTRIES ECONOMIC RELATIONSHIPS: PAST, PRESENT, AND FUTURE

2. LAC-GULF COUNTRIES ECONOMIC RELATIONSHIPS: PAST, PRESENT, AND FUTURE

A. Trade

LAC has three key trade partners: the United States (US), China, and the European Union (EU), which account for the main share of exports and imports. The US is the main destination for Mexico and Central America, while China is a key market for South America, particularly for commodity exports. LAC's export basket is based on agricultural products, minerals (including copper, iron ore, and gold), and energy goods, as well as manufacturing sectors such as automotive and machinery. Foreign direct investment (FDI) inflows are led by the US and the EU and are mainly concentrated in Brazil, Mexico, Chile, Colombia, and Argentina. FDI is focused on extractive industries, energy, and manufacturing, with increasing participation in renewable energy and services such as telecommunications and digital activities.

GCC's trade is concentrated mainly in China, India, the EU, and Japan. Hydrocarbon exports (crude oil, refined petroleum products, and natural gas) dominate the export basket, while imports are composed mainly of machinery, transport equipment, manufactured goods, and food products. Intra-GCC trade also represents a relevant share of total flows. FDI inflows originate mainly from advanced economies and increasingly from intra-regional sources, and are allocated to sectors such as hydrocarbons, petrochemicals, infrastructure, real estate, and financial services. In recent years, there has been a gradual increase in investment in renewable energies, logistics, and technology-related activities, in line with economic diversification strategies.

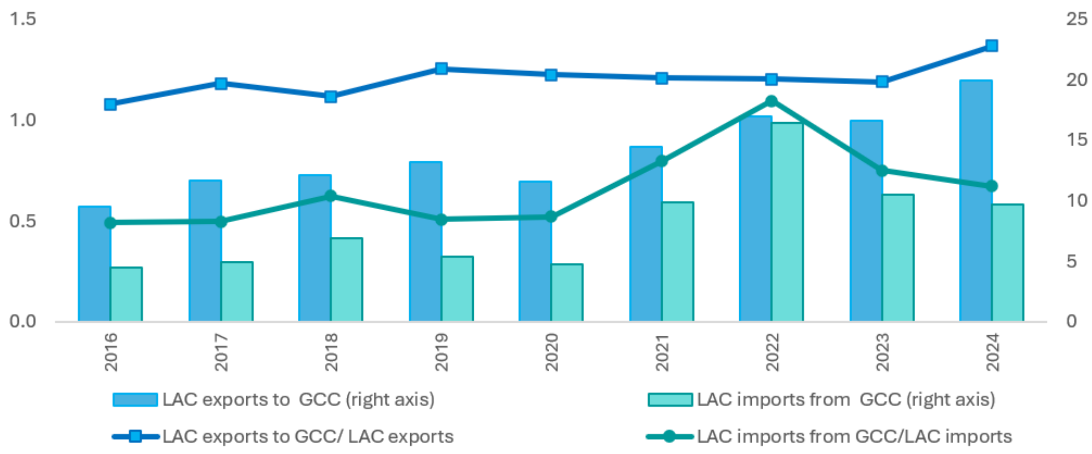
Trade between LAC and the GCC is limited relative to the overall trade of both regions, reflecting geographic distance, limited transport connectivity, and the historically stronger commercial links each region maintains with other partners.

However, bilateral trade has expanded over the past decade, and its share in the total trade of both regions has increased. At the same time, the structure of trade reveals complementarity based on natural endowments and production structures across the two regions: LAC exports to the GCC are mainly agricultural and mineral products, while imports from the GCC are mostly energy products and petrochemical inputs. Services trade is small, but more balanced, with travel, transport, and business services playing a prominent role. These patterns suggest that while current exchanges remain modest, the economic relationship is based on sectors linked to key development challenges, such as food security, energy supply, and economic diversification.

a. Goods

Trade between LAC and the GCC remains relatively low, but it has expanded in the last decade. In 2024, bilateral trade was $29.6 billion, comprising $20 billion in exports from LAC to the GCC and $9.6 billion in LAC imports from the GCC. LAC exports to the GCC accounted for just 1.37% of the region's total exports, while LAC imports from the GCC represented 0.67% of total imports (Figure 1).

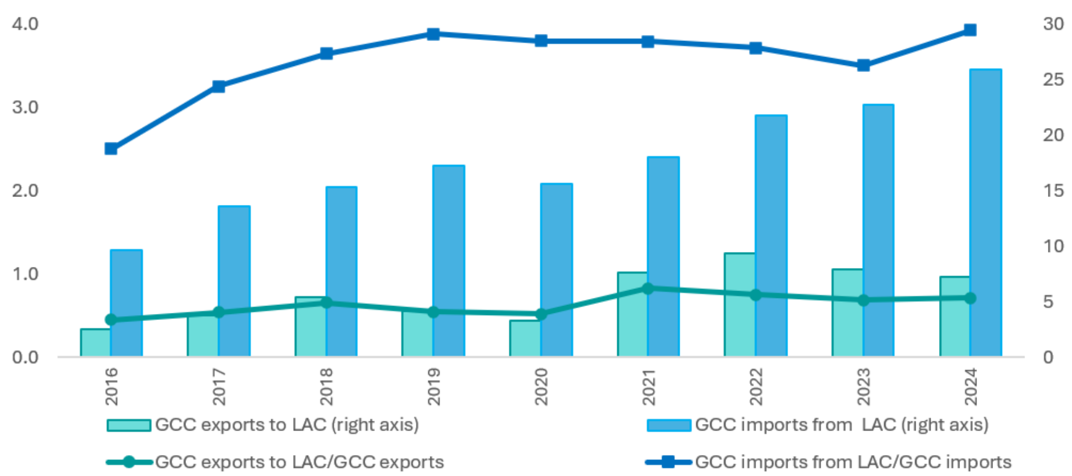
Figure 1. *Bilateral LAC-GCC trade in goods (2016-2024, $billion and as a % of total exports and imports)*



Source: IDB with data from Trade Map.

GCC exports to LAC represented a modest 0.71% of total GCC exports in 2024. In turn, GCC imports from LAC accounted for a slightly higher (though still relatively small) share of total imports (3.22%) (Figure 2). **Compared with 2016, both regions have increased their share in each other's exports and imports.**

Figure 2. *Bilateral GCC-LAC trade in goods (2016-2024, $billion and as a % of total exports and imports)*

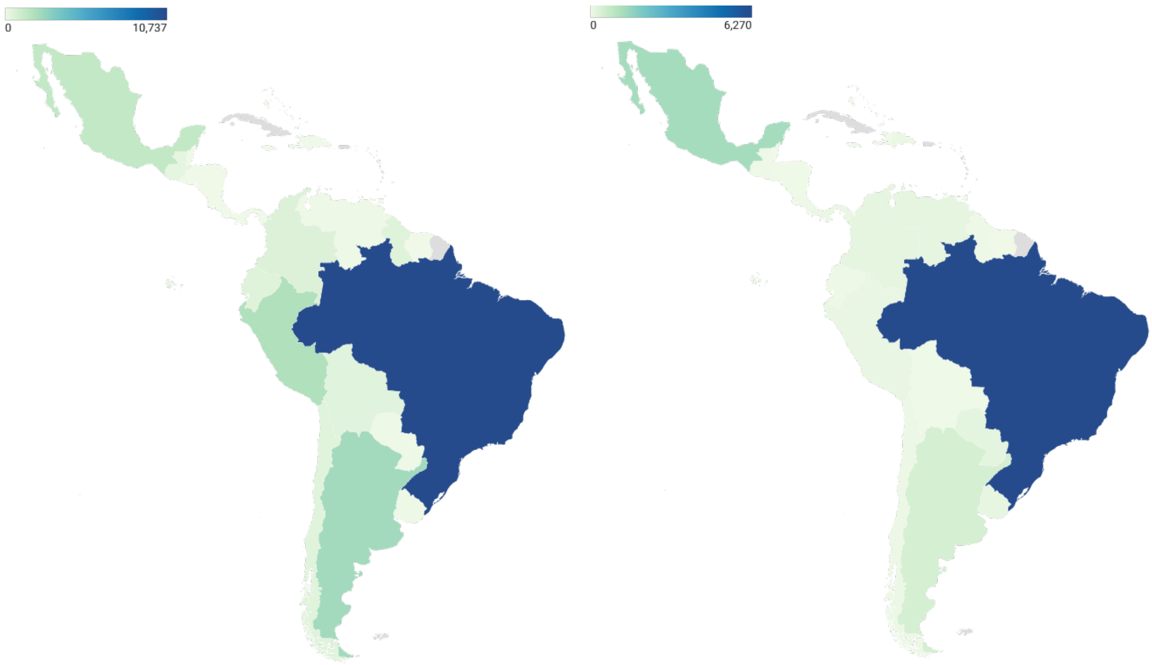


Source: IDB with data from Trade Map.

Within LAC, Brazil ($10.7 billion), **Argentina** ($2.4 billion), **and Peru** ($2 billion) **are the main exporters to the GCC**. On the import side, Brazil again leads ($6.3 billion), followed by Mexico ($1.3 billion) and Argentina ($0.5 billion) (Figure 3).

Figure 3. *LAC trade in goods with the GCC, by country (2024, $million)*

a. Exports *b. Imports*

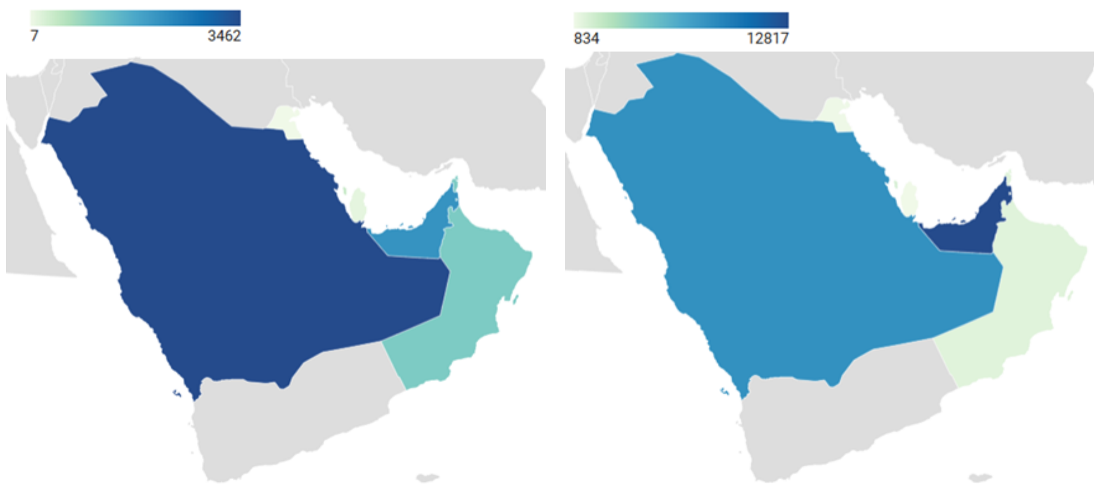


Source: IDB with data from Trade Map.

On the GCC side, Saudi Arabia ($3.5 billion), **the UAE** ($2.1 billion), **and Oman** ($1.1 billion) **are the leading LAC suppliers**. Purchases from the region follow a different ranking: the UAE ($12.8 billion), Saudi Arabia ($8.3 billion), and Bahrain ($1.7 billion) (Figure 4).[4]

Figure 4. *GCC trade in goods with LAC, by country (2024, $million)*

a. Exports *b. Imports*



Source: IDB with data from Trade Map.

[4] GCC exports (imports) to (from) LAC differ from LAC imports (exports) from (to) GCC due to differences between CIF and FOB values, as well as the relevance of transshipment in UAE trade.

LAC exports to the GCC consist mainly of natural resource-based products – iron ore, raw cane sugar, frozen chicken, maize, and oilcake residues (Table 1) – **while imports from the Gulf are dominated by petroleum oils and fertilizers** (Table 2).

Table 1. *LAC goods exports to GCC countries by chapter and product (HS 6 digits) (2024, $billion and %)*

Code	Description	Value	Share
	Total exports	**19.96**	**100%**
71	Precious stones and metals	3.78	19%
02	Meat products	3.57	18%
26	Ores and mining products	2.30	12%
17	Sugar and confectionery	2.09	10%
10	Cereals	1.10	6%
73	Iron and steel products	0.82	4%
23	Food industry residues and feed	0.80	4%
99	Unspecified commodities	0.76	4%
87	Vehicles and parts	0.69	3%
27	Fuels and petroleum products	0.63	3%
	Other merchandises	3.42	17%
Code	**Description**	**Value**	**Share**
	Total exports	**19.96**	**100%**
710812	Unwrought gold	3.35	17%
260111	Iron ore concentrates	2.08	10%
170114	Raw cane sugar	2.07	10%
020714	Frozen chicken cuts	1.36	7%
020712	Whole frozen chicken	1.15	6%
100590	Maize (corn)	0.98	5%
020230	Frozen boneless beef	0.77	4%
230400	Oilseed residues (feed)	0.76	4%
470329	Chemical wood pulp	0.26	1%
100390	Barley	0.05	0%
	Other merchandises	7.14	36%

Source: IDB with data from Trade Map.

Table 2. *LAC imports by chapter and product (HS 6 digits) from GCC countries (2024, $billion and %)*

Code	Description	Value	Share
	Total imports	**9.68**	**100%**
27	Mineral fuels and oils	4.57	47%
31	Fertilizers	1.77	18%
76	Aluminum and articles	1.05	11%
39	Plastics and articles	0.74	8%
84	Machinery and mechanical equipment	0.17	2%
85	Electrical equipment and electronics	0.15	2%
33	Essential oils, cosmetics, and perfumery	0.12	1%
25	Salt, sulphur, stone, and cement materials	0.11	1%

29	Organic chemicals	0.10	1%
28	Inorganic chemicals and metal compounds	0.02	0%
	Other merchandises	0.88	9%

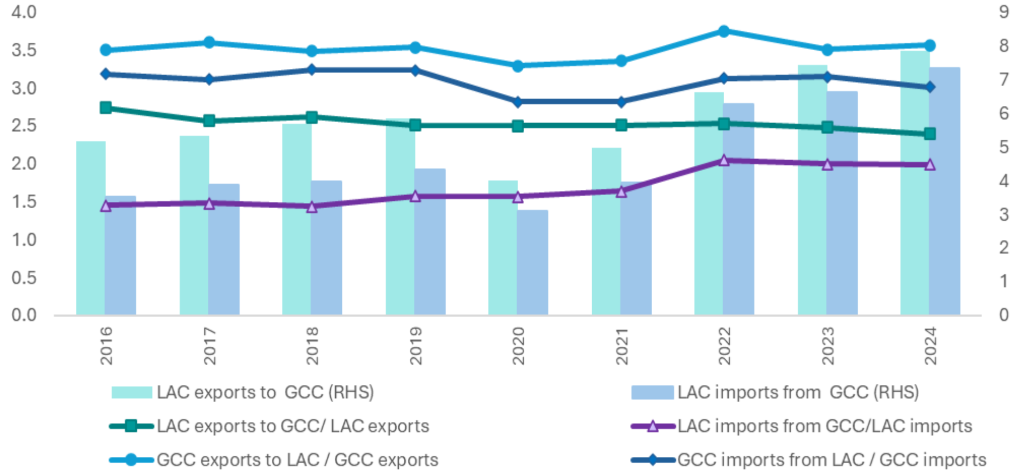
Code	Description	Value	Share
	Total imports	**9.68**	**100%**
270900	Crude petroleum oils	1.93	20%
271019	Refined petroleum oils (excl. biodiesel)	2.37	24%
310210	Urea	1.33	14%
310540	Monoammonium phosphate (MAP)	0.40	4%
390210	Polypropylene (primary forms)	0.27	3%
390120	Polyethylene ≥0.94 (primary forms)	0.12	1%
330300	Perfumes and toilet waters	0.12	1%
250300	Sulphur	0.10	1%
851713	Smartphones	0.07	1%
290243	p-Xylene	0.05	1%
	Other merchandises	2.92	30%

Source: IDB with data from Trade Map.

b. Services

While trade in goods dominates the economic relationship between the two regions and their overall scale remains limited, **services also provide channels of interaction, particularly in travel, transport, and business services**. LAC exports to the GCC reached $7.8 billion in 2024 (2.39% of total exports), while imports were $7.3 billion (1.99% of total imports). LAC is relatively more important in GCC countries' services trade, accounting for 3.56% of exports and 3.01% of imports (Figure 5).

