

# New Horizons for Trade and Investment

Strategies for the Gulf Countries and  
Latin America and the Caribbean





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**N***ew Horizons for Trade and Investment: Strategies for the Gulf Countries and Latin America and the Caribbean* was conceived as a tool for business people and government officials attending the Global Business Forum Latin America 2019, a business forum and matchmaking event organized by the Dubai Chamber of Commerce & Industry, in partnership with the Inter-American Development Bank (IDB). The event took place in Panama City on April 2019.

The report introduces trends in trade and investment between both regions, identifies opportunities for growth, and outlines policy recommendations that could help realize these opportunities.

The Integration and Trade Sector of the IDB (INT), under the supervision of Fabrizio Opertti, INT Manager, provided technical and analytical support to this study. Francisco Estrazulas, Integration and Trade Specialist (IDB) and Ricardo Bebczuk (independent consultant) wrote the report under technical guidance from Christian Volpe, Economics Principal Specialist for Integration and Trade (IDB).

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# Executive Summary



**T**he goal of this report is to discuss the current and prospective level of bilateral trade and investment flows between Latin America and the Caribbean (LAC) and the Gulf Cooperation Council (GCC) alliance, distinguishing for the latter the United Arab Emirates (UAE) and the other GCC members (Saudi Arabia, Kuwait, Qatar, Bahrain and Oman).

The report contains three sections tackling three questions. These are the main takeaways:

- I. **Where do we stand?** Bilateral trade and investment are strikingly low relative to total trade and investment in each region. In 2018, LAC exports to the GCC countries accounted for just 1.3% of total LAC exports. LAC imports from GCC accounted for a mere 0.5% of total LAC imports. From the UAE perspective, UAE exports to LAC in 2018 represented a modest 0.6% of total exports, and 2.3% of total imports. When looking at the rest of GCC excluding UAE, exports to LAC in 2018 accounted for 1.7% of total exports, and imports from LAC constituted 1.2% of total imports.
- II. **Where are the commercial opportunities?** In GCC-LAC trade, there are thousands of complementary products—that is, products that one region sells and the other buys from the world. This study shows that complementary products that comprise more than 0.1% of total imports in the partnering region, and whose imports are growing at a faster rate than total imports, could amount to more than 350 billion of trade potential.
- III. **What can governments do?** A lot. A background analysis conducted for this report shows that governments that establish a diplomatic mission in a partnering country can increase bilateral trade by 20%. If all countries in both regions did so, this could generate US\$3.3 billion in additional trade between LAC and GCC. Also, the same analysis reveals that countries that sign Preferential Trade Agreements (PTA) can increase bilateral trade by 60%. For instance, if Brazil were to sign a PTA with the GCC countries, its annual trade could jump from US\$9.1 billion to US\$14.6 billion.



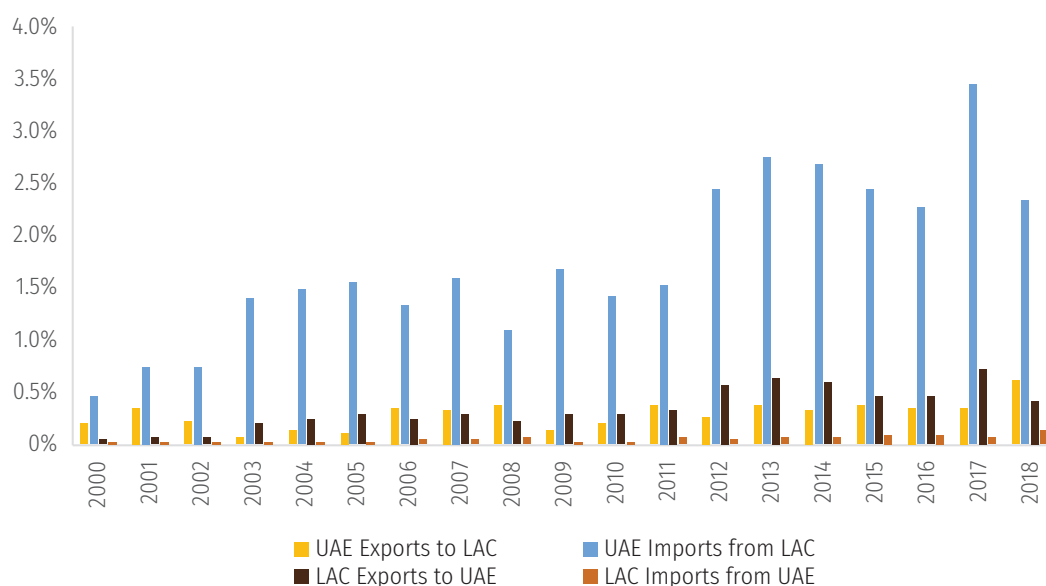
Where Do  
We Stand?

**L**AC and GCC are highly integrated to the world. Both regions show healthy and growing openness ratios to GDP and a highly diversified set of foreign partners from both developed and emerging regions.

However, such vibrant integration has yet to reach the LAC-GCC bilateral exchange, and calls for some digging into the deterring factors. Bilateral trade between GCC and LAC is remarkably low. In 2018, LAC exports to UAE were just 0.43% of total exports. The corresponding number for LAC imports from UAE was 0.14% of total imports--see Figure 1.1 below. The percentages in the case of GCC (excluding UAE) are equally low, amounting to 0.86% of total LAC exports and 0.34% of total LAC imports in 2018—see Figure 1.2 below.

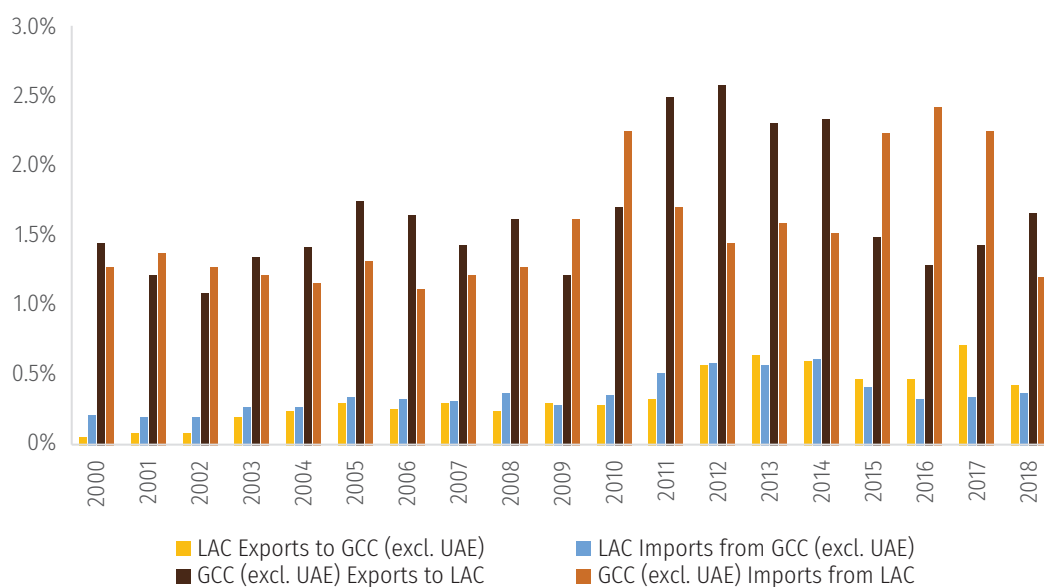
On the flip side, UAE exports to LAC represent a modest 0.63% of total UAE exports in 2018, a share that has remained mostly

**FIGURE 1.1: BILATERAL UAE-LAC TRADE, 2000–2018**  
As a % of total exports or imports



Source: Own elaboration based on IMF Direction of Trade Statistics (DOTS).

**FIGURE 1.2: BILATERAL LAC-GCC (EXCL. UAE ) TRADE, 2000–2018**  
As a % of total exports or imports

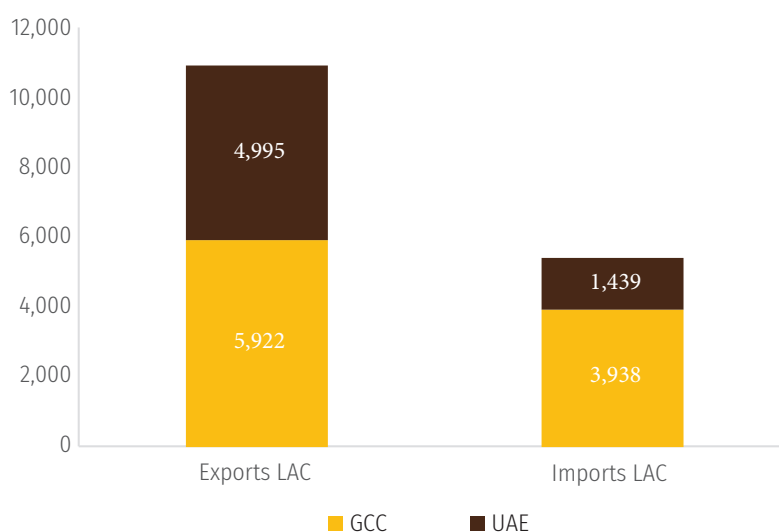


Source: Own elaboration based on IMF Direction of Trade Statistics (DOTS).

unchanged since 2000. In turn, UAE imports from LAC are also a minor, yet higher and growing, fraction of total UAE imports (2.3% in 2018, up from 0.5% in 2000)—see Figure 1.1. For the case of GCC (excluding UAE), the 2018 figures stand at 1.7% of total exports and 1.2% of total imports (1.4% and 1.3% respectively in 2000)—see Figure 1.2.

**Although bilateral trade is low relative to total trade and GDP, it is a multibillion-dollar business involving several countries in both regions.** The low level of bilateral trade should not downplay its quantitative importance in dollar terms, which, at the end of the day, is what matters to individual firms engaged or planning to engage in this business. **Bilateral trade mobilizes US\$ 16.3 billion in 2018—US\$ 5.4 billion in exports from GCC to LAC and US\$ 10.9 billion in GCC imports from LAC.**

**FIGURE 1.3: LAC EXPORTS TO AND IMPROTS FROM GCC**  
In US\$ Million, as of 2018



Source: Own elaboration based on IMF Direction of Trade Statistics (DOTS).

