

2023 | TRADE AND INTEGRATION
M O N I T O R

WHAT'S NEXT

**BOOSTING COMPETITIVENESS TO MEET
FOOD SECURITY AND CLIMATE CHANGE DEMANDS**

Coordinated by
Paolo Giordano

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The *Trade and Integration Monitor* is an annual report analyzing international trade relations in Latin America and the Caribbean. It draws on publicly available data from INTEGRA, the information system on trade and integration run by the Inter-American Development Bank (IDB).

The *Trade and Integration Monitor* is the outcome of a collaborative research effort between the IDB's Integration and Trade Sector (INT) and its Institute for the Integration of Latin America and the Caribbean (INTAL), under the leadership of Fabrizio Operti, Sector Manager, and Ana Basco, Director of INTAL, with technical supervision from Mauricio Mesquita Moreira, Sector Economic Advisor.

This edition was coordinated by Paolo Giordano, INT Principal Economist, and written in collaboration with Rosario Campos and Kathia Michalczewsky, IDB consultants.

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Foreword

Now that the post-Covid trade recovery has ended, the world economy is undergoing profound changes. Geopolitical conflicts have multiplied, monetary tightening continues, and global growth has slowed, casting a shadow on the momentum brought by the end of lockdowns and the rebuilding of supply chains. At the same time, there is growing urgency around addressing crucial challenges such as food security and climate change, which will undoubtedly affect Latin America and the Caribbean's trade performance in the coming years.

Against this backdrop, goods exports from the region have entered a contractionary phase, albeit less pronounced than that of world trade. The decline was mainly due to a deterioration in the terms of trade, although volume growth also fell, with a handful of countries accounting for what little there was. The latest indicators suggest that the contractionary trend will continue in the coming months. Conversely, the recovery in transportation and international travel meant that the region's services exports continued to expand.

The *2023 Trade and Integration Monitor* examines how Latin America and the Caribbean is evolving in the new global context. It compares the region to the rest of the world, analyzing trade performance by country and integration bloc. In particular, the report explores the new opportunities arising from growing concerns about food security and environmental sustainability. This is the 11th annual report published by the Integration and Trade Sector at the Inter-American Development Bank to study Latin America and the Caribbean's changing position in the global trading system.

It concludes that the region's agrifood sector has great potential. However, for trade to remain an engine of growth and contribute to global food security, the international integration agenda must be prioritized, taking into account both traditional trade barriers and the need to adapt to new environmental requirements. Over the past decade, most Latin American and Caribbean countries have lost competitiveness in external markets, especially intraregional ones. It is thus imperative for the region to implement a new generation of integrated agricultural and trade policies that support the agrifood sector in providing more food for the world while reaching environmental sustainability goals.

We hope that this edition of the *Trade and Integration Monitor* will provide the countries of Latin America and the Caribbean with information that is useful for identifying, designing, and implementing policies that will enhance the region's productivity and external competitiveness.

Fabrizio Operti
Manager, Integration and Trade Sector

List of Abbreviations

AC	Andean Community
APs	agrifood products
BEA	Bureau of Economic Analysis
BLS	Bureau of Labor Statistics
CADR	Central America and the Dominican Republic
CARICOM	Caribbean Community
CET	Common External Tariff
CIF	cost, insurance, and freight
CPB	Netherlands Bureau for Economic Policy Analysis
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CSE	Consumer Support Estimate
DPs	direct payments
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
EFTA	European Free Trade Association
EU	European Union
F&E	fuels and energy
FOB	free on board
FTA	free trade agreement
GDP	gross domestic product
GSSE	General Services Support Estimate
HS	Harmonized System
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IMs	industrial manufactures
KIS	knowledge-intensive services
LA	Latin America
LAC	Latin America and the Caribbean
LATLI	Latin American Trade Leading Index
LATNI	Latin American Trade Nowcasting Index

MERCOSUR	Southern Common Market
MMS	mining, metals, and their manufactures
MPS	Market Price Support
MRV	monitoring, reporting, and verification
n.a.	no data available
NAFTA	North American Free Trade Agreement
NCT	national customs territory
OECD	Organisation for Economic Co-operation and Development
OPEC+	Organization of the Petroleum Exporting Countries Plus
PA	Pacific Alliance
PMI	Purchasing Managers' Index
PPT	Presidency pro tempore
PSE	Producer Support Estimate
R&D	research and development
SICA	Central American Integration System
STR	special trade regime
TFP	total factor productivity
TRAINS	Trade Analysis Information System
TSE	Total Support Estimate
UNCTAD	United Nations Conference on Trade and Development
USITC	US International Trade Commission
USMCA	United States-Mexico-Canada Agreement
VSS	Voluntary Sustainability Standards
WTO	World Trade Organization

Executive Summary

The 2023 edition of the *Trade and Integration Monitor* analyzes the factors underlying recent developments in trade flows from Latin America and the Caribbean (LAC) now that the effects of the post-Covid recovery have faded and in view of the structural changes to the current trade outlook. Although the region performed comparatively better than the world average, export values began to decline, and there are no signs of a reversal in the trend in the short term.

Goods exports from LAC moved into a contraction phase as prices fell, real flows weakened, and services sales slowed. Throughout 2023, signs of a deterioration in trade performance became more pronounced, and projections point to a consolidation of this trend.

- LAC's exports recovered after the pandemic but have since weakened faster than expected.
- The value of the region's goods exports grew by 28.0% in 2021 but slowed to 17.0% in 2022 and fell by 2.7% year-on-year in the first half of 2023.
- This decline is due to falling prices (-4.7%) and more moderate growth in export volumes than the previous year (2.9%).
- Growth in export volumes was primarily driven by Brazil and Mexico, whereas volumes contracted in several other countries.
- Terms of trade continued to drop (-3.5%) as export prices fell more than import prices.
- The region's services exports slowed slightly in the first quarter of 2023 compared to the average for 2022 (27.8% and 37.7%, respectively), although they still outperformed the global average (1.3%).
- The latest indicators suggest that the downward trend will continue in the coming months.
- In the current environment, there are risks associated with weak external demand due to the recessionary effects of monetary policies, the decline in commodity prices, and the slowdown in the Chinese economy, among other factors.

The fall in goods exports was seen in intra- and extraregional destination markets. As intraregional exports fell less than extraregional ones, the intraregional trade coefficient grew slightly. However, this performance was entirely due to the MERCOSUR, particularly Brazil. A synthetic indicator for several dimensions of regional integration increased somewhat compared to the previous year.