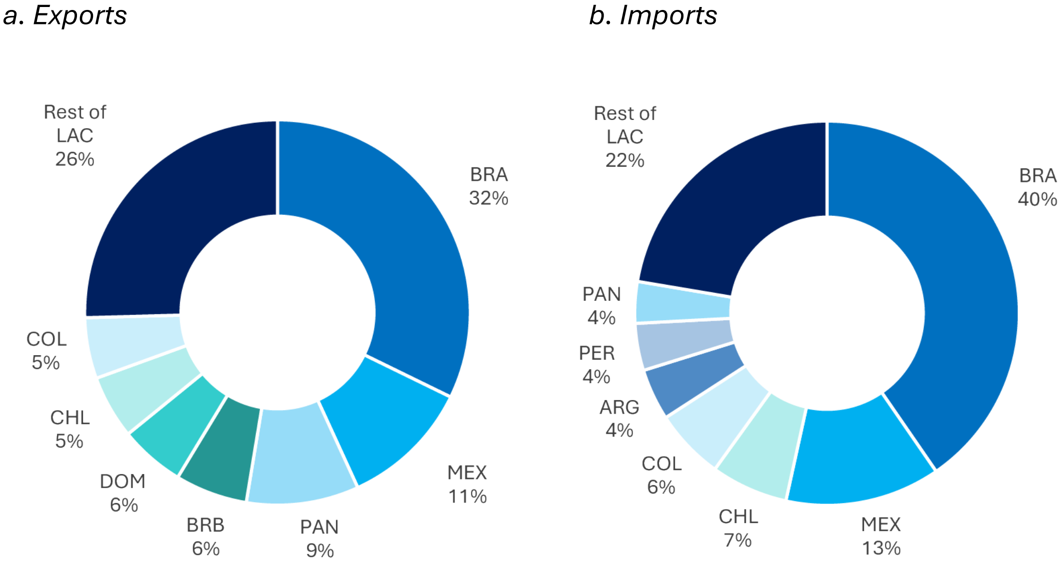
Figure 5. *Bilateral GCC-LAC trade in services (2016-2024, $billion and as a % of total exports and imports)*



Source: IDB with data from BaTiS-WTO.

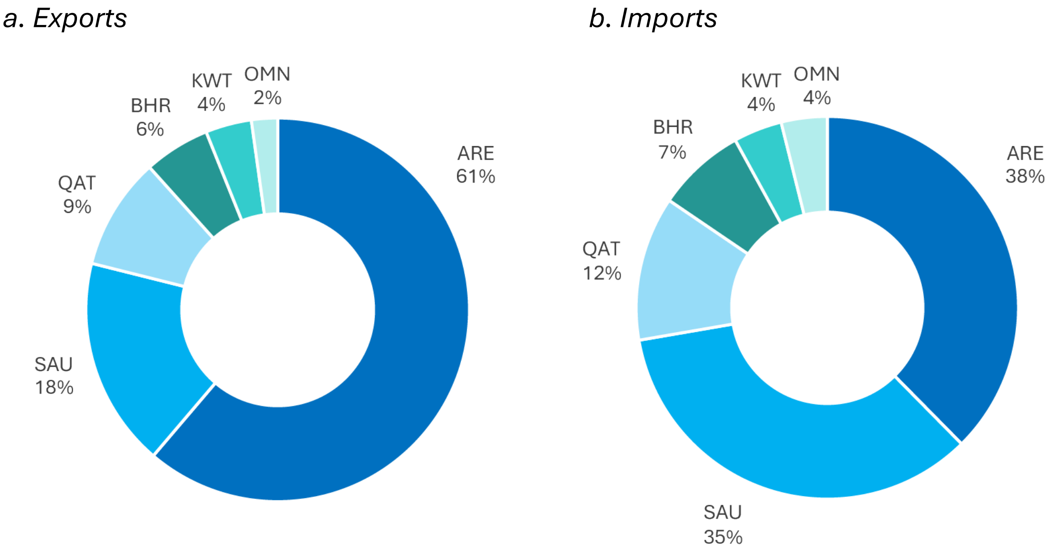
Brazil and Mexico are the GCC's main services trading partners in LAC. Panama, Barbados, and the Dominican Republic are also significant service providers in the region, while Chile and Colombia rank among the main importers (Figure 6). **From the GCC perspective, the UAE** accounts for 61% of services exports to LAC and 38% of imports from the region, followed by Saudi Arabia (Figure 7).

Figure 6. *LAC trade in services with the GCC, by country (2024, %)*



Source: IDB with data from BaTiS-WTO.

Figure 7. *GCC trade in services with LAC, by country (2024, %)*

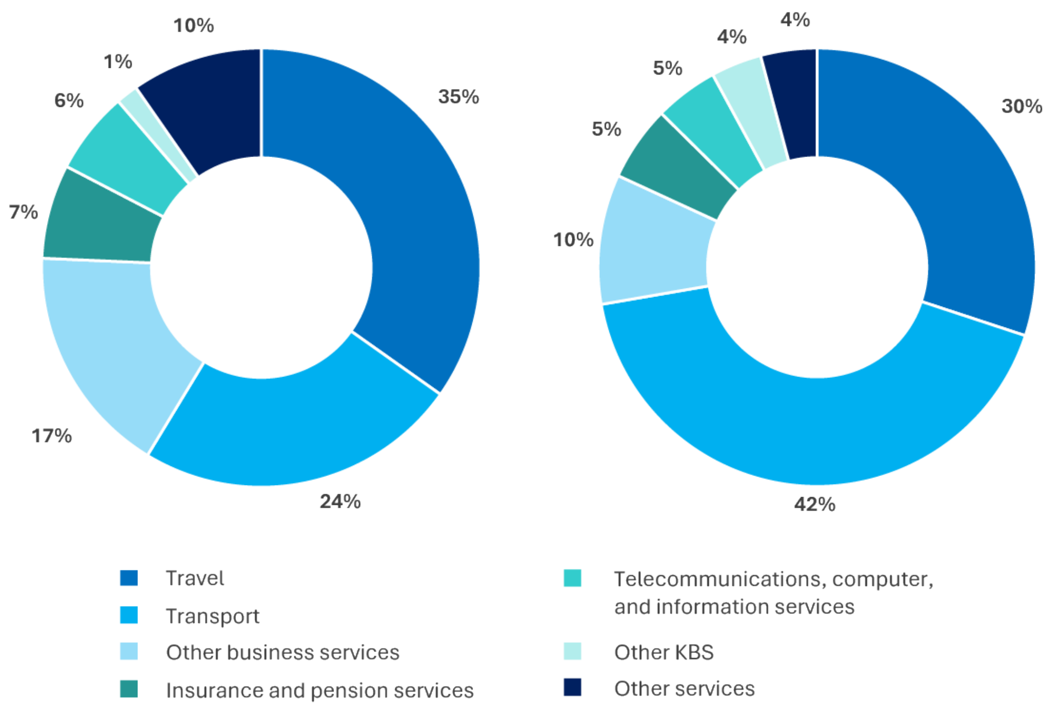


Source: IDB with data from BaTiS-WTO.

Despite limited maritime and air connectivity, travel and transport dominate services trade between the two regions. Knowledge-based services (KBS)[5] represent 24% of LAC exports to the GCC and 21% of imports, with other business services constituting the largest component within this category (Figure 8).

[5] KBS: other business services; telecommunications, computer and information services; personal, cultural and recreational services; and charges for the use of intellectual property.

Figure 8. *LAC services trade with GCC by sector (2024, %)*
a. Exports *b. Imports*



Source: IDB with data from BaTiS-WTO.

While digitalization has broadened opportunities for cross-border services trade globally, **the potential to expand digitally delivered services between LAC and the GCC remains uneven**. Time zone and language differences constrain the provision of real-time, interaction-intensive activities. As a result, growth prospects are stronger in services that can be delivered asynchronously or require limited interaction, such as back-office operations, software development, and certain professional services. By contrast, **tourism offers clearer opportunities for deepening economic ties**, particularly as air connectivity improves and Gulf travelers diversify their destinations. Both LAC and the GCC rank among the world's leading tourism regions, combining rich cultural and natural attractions (Box 1).

Box 1. The role of tourism in bi-regional trade

Tourism makes a significant contribution to the economies of both regions. In 2025, GCC countries welcomed 71.3 million tourists, representing 4.6% of the global market share, with the UAE and Saudi Arabia as the main destinations. In the same year, LAC welcomed approximately 131 million tourists, representing 8.5% of the global market share: Mexico (47.8 million), South America (40.1 million), the Caribbean (30.1 million), and Central America (13.7 million). GCC travelers mainly visit destinations in the Middle East, Asia, and Europe, and their average spending is approximately 11 times the global average (Zulfiqar, 2025). In LAC, intra-regional tourism plays a critical role as a major source of arrivals, complemented by flows from the United States, Europe, and other regions (Giordano, Campos, & Michalczewsky, 2025).

The Travel and Tourism Development Index measures different aspects of tourism in a wide sample of countries (WEF, 2024). On a scale from 1 to 7, the global average score was 3.96 in 2024. North America and Europe scored above the global average, while LAC ranked 3.75 and the GCC 4.02. The index shows that LAC's main gaps lie in the enabling environment, infrastructure and services, and resources dimensions, while the region performs above the global average in travel and tourism policy and enabling conditions as well as in sustainability.

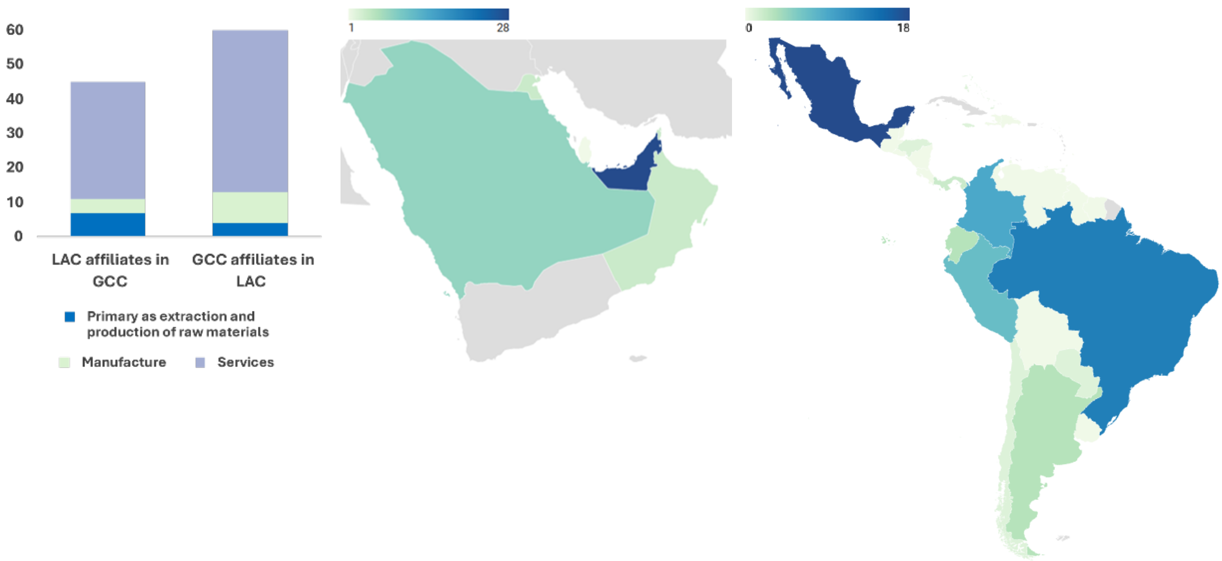
B. Direct investment

Direct investment between the GCC and LAC remains low. While some multinational enterprises from both regions have established a presence in the other, these footprints remain sparse and highly concentrated, both geographically and sectorally, primarily in services. Currently, LAC-based firms operate 45 affiliates in the GCC, with a strong concentration in the UAE (28). Conversely, GCC firms maintain 60 affiliates across LAC, mainly located in Mexico, Brazil, and Colombia.

However, there is significant potential for growth. The corporate presence between both regions has expanded markedly compared with the late 2010s, as well as state investment funds and other sovereign investment vehicles.[6] Despite modest aggregate figures, firms from both regions have developed successful commercial and investment links across the GCC-LAC corridor, particularly in sectors such as food production, energy, logistics, and manufacturing. Selected examples are presented in Box 2, illustrating the range of strategies through which private and state-backed firms are increasing their presence across the two regions through exports, partnerships, and investment.

Figure 9. *Multinational enterprise bilateral presence by sector and destination, 2025*

a. Affiliates in partner region, by sector *b. LAC affiliates in GCC countries* *c. GCC affiliates in LAC countries*



Source: IDB with data from Dun and Bradstreet's WorldBase.

[6] See section 0B (GCC development finance channels).

Box 2. Trade and investment between LAC and GCC: A firm's perspective

The company cases presented below point to a set of drivers behind trade and investment linkages between LAC and GCC firms. These include sectoral complementarities, particularly in food, agribusiness, energy, and the use of local partnerships to facilitate market entry and distribution. Firms also rely on regional hubs in the UAE to scale operations across markets. Compliance with market-specific standards (such as halal certification) has supported market presence. These examples illustrate how firms have translated existing complementarities into commercial operations.

LAC companies operating in GCC markets

Food and food retail

- **BRF (Brazil) – Food processing.** The company established a regional headquarters in Dubai and developed distribution networks in GCC markets to supply halal-certified poultry products, often through partnerships with local distributors in Saudi Arabia.
- **Arcor (Argentina) – Food industry.** The confectionery company opened a subsidiary in Dubai in 2024 to strengthen its presence in Middle Eastern markets and expand distribution across the GCC.
- **Juan Valdez (Colombia) – Coffee retail.** The Colombian coffee brand has expanded its international presence through coffee shop franchises in the UAE, Qatar, and Kuwait.

Pharma and biotechnology

- **Genomma Lab (Mexico) – Pharmaceuticals and consumer health.** The company has expanded into GCC markets through distribution partnerships in the UAE and Saudi Arabia, focusing on over-the-counter health products.
- **Biogénesis Bagó (Argentina) – Veterinary biotechnology.** The company established a local production partnership in Saudi Arabia to supply vaccines and animal health products to the GCC livestock sector.

Other

- **Embraer (Brazil) – Aviation.** Embraer has supplied regional aircraft to airlines in the UAE and Saudi Arabia. These contracts typically include technology transfer, maintenance services, and pilot training agreements.

GCC companies operating in Latin America and the Caribbean

Energy and infrastructure

- **DP World (UAE) – Ports and logistics.** The company operates container terminals and logistics platforms in several countries in the region, including Brazil, Peru, Chile, and the Dominican Republic, contributing to maritime connectivity and international trade flows.
- **QatarEnergy (Qatar) – Energy.** The state-owned energy company participates in offshore oil and gas exploration projects in Suriname and Guyana, in partnership with international companies.
- **ACWA Power (Saudi Arabia) – Energy infrastructure.** The company is an international developer and operator of large-scale energy and water

infrastructure projects and has explored investment opportunities in renewable energy in LAC.