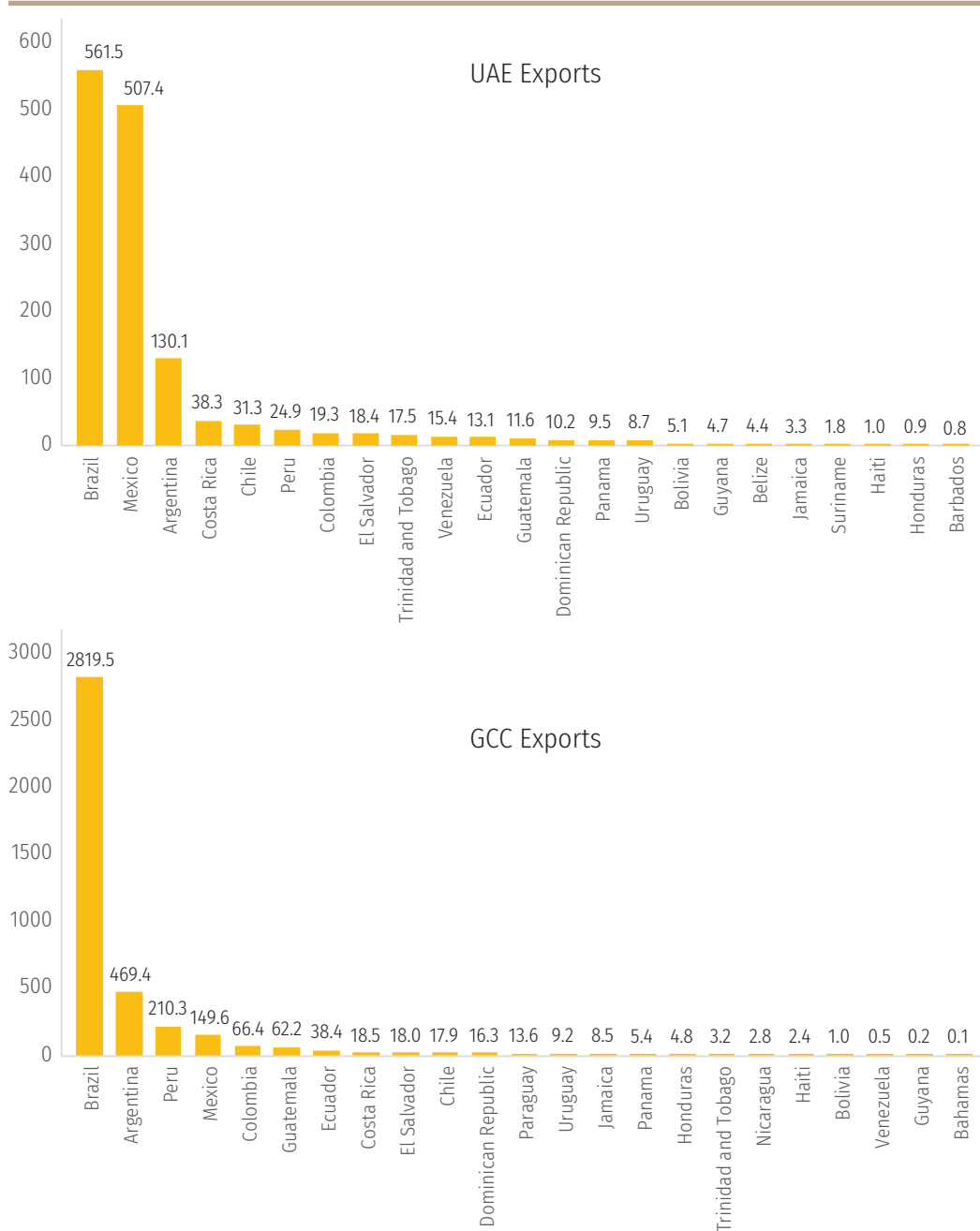
Splitting by geographic origin within each region, UAE exports (US\$1.4 billion) constitute 27% of total GCC exports to LAC (US\$5.4 billion), and 46% (US\$5.0 billion) of total GCC imports from LAC (US\$10.9 billion).

On the LAC side, Brazil (US\$ 9.1 billion), Argentina (US\$ 2.0 billion), and Mexico (US\$ 1.3 billion) stand out as the chief partners in terms of total bilateral trade—exports plus imports with GCC—, capturing 76% of total trade.<sup>1</sup> For many other LAC countries, trade with GCC is quite small or even nonexistent—see Charts 1.1 and 1.2 below.

This evidence indicates that there may be large space to grow bilateral trade relations and hence speaks of substantial, tangible but untapped opportunities. The stories reviewed in Box 1 show

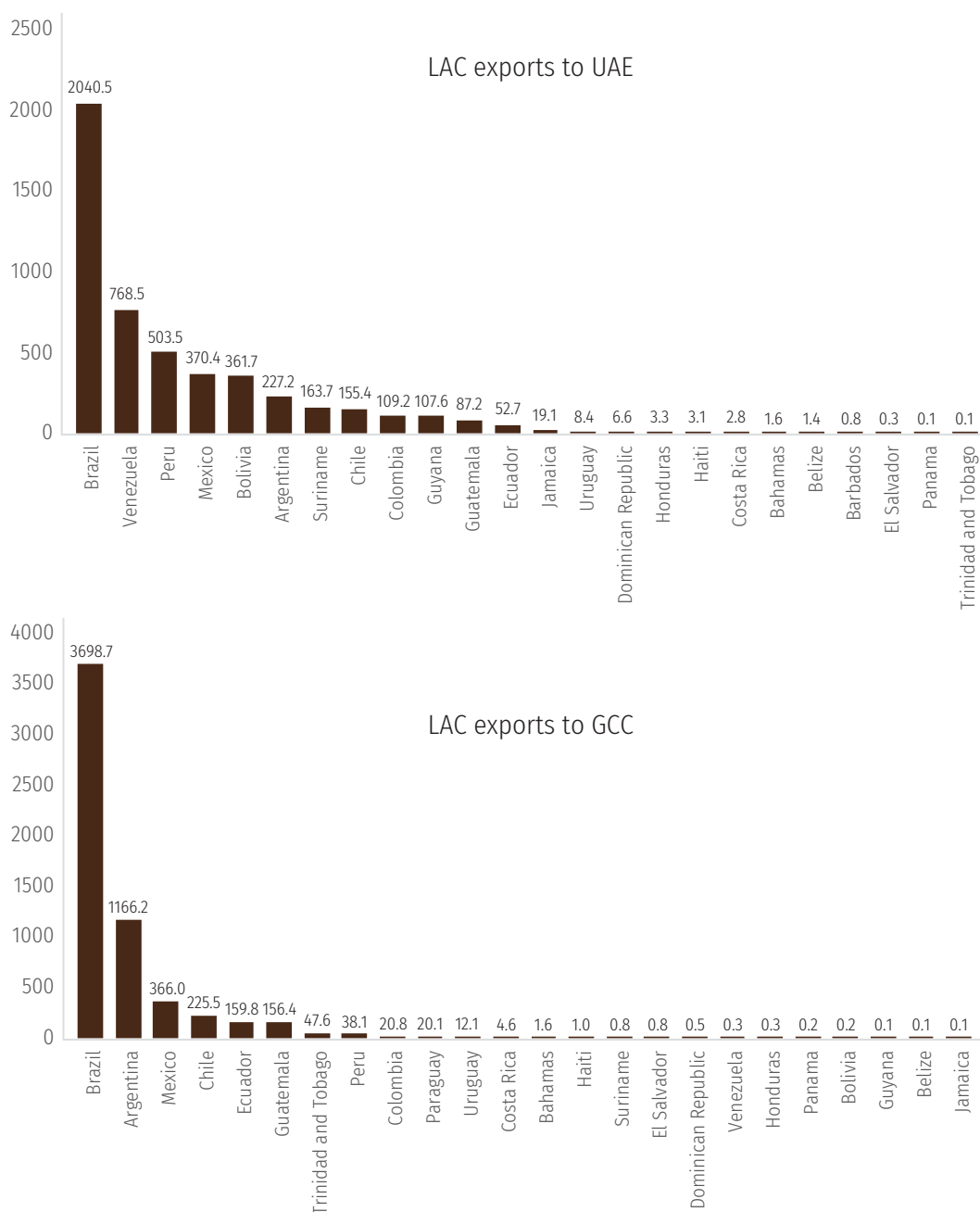
<sup>1</sup> As a norm, the Top 10 LAC importers for GCC comprises Argentina, Brazil, Chile, Mexico, Colombia and Peru, suggesting that GDP matters in shaping commercial ties, though some smaller countries (Suriname, Guatemala, Costa Rica) make the top 10.

**CHART 1.1: LAC IMPORTS BY COUNTRY FROM GCC COUNTRIES IN 2018**  
In US\$ Million



Source: Own elaboration based on IMF Direction of Trade Statistics (DOTS).

**CHART 1.2: LAC EXPORTS BY COUNTRY TO GCC COUNTRIES IN 2018**  
In US\$ Million



Source: Own elaboration based on IMF Direction of Trade Statistics (DOTS).

### BOX 1: TRADE SUCCESS STORIES

**Granja Tres Arroyos S.A. (Argentina & Uruguay)**<sup>2</sup> produces chicken and pork products. Their tight biosafety controls have enabled them to export to a broad range of international market across the Americas, Europe, Asia, Africa and Oceania. Exports make up 35% of their total production, with destinations including Qatar, Oman, Bahrain, UAE, Saudi Arabia, Kuwait, Egypt, Yemen, Iraq, and Afghanistan. Granja Tres Arroyos made initial contact with clients in the Middle East through personal referrals and later strengthened their presence in the region by participating in trade fairs. To identify reliable trade partners and lower risks, they request references and charge a percentage of the total transaction in advance. Also, to maintain a stable market presence, they position their products at a low price point. While there is always competition at lower cost, their brand's emphasis on quality keeps them competitive. More information at <http://www.gta.com.ar>.

**Bogotá Emerald Mart S.A.S. (Colombia)**<sup>3</sup> is a leading wholesale brokerage firm and direct international exporter of natural Colombian emeralds. They have been in the international gem business for 30 years and began exporting to the Middle East 10 years ago. They have had very positive experiences with clients in Dubai and hope to expand their business in the region. When there is a good match, Bogotá Emerald Mart relies on a direct one-on-one sales strategy, so identifying reliable partners is key. They research potential trade partners through websites to look for any red flags and prefer customers with existing knowledge of the gemstone business. More information at: <https://www.bem.com.co/>.

**AgroSocio (Uruguay)** coordinates purchasing, quality assurance, exporting and logistics for a diverse group of clients in South America (specializing in Uruguay, Brazil, Argentina, Chile and Paraguay). It works with a variety of agricultural products including meats, rice, dairy, citrus fruits, and grains. The company has been doing business in the Middle East since 2009, trading mutton to Jordan, Kuwait and Lebanon. In 2018, AgroSocio discovered an opportunity by matching the strong demand for alfalfa for animal feed in the United Arab Emirates with innovations in the offering in Argentina, which began compacting alfalfa into mini bales to improve the economics of international shipping. Agrosocio also found success by offering smaller sample containers to demonstrate quality and drum up demand. Price is key to competitive agricultural sales in the

*(continued on next page)*

2 Granja Tres Arroyos Uruguay S.A. exported US\$10.78 million between 2013 and 2017, it accounts 8.9% of the country's total exports to the region.

3 Bogotá Emerald Mart S.A.S. exported US\$1.77 million between 2013 and 2017, it accounts 0.7% of the country's total exports to the region.



**BOX 1: TRADE SUCCESS STORIES** *(continued)*

Gulf region. The greatest challenge to doing business has been finding payment terms that suit parties that don't know each other so that both feel comfortable with the transaction. AgroSocio recommends getting references, but acknowledges that reasonable, measured risks must also be undertaken to trade internationally. Trading perishables with the Gulf countries also requires appropriate planning, given longer transit times and higher temperatures. More information at: <http://www.agrosocio.com/>.