- In the first half of 2023, intraregional sales fell less than extraregional ones (-0.6% vs. -2.2%, respectively).
- The only destination market to which exports continued to grow was the United States, mainly due to sales from Mexico, while exports to China stagnated.
- In the Pacific Alliance and Central America and the Dominican Republic, shipments outside the region continued to grow, while in the Andean Community and MERCOSUR they fell dramatically.
- Intraregional and intrabloc flows declined in all the region's integration schemes except MERCOSUR.
- Data from a limited sample of Caribbean countries point to a sharp decline in CARICOM exports.
- The share of intraregional trade flows in total LAC trade increased, reaching 15.2% of the total in the first half of 2023, up 0.6 percentage points from 2022.
- The aggregate integration indicator shows that LAC progressed slightly due to improvements in the trade dimension and, to a lesser extent, the productive dimension.
- At the institutional level, LAC countries made progress on negotiations within and outside the region, and continued working on domestic agendas around trade, the environment, and digital, gender, transportation, and food security issues.

The post-Covid period has brought challenging external circumstances that are particularly affecting the agrifood sector. As the world's leading net exporter of agricultural products, LAC plays a vital role in global food security. However, the factors that drove the sector's dynamism in recent decades are fading. The governments of LAC must work alongside the private sector to increase productivity and regain competitiveness through integrated public policies that address multiple objectives and contribute to tackling the trade-off between increasing production and reducing the impact of agriculture on climate change.

- The agrifood sector is central to the region's economies: it accounts for a quarter of total exports, more than double the world average (10%) and about 6.1% of GDP (compared to 4.0% globally).
- The international trade environment is undergoing profound changes that affect LAC's ability to compete in global agrifood markets. These include less

dynamic demand, greater geopolitical fragmentation, more active industrial policies among global competitors, and new regulatory requirements dictated by the climate and environmental agenda.

- International trade is central to food security, as it connects national food systems and enables the exchange of technologies, inputs, and products between countries.
- LAC's export sector is essential to global and regional food security: it is the world's largest net exporter of agrifood products, accounting for 14% of the value of global agricultural and fisheries production and 17% of world exports.
- Various LAC countries are net food importers and 40% of their agrifood imports originate within the region.
- These shifts in the trade environment have been compounded by specific challenges facing the region's agro-export sector: over the past decade, agrifood competitiveness has contracted in most countries, while productivity growth and external demand are both expected to slow down.
- Public policies should address the many factors that determine competitiveness: innovation, productivity, barriers to trade, private standards, domestic support, new environmental requirements, and other trade costs.
- Decision-makers in LAC should help the region adapt to these challenges by implementing a new generation of integrated agricultural and trade policies that support the sector in reducing food insecurity in the region while sustainably providing more food for the world.

Chapter 1 of this report examines the main features of the contraction in global and regional trade. Chapter 2 analyzes the region's trade performance by breaking down growth in prices and export volumes and assesses the likelihood of the contractionary trend continuing. It also looks at specific features of the flows of exports and imports of goods and exports of services by country and subregion. Chapter 3 examines developments in intraregional trade, reviews the export performance of the main subregional integration blocs, and evaluates progress on integration in the region. Chapter 4 discusses the region's agrifood competitiveness and its role in global food security. The conclusions explore the challenges facing the region's external sector in response to the changes affecting trade in the aftermath of the pandemic.

The Deterioration of the Global Environment

1

Following the post-Covid recovery, world trade was hit by a series of shocks. Russia's invasion of Ukraine, high inflation, and monetary tightening in advanced economies led to lower global growth prospects for the current year, compounded by longer-term trends such as the transition in China's growth pattern. The value of international trade went from an 11.9% expansion in 2022 to a 5.0% year-on-year decline in the first half of 2023. Although this contraction was largely due to international prices, trade volumes also fell. In this context of weakening external demand and lower commodity prices, the value of exports from Latin America and the Caribbean, which had already slowed throughout 2022, entered a contraction phase in the first half of 2023.

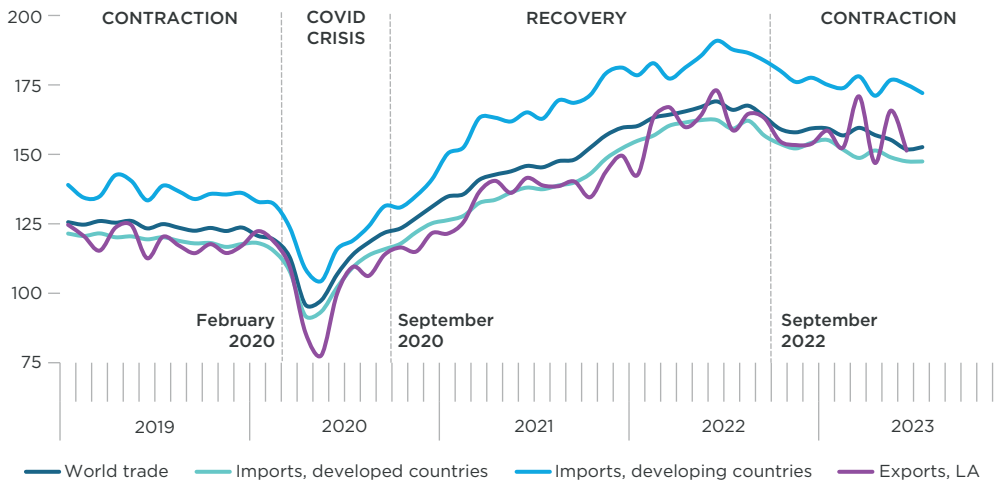
The Contraction in Global Trade

The global economic environment has deteriorated dramatically over the past year. The main economic shocks were Russia's invasion of Ukraine, persistent inflation, and the resulting tightening of monetary policy in advanced economies, compounded by growing risks of instability in the Middle East.

Adverse weather conditions also affected economic activity, particularly the agricultural sectors in some countries of Latin America and the Caribbean (LAC). The Chinese economy did not pick up speed until the first quarter of 2023, when the country's zero-Covid policy was lifted. However, this proved to be a temporary boost that lost steam over the year, revealing structural challenges that will significantly impact the global economy and trade. As a result, global demand weakened while, on the supply side, shipping conditions improved, freight rates returned to prepandemic levels, and disruptions to the global supply chain were gradually resolved. Against this backdrop, the value of world trade in goods, which

Lower growth prospects affected global trade.