Agribusiness

Saudi Agricultural and Livestock Investment Company – SALIC (Saudi Arabia) – Agribusiness. The company holds a significant stake in the Brazilian meat producer Minerva Foods, illustrating GCC participation in Latin American food supply chains and global meat exports.

C. Opportunities to expand LAC-GCC bilateral trade

Trade patterns between LAC and the GCC reveal several areas of product complementarity, where one region exports goods that the other imports from global markets.[7] Identifying these complementarities helps highlight sectors with potential to expand bilateral trade. Some of these products already account for a substantial share of current bilateral trade, but the analysis also reveals scope for further expansion, both through higher trade volumes –particularly in products where bilateral flows remain limited– and through greater product differentiation and upgrading, including through adaptation to market requirements and compliance with specific standards in destination markets. Empirical evidence across LAC suggests that proactive compliance with international standards acts as a vital signal of quality, bridging the trust gap with global buyers and fostering sustained export success (Suominen & Gordon, 2014).

To identify trade opportunities, data on trade between LAC and GCC countries, disaggregated at the six-digit level of the Harmonized System (HS) for 2024, are used. Potential opportunities were identified by focusing on products and countries that meet three conditions (Figure 10): (i) the existence of comparative advantages,[8] used to identify potential exporters; (ii) a minimum threshold for the product's share in total trade; and (iii) a minimum threshold in terms of absolute trade value. The detailed methodology is presented in Annex 1.

Figure 10. Criteria for selecting products with trade potential

Source: IDB based on Campos & Gayá (2024).

[7] The methodology in this section is based on Campos & Gayá (2024).

[8] The term "comparative advantage" is used here in the empirical sense of revealed comparative advantage (RCA), rather than in the narrow Ricardian sense. Admittedly, because the RCA index is calculated from observed exports, it inherently captures the net outcome of all factors affecting trade patterns – including transport costs, distance, trade barriers, and other frictions – and not just relative production costs.

As such, the estimated trade potential should be regarded as an indication of sectors where export capabilities and import demand appear to be aligned, rather than as an estimate of likely future trade flows. As highlighted below, the actual expansion of trade between LAC and the GCC will depend on a range of additional determinants, including geographical distance, transport and logistics costs, trade and regulatory barriers, cultural and institutional proximity, information availability, and the strength of commercial networks. These factors are particularly relevant in the case of LAC-GCC trade, where distance and limited historical commercial ties continue to represent important constraints.[9]

Keeping these considerations in mind, the data reveal that **opportunities in both directions are concentrated mainly in energy products, metals, and fertilizers**, reflecting the underlying resource endowments and industrial structures of the two regions. At the same time, **some opportunities identified for LAC exports include food and pharmaceutical products** such as butter, milk, wheat, bovine cuts, and medicaments. These results are consistent with those highlighted in earlier analyses such as IDB (2019).

a. Opportunities for LAC exports and GCC imports

A total of 74 products meet the three criteria for potential expansion of LAC exports to GCC markets (Table 3). These products are mainly gold, light petroleum oils, jewelry made of precious metals, motor cars and medicaments. In 2024, LAC exports of these products to the GCC reached $12.3 billion, equivalent to 61.8% of the region’s goods exports to the Gulf. As shown in Table 3, this aggregate figure masks significant variation across products: while some already account for substantial trade flows, exports of others to GCC markets remain extremely low and could eventually expand considerably.

No clear relationship emerges between trade policy-driven barriers and LAC export performance in GCC markets. Products with significant export flows often face similar tariffs to those applied to competitors, while some duty-free products register no exports. In addition, imports from any origin generally face the same number of regulatory requirements across GCC markets.[10] This suggests that export performance is primarily driven by other factors, such as productivity, product-market fit, and logistical factors, rather than uneven trade policy-related conditions for market access.

[9] The methodology identifies potential trade opportunities based on current trade patterns and comparative advantages, but it does not account for supply-side constraints, trade costs, regulations, or firm-level competitiveness. Therefore, the estimated market values should be interpreted as indications of market size rather than as forecasts of future export flows. For further information see Annex 1 for methodology.

[10] Other relevant trade determinants could not be included in the comparison because there is no consistent, comprehensive country pair-product level data on them.

Table 3. *LAC exports and GCC imports: complementary products (HS 6 digits), 2024. Value in $million and tariffs in %*

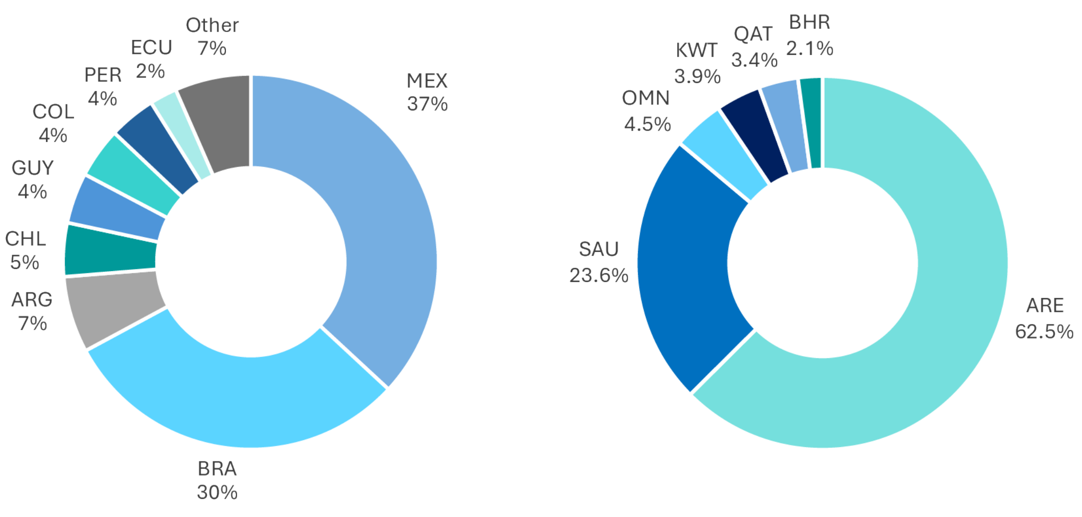
N°	HS code	Description	GCC imports of selected products		LAC exports of selected products		Tariff [b/] faced by		Number of regulatory requirements [c/]	LAC exports to GCC
			US$ million	Top importers [a/]	US$ million	Top exporters [a/]	LAC	Competitors		US$ million
1	710812	Gold, unwrought, non-monetary	108.452	ARE, OMN, KWT	24.883	PER, COL, ARG	0%	0%	0-27	3.347
2	271012	Light petroleum oils and preparations	21.141	ARE, OMN, SAU	212	TTO, BHS	5%	0%-5%	-37	0
3	711319	Jewelry of precious metal	19.710	ARE, KWT, QAT	804	DOM, BOL, BRB	5%	0%-5%	0-8	284
4	870323	Cars, spark-ignition engine 1500–3000 cc	16.321	ARE KWT, OMN	30.575	MEX	5%	0%-5%	2-25	317
5	040510	Butter	11.541	SAU, BHR	64	URY	5%-6%	0%-6%	1-2	14
6	040221	Milk and cream powder, unsweetened (>1.5% fat)	9.356	SAU, OMN, KWT	1.015	URY, ARG, PRY	5%-15%	0%-15%	0-6	21
7	100199	Wheat and meslin (excluding durum), other	7.593	SAU, KWT, BHR	2.438	ARG, URY, PRY	0%	0%	0-8	0
8	020230	Frozen boneless bovine cuts	7.176	SAU, KWT	14.667	BRA, ARG, URY	5%-6%	5%-6%	10	768
9	300490	Medicaments, other, in measured doses	7.047	ARE, KWT, SAU	503	GTM, SLV, BRB	0%	0%	10-32	17
10	270900	Petroleum oils, crude	5.935	ARE, QAT, SAU	90.394	BRA, GUY, COL	5%	0%-5%	5-31	155
		Other	86.511	ARE, SAU, KWT	283.589	BRA, CHL, MEX				7.411
		Selected products (74)	**300.785**		**449.144**					**12.332**

Note: [a/] According to the criteria described above, trade meeting the three criteria is not directly comparable with the data in the last column (total exports). [b/] Tariffs applied by top importers in GCC to imports from leading LAC exporters and from the five main sources of imports. [c/] The range indicates the minimum and maximum number of regulatory requirements (requirements to comply to export, including measures applied to all goods and to the specific product, such as sanitary measures, labelling, and traceability, among others) across GCC markets. Unless otherwise indicated, LAC exporters and their competitors are subject to the same number of requirements in each GCC market. Source: IDB with data from TradeMap and Market Access Map.

The main opportunities, in terms of potential export value, correspond to Brazil, Mexico, Argentina, Chile, Guyana, Colombia, and Peru, among others, while the UAE and Saudi Arabia emerge as the largest potential import markets in the GCC (Figure 11).

Figure 11. *Opportunities for LAC exporters and GCC importers of the 74 selected products (2024, in %)*

a. Exporters *b. Importers*



Source: IDB

b. Opportunities for GCC exports and LAC imports

A total of 48 products meet the three criteria for potential expansion of GCC exports in LAC (Table 4). These products are mainly petroleum and energy, motor vehicle parts, liquefied natural gas, parts of turbojets or turbopropellers, urea, portable computers, liquefied propane, and trucks. In 2024, GCC exports of these products to LAC reached $8.3 billion, equivalent to 86.5% of the region's total exports to LAC. However, several of these products still register very limited bilateral trade and could see significant expansion.

In general, tariffs do not seem to play a decisive role in shaping GCC export performance in LAC markets, as products with low and similar tariff treatment and identical number of regulatory requirements across suppliers account for the bulk of trade. However, in specific cases such as certain tariff lines within Trucks (HS 870431,) high tariffs combined with preferential access for competing suppliers are associated with very low GCC export levels, indicating that tariffs could be a binding constraint in some specific sectors.

Table 4. GCC exports and LAC imports: complementary products (HS 6 digits) in 2024. Value in $million and tariffs in %

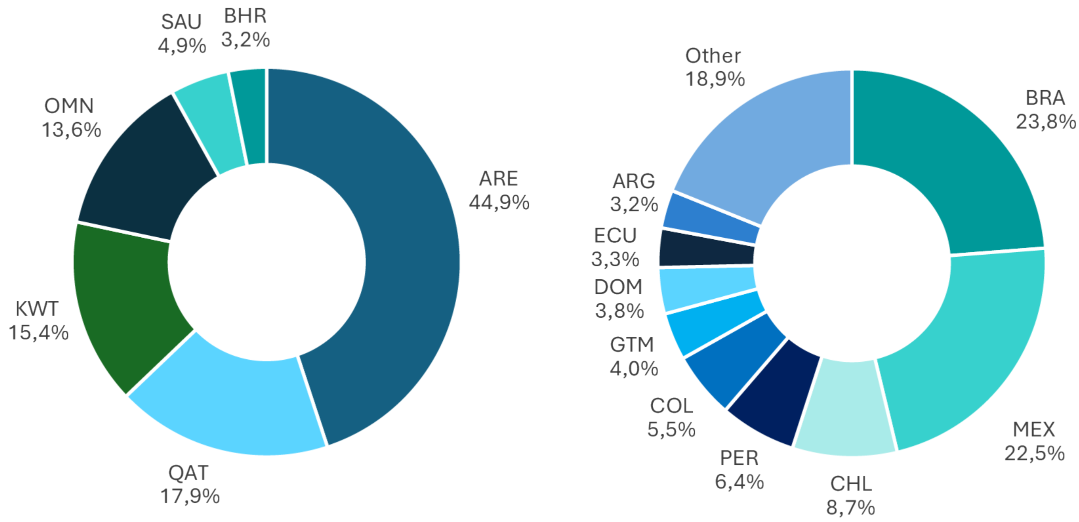
N°	HS code	Description	LAC imports of selected products		GCC exports of selected products		Tariff [b] faced by		Number of regulatory requirements [c]	GCC exports to LAC
			US$ million	Top importers [a]	US$ million	Top exporters [a]	GCC	Competitors		US$ million
1	271019	Other petroleum oils and preparations	47,710	BRA, MEX, CHL	4,650	OMN	0%-6%	0%-3%	8-16	2,370
2	271012	Light petroleum oils and preparations	33,263	MEX, BRA, COL	94,136	ARE, KWT, OMN	0%	0%	11-26	19
3	270900	Petroleum oils, crude	20,841	BRA, CHL, PER	159,301	ARE, KWT, OMN	0%-6%	0%	12-16	1,930
4	870899	Other motor vehicle parts and accessories	7,154	MEX, BRA, ARG	2,387	ARE	0%-5%	0%-5%	28-40	6
5	847130	Portable automatic data processing machines	6,359	MEX, COL, CHL	4,475	ARE	0%-6%	0%	89-102	13
6	271111	Natural gas, liquefied	5,643	BRA, COL, DOM	64,202	QAT, OMN	0%	0%	63-102 (LAC) 63-111 (Comp.)	187
7	271112	Propane, liquefied	5,312	MEX, CHL, DOM	10,157	ARE, KWT, OMN	0%-6%	0%-6%	90-103	0
8	841191	Parts of turbojets or turbopropellers	4,838	BRA	20,219	ARE	0%	0%	91-108 (LAC) 91-107 (Comp.)	10
9	310210	Urea	4,184	BRA, ARG, COL	4,526	OMN, SAU, BHR	0%-6%	0%-6%	22-36	1,333
10	870431	Trucks, spark-ignition engine ≤5 tonnes	4,158	MEX, ARG, CHL	65	KWT	5%-50%	0%-50%	17-25	18
		Other	34,105	MEX, BRA, PER	92,003	ARE, SAU, OMN				2,431
		Selected products (48)	**173,567**		**456,122**					**8,317**

Note: [a] According to the criteria described above, trade meeting the three criteria is not directly comparable with the data in the last column (total exports). [b] Tariffs applied by top importers in LAC to imports from leading GCC exporters and from the five main sources of imports. [c] The range indicates the minimum and maximum number of regulatory requirements (requirements to comply to export, including measures applied to all goods and to the specific product such as sanitary measures, labelling, traceability, among others) across LAC markets for imports from all origins. Source: IDB with data from TradeMap and Market Access Map.

In terms of potential export value, the main opportunities correspond to the UAE and Qatar, while Brazil, Mexico, Chile, and Peru appear as the main potential import markets within LAC (Figure 12).

Figure 12. *Opportunities for GCC exporters and LAC importers of the 48 selected products (2024, in %)*

a. Exporters *b. Importers*



Source: IDB.

3.

POLICY FACTORS AND INITIATIVES SHAPING THE INTEGRATION BETWEEN THE REGIONS

3. POLICY FACTORS AND INITIATIVES SHAPING THE INTEGRATION BETWEEN THE REGIONS

In addition to factors determining countries' and their firms' productivity (e.g., innovation), economic integration between the regions is shaped by trade costs. These costs are substantial and have multiple sources, including transport costs, tariffs, non-tariff measures, administrative border processing costs, information frictions, among others (Anderson & Wincoop, 2004).[11] Consequently, lowering trade costs requires designing and implementing a comprehensive policy agenda that addresses this broad range of barriers beyond tariffs, including improvements in infrastructure and infrastructure services, trade and investment facilitation initiatives, and trade and investment promotion institutions and programs. Such a trade and investment policy agenda, if enacted alongside relevant domestic policies and regulations that, for example, increase the availability and quality of skills, would maximize the potential productivity and welfare gains of deeper integration (IDB, 2019).