**Dulces La Americana (Colombia)**<sup>4</sup> produces and sells candy products in 40 countries in South, Central and North America, Africa, the Middle East and Europe. They have been exporting for 72 years and began exporting to GCC countries 15 years ago. Nowadays they have commercial presence in the UAE, Saudi Arabia, Kuwait and Qatar, which accounts for 40% of their total international sales. Their contact with clients in this region has been through an Arab broker located in Colombia, who has helped La Americana grow in the Arab Gulf thanks to his network of contacts and understanding of the market and culture. This cultural understanding has been a key success factor for La Americana, as it has helped it tailor the products and packaging to the needs of consumers in the region. More information at: <https://www.americandy.com.co/>.

**Citricola Salteña S.A. (Uruguay)**<sup>5</sup> is a producer of citrus fruits with presence in over 15 international markets, two of them being Saudi Arabia and the United Arab Emirates. Their commercial relationship with clients in the Arab Gulf began through international food and beverage events, and their key strategy for maintaining their presence and competitiveness has been by strengthening their credit security given the risks that fruit companies face when selling in an international market. In addition, a key element for success has been analyzing what their competitors are doing and translating it into product and marketing adjustments. More information at: <http://www.caputto.com.uy/>.

*Source:* Own elaboration based on interviews with company's staff and available secondary information.

4 Dulces La Americana exported US\$22.09 million between 2013 and 2017, it accounts 8.9% of the country's total exports to the region.

5 Citrícola Salteña S.A. exported US\$8.25 million between 2013 and 2017, it accounts 6.8% of the country's total exports to the region.

**CHART 1.3: MULTINATIONAL ENTERPRISE BILATERAL PRESENCE IN 2017**

LAC Multinationals in GCC	
Origin	Destination (number of MNE in the country)
Brazil	UAE (2)
Mexico	UAE (3)
<b>Total</b>	<b>5 Affiliates</b>
GCC Multinationals in LAC	
Origin	Destination (number of MNE in the country)
Bahrain	Brazil (2), Mexico (1)
Kuwait	Brazil (10), Mexico (1)
Qatar	Brazil (1)
Saudi Arabia	Brazil (1), Mexico (1)
UAE	Brazil (22), Peru (4), Mexico (4), Argentina (3), Panama (2), Ecuador (2), Chile (1), Jamaica (1)
<b>Total</b>	<b>56 Affiliates</b>

Source: Own elaboration based on Dun and Bradstreet's Worldbase.

how some LAC firms exporting to GCC are successfully taking advantage of such opportunities.

**Bilateral investment flows are low.** Direct Investment between GCC and LAC is remarkably low.<sup>5</sup> UAE cumulated inflows from LAC over the period 2012–2016 amount to US\$5.6 billion coming from only two countries: Brazil and Panama.

**Also, although a fair number of multi-nationals of both origins have a presence in the other region, such presence is scarce and concentrated.** As shown in Chart 1.3 above, firms from Brazil and Mexico have 5 affiliates operating in the GCC. From the GCC side, Bahrain, Kuwait, Qatar, Saudi Arabia, and UAE have 56 affiliates in

6 Unfortunately, the breadth and depth of FDI data is not fully adequate, as UNCTAD's bilateral data cover up to 2012 and presents no sectoral disaggregation of neither stocks nor flows. The data mentioned in the body of the document comes from UAE's Foreign Investment Statistics (<https://www.scad.gov.abudhabi/en/pages/generalpublications.aspx?topicid=36>) and from FDI in LAC 2018 (<https://www.cepal.org/en/publications/43690-foreign-direct-investment-latin-america-and-caribbean-2018>).

## BOX 2: INVESTMENT SUCCESS STORIES

**CEMEX**, the Mexican multinational building materials company, is the leading ready-mix concrete producer in the main urban markets of Dubai and Abu Dhabi. The company manufactures and distributes cement through its 9 ready-mix plants and its grinding mill in Dubai, which has a production capacity of 1.6 million tons per year. More information at <https://www.cemex.ae/>.

**Copersucar** is a Brazilian sugar producer that is the world's largest sugar and ethanol company and one of the most important exporters worldwide. In 2011, Copersucar and the JAG – Jamal Al-Ghurair Group created the Copa Shipping Company to contract and manage maritime transportation aimed at boosting competitiveness and quality in sugar and ethanol deliveries to customers. Copersucar made an initial investment of USD \$897 Million in logistics, mainly in maritime terminals, rail transportation and an ethanol pipeline. More information at <https://www.copersucar.com.br/>.

**BRF**, the Brazilian food company and one of the biggest in the world, launched OneFoods, in 2014, a subsidiary born as the world's largest halal animal-protein company. Headquartered in Dubai, OneFoods has a market share of approximately 45% in chicken products in Saudi Arabia, United Arab Emirates, Kuwait, Qatar and Oman, selling under market-leading brands, including Sadia, which is top of mind among food brands in Middle Eastern countries. OneFoods has around 15,000 employees and a fully integrated production chain comprised of ten plants: eight in Brazil, one in the United Arab Emirates and one in Malaysia, all holding the required halal certifications. More information at <https://www.onefoods.com/>.

*Source:* Own elaboration based on interviews with company's staff and secondary available information.

LAC. A whopping 87% in the case of LAC affiliates in GCC and 37% in the case of GCC affiliates in LAC are offices of holding companies. In the case of GCC affiliates, 17% are state-owned enterprises' representations overseas. In all, this shows that bilateral presence of the private sector is scarce and concentrated in a small set of activities.

**However, both regions are active investors abroad, and there is big room for growth. In particular, valuable investment opportunities may be open in the future provided suitable conditions are in place.** LAC multinationals have 37,366 affiliates around the world operating in 848 different economic sectors, but, as of 2017, only 5 based in the Gulf—see Box 2 below. GCC multinationals have 5,826

affiliates operating in 481 economic sectors around the world, but, only 56 affiliates based in LAC. **This means that less than 1% of total GCC affiliates abroad are in LAC<sup>7</sup>, and less than 0.01% of total LAC affiliates abroad are in GCC countries.**

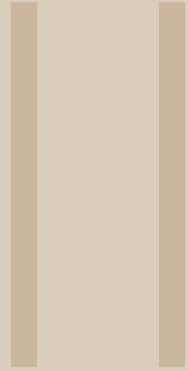
The most common sectors of LAC FDI that are currently not present in the GCC countries are Consumer Lending, Business Support Services, Meat and Meat Product Wholesalers, Pharmaceutical and Medical Products Wholesalers, Pharmacies and Drug Stores.

On the flip side, the most common sectors of GCC FDI that are currently not present in LAC are Gasoline Stations, Commercial Banking, Other Professional, Scientific and Technical Services, Business Support Services, Support Activities for Transportation.

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<sup>7</sup> Sectors are defined in terms of the NAICS-6 digit classification.





Where Are the  
Opportunities?

**T**here is a high degree of complementarity between what one region exports and the other imports. A good is complementary in trade if it is simultaneously exported by one country and imported by another country, even if not traded between each other. Complementarity thus signals potential for trade, and, in this case, shows that actual trade levels are likely to be below the trade potential.

When we look at LAC-UAE complementarities, we see that there are 4,360 products exported by the UAE that are complementary with LAC imports<sup>8</sup>. However, only 2,141 products (49%) are actually traded. In dollar figures, **LAC imports of products that are complementary to UAE exports amount to US\$ 836 billion, whereas actual LAC imports from UAE are US\$ 4.1 billion, or 0.5% of that full potential**—see chart 2.1 below. Some of the key opportunities in this relationship are in electrical machinery and equipment, vehicles, mineral fuels, mineral oils and products of their distillation, and plastics and plastic articles—see chart 2.3 (A) below.

**CHART 2.1: BILATERAL LAC-UAE TRADE: COMPLEMENTARY AND TRADED PRODUCTS**

LAC-UAE Bilateral Trade	LAC-UAE Trade Complementarity	Actual LAC-UAE Trade	In %
<b>A. LAC imports from UAE</b>			
Number of Products	4,360	2,141	<b>49.1%</b>
Value (US\$ billion)	836.0	4.1	<b>0.5%</b>
<b>B. UAE imports from LAC</b>			
Number of Products	4,552	2,399	<b>52.7%</b>
Value (US\$ billion)	189.1	1.3	<b>0.5%</b>

Source: Own elaboration based on data from UN-COMTRADE and [www.trademap.com](http://www.trademap.com).

<sup>8</sup> Trade complementarity analysis requires internationally consistent data disaggregated by country and product covering all (Latin American and Caribbean and Gulf) countries, which, as of end of March 2019, are still only available for the year 2016. Hence, this analysis has been conducted using data for 2016. Note that, instead, values reported in Figure 1.1, 1.2, and 1.3 and Charts 1.1 and 1.2 are based on aggregate data for 2018. This explains the differences in total values.

In terms of UAE imports that are complementary with LAC exports, we see that 4,552 products are complementary, but only 2,399 products (53%) are actually traded. In dollar figures, **UAE imports that are complementary to LAC exports amount to US\$ 189.1 billion, whereas actual UAE imports from LAC are a mere US\$ 1.3 billion, or 0.5% of that full potential**—see chart 2.1 below. Some of the key opportunities here are in natural, cultured pearls, precious, semi-precious stones, precious metals, electrical machinery and equipment, vehicles, and aircraft—see Chart 2.3 (A) below.

When we look at LAC-GCC (excl. UAE) complementarities in trade, we see a similar scenario: actual trade levels are well below potential trade. When looking at GCC (excl. UAE) exports and LAC imports, we find that 4,040 products are complementary but only 2,265 (56.1%) are actually traded. In dollar figures, the value of **LAC imports that are complementary with GCC (excl. UAE) exports are worth US\$812.6 billion, whereas only US\$5.6 billion are actually exported from GCC (excl. UAE), that is, 0.7%**—see chart 2.2 below. The key opportunities here are in electrical machinery and parts, mineral fuels, plastics, and plastics articles—see Chart 2.3 (B) below.

In terms of GCC (excl. UAE) imports that are complementary to LAC exports, 4,597 products are complementary, but only 1,128

**CHART 2.2: BILATERAL LAC-GCC (EXCL. UAE) TRADE: COMPLEMENTARY AND TRADED PRODUCTS**

LAC-GCC (excl. UAE) Bilateral Trade	LAC-GCC (excl. UAE) Trade Complementarity	Actual LAC-GCC (excl. UAE) Trade	In %
<b>A. LAC imports from GCC (excl. UAE)</b>			
Number of Products	4,040	2,265	56.1%
Value (US\$ billion)	812.6	5.6	0.7%
<b>B. GCC (excl. UAE) Imports form LAC</b>			
Number of Products	4,597	1,128	24.5%
Value (US\$ billion)	222.0	3.5	1.5%

Source: Own elaboration based on data from UN-COMTRADE and [www.trademap.com](http://www.trademap.com).