FIGURE 1 • VALUE OF WORLD TRADE IN GOODS
(Index 2010=100, 2019–2023)



Source: IDB Integration and Trade Sector with data from the Netherlands Bureau of Economic Policy Analysis (CPB) and authors' estimations.

Note: The value of global trade is the average of the seasonally adjusted series of global imports and exports. The value of exports from Latin America (LA) was calculated by the authors and does not include the Caribbean (see Methodological Annex 1).

had grown by a robust 11.9% in 2022, contracted by 5.0% year-on-year¹ in the first half of 2023 (Figures 1 and 2).

Another reason why world trade in goods slowed was the shift in consumer preferences toward nontradable services, which are less intensive in international trade.² This marked a change from the patterns seen during the pandemic. For its part, trade in services has continued to recover since the lifting of Covid mobility restrictions, although it slowed throughout 2022 and increased by 1.3% in the first quarter of 2023 (Box 1).

Some effects that followed the pandemic proved to be temporary and faded.

Prices accounted for most of the contraction.

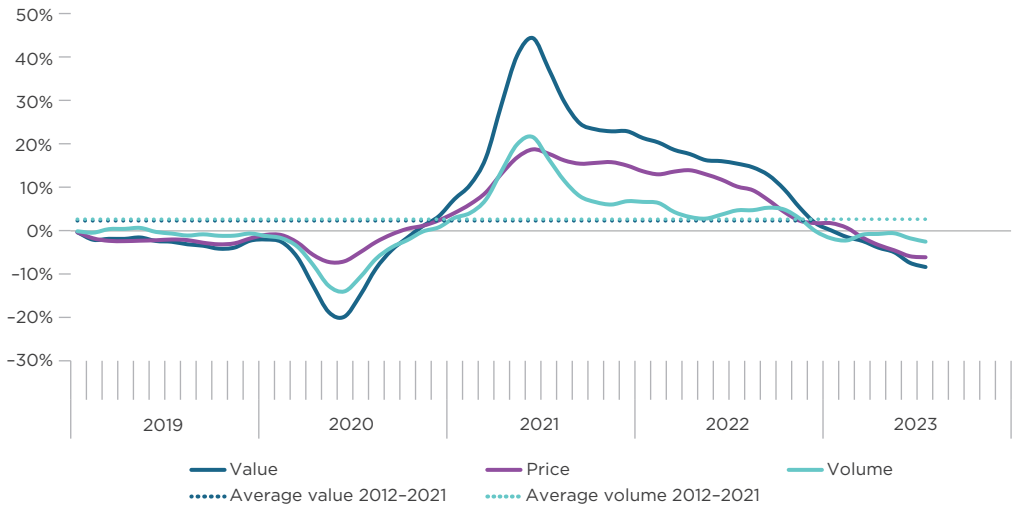
In 2023, the value of trade in goods fell in response to lower international prices and declining volumes. After climbing by 8.5% on average during 2022, world trade prices dropped by 3.7% in the first half of 2023 (Figure 3). In both 2022 and the first half of 2023, prices explained around three-quarters of the change in world trade.

¹ Throughout this report, growth is reported as year-on-year rates unless otherwise stated. For ease of reading, the term “year-on-year” has been omitted unless clarification is needed to avoid misinterpretation.

² World Bank (2023a).

FIGURE 2 • TRENDS IN WORLD TRADE IN GOODS

(Quarterly moving average of the year-on-year growth rate, 2019–2023)

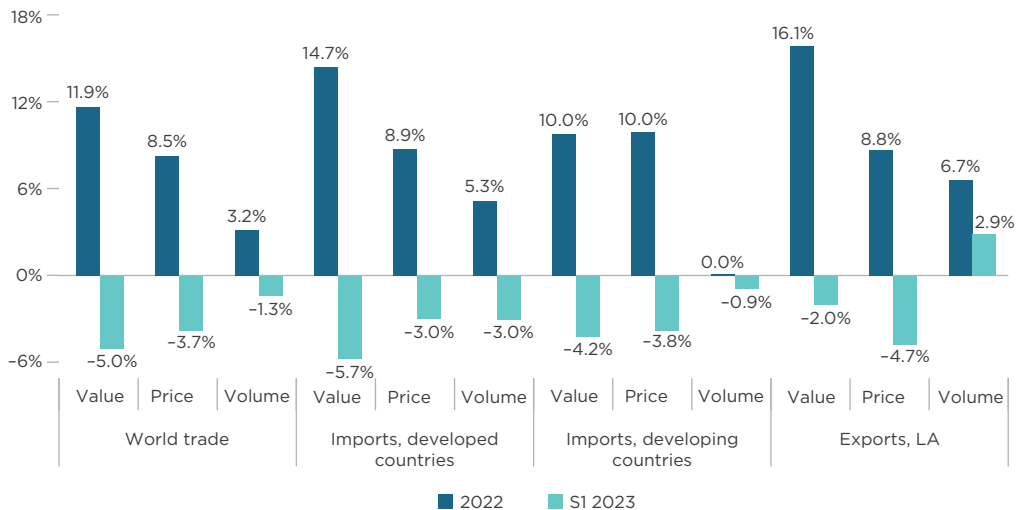


Source: IDB Integration and Trade Sector with data from CPB.

Note: The value and volumes figures are the average of global imports and exports.

FIGURE 3 • VOLUMES AND PRICES OF WORLD TRADE IN GOODS

(Year-on-year growth rate, percentages, 2022 and S1 2023)



Source: IDB Integration and Trade Sector with data from CPB and authors' estimations.

Note: The value of world trade is calculated as the average of global imports and exports. LA exports are the authors' estimations and do not include the Caribbean (see Methodological Annexes 1 and 2).