Hence, several structural and institutional factors affect the costs of trade and investment in general and firms' capacity to identify opportunities and establish long-term partnerships in particular, thereby influencing the scale and nature of economic relations between LAC and the GCC. These include geographic distance, transport connectivity, trade and investment institutional frameworks, trade facilitation initiatives, diplomatic and trade promotion networks, and relevant private-sector initiatives. This section examines the role of these factors.

A. Maritime and air connectivity

Evidence indicates that **better maritime and air connectivity lowers transport costs and supports higher trade flows**. Conversely, deficiencies in transport infrastructure and weak competition in shipping and air transport services remain important barriers to trade (Mesquita Moreira, Volpe Martincus & Blyde, 2008).

Maritime and air connectivity between LAC and the GCC remains limited. Historically, transport links have relied heavily on hub-and-spoke networks with cargo and passengers routed through European or Asian hubs rather than through direct connections.

Nevertheless, connectivity has improved in recent years as trade and investment ties have strengthened. A direct container shipping service linking Argentina and Brazil with the UAE was launched by MSC in late 2025, marking a step toward reducing transport times and logistical reliance on intermediate hubs. These services operate as direct sailings only from South America to the Gulf, while shipments in the reverse direction typically involve at least one transshipment. No other countries in LAC have confirmed direct container services to any GCC country. Mexico, Panama, and, to a lesser extent, the Bahamas appear as part of longer rotation loops (full vessel itineraries) that include stops at major hubs, enabling point-to-point shipments. For the remaining countries, all services rely on at least one transshipment at a hub.

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[11] The concept of "multilateral resistance" highlights that bilateral trade depends not only on direct barriers between two countries but also on their relative trade costs with all other partners.

Dry bulk carriers transport solid commodities, such as grains and iron ore directly between South America (mainly Brazil and Argentina) and GCC countries on a point-to-point basis through chartered voyages rather than fixed liner services. Oil tankers move crude oil and petroleum products between the two regions through dedicated, non-scheduled tanker voyages, typically without transshipment.

As of August 2026, Brazil is the only country in LAC with direct passenger flights to and from the UAE and Qatar (São Paulo and Rio de Janeiro to/from Dubai and São Paulo to/from Doha). These routes also support air cargo connectivity between the two regions through the belly cargo capacity of passenger aircraft and dedicated cargo services. Air freight is particularly relevant for time-sensitive exports from LAC to GCC markets, including salmon and other seafood, and high-value agricultural products such as berries and asparagus. Nevertheless, a new direct flight between Colombia-Venezuela and Qatar is expected to begin operating in September 2026.

In comparative terms, connectivity between LAC and the GCC remains significantly less developed than with the regions' main trading partners. LAC maintains dense and frequent maritime and air links with North America, Europe, and, increasingly, East Asia, supported by larger trade volumes and more established logistics networks. Similarly, GCC countries are far more integrated with Asia and Europe, where regular direct services and higher route frequency reflect stronger commercial ties.

B. Economic integration agreements

Trade agreements provide a rule-based framework that improves market access and reduces policy uncertainty. Apart from tariff reductions, these agreements address non-tariff barriers, put disciplines in services, investment, and public procurement in place, and can improve transparency and institutional quality. Trade agreements have a positive effect on trade flows by increasing exports to partner countries and supporting firms' participation in international markets. They also contribute to productivity gains by facilitating access to larger markets, inputs, and technology. Empirical evidence indicates that tariff cuts in LAC countries have helped to accelerate growth, gains in welfare, and real wages (Mesquita Moreira, 2018; Mesquita Moreira & Stein, 2019). [12]

The network of economic integration agreements between LAC and the GCC is fragmented and unevenly distributed across countries and instruments. The UAE, Qatar, and a small group of LAC economies account for most existing agreements, while Oman and nine LAC countries have no formal economic arrangements with partners in the other region.

Many LAC countries have a strong network of free trade agreements (FTAs), especially within the region, with the US, the EU, the European Free Trade Association (EFTA), and

[12] The effects of the agreements can be uneven across sectors, regions, and firms and the overall impact depends on complementary policies – such as trade facilitation, infrastructure, and labor market support – that enable economies to adjust and fully capture the benefits of integration.

some Asia-Pacific countries. In contrast, GCC countries have fewer agreements, mainly with EFTA, New Zealand, the US, and some Asian countries.

There are only two FTAs in force between LAC and GCC economies: Chile-UAE and Guyana-Kuwait. Colombia and Costa Rica have signed FTAs with the UAE that have not yet entered into force (Table 5). At the interregional level, the main institutional reference is the Framework Agreement on Economic Cooperation between MERCOSUR and the GCC, signed in 2005, which established a basis for cooperation and future negotiations but has not yet resulted in a comprehensive trade agreement. As a result, trade between LAC and the GCC continues to rely primarily on multilateral commitments under the World Trade Organization (WTO) framework.

Table 5. *Free trade agreements, bilateral investment treaties and double taxation agreements between LAC and GCC countries*

Free trade agreements

	ARG	ATG	BHS	BLZ	BOL	BRA	BRB	CHL	COL	CRI	DOM	ECU	GTM	GUY	HON	HTI	JAM	MEX	NIC	PAN	PER	PRY	SLV	SUR	TTO	URY	VEN
ARE								■	S	S																	
BHR																											
KWT														■													
OMN																											
QAT																											
SAU																											

Bilateral investment treaties

	ARG	ATG	BHS	BLZ	BOL	BRA	BRB	CHL	COL	CRI	DOM	ECU	GTM	GUY	HON	HTI	JAM	MEX	NIC	PAN	PER	PRY	SLV	SUR	TTO	URY	VEN
ARE	S	■		■		■	S		S	■		S		S				■		S				S	S		
BHR																		■									
KWT														S			S	■									
OMN																											
QAT	S									■										S		■				S	
SAU																										S	

Double taxation agreements

	ARG	ATG	BHS	BLZ	BOL	BRA	BRB	CHL	COL	CRI	DOM	ECU	GTM	GUY	HON	HTI	JAM	MEX	NIC	PAN	PER	PRY	SLV	SUR	TTO	URY	VEN
ARE	■			■		■	■			■								■		■		■				■	■
BHR							■											■									
KWT																		■									■
OMN																											
QAT	■						■					■						■		■							■
SAU																		■									■

■ In force S Signed, not in force

Source: IDB with data from IDB, UNCTAD, and PwC.

Bilateral investment treaties (BITs) are more widespread than FTAs, although only nine of the 23 signed agreements are currently in force (Table 5). The UAE is the most active GCC country in this area, with agreements in force or signed with 13 LAC economies. Mexico and Costa Rica have three and two BITs in force with GCC partners, respectively.

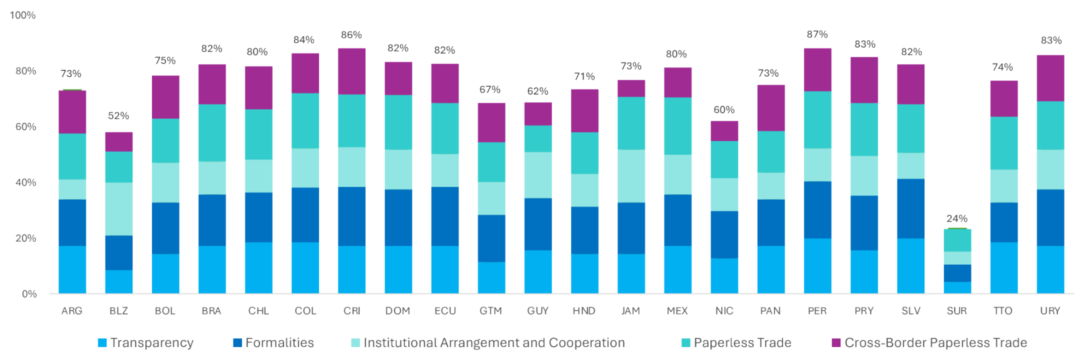
Double taxation agreements (DTAs) constitute the most developed component of the trade and investment institutional relationship, with 22 bilateral treaties in force, mainly involving the UAE and Mexico (Table 5). By reducing fiscal uncertainty and preventing double taxation of income, DTAs can facilitate the cross-border provision of professional, financial, and business services, as well as corporate investment structures.

C. Trade and investment facilitation initiatives

Differences in the implementation of trade facilitation measures across countries affect the efficiency of cross-border procedure completion. Evidence shows that countries with more advanced implementation have shorter processing times and lower administrative processing costs, trade costs, and uncertainty in trade operations, while those with lower implementation levels face delays, redundant procedures, and higher logistics costs (Carballo, Graziano, Schaur & Volpe Martincus, 2023).

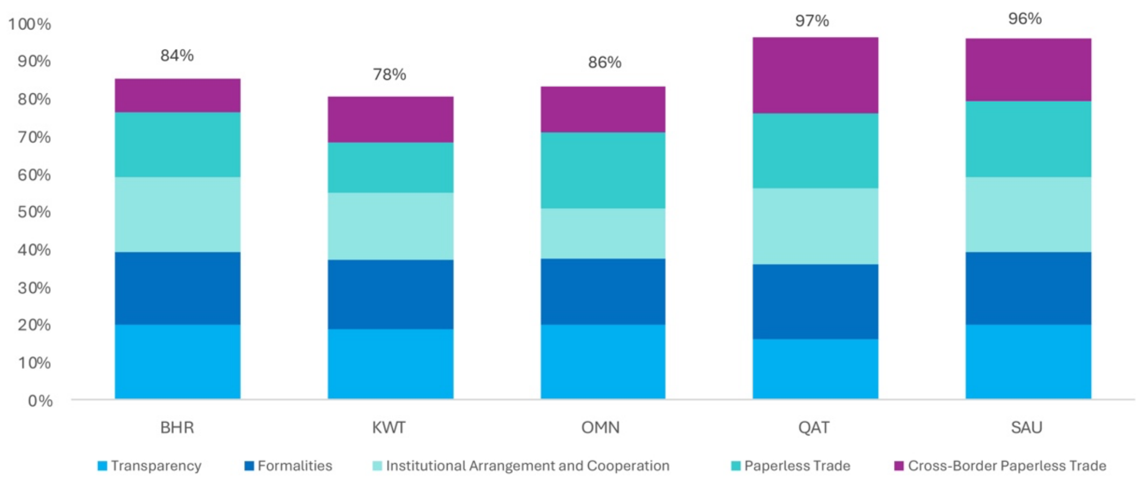
Implementation of the provisions of the WTO Trade Facilitation Agreement is incomplete and uneven. In LAC, implementation rates range from 24% in Suriname to 86% in Costa Rica and 87% in Peru (Figure 13). In GCC, implementation rates range from 78% in Kuwait to 96% in Saudi Arabia and 97% in Qatar (Figure 14).

Figure 13. *Trade facilitation and paperless trade in LAC countries. Trade facilitation score*



Source: IDB with data from UN ESCAP et al. (2025).
Note: Data come from the UN Global Survey on Digital and Sustainable Trade Facilitation 2025, which assesses trade facilitation implementation across several measures (transparency, formalities, institutional arrangements and cooperation, paperless trade, and cross-border paperless trade). Results vary significantly depending on economic capacity, infrastructure development, and policy priorities across the surveyed economies.

Figure 14. *Trade facilitation and paperless trade in GCC countries: Trade facilitation score a/*

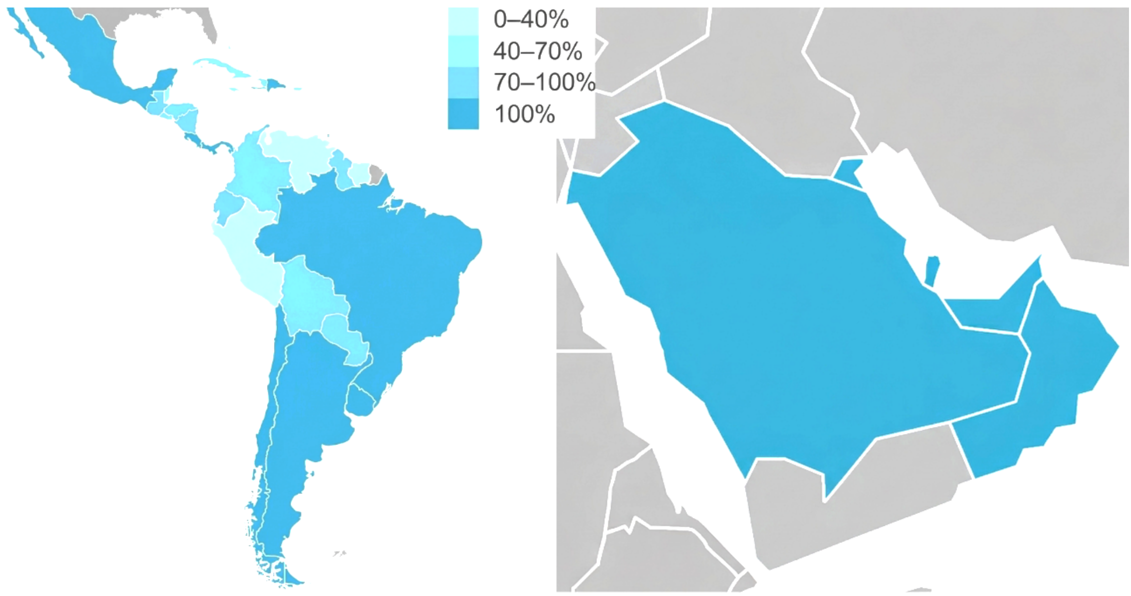


Note: [a/] This figure shows global cumulative trade facilitation implementation scores. Full implementation of all measures = 100. Source: IDB with data from UN ESCAP et al. (2025).

Regulatory heterogeneity in technical measures remains an important challenge for trade between LAC and GCC countries. Although the average regulatory distance between the two regions (51%) is lower than that between LAC and other major trading partners such as the EU and the United States, it is still substantial and requires exporters to adapt products to destination-specific requirements, thereby increasing compliance costs. Empirical evidence indicates that greater regulatory distance reduces both the likelihood of market entry and the value of bilateral trade flows, highlighting the importance of strengthening regulatory cooperation through greater transparency, regulatory dialogue, the adoption of international standards, mutual recognition agreements, and, where appropriate, regulatory harmonization (Blyde, 2024).

Despite these gaps, LAC and GCC have made significant progress in this policy area in recent years through the implementation of specific trade facilitation initiatives such as the Single Windows (SW) for Foreign Trade (Figure 15) and Authorized Economic Operator programs (AEOs), as well as Mutual Recognition Arrangements/Agreements (MRAs) that recognize each other's AEO programs and accredited operators, allowing firms to benefit from facilitated procedures in partner countries. Evidence from Costa Rica shows that digitalizing trade procedures through an electronic SW increased exports along both the intensive and extensive margins, with particularly large effects for smaller firms in non-central regions and for exports to destinations that also operate electronic SWs (Carballo, Graziano, Schaur, & Volpe Martincus, 2025). These findings suggest that further expansion and interoperability of these systems could contribute to reducing trade costs and facilitating trade between the two regions.