**CHART 2.3 (A): TOP 5 COMPLEMENTARY CHAPTERS (2 DIGIT) IN 2016**  
By Value of Import in US\$ million

LAC Imports from UAE			
Code (2 digit HS)	Description	Total LAC Imports	Total UAE Exports
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles	137,909	6,608
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	127,761	8,010
87	Vehicles; other than railway or tramway rolling stock, and parts and accessories thereof	82,484	7,835
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	76,914	45,616
39	Plastics and articles thereof	44,143	5,423
UAE Imports from LAC			
Code (2 digit HS)	Description	Total UAE Imports	Total LAC Exports
71	Natural, cultured pearls; precious, semi-precious stones; precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	52,897	27,775
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	20,674	76,486
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles	18,741	85,209
87	Vehicles; other than railway or tramway rolling stock, and parts and accessories thereof	16,257	105,783
88	Aircraft, spacecraft and parts thereof	12,426	5,931

Source: Own elaboration based on data from UN-COMTRADE and [www.trademap.com](http://www.trademap.com).

products (24.5%) are actually traded. In dollar figures, **GCC (excl. UAE) imports of complementary products amount to US\$ 222.0 billion, whereas actual GCC (excl. UAE) imports from LAC are a mere US\$ 3.5 billion (1.5%)**—see chart 2.2 below. The main opportunities on this front are in Nuclear reactors, boilers, machinery and mechanical appliances, vehicles, electrical

machinery, and parts, iron or steel articles, and pharmaceutical products—see Chart 2.3 (B) below.

In the [Annex online](#), we present the results of the trade a complementarity analysis for individual countries.

Admittedly, the definition of complementarity used above might be too broad, though. Exporters in either region may not be just looking for complementarity but for the more promising and dynamic complementary products. This products can be considered to include those with a big importing market or those that, in addition, have experienced a rapid growth in total exports (at origin) and imports (at destination). **The most promising and dynamic complementary products are those that have a big importing market in the other region or are growing fast.** Chart 2.4 consistently labels as a *big market* those products that account for at least 0.01% of current total imports, and then, within this subset, defines as *dynamic* those products whose exports and imports have grown more than total exports or imports.<sup>9</sup> After applying these filters, the value and number of surviving complementary products remains highly attractive both in terms of variety and dollar value.

To provide additional insights, the [Annex](#) shows the top 20 bilateral complementary imports for LAC, UAE and GCC (excl. UAE).<sup>10</sup> Figures 2.1 through 2.4 below confirm that bilateral trade is extremely low in comparison to the overall level of trade for the top 20 products.

Among the many cases at hand, [Chart A2](#) in the Annex shows that of Copper is among main UAE complementary imports. UAE buys US\$1.6 billion in total, LAC exports US\$15.5 billion, yet no exports find their way from LAC to UAE. Another case is

9 The 0.01% cutoff includes LAC products with at least US\$ 82 million in annual imports. For UAE and GCC (excl. UAE), these values are US\$ 26 million and US\$ 22 million, respectively.

10 For expository purposes, the annex and following figures report the 6-digit code for each product. The corresponding product description is displayed in an accompanying excel spreadsheet. Further information can be found at: <https://comtrade.un.org/db/mr/rfcommoditieslist.aspx>.

**CHART 2.3 (B): TOP 5 COMPLEMENTARY CHAPTERS (2 DIGIT) IN 2016**  
By Value of Imports in US\$ million

LAC Imports from GCC (excl.. UAE)			
Code (2 digit HS)	Description	Total LAC Imports	Total GCC (excl. UAE) Exports
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles	137,909	1,822
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	127,761	2,752
87	Vehicles; other than railway or tramway rolling stock, and parts and accessories thereof	82,484	2,081
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	76,914	273,515
39	Plastics and articles thereof	44,143	15,712
GCC (excl.. UAE) Imports from LAC			
Code (2 digit HS)	Description	Total GCC (excl. UAE) Imports	Total LAC Exports
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	32,045	76,486
87	Vehicles; other than railway or tramway rolling stock, and parts and accessories thereof	26,588	105,783
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles	23,694	85,209
73	Iron or steel articles	9,127	8,069
30	Pharmaceutical products	7,172	6,982

Source: Own elaboration based on data from UN-COMTRADE.

Aeroplanes, the third highest complementary UAE import. UAE buys US\$8.4 billion a year, while LAC exports US\$3.5 billion. Once again, no bilateral trade takes place.

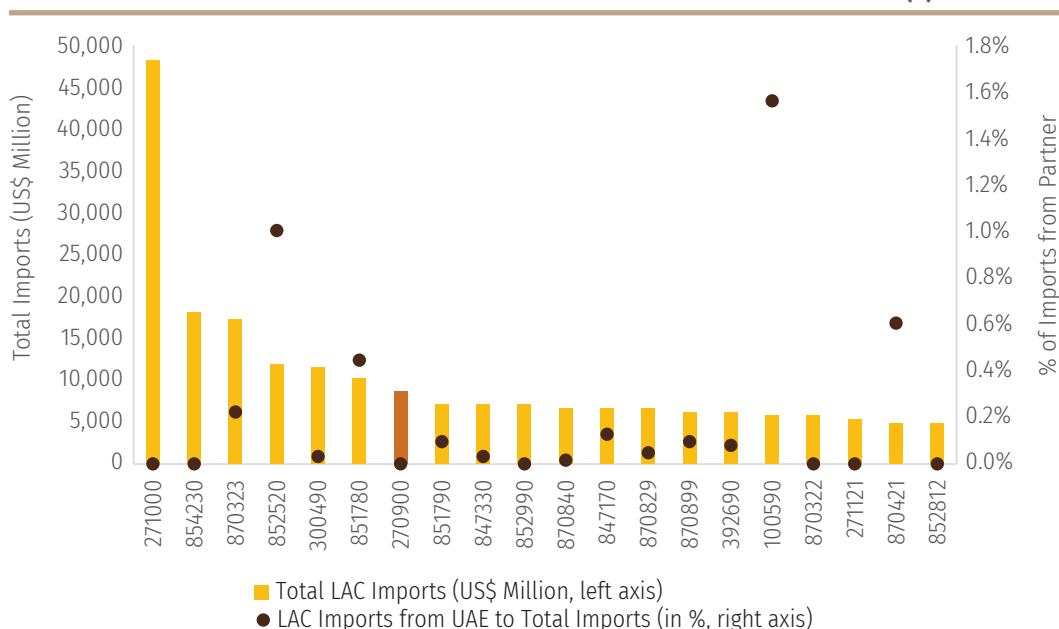
One may claim that a low share of imports from a particular partner may not obey to bilateral trade barriers of any sort but just to a small total volume of exports produced by that partner. This does

not seem to be the case here. In Figures 2.1 through 2.4, products for which the partner's total exports cover at least 50% of the other partner's imports are painted in orange. As shown in Figures 2.1 through 2.4, many products pass this rather restrictive test. This is especially so for LAC exports to both UAE and the rest

**CHART 2.4: COMPLEMENTARY PRODUCTS WITH BIG AND DYNAMIC MARKETS**

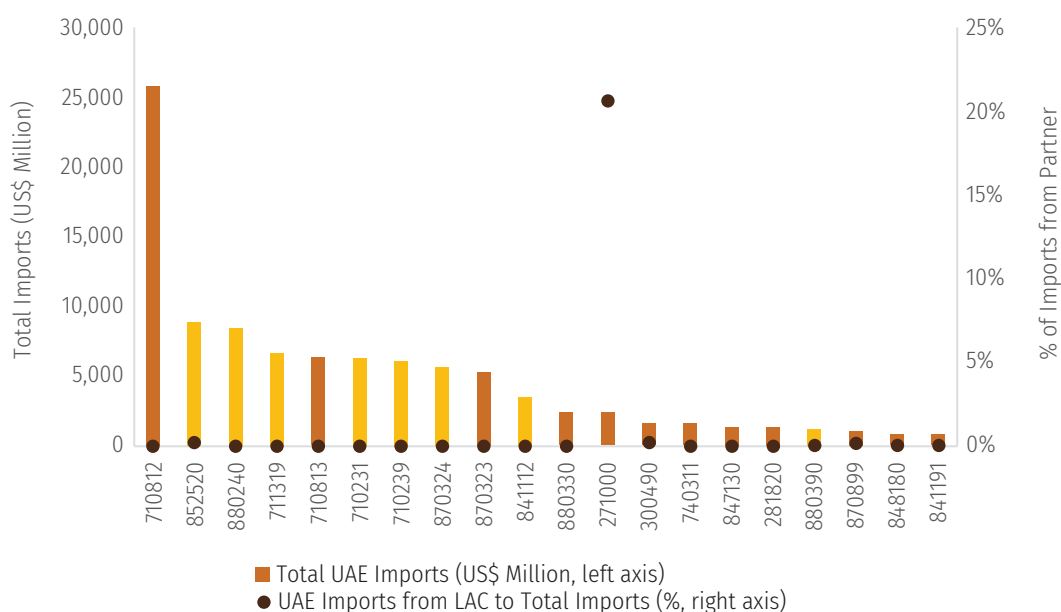
LAC Imports from UAE			
	Total	Only products comprising 0.01% or more of total LAC imports	Only products comprising 0.01% or more of total LAC imports and growing in both regions faster than average
Number of Products	4,360	1,354	311
Value (US\$ billion)	836.0	766.4	145.6
UAE Imports from LAC			
	Total	Only products comprising 0.01% or more of total UAE imports	Only products comprising 0.01% or more of total UAE imports and growing in both regions faster than average
Number of Products	4,552	943	260
Value (US\$ billion)	189.1	175.9	42.5
LAC Imports from GCC (excl. UAE)			
	Total	Only products comprising 0.01% or more of total LAC imports	Only products comprising 0.01% or more of total LAC imports and growing in both regions faster than average
Number of Products	4,040	1,316	650
Value (US\$ billion)	812.6	747.3	427.5
GCC (excl. UAE) Imports from LAC			
	Total	Only products comprising 0.01% or more of total GCC (excl. UAE) imports	Only products comprising 0.01% or more of total GCC (excl. UAE) imports and growing in both regions faster than average
Number of Products	4,597	1,316	647
Value (US\$ billion)	222.0	205.9	87.0

Source: Own elaboration based on data from UN-COMTRADE.