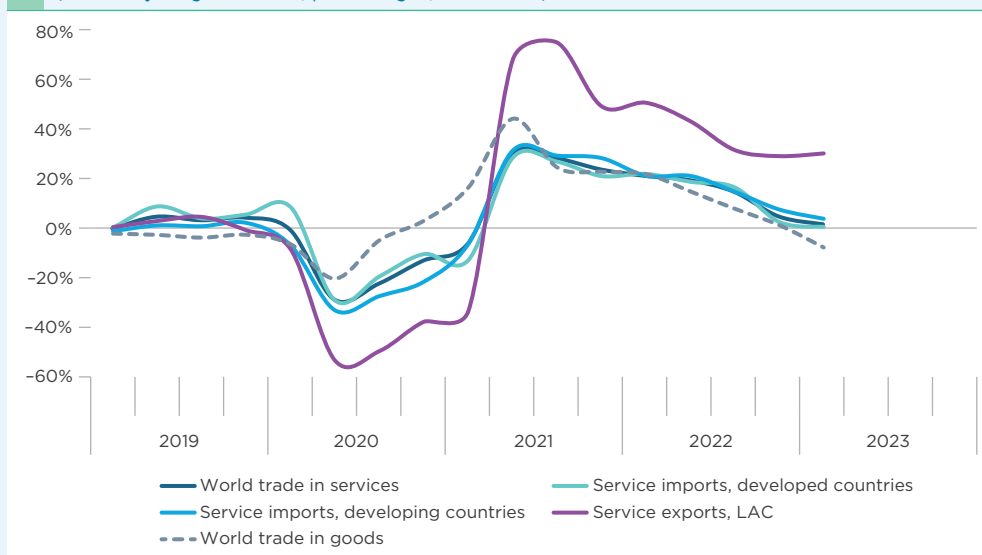
BOX 1: THE SLOWDOWN IN GLOBAL TRADE IN SERVICES

Trade in services grew by 14.4% in 2022, a recovery that slowed as the year progressed (Figure). Consumption of tradable services such as tourism resumed, bringing rapid growth, but this was essentially a return to prepandemic levels. Traditional services drove this expansion, with travel contributing 7.7 percentage points (p.p.) and transportation 4.4 p.p. due to the recovery of trade in goods. There was also an increase in some services that can be delivered digitally, such as information and communication technologies (ICTs) and other business services, which contributed 2.7 p.p. to the recovery.

Data from a sample of countries^a reveals that global trade in services slowed to 1.3% in the first quarter of 2023, with imports by developing countries growing more than those by developed countries (3.9% vs. 0.5%). Performances varied by sector: travel and knowledge-intensive services continued to grow while transportation contracted. At the regional level, after recovering by 37.7% in 2022, services exports from LAC are estimated to have grown by 27.8% in the first quarter of 2023, outperforming the world average.

TRENDS IN THE VALUE OF WORLD TRADE IN SERVICES

(Year-on-year growth rate, percentages, 2019–2023)



Source: IDB Integration and Trade Sector with data from the International Monetary Fund (IMF), the World Trade Organization (WTO), and national sources.

Note: The value of world trade in goods is the average of global imports and exports. World trade in services is the value of world imports. These figures include the services account components of the balance of payments (except construction services, government services, manufacturing services, and maintenance and repair services). The data for the first quarter of 2023 are preliminary estimates based on a sample of countries.

^a The sample represents 93% of world imports of services in 2022.

The volume of world trade had expanded by 3.2% in 2022 but fell by 1.3% in the first half of 2023. This contraction was mainly due to the decline in real external purchases by developed countries (-3.0%), which had driven the expansion in 2022

(5.3%). Similarly, real imports by developing countries fell by 0.9% after stagnating in 2022 (0.0%). In 2024, the volume of trade in goods is expected to rally against a backdrop of weak global growth.³

Imports by developed countries fell more than imports by developing countries.

As a result, imports by developed countries, whose value increased by 14.7% in 2022, fell by 5.7% in the first half of 2023, more than those by developing countries. The latter rose by 10.0% on average in 2022 but fell by 4.2% in the first half of 2023.

Trade volumes declined due to lower demand from developed markets.

The value of goods exports from LA⁴ went from a significant 16.1% expansion in 2022 to a 2.0% contraction in the first half of 2023. The region's export volumes grew faster than global trade in 2022 (6.7% vs. 3.2%) before slowing to 2.9% in the first half of 2023, in contrast to world trade, which declined (-1.3%) (Figure 3). In 2022, prices accounted for more than half of LA's trade performance. In the first half of 2023, the region's export prices fell by 4.7%,⁵ more than the world average (-3.7%). The dynamics of commodity prices are thus significant when evaluating the region's trade performance and its prospects.

Exports from LAC deteriorated less than global trade.

Falling Commodity Prices

Commodity prices dropped.

While still at historically high levels, commodity prices have fallen from their August 2022 highs to where they were before Russia invaded Ukraine (Figure 4). The post-Covid recovery and the outbreak of conflict in Ukraine boosted prices in 2022, but this trend was interrupted by monetary tightening in developed countries and lower growth prospects around the world, particularly in China.⁶ The overall commodity

³ WTO (2023a).

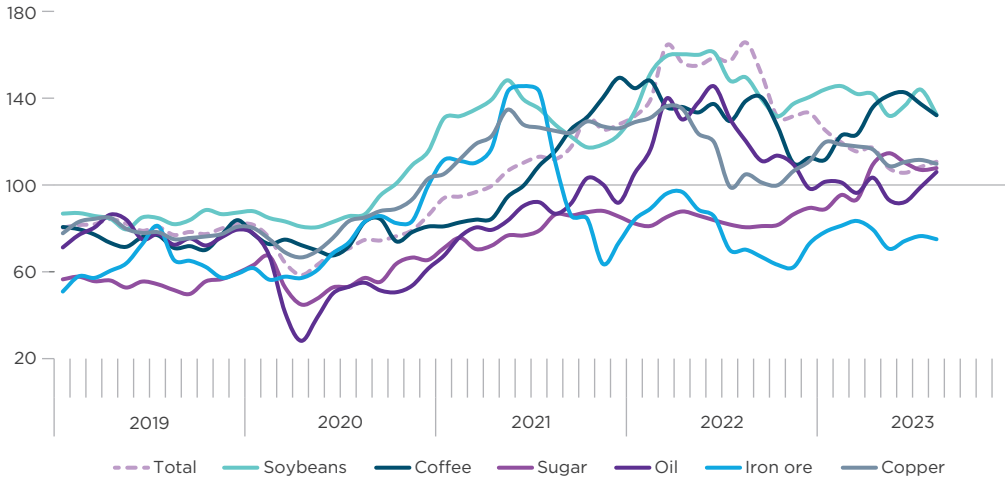
⁴ The Caribbean is not included due to the lack of up-to-date, disaggregated data.