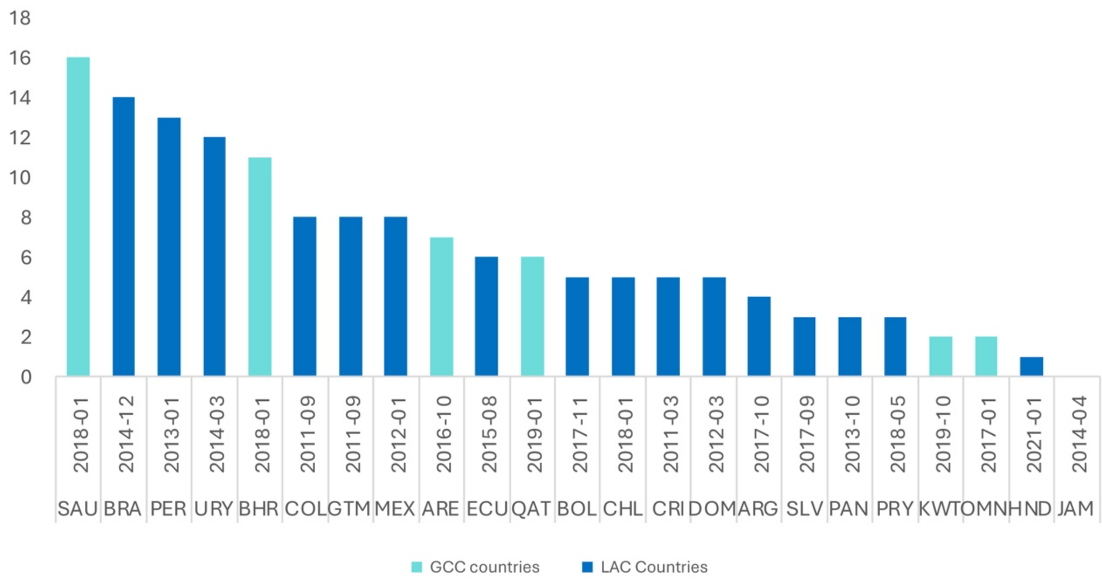
Figure 15. *Single Windows for Foreign Trade (SWs) rate of implementation commitments*
LAC *GCC*



Source: IDB with data from the WTO.

Figure 16 shows LAC and GCC countries with AEO programs (including the start date) as well as the number of MRAs in force. These agreements are mainly within regions, and there are no operational MRAs between LAC and GCC countries yet. Brazil and Saudi Arabia have one in progress (Carballo, Schaur & Volpe Martincus, 2016).

Figure 16. AEO programs in LAC and GCC countries: start dates and number of MRAs in force



Source: IDB with data from World Customs Organization.

Improvements in border processes are associated with significant gains in efficiency, including reductions in clearance times and administrative burdens (OECD, 2025). The evidence also indicates that continued progress in trade facilitation (regulatory harmonization, digitalization, and institutional capacity) contributes to improved trade performance and supports deeper economic integration. The remaining challenges include high tariffs in some of the largest economies of the LAC region, achieving a full integration of its regional market, and high costs of logistics, information, and border processing (Mesquita Moreira & Stein, 2019).

D. Trade and investment promotion

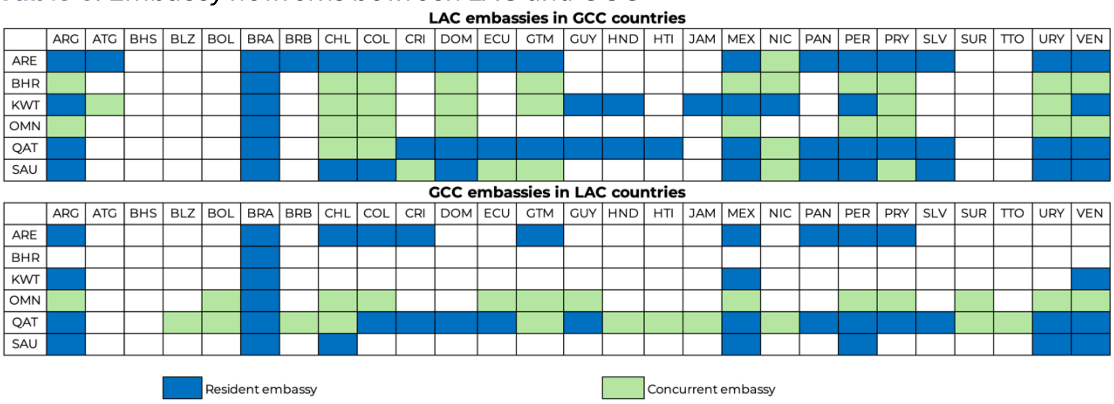
Information frictions are a significant source of trade and investment costs. Information is incomplete in international markets. Firms must learn about prevailing conditions in foreign markets and, crucially, find and assess potential business partners (Rangan & Lawrence, 1999). This results in increased fixed costs of entering foreign markets and constrains firms' participation in international trade and investment (Volpe Martincus, 2026).

Evidence suggests that search costs are large: they amount to more than $50,000 for non-exporting firms wishing to ensure one potential client per year (Eaton et al., 2014). Moreover, search costs account for a large share of the observed relationship between distance and trade (Allen, 2014). Indeed, firms report that identifying the initial business contact and establishing the initial dialogue with partners are major perceived trade barriers (Kneller & Pisu, 2011; WTO, 2016). Similarly, firms seeking to invest abroad must solve a highly dimensional information problem: learning about the general and sector-specific regulations to be complied with and the costs and conditions of establishing and operating in the destination country, including projected demand for their products and services there and from relevant partner countries, tax treatments, the processes and costs of exporting and importing inputs, and the network of local suppliers and the quality of their products and services (Volpe Martincus, 2010; Volpe Martincus & Sztajerowska, 2019; Volpe Martincus, 2021).

To address these frictions, most countries provide firms with services through trade and investment promotion agencies and the network of diplomatic missions abroad. These services for firms pursuing business opportunities beyond national borders include market analyses, capacity-building activities, organization of international marketing events such as fairs and missions, business matchmaking, and establishment of initial contacts with potential partners. This support to local firms can lower the fixed costs they incur when exporting for the first time and when entering new markets by reducing the costs associated with gathering information on prices, product standards, and potential buyers. Similarly, they can lower the fixed costs that foreign firms incur when setting up in a new country or expanding their presence there. The empirical evidence consistently suggests that trade and investment promotion programs are effective in helping domestic firms increase and diversify their foreign sales, enter new export markets, and attract greenfield FDI by reducing information frictions (Rose, 2007; Volpe Martincus, 2010; Volpe Martincus & Sztajerowska, 2019; Volpe Martincus, Marra de Artiñano, Sztajerowska, & Carballo, 2021; Volpe Martincus, 2026).

Diplomatic representation between the GCC and LAC is still uneven and incomplete across countries (Table 6). Brazil is the only LAC country with resident embassies in all GCC member states. Several of the most economically integrated LAC countries maintain diplomatic relations with all GCC members, but their embassies are concentrated mainly in the UAE and Qatar and, to a lesser extent, in Saudi Arabia and Kuwait. Ties with Bahrain and Oman are frequently managed through concurrent embassies located elsewhere in the Middle East. GCC diplomatic missions in LAC are concentrated in Brazil, Argentina, and Mexico. This pattern reflects the role of these countries as the main economic and diplomatic gateways between the two regions.

Table 6. *Embassy networks between LAC and GCC*



Note: A resident embassy refers to a diplomatic mission physically located in the host country and headed by an ambassador accredited to that country. A concurrent embassy refers to an arrangement in which an ambassador based in another country is also accredited to represent their country in additional states where no resident embassy is established. Source: IDB with official data.

Several Latin American trade and investment promotion agencies have established a presence in the GCC, reflecting the region's growing importance as a hub for trade, investment, and commercial engagement. These include ApexBrasil, ProChile, ProColombia, ProEcuador, and Costa Rica's PROCOMER, with offices across the Gulf, including in Dubai, Abu Dhabi, and Doha through partnerships with Invest Qatar. Other LAC countries without dedicated offices in the GCC continue to promote trade and investment opportunities through their respective embassies and consulates.

Investment Promotion Agencies (IPAs) specifically prioritize greenfield FDI from some countries. Certain IPAs prioritize a great number of countries of origin, such as Brazil, Ecuador, Honduras, Jamaica, Mexico, and Uruguay. On the other hand, some IPAs focus their promotional efforts on a reduced number of countries, such as Chile, Guatemala, and Trinidad and Tobago. The economies that IPAs target most are OECD and Asian countries, including the United States, Germany, China, the United Kingdom, Japan, and France (Volpe Martincus & Sztajerowska, 2019; Volpe Martincus, 2021).

Trade and investment promotion agencies from GCC countries do not currently maintain offices in LAC, but they act through their embassies and consulates. Saudi Arabia maintains an office in Miami, Florida, which serves as a gateway to the LAC region.

E. Specific private sector initiatives

Business chambers and business councils facilitate internationalization by expanding firms' access to commercial networks, market intelligence, and business matchmaking opportunities. Empirical evidence suggests that stronger engagement with trade associations and chamber networks improves firms' access to foreign market information, reduces uncertainty, and is associated with better export performance (Brache & Felzensztein, 2019).

While still nascent and with potential to grow and expand, several private-sector initiatives have also contributed to strengthening economic links between LAC and GCC countries. These initiatives include business dialogue platforms, certification systems that facilitate market access, and emerging investment links in innovative ecosystems.

- **Business chambers and councils.** Some chambers of commerce and business councils help connect firms, disseminate market information, and organize networking activities, business forums, and trade missions. One of the most prominent examples is the Arab-Brazilian Chamber of Commerce, which has long supported trade and investment ties between Brazil and Arab markets, including those in the GCC. Another interesting case is the Latinoamerica Business Center (LABC), a platform launched by the Arab Colombian Chamber of Commerce (ACCC) and a leading Emirati government entity to support the soft landing of Latin American companies in the GCC.

  Meanwhile, Dubai has become a hub for several LAC business councils (such as the Brazilian Business Council and the Mexican Business Council) that provide platforms for companies operating in or entering the Gulf market. In addition, regional initiatives such as the Latin America Business Council in the UAE aim to strengthen business dialogue and partnerships between the two regions.

Business associations and sectoral organizations in LAC also organize trade missions and participation in international trade fairs in the Gulf, often supported by trade promotion agencies. One of the most important platforms is Gulfood, the large annual food and beverage exhibition held in Dubai, which regularly hosts national pavilions and business delegations from several LAC countries seeking to connect with distributors and buyers from the GCC and neighboring markets.

While these organizations contribute to improving information flows and facilitating contacts between firms, their geographic coverage remains concentrated in a few countries and sectors, reflecting the still-nascent nature of institutionalized private-sector cooperation between LAC and the GCC. A similar pattern is observed in broader business networks. GCC-based firms remain largely absent from major hemispheric platforms such as the Council of the Americas and the Americas Business Dialogue. While many participating multinational companies operate in both LAC and GCC markets, these connections are typically mediated by global firms rather than by direct GCC-LAC business networks, thus primarily operating through indirect channels.

- **Certifications.** Certification systems play a key role in bilateral trade, especially in food and agricultural products, where there are significant regulatory, quality, and religious requirements. The most important example is halal certification, which is required to export meat and other processed food products to GCC countries. Brazil, for instance, has developed a large certification ecosystem based on organizations such as the Federation of Muslim Associations in Brazil (FAMBRAS Halal) and the Halal do Brasil project, which provides certifications, training, and compliance services to meet those requirements. In addition, some chambers of commerce linked to Arab markets provide services of verification, translation, and legalization of trade documents required by importing authorities in the GCC.

- **Innovation.** Innovation linkages between LAC and the GCC remain limited but are gradually emerging through entrepreneurship and startup support platforms. One of the main channels is the Entrepreneurship World Cup, a global initiative supported by Saudi Arabia that connects startups, investors, and support organizations from more than 100 countries. Latin American participation has been visible in recent editions, where some ventures from the region have reached advanced stages of the competition, including a Mexican business-to-business (B2B) sales platform that won a top prize in 2024. Another example is Hub71 in Abu Dhabi, where two Brazilian edtech startups and an Argentine healthtech company have received support, including mentorship, networking, and funding opportunities.

F. Climate resilience and food security

LAC is the world's largest net exporting region of agricultural products and has a structural role in global food security (IDB, 2025). The region accounts for a significant share of global exports of soybeans, maize, beef, poultry, and sugar, and is one of the few regions with a sustained agricultural trade surplus. LAC also has a role linked to sustainability and productivity, as it has the potential to expand output through efficiency gains, technology adoption, and improved logistics, rather than through extensive land expansion. In this context, strengthening infrastructure, reducing trade costs, and facilitating compliance with international standards are critical to ensuring reliable supply to global markets. **Deeper trade integration and improved connectivity can enhance LAC's contribution to food security by improving access to markets, reducing volatility, and supporting more resilient food systems at the global level.**

The climate agenda may also create new avenues for cooperation between LAC and the GCC. Qatar's hosting of the UN Climate Change Conference (COP18) in Doha in 2012 marked an important milestone in the region's engagement with global climate negotiations, highlighting the role of Gulf countries as convenors in advancing international climate cooperation and addressing the needs of developing countries. More than a decade later, the hosting of the UN Climate Change Conference (COP28) in Dubai highlighted the growing global attention to sustainable food systems, climate-resilient agriculture, and the financing of the green transition. These priorities intersect with structural complementarities between the two regions: while LAC is a major global supplier of agricultural products and natural resources, GCC countries have been expanding investments and technological capabilities in areas such as water management, desert agriculture, and climate-related innovation.

In this context, cooperation could increasingly extend beyond traditional trade flows to include collaboration on climate-resilient agrifood systems, sustainable resource management, and green investment. Initiatives related to food systems transformation and climate finance promoted during the last three COPs may provide multilateral platforms through which both regions can deepen partnerships in agriculture, food security, and low-carbon development. Such collaboration would also build on earlier climate commitments from the Gulf region. For instance, at the 2019 UN Climate Action Summit in New York, the State of Qatar announced a $100 million contribution to support Small Island Developing States (SIDS) and Least Developed Countries (LDCs) in addressing climate change, natural hazards, and environmental challenges, underscoring Qatar's growing engagement in climate-related development cooperation.

4.

INTERREGIONAL COOPERATION: TRENDS AND OPPORTUNITIES

4. INTERREGIONAL COOPERATION: TRENDS AND OPPORTUNITIES

The policy and institutional factors discussed in the previous section shape not only trade and investment flows but also the scope for broader economic cooperation between the two regions. Improvements in connectivity, trade facilitation, regulatory cooperation, and institutional linkages help create the conditions for stronger partnerships, while development finance and technical cooperation can, in turn, support investments and reforms that reduce trade costs and deepen economic integration. In this sense, development cooperation should be viewed as complementary to trade and investment policies rather than as a separate policy domain.

Engagement between the GCC countries and LAC is increasingly taking the form of a broader and more structured interregional cooperation agenda, extending beyond traditional trade and investment links. As economic ties deepen, governments, development finance institutions (DFIs), sovereign investors, and private firms are seeking to expand and formalize their presence across both regions. This reflects a clear convergence of interests. Gulf countries are seeking to diversify their global partnerships, deploy capital in new markets, and strengthen access to sectors such as food production, infrastructure, and emerging industries. In parallel, LAC offers a strong platform for investment, with its natural resource base, growing domestic markets, and a pipeline of opportunities in areas that are critical for competitiveness, including logistics, energy, agribusiness, and services.