**FIGURE 2.1: LAC-UAE TRADE: TOP 20 COMPLEMENTARY LAC IMPORTS (\*)**

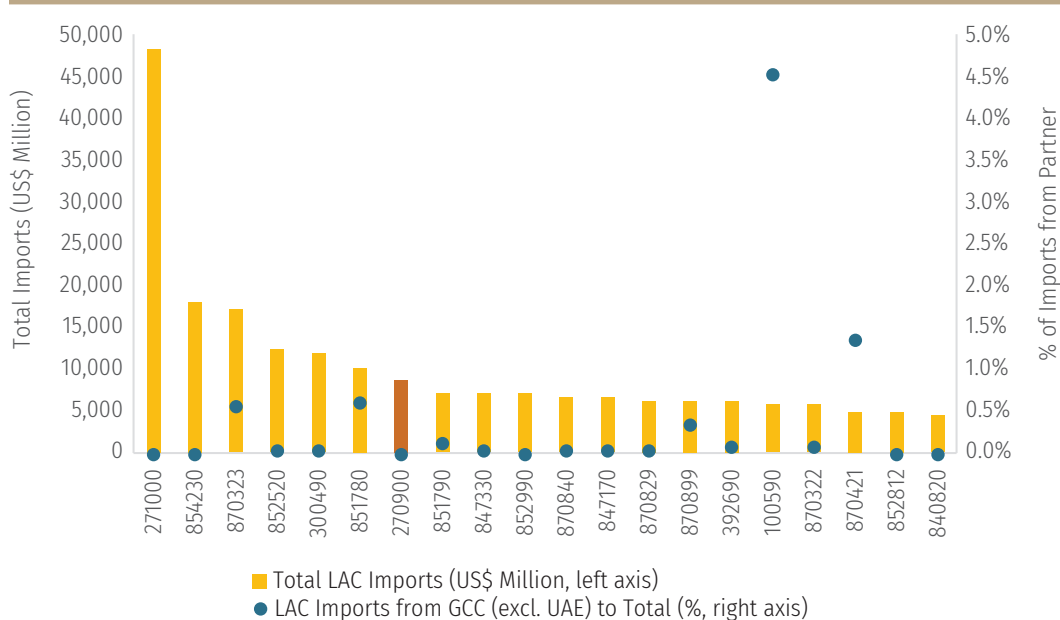
271000	Oils; petroleum oils and oils obtained from bituminous minerals, not crude.
854230	Electronic circuits; monolithic, integrated, other than digital.
870323	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylind.
852520	Transmission apparatus; for radio-telephony, radio-telegraphy, radio-broadcastin.
300490	Medicaments; consisting of mixed or unmixed products n.e.s. in heading no. 3004.
851780	Line telephony or telegraphy apparatus; n.e.s. in heading no. 8517.
<b>270900</b>	<b>Oils; petroleum oils and oils obtained from bituminous minerals, crude.</b>
851790	Line telephony or telegraphy apparatus; electrical.
847330	Machines; parts and accessories of automatic data processing, magnetic or optica.
852990	Reception and transmission apparatus; for use with the apparatus of heading no.
870840	Vehicles; parts, gear boxes.
847170	Data processing machines; storage units.
870829	Vehicles; parts and accessories, of bodies, other than safety seat belts.
870899	Vehicles; parts and accessories, n.e.s. in heading no. 8708.
392690	Plastics; other articles n.e.s. in chapter 39.
100590	Cereals; maize (corn), other than seed.
870322	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylind.
271121	Petroleum gases and other gaseous hydrocarbons; in gaseous state, natural gas.
870421	Vehicles; compression-ignition internal combustion piston engine.
852812	Television receivers; colour, whether or not combined, in the same housing.

(\*) Orange bars denote products for which total UAE exports are at least 50% of total LAC imports.

**FIGURE 2.2: LAC-UAE TRADE: TOP 20 COMPLEMENTARY UAE IMPORTS (\*)**

<b>710812</b>	<b>Metals; gold, non-monetary, unwrought (but not powder).</b>
852520	Transmission apparatus; for radio-telephony, radio-telegraphy, radio-broadcastin.
880240	Aeroplanes and other aircraft; of an unladen weight exceeding 15,000kg.
711319	Jewellery; of precious metal (excluding silver) whether or not plated.
<b>710813</b>	<b>Metals; gold, semi-manufactured.</b>
710231	Diamonds; non-industrial, unworked or simply sawn, cleaved or bruted.
710239	Diamonds; non-industrial, (other than unworked or simply sawn, cleaved or bruted.
870324	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylind.
<b>870323</b>	<b>Vehicles; spark-ignition internal combustion reciprocating piston engine, cylind.</b>
841112	Turbo-jets; of a thrust exceeding 25kN.
<b>880330</b>	<b>Aircraft and spacecraft; parts of aeroplanes or helicopters n.e.s. in heading no.</b>
<b>271000</b>	<b>Oils; petroleum oils and oils obtained from bituminous minerals, not crude.</b>
<b>300490</b>	<b>Medicaments; consisting of mixed or unmixed products n.e.s. in heading no. 3004.</b>
<b>740311</b>	<b>Copper; refined, unwrought, cathodes and sections of cathodes.</b>
<b>847130</b>	<b>Data processing machines; portable, digital and automatic.</b>
<b>281820</b>	<b>Aluminium oxide; other than artificial corundum.</b>
880390	Aircraft and spacecraft; parts thereof n.e.s. in chapter 88.
<b>870899</b>	<b>Vehicles; parts and accessories, n.e.s. in heading no. 8708</b>
<b>848180</b>	<b>Taps, cocks, valves and similar appliances; for pipes, boiler shells, tanks.</b>
<b>841191</b>	<b>Turbines; parts of turbo-jets and turbo-propellers.</b>

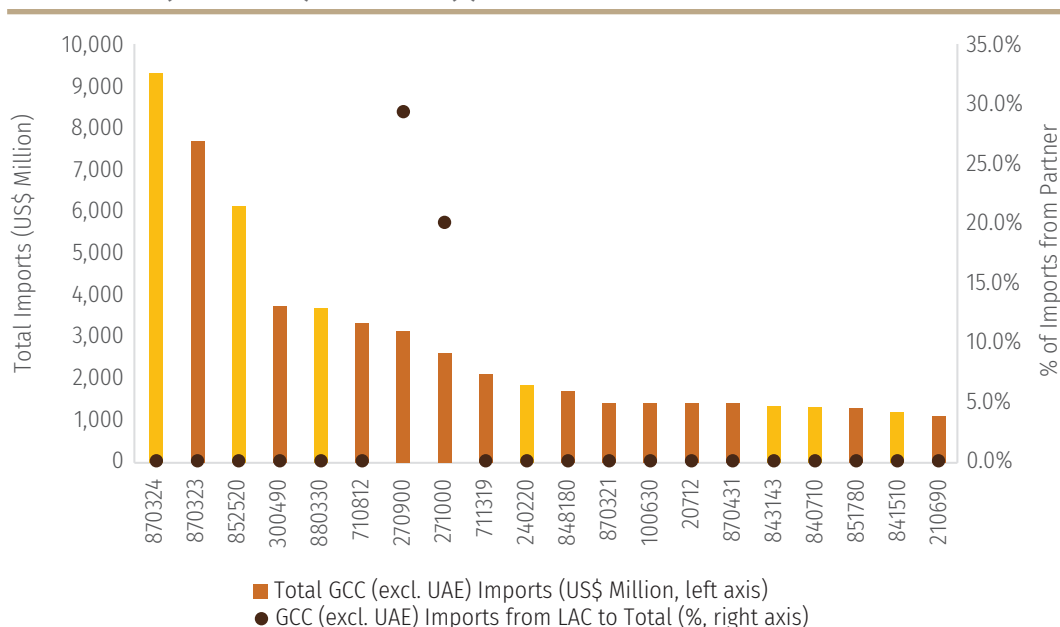
(\*) Orange bars denote products for which total LAC exports are at least 50% of total UAE imports.

**FIGURE 2.3: LAC-GCC (EXCL. UAE) TRADE: TOP 20 COMPLEMENTARY LAC IMPORTS (\*)**

271000	Oils; petroleum oils and oils obtained from bituminous minerals, not crude.
854230	Electronic circuits; monolithic, integrated, other than digital.
870323	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylind.
852520	Transmission apparatus; for radio-telephony, radio-telegraphy, radio-broadcastin.
300490	Medicaments; consisting of mixed or unmixed products n.e.s. in heading no. 3004.
851780	Line telephony or telegraphy apparatus; n.e.s. in heading no. 8517.
<b>270900</b>	<b>Oils; petroleum oils and oils obtained from bituminous minerals, crude.</b>
851790	Line telephony or telegraphy apparatus; electrical.
847330	Machines; parts and accessories of automatic data processing, magnetic or optica.
852990	Reception and transmission apparatus; for use with the apparatus of heading no.
870840	Vehicles; parts, gear boxes.
847170	Data processing machines; storage units.
870829	Vehicles; parts and accessories, of bodies, other than safety seat belts.
870899	Vehicles; parts and accessories, n.e.s. in heading no. 8708.
392690	Plastics; other articles n.e.s. in chapter 39.
100590	Cereals; maize (corn), other than seed.
870322	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylind.
870421	Vehicles; compression-ignition internal combustion piston engine.
852812	Television receivers; colour, whether or not combined, in the same housing.
840820	Engines; compression-ignition internal combustion piston engines.

(\*) Orange bars denote products for which total GCC (excl. UAE) exports are at least 50% of total LAC imports.

**FIGURE 2.4: LAC-GCC (EXCL. UAE) TRADE: TOP 20 COMPLEMENTARY GCC (EXCL. UAE) IMPORTS (\*)**



870324	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylind.
<b>870323</b>	<b>Vehicles; spark-ignition internal combustion reciprocating piston engine, cylind.</b>
852520	Transmission apparatus; for radio-telephony, radio-telegraphy, radio-broadcastin.
<b>300490</b>	<b>Medicaments; consisting of mixed or unmixed products n.e.s. in heading no. 3004.</b>
880330	Aircraft and spacecraft; parts of aeroplanes or helicopters n.e.s.
<b>710812</b>	<b>Metals; gold, non-monetary, unwrought (but not powder).</b>
<b>270900</b>	<b>Oils; petroleum oils and oils obtained from bituminous minerals, crude.</b>
<b>271000</b>	<b>Oils; petroleum oils and oils obtained from bituminous minerals, not crude.</b>
<b>711319</b>	<b>Jewellery; of precious metal (excluding silver) whether or not plated.</b>
240220	Cigarettes; containing tobacco.
<b>848180</b>	<b>Taps, cocks, valves and similar appliances; for pipes, boiler shells, tanks.</b>
<b>870321</b>	<b>Vehicles; spark-ignition internal combustion reciprocating piston engine, cylind.</b>
<b>100630</b>	<b>Cereals; rice, semi-milled or wholly milled, whether or not polished or glazed.</b>
<b>20712</b>	<b>Meat and edible offal; of the poultry of heading no. 0105.</b>
<b>870431</b>	<b>Vehicles; spark-ignition internal combustion piston engine.</b>
843143	Boring or sinking machinery; parts of the machinery of item no. 8430.41 or 8430.
840710	Engines; for aircraft, spark-ignition reciprocating or rotary internal combustion.
<b>851780</b>	<b>Line telephony or telegraphy apparatus; n.e.s. in heading no. 8517.</b>
841510	Air conditioning machines; comprising a motor-driven fan and elements for changing.
<b>210690</b>	<b>Food preparations; n.e.s. in item no. 2106.10.</b>

(\*) Orange bars denote products for which total LAC exports are at least 50% of total GCC (excl.UAE) imports.



of GCC, and much less the other way around, which incidentally suggests that **LAC should have a vaster capacity to meet the GCC importing needs than vice versa.**<sup>11</sup>

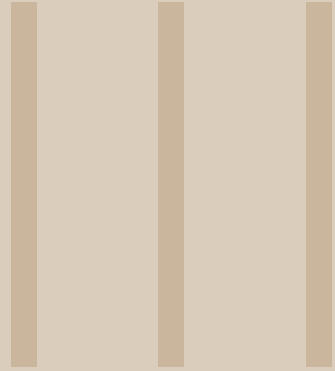
This analysis has shown that trade potential between LAC and GCC countries is great. If we look at the mere complementarity in terms of what one imports and the other one exports, the opportunity amounts to around US\$1.25 trillion. If we look at complementarity considering products comprising 0.01% or more of total imports in the destination region, the opportunity would be worth approximately 1.15 trillion. Finally, if we look at complementarity considering products comprising 0.01% or more of total LAC imports, and growing in both regions faster than average rate, the opportunity could be valued US\$376.8 billion—see Chart 2.5 below.