⁵ According to a sample of 10 LA countries that accounted for 91.8% of the region's exports in 2022.

⁶ Although the country's economy rallied after the pandemic (8.5% in 2021), growth was tempered in 2022 (3.0%). It is expected to climb back to 5.2% in 2023. Although the lifting of Covid restrictions and the low basis for comparison in 2022 gave a temporary boost in the first and second quarters of 2023 (4.5% and 6.3%, respectively), economic activity slowed thereafter, indicating that the recovery is fragile and largely dependent on fiscal policy support. It is projected to slow further to 4.5% in 2024. From a long-term perspective, the Chinese economy is on a path to lower growth potential. The country's annual GDP growth hovered slightly above 6% between 2012 and 2022, down from the period ushered in by the opening up of the economy and market reforms (1978 to 2011), when annual growth was as high as 10%. See World Bank (2023a and 2023b), Peterson Institute for International Economics (2023), and The Economist (2023) for more detailed analyses of the drivers of these trends.

FIGURE 4 • PRICES OF THE MAIN EXPORT COMMODITIES FROM LATIN AMERICA AND THE CARIBBEAN

(Index 2010=100, 2019-2023)



Source: IDB Integration and Trade Sector with data from Bloomberg (products) and IMF (total index).

price index rose 33.7% in 2022 (Figure 4), driven mainly by energy (63.6%).⁷ In the first half of 2023, however, the overall index was down 23.8% year-on-year, with a 35.6% drop in energy.

Oil prices were highly volatile.

After increasing by 39.9% on average during 2022, oil prices peaked in the middle of the year. They then entered a downward phase, contracting by 24.2% in the first half of 2023.⁸ In response to this weaker outlook for global growth, Saudi Arabia and other members of the Organization of the Petroleum Exporting Countries Plus (OPEC+) agreed to a production cut in April 2023, which was renewed in June and September. Although it took some time for these cuts to feed through to prices, by the third quarter of 2023, prices had returned to the high levels of 2022. A rebound in global demand could push the price of crude oil higher in 2024, as could further instability in the Middle East.⁹

The metals index decreased by 4.0% on average in 2022, and this contraction intensified in the first half of 2023.¹⁰ The rebound in China’s growth in the first quarter of 2023 was not sustained, and demand for construction inputs such as copper

Metal prices continued to fall.

⁷ According to the IMF All Commodity Price Index, the IMF Non-Fuel Price Index, and the IMF Fuel (Energy) Index.

⁸ This is the average of Brent Blend, WTI, and Dubai Crude.

⁹ World Bank (2023a).

¹⁰ According to the IMF Base Metals Price Index.

and iron remained weak. Copper prices decreased by 5.5% on average in 2022 and 10.7% in the first half of 2023. Iron ore prices, which had fallen by an average of 27.3% in 2022, fell again by 13.5% in the first half of 2023. A downward trend in prices is expected to continue in 2024 due to the slowdown in demand from China.

Several bearish factors have affected agricultural commodity prices since their highs in April 2022. The Black Sea Grain Initiative allowed Ukraine to keep its ports open and maintain its grain exports to global markets between July 2022 and July 2023, when the initiative was suspended. Good harvests in several grain-producing countries and lower energy and fertilizer costs also pushed prices down. The agricultural commodities index¹¹ increased by 5.7% on average in 2022 before falling by 21.2% in the first half of 2023. Specifically, soybean prices climbed by an average of 13.1% in 2022 but fell by 9.1% in the first half of 2023. Expectations of rising stocks continue to put downward pressure on prices, as good harvests in Brazil and the United States offset drought-related supply reductions in Argentina. International coffee prices rose by 22.9% on average in 2022 and fell by 6.9% in the first half of 2023. Prices are expected to fall further as Brazil's production this season exceeds last year's, which was impacted by adverse weather. Finally, bucking the overall downward price trend, international sugar prices increased by 5.4% in 2022 and again by 21.0% in the first half of 2023. Despite production increases in Brazil and Thailand, higher consumption combined with adverse weather conditions and poor harvests in the European Union (EU), India, China, and Pakistan led to a stock reduction, pushing up prices.

Agricultural commodity prices have climbed down from the highs caused by the war in Ukraine.

Risks and Prospects

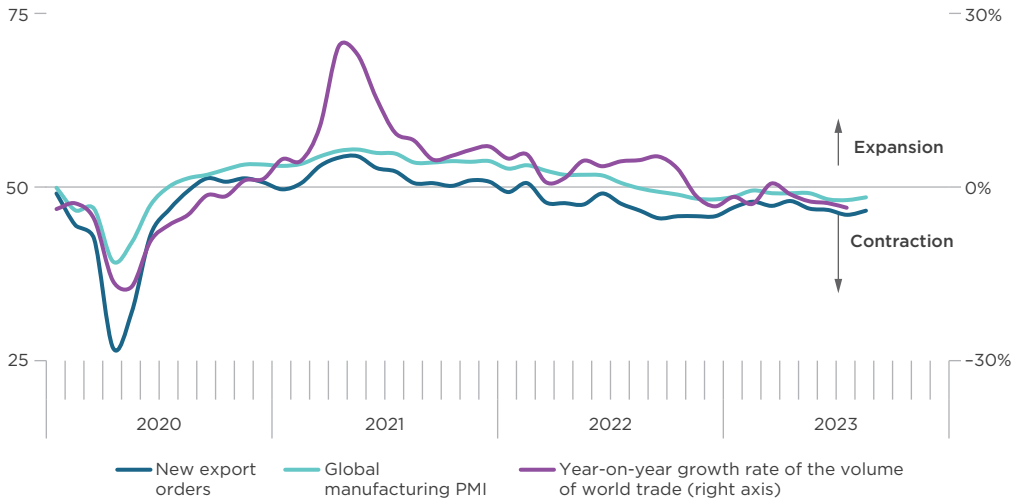
The growth in world trade is expected to be low.

The pace of growth in trade in goods remains lower than that of global GDP. The World Trade Organization (WTO) slashed its forecast for global trade growth in 2023 by half compared to what it estimated in April, dropping from 1.7% to 0.8%. A weaker-than-expected recovery in the Chinese economy and monetary tightening in response to persistently high inflation added to the impact of the war in Ukraine and rising geopolitical tensions.¹² Growth is expected to pick up in the second half of 2023, but the rebound will be weak and will primarily be explained by the lower basis of comparison due to the drop in late 2022.