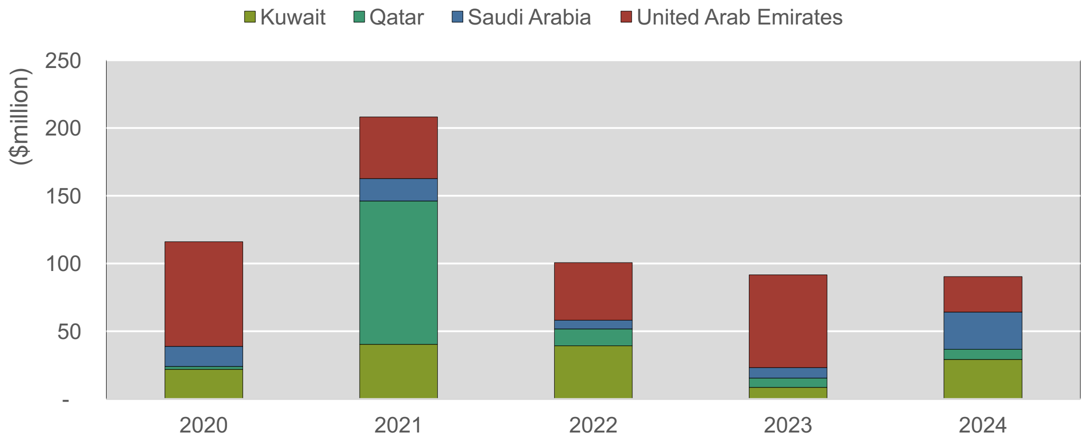
Despite this strong potential, development and investment challenges persist, particularly in sectors that require large upfront capital and long-term commitments. These constraints also create space for mutual learning, as both regions bring relevant experience in managing structural transformation, infrastructure development, and economic diversification. In this context, development finance and investment instruments have become a practical entry point for deeper engagement. Gulf institutions are gradually expanding their presence in LAC, deploying development finance and establishing partnerships with MDBs and regional actors. These approaches are helping to reinforce broader economic and diplomatic ties between the two regions.

This section provides an overview of the evolving landscape of development cooperation between the GCC and LAC, examining how cross-regional engagement has unfolded in recent years. It assesses the main trends in Gulf development finance in the LAC region and highlights the sectors, instruments, and channels shaping this emerging partnership. Building on this analysis, the section identifies where deeper collaboration could generate greater development impact, particularly in areas aligned with shared priorities. Moreover, it explores how bilateral donors and MDBs, particularly the IDB and Qatar, are helping to deepen cross-regional collaboration. It concludes by highlighting key areas where further cooperation could deliver meaningful development impact. **The aim is to offer an evidence-based understanding of current dynamics while pointing to concrete opportunities to strengthen interregional cooperation in support of sustainable development.**

A. General trends

Between 2020 and 2024, the GCC countries[13] provided an estimated $606.8 million in cross-border flows of development finance to LAC[14] (Figure 17). This emerging engagement is remarkable, particularly as development cooperation ties between the two regions are still in their early stages. This amount remains small relative to the roughly $39 billion in global cross-border development flows disbursed by GCC partners over the same period, suggesting considerable room to expand GCC-LAC development cooperation.

Figure 17. *Total cross-border support by GCC countries to LAC 2020-2024*



Source: IDB based on TOSSD Dataset (2026).

GCC countries' cross-border support to LAC has remained active over the period 2020 to 2024, although annual volumes vary from year to year. Total flows increased sharply from approximately $116 million in 2020 to about $208 million in 2021, before declining to around $100 million in 2022 and remaining below $90 million annually in 2023 and 2024. This pattern suggests that Gulf development finance to LAC has so far been largely driven by specific projects or initiatives driven by concrete events such as the COVID-19 recovery in 2021, rather than by sustained multi-year financing programs. Nevertheless, the continued presence of flows from Gulf partners indicates that a strong cooperation across regions is already taking shape. This existing engagement could provide a useful basis for both regions to gradually develop more stable and strategic forms of development finance cooperation.

[13] This chapter covers development finance flows from Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates.

[14] About the TOSSD Data: Chapter 4 is based on TOSSD Pillar 1 Data countries from the period 2020-2024 (the latest available data as of March 2026). TOSSD data are presented from the recipient perspective, and totals are based on gross disbursements.
The analyses cover TOSSD-eligible countries in LAC. These are: Antigua and Barbuda, Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Montserrat, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, and Venezuela.

Flows from GCC partners to LAC also show distinct patterns across individual providers, with different countries shaping the overall trend in different years. The UAE emerges as the largest provider of support despite fluctuations, with an estimated amount of $260 million (around 43% of GCC support to LAC). Kuwait and Qatar have provided similar levels of support to the LAC region, $139 million (23%) and $134.6 million (22%), respectively. While Kuwait's support is more distributed throughout the period, Qatar concentrated almost 80% of its support to LAC in the year 2021. Finally, Saudi Arabia provided approximately $73.1 million (12%) to LAC, showcasing more opportunities to engage in the future.

Box 3. Qatar as a provider of development cooperation

The Gulf's role in international development is often understood primarily through its financial and commercial influence, particularly sovereign wealth investment, energy financing, and capital flows. Although these activities are highly visible, they represent only one aspect of Gulf engagement with development. In Qatar's case, development cooperation is pursued through a range of institutions and policy instruments that warrant separate consideration. Distinguishing between these different forms of engagement can contribute to a more nuanced assessment of both Qatar's development activities and the Gulf's place within the international development system.

Qatar's international financial engagement is channeled through three broadly distinct institutional tracks: commercial investment through the Qatar Investment Authority, energy sector activities through QatarEnergy, and official development cooperation through the Qatar Fund for Development (QFFD). Unlike the former two, QFFD operates under a development mandate, employing instruments such as grants, concessional loans, guarantees, and co-financing arrangements with multilateral partners. Its activities involve a diverse set of counterparts, including governments, UN agencies, development banks, and private-sector actors. These institutional characteristics influence both the forms of engagement available to QFFD and the objectives they are designed to serve.

An important feature of Qatar's development cooperation is its alignment with broader national policy objectives. Qatar National Vision 2030 presents international cooperation as connected to priorities such as food security, human capital development, economic resilience, and climate adaptation, rather than as a wholly separate area of foreign policy (GCO, 2026). This framing suggests a degree of continuity between domestic development goals and external development engagement. It also provides a useful context for understanding the increasing emphasis on longer-term partnerships, institutional cooperation, and program-based approaches alongside more traditional project-level interventions.

This approach is also presented as consistent with the 2030 Agenda for Sustainable Development, linking Qatar's development priorities with broader international objectives. Through the QFFD, Qatar supports programs across more than 100 countries in areas including humanitarian assistance, food security, education, health, and economic development. In recent years, QFFD has placed greater emphasis on co-financing arrangements and partnerships with multilateral organizations, complementing traditional bilateral forms of assistance.

This evolution has coincided with an expansion in Qatar's official development assistance (ODA). According to preliminary figures, ODA will reach approximately $911 million in 2025, equivalent to 0.43% of gross national income, representing an increase from the previous year (OECD, 2026). Alongside this growth, QFFD has made greater use of a broader range of financial instruments, including concessional loans, guarantees, and blended finance arrangements implemented in cooperation with multilateral institutions.

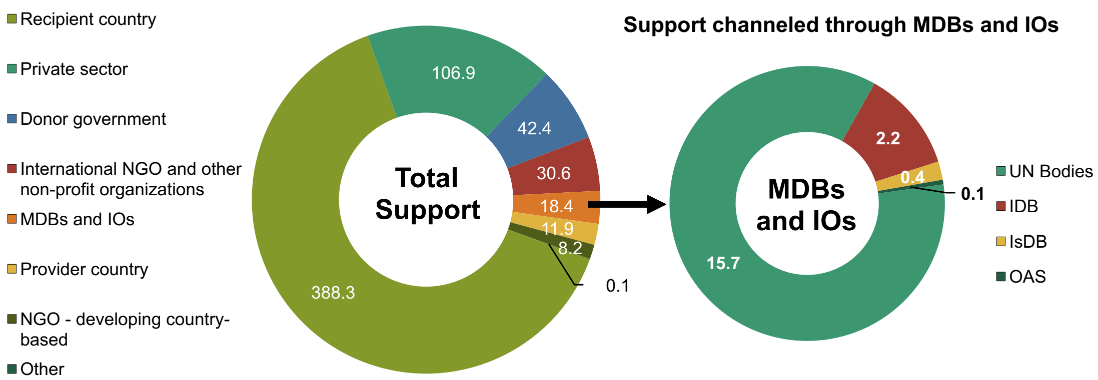
These developments suggest a gradual shift in the modalities through which Qatar delivers development cooperation. While bilateral assistance remains important, increasing attention has been given to partnership-based approaches that seek to pool resources, share risks, and coordinate implementation with other development actors. In this sense, recent changes appear less as a transformation of development objectives than as an evolution in the institutional mechanisms used to pursue them.

B. GCC development finance channels

Financing from GCC countries to LAC represents a key channel of interregional cooperation; however, it remains predominantly bilateral and limited in scale relative to potential demand. While bilateral channels offer flexibility, their dominance constrains scalability, coordination, and risk-sharing. A more balanced approach that incorporates multilateral platforms and structured co-financing arrangements could significantly enhance both the efficiency and impact of development finance flows.

Most flows are directed through country-led operations and DFIs. The data show that bilateral channels account for the dominant share of financing (more than 64%), while contributions channeled through MDBs and international organizations remain comparatively small, representing only 3% of total flows. Within this already limited multilateral engagement, the IDB is the main MDB through which Gulf development finance has reached LAC. To date, Qatar is the only GCC country channeling such financing through the IDB (Box 4). This is a major milestone, as the IDB's regional expertise and established presence position it as a natural partner to facilitate deeper and more effective engagement with LAC.

Figure 18. GCC development financing channels ($million)



Source: IDB based on TOSSD Dataset (2026).

Bilateral development finance is largely delivered through GCC national development funds, which primarily provide concessional loans to governments for infrastructure and development projects. In LAC, these funds have supported sectors closely linked to trade competitiveness, including energy supply, transport infrastructure, water management, and agricultural productivity. For example, the Abu Dhabi Fund for

Development and the Kuwait Fund for Arab Economic Development have financed projects in 19 and 15 countries across LAC, respectively.

An important mechanism for coordination among GCC development actors is the Arab Coordination Group (ACG), which brings together major Arab development finance institutions (including QFFD, the Kuwait Fund, the Saudi Fund for Development, the Abu Dhabi Fund for Development, the OPEC Fund for International Development, and the Islamic Development Bank (IsDB), among others) to co-finance large development projects. In recent years, cooperation between this group and MDBs operating in LAC, including the IDB Group, the Development Bank of Latin America, and the Caribbean (CAF), has begun to expand, with the objective of identifying and co-financing projects across the region (CAF, 2025). This emerging coordination suggests a gradual shift toward more structured and scalable cooperation mechanisms, although it remains at an early stage.

This distribution of channels for development finance points to an opportunity for Gulf partners to scale and better coordinate development cooperation efforts in LAC through multilateral platforms. While bilateral channels provide flexibility and visibility, their dominance also points to untapped potential to scale and better coordinate financing through multilateral platforms. MDBs, particularly the IDB, offer important advantages that complement bilateral approaches while engaging with the LAC region. These include the ability to pool resources, mitigate risks, provide technical expertise and deep regional knowledge, and align investments with regional priorities. Despite these benefits, the use of MDBs as channels for Gulf financing in LAC remains limited. Expanding the use of and partnerships with MDBs such as the IDB could therefore enhance both the efficiency and the impact of Gulf financing in the region.

In particular, MDBs provide structured platforms for risk mitigation, pipeline development, and project preparation. Expanding engagement through these institutions would enable Gulf partners to deploy capital more strategically, especially in complex sectors such as infrastructure, energy transition, and climate resilience, where project structuring and risk allocation are critical.

Box 4. The IDB Group as a bridge between the Gulf and LAC

As economic and development ties between the Gulf and Latin America and the Caribbean continue to expand, the IDB Group is well positioned to serve as a bridge between the two regions. With an established presence across LAC, longstanding relationships with governments and the private sector, and a broad range of financing and risk-mitigation instruments, the IDB Group can connect Gulf capital, expertise, technology, and long-term investment strategies with development priorities and opportunities across the region. Five interconnected functions illustrate how the IDB Group can help translate growing Gulf-LAC engagement into more structured and scalable cooperation:

- **Serving as a trusted partner across LAC.** The diversity of economic, institutional, and development conditions across LAC can make regional engagement a complex endeavor. Through its presence across the region and close relationships with public and private sector stakeholders, the IDB Group acts as a trusted partner to Gulf institutions in identifying opportunities, navigating local environments, and aligning investments with national and regional priorities. It can also help extend engagement beyond the countries and sectors where Gulf participation is currently concentrated, opening pathways to a broader range of development opportunities across the region.

- **Connecting Gulf capital and expertise with opportunities across LAC.** The availability of capital does not automatically result in investment, particularly in sectors where projects require extensive preparation, complex structuring, or lengthy implementation periods. The IDB Group can help connect Gulf financing and expertise with established and emerging project pipelines. Through project preparation, technical expertise, and knowledge of local conditions, the IDB Group can help move cooperation from broad areas of common interest toward concrete and implementable operations.
- **Combining financing instruments and mobilizing investment at scale.** Development challenges across LAC require different financing approaches depending on the characteristics of each country, sector, and operation. Working with Gulf institutions, the IDB Group can combine different sources of financing and match instruments more closely with project requirements. It can also help structure assets and operations in ways that connect projects in LAC with a broader community of public and private investors. This can complement bilateral cooperation and enable Gulf resources to achieve greater scale, coordination, and development impact.
- **Connecting complementary strengths across the two regions.** The Gulf and LAC bring different but complementary assets to their relationship. LAC has significant capacity in food production, renewable energy, critical minerals, natural capital, and other sectors that are increasingly important to global economic security and sustainable growth. Gulf partners bring capital, infrastructure and logistics expertise, technological capabilities, experience in large-scale project delivery, and connections to global markets. The IDB Group can help bridge these complementary strengths. It can support the policy and regulatory frameworks, project preparation, investment mobilization, and financing required to develop more resilient supply chains and higher-value activities.
- **Building long-term and programmatic partnerships.** As Gulf-LAC engagement develops, there is scope to move beyond individual projects toward multi-year frameworks covering several operations, sectors, or countries. The IDB Group can provide a platform for developing thematic facilities, co-financing arrangements, investment programs, and other forms of structured cooperation around shared priorities. Such frameworks can provide greater continuity while retaining the flexibility required to respond to different country circumstances. Over time, they could broaden the geographic and sectoral reach of Gulf engagement, support a more predictable pipeline of operations, and move the relationship toward strategic and scalable partnerships.

Qatar and the IDB Group

In 2025, cooperation between the IDB Group and the State of Qatar entered a new phase, marked by the signing of several MOUs and framework agreements with key partners, including QFFD and Education Above All Foundation (EAA). These agreements reflect a broader shift in Qatar-LAC engagement, where collaboration is increasingly seen as a strategic lever for addressing shared development challenges. Within this broader engagement, the partnership with QFFD provides a strategic framework for expanding development cooperation and developing more structured co-financing approaches in LAC. Throughout a series of engagements in 2025, a consistent message emerged: cross-regional cooperation is a growing pillar of collective action on issues such as human development, climate resilience, and institutional strengthening.

The MOU with QFFD is central to this emerging Gulf-LAC relationship. It strengthens cooperation across education, social development, and resilience, while laying out the groundwork for a forthcoming concessional co-financing facility and blended finance structures with IDB Invest. By connecting Qatar's development ecosystem with the IDB's regional expertise, the partnership is designed to mobilize resources more strategically and deliver higher-impact programs across the region. It also creates a basis for moving toward more structured and programmatic cooperation, including through co-financing and the combination of different sources of development finance. Together, these efforts signal a maturing relationship, one that positions Gulf institutions, including QFFD, as meaningful partners in advancing sustainable development across LAC.