**CHART 2.5: GCC-LAC TRADE COMPLEMENTARITY SCENARIOS**

	Complementarity (US\$ billion)	Complementarity considering products comprising 0.01% or more of total region imports (US\$ billion)	Complementarity considering products comprising 0.01% or more of total region imports and growing in both regions faster than average (US\$ billion)
LAC Imports from GCC	841.3	769.3	254.1
GCC Imports from LAC	411.1	379.3	122.7
<b>Total Interregional Trade</b>	<b>1252.4</b>	<b>1148.6</b>	<b>376.8</b>

Source: Own elaboration using data from UN-COMTRADE.

11 But even so, in most products total GCC exports largely exceeds LAC imports, so gains from more intense trade would go both ways. For instance, total UAE exports of Motor Vehicles for the Transport of Goods (HS code 870421) represent 11% of total LAC imports, but actual UAE exports cover only 0.6% of LAC imports, leaving room for more bilateral trade. This is even more impressive in dollar figures: LAC imports US\$5,003 billion in total and buys US\$ 31 billion from UAE, vis-à-vis total UAE exports for US\$547 billion.



What Can  
Governments Do?

International trade and investment are complex processes involving many actors and procedures, well beyond the simplified view of a local firm just selling or settling in a foreign country. Facilitating awareness about business opportunities abroad, communication between the contracting parties, and the optimization of the time and money needed to close the deal and move the goods and/or capital across borders, are key factors in the realization of the trade and investment potential identified in this study.

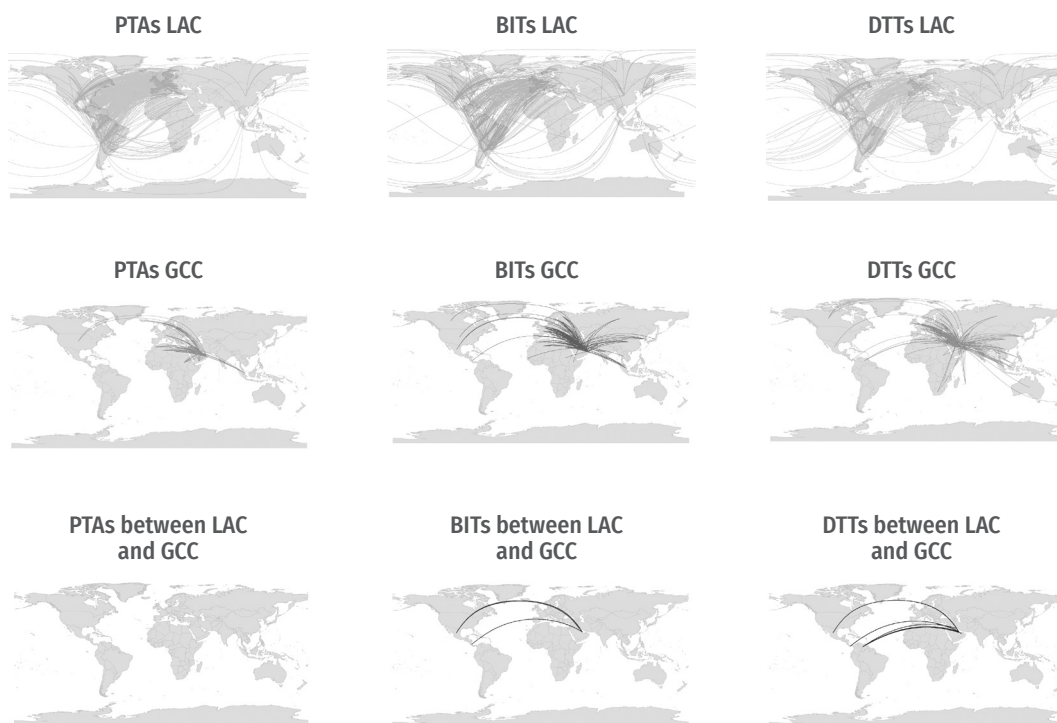
While some costs are self-evident (transport, Most Favored Nation tariffs), others are less conspicuous but equally critical, and these are the ones that will be underscored here. They include: (a) costs addressed by trade and investment as well as double taxation agreements, (b) cost of accessing relevant and timely information about bilateral business opportunities, and (c) logistic and other border-related costs.

**GCC and LAC can negotiate and ratify trade and investment bilateral agreements.** A preferential trade agreement (PTA) is a treaty between two or more countries aiming to reduce tariffs or non-tariff barriers between the signing parties. PTAs range from nonreciprocal, one-way tariff reductions to economic unions where no barriers exist, and common monetary and fiscal policies are in place. In between, it includes reciprocal PTAs, free trade areas, customs unions and common markets.

As of December 2018, 465 trade agreements are in force around the globe (see WTO 2018). However, no PTA has been signed between GCC and LAC countries so far. According to the background econometric analysis carried out for this study on a broad sample of countries and years, PTAs may increase bilateral trade by 60%. Even though it would take a few years to bear fruits, this is a medium-term outcome that is worth pursuing. In the case of GCC-LAC, **this would drive bilateral trade to US\$ 26.1 billion, up from the current US\$ 16.3 billion—a US\$ 9.8 billion increase.**

**Besides trade agreements, countries can negotiate investment treaties.** FDI is a long-run-oriented activity involving hefty sunk

**FIGURE 3.1: PTAs, BITs, AND DTTs IN LAC AND GCC**



Source: Own elaboration based on data from Baier et al. (2014), Kohl et al. (2016), OECD, UNCTAD, and WTO.

costs. Therefore, foreign investors require legal preconditions at the time of allocating their money overseas. Bilateral investment treaties (BITs) are an effective vehicle used by governments to pursue the goal of creating a more conducive environment for FDI, and leveling the playing field regardless of investor nationality.

As of December 2018, 2,958 BITs had been signed worldwide, of which 2,361 in force, and 382 Treaties with Investment Provisions (TIPs), of which 310 are in force (UNCTAD (2018)).<sup>12</sup>

12 UNCTAD distinguishes two types of international investment agreements (IIAs): (1) bilateral investment treaties and (2) treaties with investment provisions. A bilateral investment treaty (BIT) is an agreement between two countries regarding promotion and protection of investments made by investors from respective countries in each other's territory. The great majority of IIAs are BITs. The category of treaties with investment provisions (TIPs) brings together various types of investment treaties that are not BITs.

**CHART 3.1: GCC-LAC INVESTMENT TREATIES**

Country	BITs		TIPs		Total Signed (BITs + TIPs)	
	Signed	In force	Signed	In force	Number	In % of total countries in the world (first line) and LAC (second line)
<b>UAE</b>	<b>64</b>	<b>37</b>	<b>12</b>	<b>6</b>	<b>76</b>	<b>39%</b>
<i>Of which with LAC countries (year):</i>	4 Argentina 2018 Colombia 2017 Mexico 2016 Paraguay 2018	0	0	0	4	12%
<b>Saudi Arabia</b>	<b>24</b>	<b>19</b>	<b>13</b>	<b>8</b>	<b>37</b>	<b>19%</b>
<i>Of which with LAC countries:</i>	0	0	0	0	0	0%
<b>Kuwait</b>	<b>84</b>	<b>67</b>	<b>12</b>	<b>6</b>	<b>96</b>	<b>49%</b>
<i>Of which with LAC countries:</i>	2 Jamaica 2013 Mexico 2013	1 Mexico 2016	0	0	2	6%

<b>Qatar</b>	<b>54</b>	<b>23</b>	<b>12</b>	<b>6</b>	<b>66</b>	<b>34%</b>
<i>Of which with LAC countries:</i>	3 Argentina 2016 Costa Rica 2010 Panama 2010	1 Costa Rica 2013	0	0	3	9%
<b>Oman</b>	<b>34</b>	<b>27</b>	<b>12</b>	<b>7</b>	<b>46</b>	<b>24%</b>
<i>Of which with LAC countries:</i>	0	0	0	0	0	0%
<b>Bahrain</b>	<b>31</b>	<b>25</b>	<b>13</b>	<b>8</b>	<b>44</b>	<b>23%</b>
<i>Of which with LAC countries:</i>	1 Mexico 2012	1 Mexico 2014	0	0	1	3%
<b>Total GCC – LAC Countries (*)</b>	<b>10</b>	<b>3</b>	<b>0</b>	<b>0</b>		

Source: UNCTAD, <https://investmentpolicyhub.unctad.org/IIA/>.

(\*) Includes signed but not in force BIT between GCC and Peru in 2012.

GCC countries have been quite active in celebrating these types of agreements with many nations throughout the world. However, Chart 3.1 list the agreements signed by GCC, which include 10 BITs with LAC, of which only 3 are in force (Kuwait-Mexico, 2016; Bahrain-Mexico, 2014; and Qatar-Costa Rica, 2013). Kuwait is an eloquent case that exemplifies the room for improvement on this front. It has signed agreements with 96 countries (49% of all countries in the world), but just 2 with LAC (6% of all countries in the region).

**Double taxation treaties may also be decisive to unleash some foreign investments.** Such treaties exist for just a handful of GCC-LAC country pairs, namely: Bahrain-Mexico (2012), UAE-Venezuela (2011), Kuwait-Venezuela (2006), Qatar-Venezuela (2007) and Qatar-Panama (2011).

**Also, the opening of an embassy and/or consulate can increase GCC-LAC bilateral trade by 20%.** An intangible but essential input in commercial and financial decisions is firsthand, preferably face-to-face, information about the country in which the trade or investment operation is going to take place. No matter how attractive the transaction looks, the entrepreneur needs to acquire some familiarity with the business climate and practices in the new destination as a prerequisite to take the final step.

Overseas offices, such as embassies and consulates, as well as country targeting in export and investment promotion organizations are primary instruments in this regard. Moreover, they are a cost-effective policy tool under full control of the national authorities.

Figure 3.2 suggests an uneven and incomplete diplomatic bilateral presence across GCC and LAC countries.<sup>13</sup> Only 4 GCC countries (UAE, Saudi Arabia, Kuwait and Qatar) have an embassy and/or a consulate in LAC. From the LAC side, the larger economies in the

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13 In spite of not being diplomatic missions per se, the international offices of national agencies for the promotion of trade and investment are another vital instrument for the purpose of enhancing commercial ties.

region (Argentina, Brazil and Mexico) don't have a representation in all GCC countries. For instance, Chile has no embassy or consulate in these countries with the exception of UAE. Representation is even lower in smaller economies.

The econometric analysis carried out for this report yields an encouraging estimated impact from the establishment of an embassy and/or consulate on the intensity of bilateral trade. Specifically, the analysis indicates that the existence of such representations may increase GCC-LAC bilateral trade by US\$ 3.3 billion (20%), from the current US\$ 16.3 billion up to US\$ 19.6 billion.