¹¹ According to the IMF Agricultural Raw Materials Index.

¹² WTO (2023a).

FIGURE 5 • PURCHASING MANAGERS' INDEX FOR THE GLOBAL MANUFACTURING SECTOR, NEW EXPORT ORDERS SUBINDEX, AND VOLUME OF WORLD TRADE
(Indices and percentages, 2020-2023)



Source: IDB Integration and Trade Sector with data from JP Morgan and CPB.

Leading indicators for foreign trade and trade operators' perceptions provide an overview of what lies ahead for world trade. The Purchasing Managers' Index (PMI)¹³ for global manufacturing is a survey-based indicator of operators' perceptions and expectations that seeks to anticipate how the global economy will behave. This indicator entered a downward phase in mid-2021 that continued through 2022 and reached a low in December. Fewer new businesses, deteriorating international trade flows, and lower business confidence all contribute to this trend. Between January and August 2023, the index remained below 50, the critical threshold. It only climbed above this level in February due to improvements in supply chains and the reopening of China after the lifting of the zero-Covid policy (Figure 5).¹⁴

Expectations for the global manufacturing sector have become less optimistic.

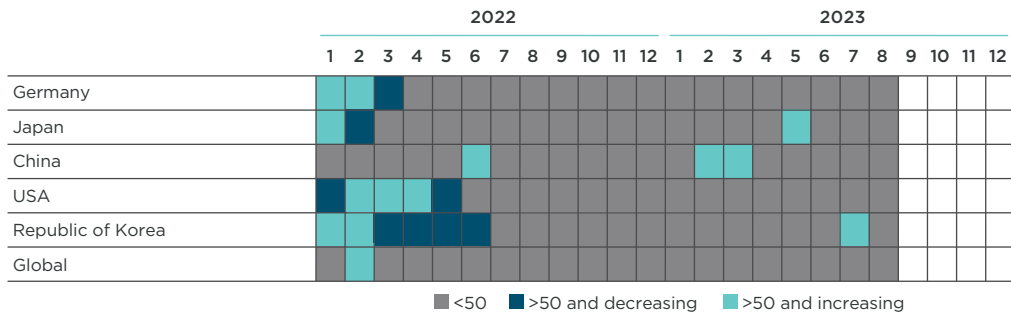
The new export orders subindex, which anticipates how international trade will perform, was below 50 between March 2022 and August 2023 (Figure 6), although it recovered somewhat in the first quarter of 2023. During the second half of 2022

¹³ The PMI is made up of five variables: new orders, output, employment, suppliers' delivery times, and stocks of purchases. A reading above 50 indicates an improvement or increase from the previous month. A reading below 50 indicates a deterioration or decline in comparison with the previous month. The more the index diverges from 50, the greater the rate of change.

¹⁴ See J.P. Morgan (2023).

FIGURE 6 • NEW EXPORT ORDERS

(PMI manufacturing subindex, global and selected countries, January 2022–August 2023)



Source: IDB Integration and Trade Sector with data from JP Morgan.

and the first half of 2023, it remained consistently below 50 in the United States, Germany, and the Republic of Korea. It was also on negative ground in Japan in the same period, before recovering in May and falling again since June. In China, the subindex began to climb in February and March 2023 as Covid restrictions were lifted but it has remained below 50 since.¹⁵ In July 2023, the indicator rose above 50 in the Republic of Korea due to a recovery in demand for automotive and semiconductor products in major Asian-Pacific and European markets.

The indicator for new export orders stayed below the critical threshold.

Global trade is expected to continue to fluctuate.

The WTO Goods Trade Barometer, a composite leading indicator that anticipates how trade flows will develop, provides a broader perspective (Figure 7).¹⁶ The index fell below 100 in November 2021, reaching a low of 92.2 in December 2022 due to the impact of the war in Ukraine, high inflation in developed countries, and global monetary tightening. Global import demand also remained weak, impacted by the slowdown in the EU and China. The indicator climbed to 95.6 in March 2023¹⁷ and reached 99.1 in June.¹⁸ Most of the

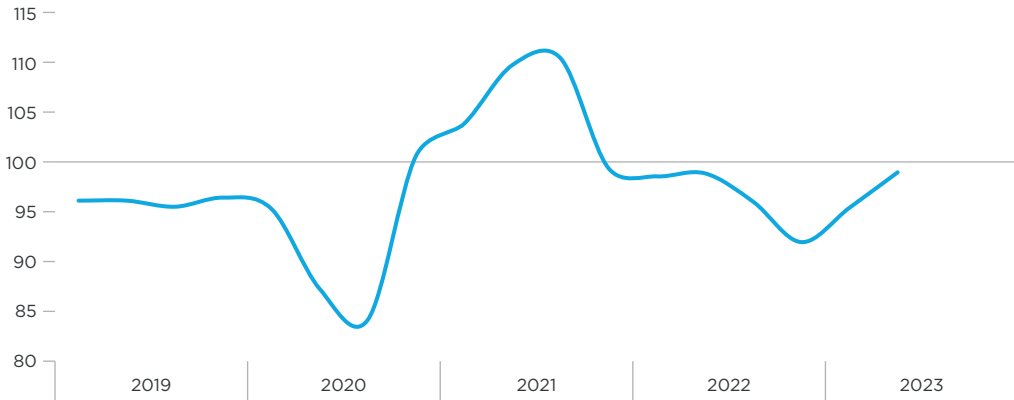
¹⁵ This data is for the official PMI published by the National Bureau of Statistics (NBS) and differs slightly from the data reported in China's manufacturing PMI, which is sponsored by Caixin and published by IHS Markit. According to the latter, the subindex for new export orders was above 50 in May and June, while the NBS calculations put it below this critical level. Among other methodological differences, this is due to the fact that the NBS PMI survey sample is larger than Caixin's (around 3200 companies vs. 650) and focuses more on large state-owned enterprises, while the Caixin survey focuses more on private and export-oriented companies.

¹⁶ The Goods Trade Barometer is designed to gauge momentum and identify turning points in world trade growth in real time. Readings of 100 indicates trade expansion in line with medium-term trends. Readings greater than 105 suggest above-trend growth while those below 105 indicate the opposite.

¹⁷ WTO (2023b).

¹⁸ WTO (2023c).