Complementing this broader strategic relationship, one of the most tangible expressions of this renewed ambition is the IDB Group's partnership with EAA. Renewed in 2025 for the 2025-2030 period, the collaboration channels a combined $100 million, pairing up to $40 million in EAA grants with $60 million in IDB loans, for youth empowerment and to expand access to education for children in LAC who are out of school or at risk of dropping out (IDB, 2026). Beyond financing, the partnership emphasizes innovation, including new approaches to education infrastructure resilience and closer coordination with regional partners to scale successful models, such as those piloted through the IDB Group's ONE Caribbean initiative. Since 2019, joint IDB-EAA efforts have already reached more than 112,000 out-of-school children in Haiti, providing a solid track record on which to build future interventions.

Source: IDB based on the 2025 IDB Partnership Report.

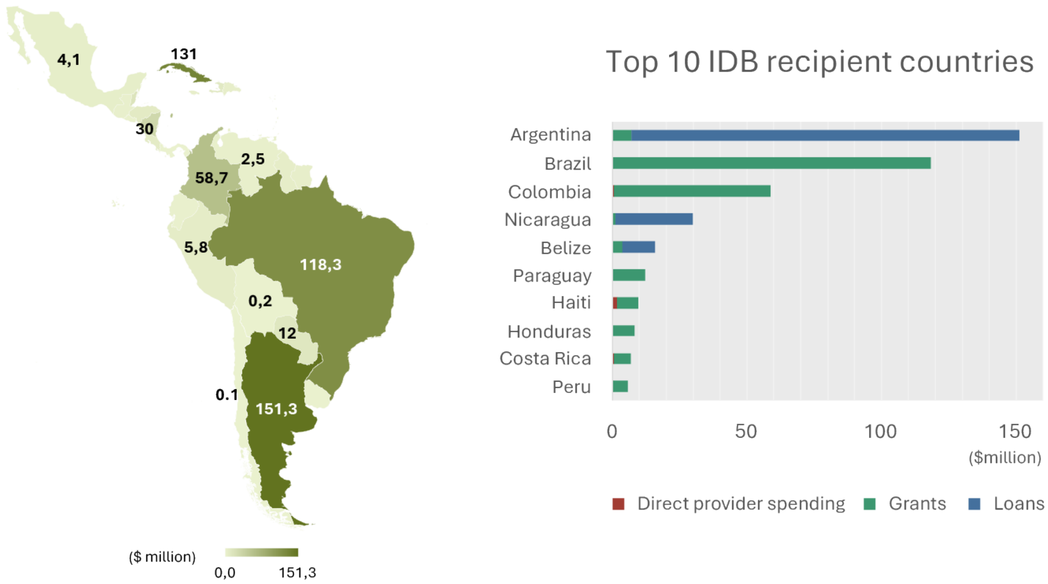
Complementing these development finance flows, GCC countries also channel capital abroad through state investment funds and other sovereign investment vehicles operating on commercial terms. These funds typically focus on strategic industries and long-term returns. In LAC, their investments are concentrated in sectors closely linked to international trade, including food production, transport and logistics infrastructure, and natural resource industries. For instance, Qatar's sovereign wealth fund, the Qatar Investment Authority (QIA), holds a stake in the agribusiness firm Adecoagro, which operates in Argentina, Brazil, and Uruguay (Alghamdi, 2025), while the UAE's Mubadala Investment Company has acquired stakes in refinery and transport assets in Brazil and Saudi Arabia's Public Investment Fund (PIF) has partnered with regional asset managers to finance transport infrastructure projects (Lyall, 2024). More recently, GCC investors have also expanded their presence into financial services and technology, including investments in Plata, a Mexican digital banking platform, and exposure to Banamex, one of Mexico's largest financial institutions (QIA, 2026). While these flows differ from development finance in their objectives and modalities, they reinforce GCC economic engagement in sectors that are also central to trade and development dynamics.

C. Geographic distribution

The distribution of Gulf development cooperation across LAC is highly concentrated in a small group of recipient countries. The five largest recipients together account for around 80% of total Gulf flows over the 2020-2024 period. This pattern suggests that Gulf engagement is currently focused on a limited set of large or strategic partnerships, rather than broadly distributed across the region.

While this concentration can reflect targeted investment and stronger bilateral ties, it also points to untapped potential for expanding cooperation across a wider range of countries. Many smaller and more vulnerable economies in the Caribbean and in Central America receive comparatively limited support despite facing significant development challenges. Broadening the geographic reach of Gulf financing could therefore help increase overall development impact, while also diversifying partnerships and risk exposure.

Figure 19. *Distribution of GCC development financing across LAC countries (2020-2024) ($million)*



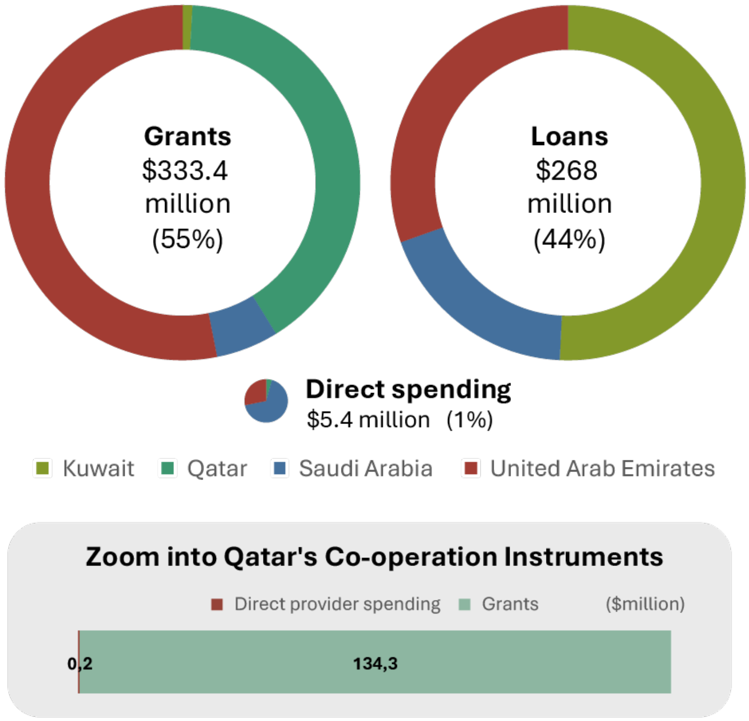
Source: IDB based on TOSSD Dataset (2026).

D. Financial instruments and innovation

Gulf development cooperation with LAC is delivered primarily through grants and loans, with only a very limited role for direct provider spending. Over the period analyzed, grants accounted for approximately $333 million, representing a slight majority of total flows, while standard loans reached around $268 million. Direct spending remained marginal at just over $5 million. This distribution points to a model that combines concessional support with repayable financing, enabling Gulf partners to respond to immediate development needs while also supporting larger-scale investments. The composition of instruments varies across providers. The UAE and Qatar dominate grant funding, together accounting for almost 93% of total grants, while, Kuwait plays a leading role in loan provision, representing just over half of total lending.

A closer look at the distribution of instruments across recipient countries reveals a high concentration of loan financing in a small number of cases. Three countries account for around $249.8 million (93% of total loan disbursements), indicating that lending from Gulf partners is not broadly distributed across the region but instead is targeted toward specific countries. While the overall volume of lending remains relatively modest, debt sustainability is an unavoidable consideration when assessing the future expansion of Gulf development cooperation in LAC due to elevated debt levels and limited fiscal space faced by many countries across the region. Accordingly, ensuring that future support does not simply increase debt levels in LAC and exacerbate existing vulnerabilities will be essential for maintaining fiscal stability and preserving the long-term sustainability of Gulf-LAC development partnerships.

Figure 20. *Distribution of GCC development finance instruments to LAC (2020-2024)*



Source: IDB based on TOSSD Dataset (2026).

Box 5. Thinking beyond grants and loans: Innovative approaches to development finance

Traditional development finance approaches have relied mostly on grants and sovereign lending to support development objectives. While these instruments remain valuable, they are increasingly insufficient to meet today's financing needs. Public resources alone cannot match the scale of investment required to achieve the ambitions of the 2030 Agenda, making it essential to align private financial flows with sustainable development priorities, which can help reduce development finance gaps (WEF, 2024). Even though private capital has the potential to contribute to the Sustainable Development Goals (SDGs) ambitions, its potential remains constrained in many key sectors in LAC. Structural challenges such as market failures, high-risk profiles of development projects, and restricted access to long-term financing continue to limit investment, particularly in areas such as the energy transition.

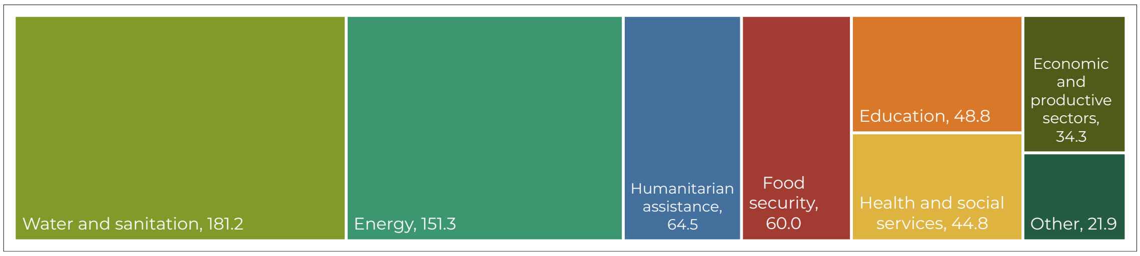
In this context, innovative approaches to development finance will play a critical role in future development cooperation strategies. Approaches and instruments such as blended finance, guarantees, and other risk-sharing mechanisms enable development actors to deploy public and concessional resources more strategically. By reducing risks and improving the bankability of projects, these tools can help mobilize private investment into projects that would otherwise not receive financing (Convergence, 2025). Moving beyond a model centered on grants and sovereign loans toward one that actively mobilizes private capital and pushes for more catalytic instruments is needed to unlock sustainable and scalable financing solutions for the region.

Nevertheless, it is important to recognize that the success of innovative development finance solutions will depend on their ability to effectively manage and distribute the risks associated with investment in LAC. Key challenges include differing sovereign and sub-sovereign credit profiles across countries, currency mismatches where project revenues are generated in local currencies, political and regulatory uncertainty, and execution risks related to project implementation capacity and timelines. Addressing these constraints will be essential to attracting greater private investment and ensuring that innovative financing mechanisms can deliver sustainable development outcomes at scale.

E. Sectoral and SDG financing in LAC

The sectoral distribution of Gulf development cooperation shows a clear concentration in infrastructure and basic services, alongside a continued focus on social and humanitarian priorities. The largest share of financing is directed toward water supply and sanitation ($181 million) and energy ($151 million), followed by humanitarian assistance ($64.5 million) and food security ($60 million). Education and health also receive substantial support, while financing for economic and productive sectors remains comparatively more limited. This pattern suggests that Gulf partners are prioritizing foundational sectors that address immediate needs and enable long-term development, particularly in areas linked to resilience, access to basic services, and crisis response.

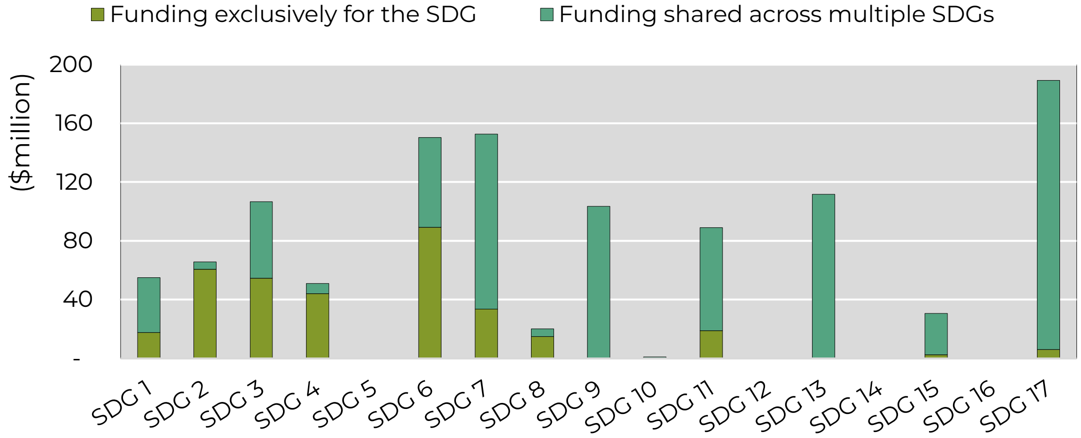
Figure 21. *Sectoral distribution of official support in LAC, 2020-2024, ($million)*



Source: IDB based on TOSSD Dataset (2026).

This sectoral profile is reflected in the allocation of financing across the Sustainable Development Goals (SDGs), where support is clustered around a small number of priority goals. The largest volumes are associated with SDG 6 (water and sanitation) and SDG 7 (energy), alongside significant contributions to SDG 2 (zero hunger) and SDG 3 (health). At the same time, a large share of financing is classified as multi-SDG, indicating that many operations cut across sectors and contribute to several goals simultaneously, particularly in areas such as infrastructure and institutional support. Still, while this integrated approach is positive, the distribution also indicates that other SDGs receive comparatively limited attention, suggesting opportunities to broaden the scope of engagement. Strengthening alignment with a wider range of SDGs, while maintaining the current focus on high-impact sectors, could help maximize the overall contribution of Gulf financing to the 2030 Agenda in the region. This is particularly relevant since only 23% of SDG targets are currently on track in the LAC region (ECLAC, 2025).

Figure 22. *GCC development finance allocation across the SDGs in LAC (2020-2024)*



Note: SDG 1: No Poverty; SDG 2: Zero Hunger; SDG 3: Good Health and Well-Being; SDG 4: Quality Education; SDG 5: Gender Equality; SDG 6: Clean Water and Sanitation; SDG 7: Affordable and Clean Energy; SDG 8: Decent Work and Economic Growth; SDG 9: Industry, Innovation and Infrastructure; SDG 10: Reduced Inequalities; SDG 11: Sustainable Cities and Communities; SDG 12: Responsible Consumption and Production; SDG 13: Climate Action; SDG 14: Life Below Water; SDG 15: Life on Land; SDG 16: Peace, Justice and Strong Institutions; SDG 17: Partnerships for the Goals.
Source: IDB based on TOSSD Dataset (2026).

Given this landscape, and considering existing financing patterns, unmet development needs, and the comparative advantages of both regions, three areas stand out for strengthened GCC-LAC cooperation. While all of the sectors that the SDGs cover are relevant for development purposes, they differ in their development and financing characteristics. Some offer clear revenue streams and are well suited to large-scale investment with a more straightforward bankable profile, while others require more concessionality. Recognizing these differences is important for matching financing instruments to sector needs and maximizing development impact.

- **Infrastructure and energy transition.** This is already one of the most prominent areas of Gulf engagement, with significant allocations to energy from GCC countries ($151 million). This sector is central to SDG 7 and is critical for enabling broader economic development. At the same time, large investment gaps persist across LAC, particularly in sustainable infrastructure and clean energy systems (Brichetti, 2021). From a financing perspective, these are among the most bankable sectors, with relatively predictable revenue streams that can support concessional lending, co-financing arrangements, and structured investment vehicles. GCC countries bring relevant experience in large-scale infrastructure delivery, long-term project financing, and energy sector development, positioning them well to expand support in this area, particularly through more structured and multi-year investment approaches.

- **Food security and sustainable agriculture.** Although food security receives a meaningful share of GCC financing in LAC ($60 million), support remains relatively limited as compared with infrastructure sectors, despite its importance for both regions. LAC plays an important role as a global food producer, while many Gulf countries face challenges related to domestic food production. This creates a clear basis for mutually beneficial cooperation (IFPRI, 2026; Al Mubarak, 2025). However, agricultural investments are often exposed to climate variability, market volatility, and other risks that can limit private investment. Expanding cooperation in this area may therefore require blended finance approaches, guarantees, and other risk-sharing mechanisms capable of improving the risk profile of projects in these areas.