**FIGURE 3.2: DIPLOMATIC MISSIONS**

Origin (column below)	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	U.A.E.
Argentina						
Bolivia						
Brazil						
Chile						
Colombia						
Costa Rica						
Dominican Republic						
Ecuador						
El Salvador						
Guatemala						
Honduras						
Mexico						
Nicaragua						
Panama						
Paraguay						
Peru						
Uruguay						
Venezuela						

Embassy or Consulate  Neither Embassy nor Consulate

**FIGURE 3.2: DIPLOMATIC MISSIONS** *(continued)*

Origin (column below)	Argentina	Bolivia	Brazil	Chile	Colombia	Costa Rica	Dom. Rep.	Ecuador	El Salvador
Bahrain									
Kuwait									
Oman									
Qatar									
Saudi Arabia									
U.A.E.									

	Destination								
Origin	Guatemala	Honduras	Mexico	Nicaragua	Panama	Paraguay	Peru	Uruguay	Venezuela
Bahrain									
Kuwait									
Oman									
Qatar									
Saudi Arabia									
U.A.E.									

Embassy or Consulate    Neither Embassy nor Consulate

Source: Own elaboration based on Moons (2017) and IDB data as of 2017.<sup>14</sup>

**Logistic costs and deficiencies in the business climate in both regions inhibit trade and investment activities.** Beyond international transport and tariffs, the process of exporting and importing gives rise to various costs ranging from documentary compliance to border compliance to domestic transport that should

14 Moons, Vincent. Heterogenous Effects of Economic Diplomacy: Instruments, Determinants and Developments. Erasmus University Rotterdam, 2017.



### **BOX 3: BUSINESS AND GOVERNMENT COLLABORATION TO HELP INCREASE TRADE WITH UAE: THE ARGENTINIAN EXPERIENCE**

Working in collaboration with the Argentine Government, **Argentine-Emirati Chamber of Commerce, Industry, Services and Technology Transfer** ('CARAE' for its acronym in Spanish) is helping SMEs throughout the value chain to access the Emirati market, offering support from logistics and Halal certification to business development in the Emirates.

Some of the key challenges that Argentine and other LAC exporters face when trying to enter these markets, in addition to language and other cultural barriers, are high logistics and distribution costs, which are a consequence of distance and low volumes, creating a significant disadvantage vis-a-vis global competitors. This, for example, prevents shipping lines from offering direct services. Large and established firms, such as global grain companies, have overcome these challenges by internalizing costs and setting up their own transport and logistic infrastructure both in Argentina and the UAE.

CARAE aims to solve this by consolidating products in Argentina to be able to, on the one hand, reach higher volumes that will get the shipping lines to provide more direct shipping, and, on the other hand, offer lower warehousing and distribution rates at the Jebel Ali Free Zone Area (JAFZA) in Dubai. Once at the zone, local companies do the distribution throughout the GCC, North Africa, and South Asia.

The Argentine warehouse at JAFZA complements some important progress made by the Argentine Government to increase trade and investment between the two countries, including the promotion of Argentine SMEs participation in key trade fairs, such as Gulfood, the Congressional ratification for a Double Taxation Treaty, the conclusion of a Bilateral Investment Treaty, the elimination of visas, and the collaboration with the Organization and Emirates Standards and Metrology Authority (ESMA) to spread the certification of Halal in Argentina.

For more information, please visit <http://www.carae.org/>.

be factored in when deciding to trade. Box 3 above introduces an effective public-private collaboration aimed at reducing logistics costs and business climate-related uncertainties.

Similarly, in addition to the specific risk and return of the project, investment decisions hinge on the business climate in the host country, a concept generally associated with the easiness to

establish and conduct a business and write and enforce contracts. Although these factors usually apply across the board without discriminating by the nationality of the partner, they play a pivotal role that one cannot dismiss in this analysis of factors that stifle trade and investment.

Neither region fares too well in this aspect. Despite the variation across countries, it must be noted that, for both regions as a whole, it takes between 3–4 days on average to complete the clearance

**CHART 3.2: LOGISTIC INDICATORS IN LAC AND GCC**

Region and Country	Clearance time without physical inspection (days)	Clearance time with physical inspection (days)	Shipments Subject to Physical inspection (% of total)
<b>LAC Countries</b>			
Argentina	5	4	36
Bolivia	3	3	30
Brazil	4	4	8
Chile	5	5	3
Colombia	3	3	3
Dominican Republic	2	2	50
Guatemala	4	3	42
Haiti	1	1	1
Mexico	2	2	6
Panama	3	3	6
Paraguay	3	3	1
Peru	5	5	15
Venezuela, RB	6	7	50
<b>GCC Countries</b>			
Kuwait	4	3	75
Oman	4	3	36
Qatar	1	2	75
Saudi Arabia	3	3	25
United Arab Emirates	3	2	10

Source: World Bank, Logistic Performance Index, <https://lpi.worldbank.org/domestic/performance>.

process, with maximum values of 6 days (without inspection) and 7 days (with inspection), much longer than the single day it takes in Germany, the world's top performer.<sup>15</sup> This can be at least partially traced back to physical inspection rates, which, on average, reach 19.3% of the shipments, versus 1% in Germany. **Further reducing these physical inspections while preserving the quality of controls and accordingly lowering customs processing times can significantly help expand trade.**

In addition, direct air routes connecting with adequate frequency different major cities in both regions are blatantly missing. As of now, only two Emirates flights cover non-stop LAC and GCC points: Dubai (UAE)-Rio de Janeiro (Brazil) and Dubai (UAE)-Sao Paulo (Brazil).

**Furthermore, substantial cost efficiencies—as uncovered in various international studies—can be achieved by putting in place specific trade facilitation measures,** such as: Single Windows (SW),<sup>16</sup> Authorized Economic Operators (AEO)<sup>17</sup> programs and linking them across the borders through interoperability mechanisms and mutual recognition instruments respectively. Chart 3.3 documents the adoption of these instruments across LAC and GCC countries. SWs and AEOs have a widespread presence in LAC, but less so in GCC. Also, the SWs and AEOs in LAC and GCC do not interoperate, and there are no MRA of their in AEO programs.

15 The import clearance times correspond to the number of days to comply with border and documentary requirements, as surveyed by the World Bank's Logistic Performance Index.

16 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. When possible, such information is transmitted electronically. It has been estimated that single windows enable trade costs reductions of up to 15%.

17 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. Recent evidence for Mexico lends support to the positive impulse to firms' exports due to the implementation of the AEO regime.

**CHART 3.3: SINGLE WINDOW, AUTHORIZED ECONOMIC OPERATORS AND MUTUAL RECOGNITION PROGRAMS IN PLACE IN LAC AND GCC**

Region	Single Window	Authorized Economic Operators
<b>LAC</b>	Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala ( <i>only for exports</i> ), Mexico, Paraguay ( <i>only for exports</i> ), Peru, Trinidad and Tobago, Uruguay	Argentina, Bolivia, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Jamaica, Mexico, Nicaragua, Panama, Peru, Paraguay, Uruguay
<b>GCC</b>	Bahrain, Oman, Qatar, United Arab Emirates	Oman, Saudi Arabia
<b>Interoperability and Mutual Recognition</b>	None	None

Source: Own elaboration based on data from WCO, IFC and IDB as of 2018.



# Conclusions

**T**his study opened with three questions. Now, after going over the facts and numbers, it is time to answer them:

- I. **Where do we stand?** Bilateral trade and investment are strikingly low relative to total trade and investment in each region, but there are clear opportunities that can be tapped.
- II. **Where are the commercial opportunities?** There are hundreds of products that one region sells and the other buys from the world, yet trade between LAC and GCC is meager, or absent.
- III. **What can governments do?** A lot. The current situation can be explained by (i) the lack of fluid and frequent contact between potential exporters and importers from both regions, and (ii) the absence of expedited processes when these transactions take place. In both cases, there is much to do from the policy arena at a low fiscal cost.

So, even though there is no denying that bilateral trade and investment between GCC and LAC is still low, the analysis suggests that substantial progress can be made in the short and medium run.

In this sense, the good news are twofold. On the one hand, both regions are, in principle, highly complementary in the sense that one exports what the other imports, paving the way for mutually beneficial trade and investment. On the other hand, some concrete policy steps that are both politically and fiscally viable can be taken to unleash this potential.

In particular, authorities can take concrete actions to strengthen the ties and communication between firms interested in tapping valuable trade and investment opportunities. These include:

1. Opening of **embassies, consulates and other representations such as offices of their trade and investment promotion agencies** in the other region's countries, with a mandate to proactively target and promote bilateral links and the face-to-face communication between entrepreneurs;

2. Signing of **trade, investment and double taxation treaties**; and
3. **Streamlining of the export and import process and the fostering of a business-enabling environment.** Advances in the implementation of Single Windows, and Authorized Economic Operators programs and interoperability of the first and mutual recognition of the latter, can go a long way, as it certainly will every improvement in logistic efficiency that countries were able to achieve in their own customs infrastructure.

This battery of measures is bound to shorten the distance separating GCC and LAC and thin down borders, thus infusing new vigor into their relationship in the years ahead.





# Annex I: Top 20 LAC and GCC Complementary Imports

The tables that follow collect information, in million US dollars, on the top 20 imports at the product level (6-digit) for the LAC and GCC (with and without UAE) regions as of year 2016 (latest available data, sources: [comtrade.un.org](http://comtrade.un.org) and [www.trademap.org](http://www.trademap.org)). The exercise is afterwards repeated for selected LAC countries vis-à-vis GCC as a whole.<sup>18</sup> For expositional purposes, only the numerical code is reported. The description of each product can be consulted in an accompanying Excel spreadsheet and can also be retrieved from the following link:

<https://comtrade.un.org/db/mr/rfcommoditieslist.aspx>.

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18 Empty cells imply no trade whatsoever, while zero with decimals (e.g., 0.00) implies a positive but small value.