FIGURE 7 • WTO GOODS TRADE BAROMETER
(Index, 2019-2023)



Source: IDB Integration and Trade Sector with data from WTO.

Note: The index and its components measure the deviation in the medium-term trend, which is standardized at 100.

subindices stayed just below trend (new export orders, container shipping, international air freight, and agricultural raw materials), with the exception of the automobile sales and production subindex, which was above trend. The electronic components subindex dropped below trend.

In summary, the first half of 2023 marked the end of the postpandemic trade recovery. On the supply side, shipping conditions improved, freight rates returned to prepandemic levels, and pressure on the global supply chain gradually eased. At the same time, demand began to weaken. After the slowdown in 2022, global trade in goods declined in the first half of 2023 as global prices and real demand contracted in response to restrictive monetary policy to curb inflation and the slowdown in the Chinese economy. Global trade in services continued to expand but at a markedly slower pace. Lower external demand and falling international prices are creating an environment of growing risks for LAC’s trade performance. A detailed analysis of the region’s trade flows is presented in the following chapters.

The Impact on Trade in the Region

External sales of goods from Latin America and the Caribbean deteriorated less than the global average. Exports fell 2.7% in the first half of 2023, following the slowdown observed throughout 2022. While growth in 2022 was supported by prices and quantities, the drop in the first half of 2023 was explained by lower prices. However, growth in volumes was concentrated in a few economies, particularly Brazil and Mexico. The terms-of-trade contraction observed in 2022 continued into the first half of 2023. Services exports, which recovered strongly from the pandemic in 2021 and 2022, slowed in the first quarter of 2023, although their growth rate continued to outperform the global average.

Performance by Subregion, Country, and Sector

Foreign trade in LAC moved into a contractionary phase.

the first half of 2023.

Mexican exports increased by 16.7% in 2022. Although this growth rate slowed to 3.9% in the first half of 2023, it was higher than most other countries in the region and was one of the main reasons for LAC outperforming the world average (Table 1). Imports followed a similar path, growing by 19.6% in

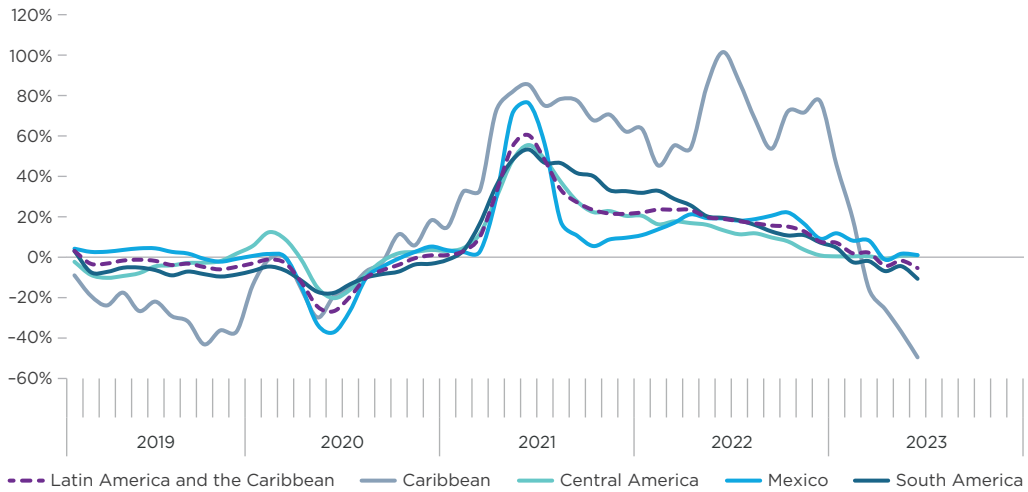
After slowing from 28.0% in 2021 to 17.0% in 2022, LAC goods exports declined by 2.7% year-on-year in the first half of 2023 (Figure 8).¹⁹ The dynamism of exports in Mexico and Brazil underpinned the region's overall performance, which outstripped the global average (Box 2). Imports also moved into a slowdown, going from 37.0% growth in 2021 to 20.7% in 2022, before contracting by 3.2% in

Mexico's exports were boosted by the automotive sector.

¹⁹ The estimate for the first half of 2023 is based on data for 23 LAC countries and differs from the data presented in Chapter 1 (-2.0%), which includes LA but not the Caribbean.

FIGURE 8 • TRENDS IN THE VALUE OF GOODS EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN

(Quarterly moving average of the year-on-year growth rate, 2019–2023)



Source: IDB Integration and Trade Sector with data from INTEGRA and national sources.

2022 and 1.6% in the first part of 2023. The dynamism of Mexico's exports was mainly explained by an increase in export volumes in response to pent-up US demand in the automotive sector (Box 2).

Trade flows from Central America gradually lost momentum.

In Central America, exports increased by 10.7% in 2022 and slowed to 0.9% in the first half of 2023 due to expansion in Costa Rica and contraction in the rest of the region. Central American imports increased by 21.4% in 2022 before falling by 3.4% in the first half of 2023, with declines in almost all countries, again with the exception of Costa Rica. In the first half of 2023, exports of medical and dental instruments and supplies under special trade regimes (STRs) accounted for Costa Rica's momentum. Sales from the national customs territory (NCT) were less dynamic, driven by bananas and pineapples. Higher banana shipments from Honduras were partially offset by lower coffee exports.²⁰ In Nicaragua, the drop in exports from free trade zones (mainly textiles, although shipments of automotive harnesses increased) was partially offset by an increase in shipments from the NCT (gold and sugar). The decline in the Dominican Republic was due to lower shipments from the NCT, partially offset by the growth from free trade zones: sales of precious metals and cast iron and steel increased,

²⁰ The data for Honduras does not include exports through STRs, which represent approximately 45% of total external sales, due to the lack of up-to-date, disaggregated data.

BOX 2: THE DYNAMISM OF EXPORTS FROM MEXICO AND BRAZIL

LAC’s exports outperforming the world average in 2022 and the first half of 2023 is mainly explained by the performances of Mexico and Brazil, the region’s two largest exporters. In Mexico, momentum came from automotive exports to the US, while in Brazil it was driven by the agricultural sector, including exports to China and other major destinations.

In 2022, Mexico exported US\$577.7 billion, 82% of which went to the US. Sales to the US increased by 18.1%, more than total exports in 2022 (16.7%). Mexico had a trade surplus of US\$208 billion with the US. In the first half of 2023, exports to the US grew more than total exports (5.2% vs. 3.9%).