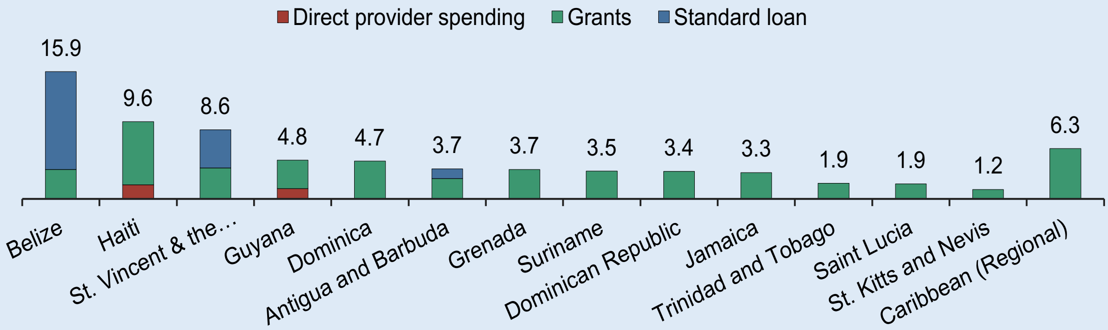
- **Human capital and digital transformation.** Financing for education and health is present but not dominant, and support for broader digital transformation remains limited. Yet these areas are essential for long-term productivity, inclusion, and economic diversification. Strengthening cooperation in human capital development, alongside digital infrastructure and technology-driven solutions, could help address structural constraints in LAC while also reflecting the increasing focus of GCC countries on knowledge-based economies. This includes opportunities in digital learning, health systems strengthening, and technology-enabled service delivery. Because returns in these sectors are often indirect, long-term, and difficult to monetize, they may require higher levels of concessional financing, grant support, and innovative financing structures than more traditional infrastructure investments.

Box 6. Gulf Cooperation in Small Island Developing States

Small Island Developing States (SIDS) received around one-third of total GCC support to LAC during 2020-2024. Despite this significant level of engagement, financing remains concentrated among a small number of recipient countries, indicating scope to broaden the geographic reach of Gulf development cooperation across the SIDS community. Belize ($15.9 million), Haiti ($9.6 million), and St. Vincent and the Grenadines ($8.6 million) are among the largest recipients, while most other SIDS received less than $5 million over the period.

Beyond the concentration of flows, SIDS face a structurally constrained development finance landscape amid development challenges. SIDS in LAC are facing high debt burdens, elevated exposure to external shocks, and acute structural vulnerabilities (Maciel, 2026; WEF, 2024). Access to debt relief is similarly restricted, given their higher income status. Still, some countries, such as Barbados, have surpassed the World Bank's high-income threshold, placing them outside the priority lists of many development finance budgets (high-income SIDS are not eligible to receive ODA). As a result, they have limited access to international development finance.

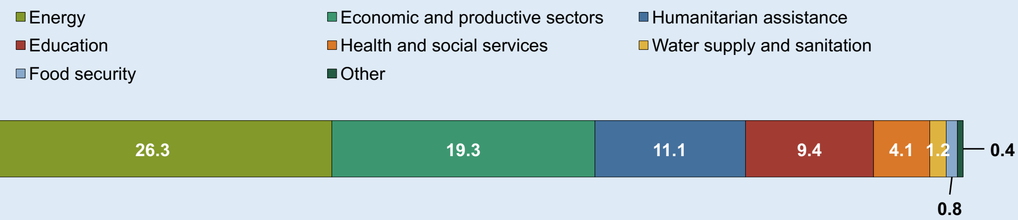
Figure 23. *Gulf distribution of support in LAC SIDS ($million)*



Source: IDB based on TOSSD Dataset (2026).

Development challenges are further intensified by the SIDS' high exposure to environment-related risks, as they are disproportionately affected by severe weather events and disaster episodes, which generate repeated economic losses and increase financing needs (Saavedra, 2020). Current GCC support to SIDS contributes to important sectors such as energy, which can strengthen resilience to climate-related shocks and support sustainable development objectives. Nevertheless, allocations directly addressing adaptation and mitigation remain limited, since only $12.3 million of GCC disbursements explicitly target adaptation and mitigation objectives based on Total Official Support for Sustainable Development (TOSSD) reporting. These points highlight potential opportunities to enhance the alignment between existing support and the challenges faced by SIDS.

Figure 24. Sectoral distribution of support in SIDS ($million)



Note: This figure covers the same countries as Figure 23.
Source: IDB based on TOSSD Dataset (2026).

5.

ADVANCING THE LAC-GULF AGENDA

5. ADVANCING THE LAC-GULF AGENDA

Trade and investment relations between LAC and the GCC remain limited relative to the economic size of both regions. Bilateral trade is a small share of total external trade for both partners, and FDI links are sparse and concentrated in a small number of countries and sectors.

Nevertheless, the relationship holds significant scope for deepening and diversification. On the trade side, complementarities exist in several sectors. LAC exports to the GCC are largely concentrated in minerals, food, and agricultural products, while imports from the GCC are dominated by energy products and fertilizers. **The opportunity analysis identified several sectors with potential to expand bilateral trade in both directions**, particularly in energy, metals, food products, selected manufactured goods, and tourism.

For these potential opportunities to materialize, several structural and policy factors that continue to constrain deeper economic integration need to be addressed. These include limited maritime and air connectivity, which reinforces reliance on transshipment hubs and keeps transport costs relatively high; a shallow trade and investment institutional framework linking the two regions, with few free trade agreements and an uneven network of bilateral investment and taxation treaties; incomplete implementation of trade facilitation despite the advances in many economies in both regions in terms of digital, paperless trade systems; and thin trade and investment promotion mechanisms that address information frictions. Recent geopolitical volatility affecting Middle East energy markets creates an additional challenge. It has contributed to supply disruptions and rising energy and fertilizer prices, which cascade into higher production costs, reduced agricultural yields, and mounting pressures on food security. These dynamics create distinct challenges across regions. In the GCC, the risks stem primarily from export disruptions and heavy dependence on food imports, while in LAC the effects are indirect, transmitted through elevated fertilizer costs and shipping uncertainties that weaken the resilience of its agrifood systems.

From a development cooperation perspective, GCC engagement with LAC is still at an early stage and is characterized by a strong reliance on bilateral financing mechanisms. Development finance flows are relatively modest, volatile, and concentrated in a small number of recipient countries and sectors. Multilateral channels remain underutilized, with limited use of institutions such as the IDB, despite their potential to scale financing, improve coordination, and enhance impact. **At the same time, emerging initiatives (including co-financing arrangements and partnerships between Gulf institutions and regional development banks) suggest the initial development of more structured cooperation frameworks.**

The international focus on the SDGs has also drawn attention to the scale of financing required in sectors such as infrastructure, energy, food security, and human development. While the current model remains largely centered on grants and sovereign lending, there is increasing emphasis on complementing these instruments with more catalytic approaches, including blended finance and risk-sharing mechanisms, to mobilize private investment at scale. In this context, some actors – particularly Qatar – have begun to play a more active role by leveraging partnerships with institutions such as the IDB, providing an initial entry point for more structured cross-regional cooperation.

Despite these constraints, several enabling mechanisms are gradually strengthening the economic relationship between the two regions. Development finance from GCC institutions is emerging as a relevant channel to support infrastructure and productive sectors in LAC, although it is still limited in scale and coordination. In addition, expanding diplomatic and promotion networks, private-sector initiatives such as business councils and certification systems, and growing cooperation around sustainable food systems and climate-resilient agriculture are contributing to reducing information gaps and facilitating market entry. These mechanisms support the progressive deepening of economic linkages between the two regions.

Against this backdrop, several policy actions can help deepen integration between the two regions and unlock their growth potential:

- **Strengthen transport and logistics connectivity.** Improving physical connectivity between LAC and GCC markets would reduce trade costs and facilitate the expansion of bilateral trade flows. Governments and private operators could explore options to expand direct maritime services, increase air cargo and passenger connectivity, and improve logistics coordination along key trade corridors, including air routes that could support the expansion of tourism and related services between the two regions. Supporting the development of multimodal logistics platforms and strengthening port and airport infrastructure would also contribute to strengthening overall connectivity

- **Deepen institutional and regulatory frameworks.** The relatively limited network of economic agreements between LAC and GCC countries suggests scope for strengthening institutional cooperation. Expanding FTAs, BITs, and DTAs could help improve market access, reduce regulatory uncertainty, and lower overall trade costs, thereby encouraging cross-border trade and investment between the two regions.

- **Facilitate trade and investment through regulatory cooperation.** Although many countries in both regions have made progress in trade facilitation and digitalization, differences in regulatory systems and administrative procedures continue to generate transaction costs. Strengthening cooperation in areas such as digital trade facilitation, customs procedures, and standards recognition could help streamline cross-border operations. Expanding initiatives such as SWs, MRAs, AEO programs, paperless trade systems, and trusted trader programs would also support more efficient trade flows.

- **Support private-sector engagement and market knowledge.** Limited information about business environments and market opportunities remains an important barrier to deeper economic engagement between LAC and GCC firms. Governments, trade promotion agencies, and business organizations can play a role in strengthening business dialogue, supporting participation in trade fairs, and facilitating networking platforms between companies from both regions. Expanding commercial representation, strengthening cooperation between chambers of commerce, and promoting sectoral business missions could help firms identify opportunities and build long-term partnerships.

- **Scale development finance through multilateral platforms, particularly the IDB.** GCC development finance in LAC remains largely bilateral, which limits its scale and coordination. While bilateral approaches provide flexibility, expanding the use of MDBs (especially the IDB) could help improve the efficiency and impact of financing. The IDB offers deep regional expertise, established project pipelines, and risk-mitigation mechanisms that can support more structured engagement across countries and sectors. Strengthening partnerships through this channel would allow Gulf countries to engage more systematically across countries and sectors in LAC.

- **Promote innovative and catalytic development finance approaches.** Effectively addressing the region's development gaps will increasingly require complementing traditional instruments such as grants and sovereign loans with more catalytic approaches. Instruments such as blended finance, thematic bonds, hybrid capital, guarantees, and co-financing structures can help reduce risks and mobilize private capital, particularly in sectors such as sustainable infrastructure, energy transition, and climate resilience. By deploying resources in a more catalytic way, GCC partners can play a stronger role in mobilizing additional investment and supporting SDG-related objectives.

- **Strengthen cooperation on food security and sustainable agrifood systems.** LAC plays a critical role as a global supplier of food and agricultural products, while GCC countries rely on food imports. Deepening cooperation in this area could combine LAC's production capacity with GCC investment and technological capabilities to support sustainable and climate-resilient agrifood systems. In particular, expanding partnerships in areas such as sustainable agriculture, food logistics, and climate-smart production would contribute both to GCC food security and to the upgrading and diversification of LAC's agrifood exports.

- **Develop strategic and programmatic cooperation frameworks.** As GCC-LAC engagement evolves, there is scope to move toward more structured and forward-looking cooperation models. Developing multi-year, programmatic frameworks aligned with national development strategies could enhance the impact, coherence, and visibility of GCC engagement in the region. Expanding cooperation across a broader range of countries – including smaller and more vulnerable economies – would also help increase development reach while diversifying partnerships and strengthening regional development impact.

ANNEX

ANNEX 1. METHODOLOGY

1. Comparative advantage. Comparative advantage (defined as the ability to produce a good more efficiently than trading partners) is key to determining trade flows between countries, although it is influenced by trade policies and trade costs.[15]

For each product, potential exporters were identified based on comparative advantages. The revealed comparative advantage (RCA) index for country *j* for product *i* was calculated at the six-digit HS subheading level as follows:

(1) $$RCA_{ij} = \frac{X_{ji}}{X_j} \Big/ \frac{X_{wi}}{X_w}$$

Where:

X_{ji} = Exports from country *j* of product *i*. X_j = Total exports of country *j*.

X_{wi} = World exports of product *i*. X_w = Total world exports.

If the share of product *i* in country *j*'s exports is greater than its share of world exports ($RCA_{ij} > 1$), then country *j* has a revealed comparative advantage in product *i*. If the index is less than one ($RCA_{ij} < 1$), then country *j* has a revealed comparative disadvantage in product *i*.

Based on these results, the first selection criterion included products for which there is at least one country with a comparative advantage (a potential exporter).

2. Trade threshold in absolute value. Although some products meet criterion 1, trade remains very low, a subset of tariff lines with at least $1 million in exports of country *j* and imports of country *k* was selected.

In other words, products were selected that met the following two conditions:

(2) $$X_{ji} > US\$\ 1\ million$$
(3) $$M_{ki} > US\$\ 1\ million$$

Where:

X_{ji} = Total exports from country *j* of product *i*.

M_{ki} = Total imports of product *i* into country *k*.

3. Relevance in total trade. Since some products meet criteria 1 and 2, but trade is very low, a subset of HS subheadings that reached a minimum participation threshold was selected. On the one hand, products (*i*) representing more than 0.25% of the total exports of the exporting country (*j*) were considered, and on the other hand, those constituting more than 0.25% of the total imports of the importing country (*k*).

[15] Given the lack of precise and comparable productivity data, the revealed comparative advantage (RCA) index (Balassa, 1965) is often used to measure ex post comparative advantage. According to this index, a country is considered to have a comparative advantage in exporting a particular item when that product's share of its total exports is greater than its share of global exports. However, this measurement can lead to erroneous conclusions if exports are higher or lower than they would be under free trade conditions, due to the presence of measures such as export subsidies or taxes at the source or import barriers at the destination.

In other words, products were selected that met both of the following conditions:

(4) $\frac{X_{ji}}{X_{ja}} > 0.25\%$

(5) $\frac{M_{ki}}{M_{ka}} > 0.25\%$

Where:

X_{ji} = Exports from country *j* of product *i*. X_{ja} = Total exports of country *j*.

M_{ki} = Imports from country *k* of product *i*. M_{ka} = Total imports of country *k*.

Measuring opportunities

The opportunity analysis includes three criteria: the number of products with potential, the number of destinations, and the market size by sector and by country.

1. **Number of products with potential and possible destinations.** The number of products with potential is the total number of subheadings for which export (import) opportunities were identified for each country. The number of potential destinations or suppliers is the number of countries with which export and import opportunities were identified, respectively. Both indicators are simple and provide an indication of the possibilities for diversifying the export basket in terms of geography and the products sold to each destination, as well as expanding the number of suppliers of imported products.

2. **Market size by sector.** The objective of measuring market size by sector is to identify which products offer opportunities with the highest import levels. The market value associated with opportunities for each subheading *i* (O_i) was calculated as the sum of the total imports of the *k* countries identified as potential importers of that product according to the criteria described above.

   (1) $O_{\mathrm{i}} = \sum_{k=1}^{N} M_{ki}$

   Where:

   M_{ki} = Total imports of product *i* by all *k* countries selected according to the criteria mentioned above.

   The market value should not be interpreted as an estimate of how much exports of a given product could increase, but rather as an estimate of the total market size for that product. In practice, various limitations (supply, infrastructure, consumer preferences, trade policy, etc.) may prevent potential suppliers from taking advantage of the opportunities. It should also be noted that only the current market size was considered, and future variations were not considered.

3. **Potential market size for each country.** To identify the most relevant opportunities, an estimate of the potential market for each country was calculated based on the total imports of the products in the possible destinations.

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31b16ca55f6b75e3b6de8952ea5e91cbf72d83c13cee97a3bfb773b79137762cce5141e11fd2a7092016e0b2d032ef90ed3da58448a0fb6605b

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