**CHART A1: TOP 20 LAC IMPORTS AT 6-DIGIT LEVEL, AND TOTAL AND BILATERAL EXPORTS FROM THE PARTNER**

In million US\$ as of 2016 (latest available year with complete data)

Code	Description	Total LAC Imports	Total UAE Exports	LAC Imports from UAE
271000	Oils; petroleum oils and oils obtained from bituminous minerals, not crude; preparations n.e.s., containing by weight 70% or more of petroleum oils or oils obtained from bituminous minerals	48,352.80	9,668.10	0.96
854230	Electronic circuits; monolithic, integrated, other than digital	18,242.90	40.8	0.57
870323	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1500cc but not exceeding 3000cc	17,196.20	2,135.10	37.04
852520	Transmission apparatus; for radio-telephony, radio-telegraphy, radio-broadcasting or television, with reception apparatus, with or without sound recording or reproducing apparatus	12,155.00	3,481.20	121.18
300490	Medicaments; consisting of mixed or unmixed products n.e.s. in heading no. 3004, for therapeutic or prophylactic uses, packaged for retail sale	11,710.00	87.7	3.78
851780	Line telephony or telegraphy apparatus; n.e.s. in heading no. 8517	10,344.60	121.3	45.51
270900	Oils; petroleum oils and oils obtained from bituminous minerals, crude	8,624.00	32,999.40	0
851790	Line telephony or telegraphy apparatus; electrical, parts of the apparatus of heading no. 8517	7,127.90	387.6	6.81
847330	Machines; parts and accessories of automatic data processing, magnetic or optical readers, digital processing units	7,047.10	270.4	2.36
852990	Reception and transmission apparatus; for use with the apparatus of heading no. 8525 to 8528, excluding aerials and aerial reflectors	7,016.70	24.7	0.13
870840	Vehicles; parts, gear boxes	6,824.10	13.6	0.64
847170	Data processing machines; storage units	6,600.70	116.9	8.55
870829	Vehicles; parts and accessories, of bodies, other than safety seat belts	6,419.50	50.9	2.58
870899	Vehicles; parts and accessories, n.e.s. in heading no. 8708	6,344.40	870.6	5.73

*(continued on next page)*

Code	Description	Total LAC Imports	Total UAE Exports	LAC Imports from UAE
392690	Plastics; other articles n.e.s. in chapter 39	6,173.90	55.1	5.18
100590	Cereals; maize (corn), other than seed	5,829.10	30.2	90.74
870322	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1000cc but not exceeding 1500cc	5,602.70	137.1	0.01
271121	Petroleum gases and other gaseous hydrocarbons; in gaseous state, natural gas	5,339.70	0	0
870421	Vehicles; compression-ignition internal combustion piston engine (diesel or semi-diesel), for transport of goods, (of a gvw not exceeding 5 tonnes), nes in item no 8704.1	5,003.50	547.3	30.64
852812	Television receivers; colour, whether or not combined, in the same housing, with radio-broadcast receivers or sound or video recording or reproducing apparatus	4,789.10	243.1	0.04

**CHART A2: TOP 20 UAE IMPORTS AT 6-DIGIT LEVEL, AND TOTAL AND BILATERAL EXPORTS FROM THE PARTNER**  
In million US\$ as of 2016 (latest available year with complete data)

Code	Description	Total UAE Imports	Total LAC Exports	UAE Imports from LAC
710812	Metals; gold, non-monetary, unwrought (but not powder)	25,742.5	19,032.5	0.00
852520	Transmission apparatus; for radio-telephony, radio-telegraphy, radio-broadcasting or television, with reception apparatus, with or without sound recording or reproducing apparatus	8,853.1	1,202.7	26.60
880240	Aeroplanes and other aircraft; of an unladen weight exceeding 15,000kg	8,423.6	3,533.8	0.00
711319	Jewellery; of precious metal (excluding silver) whether or not plated or clad with precious metal, and parts thereof	6,702.0	1,104.9	0.78
710813	Metals; gold, semi-manufactured	6,430.2	3,593.7	0.00
710231	Diamonds; non-industrial, unworked or simply sawn, cleaved or bruted, but not mounted or set	6,281.3	22.3	0.00
710239	Diamonds; non-industrial, (other than unworked or simply sawn, cleaved or bruted), but not mounted or set	6,124.8	74.5	0.05
870324	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 3000cc	5,648.6	1,700.3	0.47
870323	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1500cc but not exceeding 3000cc	5,347.1	24,223.9	2.00
841112	Turbo-jets; of a thrust exceeding 25kN	3,486.3	373.7	0.00
880330	Aircraft and spacecraft; parts of aeroplanes or helicopters n.e.s. in heading no. 8803	2,413.6	761.8	1.77
271000	Oils; petroleum oils and oils obtained from bituminous minerals, not crude; preparations n.e.s., containing by weight 70% or more of petroleum oils or oils obtained from bituminous minerals	2,349.7	8,865.4	483.28
300490	Medicaments; consisting of mixed or unmixed products n.e.s. in heading no. 3004, for therapeutic or prophylactic uses, packaged for retail sale	1,593.8	4,402.7	2.67

(continued on next page)

Code	Description	Total UAE Imports	Total LAC Exports	UAE Imports from LAC
740311	Copper; refined, unwrought, cathodes and sections of cathodes	1,579.0	15,511.8	0.00
847130	Data processing machines; portable, digital and automatic, weighing not more than 10kg, consisting of at least a central processing unit, a keyboard and a display	1,393.4	1,678.0	0.55
281820	Aluminium oxide; other than artificial corundum	1,368.8	2,666.2	0.00
880390	Aircraft and spacecraft; parts thereof n.e.s. in chapter 88	1,213.6	14.0	0.00
870899	Vehicles; parts and accessories, n.e.s. in heading no. 8708	1,109.1	6,515.9	3.14
848180	Taps, cocks, valves and similar appliances; for pipes, boiler shells, tanks, vats or the like, including thermostatically controlled valves	962.5	2,271.5	1.11

**CHART A3: TOP 20 LAC IMPORTS AT 6-DIGIT LEVEL, AND TOP 20 IMPORTS AT 6-DIGIT LEVEL, AND TOTAL AND BILATERAL EXPORTS FROM THE PARTNER**  
In million US\$ as of 2016 (latest available year with complete data)

Code	Description	Total LAC Imports	Total GCC (excl. UAE) Exports	LAC Imports from GCC (excl. UAE)
271000	Oils; petroleum oils and oils obtained from bituminous minerals, not crude; preparations n.e.s., containing by weight 70% or more of petroleum oils or oils obtained from bituminous minerals	4831.9	41640.2	1.9
854230	Electronic circuits; monolithic, integrated, other than digital	1823.0	22.2	0.5
870323	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1500cc but not exceeding 3000cc	1718.4	447.6	97.8
852520	Transmission apparatus; for radio-telephony, radio-telegraphy, radio-broadcasting or television, with reception apparatus, with or without sound recording or reproducing apparatus	1214.7	243.3	4.5
300490	Medicaments; consisting of mixed or unmixed products n.e.s. in heading no. 3004, for therapeutic or prophylactic uses, packaged for retail sale	1170.2	163.3	8.3
851780	Line telephony or telegraphy apparatus; n.e.s. in heading no. 8517	1033.7	20.9	63.6
270900	Oils; petroleum oils and oils obtained from bituminous minerals, crude	861.8	190832.9	0.0
851790	Line telephony or telegraphy apparatus; electrical, parts of the apparatus of heading no. 8517	712.3	44.2	8.6
847330	Machines; parts and accessories of automatic data processing, magnetic or optical readers, digital processing units	704.2	34.2	3.6
852990	Reception and transmission apparatus; for use with the apparatus of heading no. 8525 to 8528, excluding aerials and aerial reflectors	701.2	8.5	0.6
870840	Vehicles; parts, gear boxes	681.9	5.3	2.2
847170	Data processing machines; storage units	659.6	19.2	4.6

(continued on next page)



Code	Description	Total LAC Imports	Total GCC (excl. UAE) Exports	LAC Imports from GCC (excl. UAE)
870829	Vehicles; parts and accessories, of bodies, other than safety seat belts	641.5	44.2	3.8
870899	Vehicles; parts and accessories, n.e.s. in heading no. 8708	634.0	86.0	22.3
392690	Plastics; other articles n.e.s. in chapter 39	617.0	23.6	5.7
100590	Cereals; maize (corn), other than seed	582.5	0.1	263.5
870322	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1000cc but not exceeding 1500cc	559.9	55.7	4.3
870421	Vehicles; compression-ignition internal combustion piston engine (diesel or semi-diesel), for transport of goods, (of a gvw not exceeding 5 tonnes), nes in item no 8704.1	500.0	37.8	67.5
852812	Television receivers; colour, whether or not combined, in the same housing, with radio-broadcast receivers or sound or video recording or reproducing apparatus	478.6	12.4	1.3
840820	Engines; compression-ignition internal combustion piston engines (diesel or semi-diesel engines), of a kind used for the propulsion of vehicles of chapter 87	463.4	0.7	0.0

**CHART A4: TOP 20 GCC (EXCL. UAE) IMPORTS AT 6-DIGIT LEVEL, AND TOP 20 IMPORTS AT 6-DIGIT LEVEL, AND TOTAL AND BILATERAL EXPORTS FROM THE PARTNER**  
 In million US\$ as of 2016 (latest available year with complete data)  
 (continued)

Code	Description	Total GCC (excl. UAE) Imports	Total LAC Exports	GCC (excl. UAE) Imports from LAC
870324	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 3000cc	9377.7	1700.3	0.00
870323	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1500cc but not exceeding 3000cc	7719.1	24223.9	0.01
852520	Transmission apparatus; for radio-telephony, radio-telegraphy, radio-broadcasting or television, with reception apparatus, with or without sound recording or reproducing apparatus	6159.9	1202.7	0.04
300490	Medicaments; consisting of mixed or unmixed products n.e.s. in heading no. 3004, for therapeutic or prophylactic uses, packaged for retail sale	3788.0	4402.7	0.06
880330	Aircraft and spacecraft; parts of aeroplanes or helicopters n.e.s. in heading no. 8803	3708.4	761.8	0.06
710812	Metals; gold, non-monetary, unwrought (but not powder)	3425.3	19032.5	0.00
270900	Oils; petroleum oils and oils obtained from bituminous minerals, crude	3167.7	39708.6	928.54
271000	Oils; petroleum oils and oils obtained from bituminous minerals, not crude; preparations n.e.s., containing by weight 70% or more of petroleum oils or oils obtained from bituminous minerals	2697.0	8865.4	537.35
711319	Jewellery; of precious metal (excluding silver) whether or not plated or clad with precious metal, and parts thereof	2211.1	1104.9	0.00
240220	Cigarettes; containing tobacco	1854.1	483.6	0.00
848180	Taps, cocks, valves and similar appliances; for pipes, boiler shells, tanks, vats or the like, including thermostatically controlled valves	1805.8	2271.5	0.07

(continued on next page)

Code	Description	Total GCC (excl. UAE) Imports	Total LAC Exports	GCC (excl. UAE) Imports from LAC
870321	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity not exceeding 1000cc	1447.7	1304.6	0.00
100630	Cereals; rice, semi-milled or wholly milled, whether or not polished or glazed	1440.6	740.1	0.00
20712	Meat and edible offal; of the poultry of heading no. 0105, of fowls of the species gallus domesticus, (not cut in pieces), frozen	1434.7	2080.8	0.00
870431	Vehicles; spark-ignition internal combustion piston engine, for transport of goods, (of a g.v.w. not exceeding 5 tonnes), nes in item no 8704.1	1425.8	17208.5	0.05
843143	Boring or sinking machinery; parts of the machinery of item no. 8430.41 or 8430.41	1354.4	230.0	0.06
840710	Engines; for aircraft, spark-ignition reciprocating or rotary internal combustion piston engines	1345.9	64.9	0.00
851780	Line telephony or telegraphy apparatus; n.e.s. in heading no. 8517	1304.1	12273.5	0.07
841510	Air conditioning machines; comprising a motor-driven fan and elements for changing the temperature and humidity, window or wall types, self-contained	1222.0	131.1	0.02
210690	Food preparations; n.e.s. in item no. 2106.10	1191.4	1518.0	0.01