US IMPORTS FROM MEXICO AND CHINA
(Millions of US\$, 2017-2023)



Source: IDB Integration and Trade Sector with data from the United States Census Bureau.

Mexico has become the top source of imports into the US (15.5% of the total), overtaking China (13.3%). It is also the second-largest export destination (16.0%) after Canada (17.7%). While total US imports and those originating in China fell year-on-year between November 2022 and June 2023, US imports from Mexico continued to grow. Mexico’s share of the US import basket increased, while China’s declined (Figure). Among the factors explaining this dynamic are the trade tensions sparked by the conflict between China and the US that began in March 2018, which have taken the form of tariffs and retaliatory measures on bilateral trade. The pandemic and China’s zero-Covid policy affected its supply chains, prompting the US to ramp up its nearshoring strategy. This involves moving production closer to consumer markets in order to trade with shorter lead times, lower costs, and reduced risk. On July 1, 2020, the United States-Mexico-Canada Agreement (USMCA) came into force, replacing the North American Free Trade Agreement (NAFTA). The new treaty has helped consolidate Mexico as a US manufacturing hub.

In the first half of 2023, the most dynamic industrial sectors in terms of exports were land vehicles and their parts (goods vehicles, passenger cars, and vehicle parts and accessories),

(continued on next page)

BOX 2: THE DYNAMISM OF EXPORTS FROM MEXICO AND BRAZIL *(continued)*

which profited from pent-up US demand, and electrical machinery and equipment (telephone sets, insulated conductors for electricity, and spark plug wiring harnesses). Mexico was the top source of US imports of land vehicles and their parts in the first half of 2023 (38.1%) and also accounted for the lion's share of imports of trucks, buses, and special purpose vehicles (79.2%), auto parts (43.6%), and passenger vehicles (19.9%).

Brazil recorded exports of US\$334.1 billion in 2022. This 19.0% increase was driven by prices and volumes. In the first half of 2023, although prices were down by 6.6%, the strong increase in volumes (7.9%) drove growth in the value of external shipments (0.7%), in contrast to the contraction experienced by several countries in the region. The most dynamic exports in this period were agrifood (4.5%) due to the strong expansion of quantities (8.0%), which offset the fall in prices (-3.2%).^a The soybean complex was the frontrunner for volumes, mainly in shipments to China. Brazil's performance reflects a record harvest resulting from favorable weather conditions in most of the country's growing regions. This contrasted with another poor harvest in Argentina due to the third consecutive year of drought caused by the La Niña phenomenon.^b Corn and sugar also made positive contributions, as did rice and pork, albeit to a lesser extent. Shipments of agrifood products also increased to Argentina, Japan, and Mexico.

^a Instituto de Pesquisa Econômica Aplicada (2023).

^b Ministério da Agricultura, Pecuária e Abastecimento (2023).

while those of pharmaceuticals and apparel fell. El Salvador saw a drop in shipments of apparel, electrical capacitors, and plastics, all produced under STRs, which was partially offset by higher sugar exports. The Guatemalan exports that declined most were apparel, iron and steel, and coffee. This was true of exports from STRs and the NCT.

In South America, exports increased by 16.2% in 2022 then fell by 6.8% in the first half of 2023. Most countries in the subregion experienced declines in the first half of 2023, with the exception of Brazil, Chile, and Paraguay. Imports increased by 22.0% in 2022 before dropping by 7.6% in the first half of 2023, although they continued to grow in Argentina, Bolivia, Paraguay, Uruguay, and Venezuela. Argentina's drop in exports in the first half of 2023 was explained by a drought that reduced the harvests of its main crops—wheat, soybeans, and corn. In Bolivia, shipments of natural gas, soy products, zinc, tin, and gold all fell. Oil exports fell in Colombia, Ecuador, and Venezuela. Lower exports of beef and agricultural products accounted for most of the downturn in Uruguay. There was a decrease in shipments of copper and natural gas from Peru. In Brazil, in contrast, agrifood exports were the main driver of the country's performance (Box 2). The increase in Paraguayan exports is explained by soybeans, following the country's recovery from the extraordinary drought of 2022. Chemical products, copper concentrates, and fruit were Chile's top exports.

Exports fell in most South American countries.

TABLE 1 • GOODS EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN
(Annual growth rate, billions of US\$, 2020–S1 2023)

	Billions of US\$			Growth rate (%)			
	2020	2021	2022	2020	2021	2022	S1 2023
LATIN AMERICA AND THE CARIBBEAN	936.0	1198.8	1402.5	-9.0	28.0	17.0	-2.7
LATIN AMERICA	924.6	1180.5	1371.0	-9.0	27.7	16.1	-2.0
MESOAMERICA	465.6	556.7	646.1	-8.8	19.6	16.1	3.6
Mexico	417.2	494.9	577.7	-9.4	18.6	16.7	3.9
Central America	48.4	61.7	68.3	-2.8	27.4	10.7	0.9
Costa Rica	11.6	14.4	15.7	2.1	23.7	9.2	21.5
El Salvador	5.0	6.4	7.1	-14.8	27.2	11.3	-7.2
Guatemala	11.1	13.6	15.7	-0.6	22.7	14.9	-7.7
Honduras ^a	3.8	5.2	6.1	-10.1	36.7	17.3	-2.2
Nicaragua	5.3	6.9	7.7	-4.8	29.0	12.6	-2.0
Panama ^a	1.7	3.6	3.7	14.7	111.3	0.2	-8.0
Dominican Republic	9.8	11.6	12.4	-2.3	18.3	6.4	-1.3
SOUTH AMERICA	459.0	623.8	724.9	-9.3	35.9	16.2	-6.8
Argentina	54.9	77.9	88.4	-15.7	42.0	13.5	-24.5
Bolivia	7.1	11.0	13.6	-20.6	54.9	23.8	-24.6
Brazil	209.2	280.8	334.1	-5.4	34.2	19.0	0.7
Chile	74.1	94.8	98.5	7.7	27.9	4.0	2.4
Colombia	31.1	41.4	57.2	-21.4	33.3	38.3	-14.0
Ecuador	20.4	26.3	32.7	-8.8	29.1	24.3	-10.1
Paraguay	8.5	10.6	9.9	6.9	24.1	-5.9	18.4
Peru	41.6	60.7	61.1	-10.3	45.7	0.8	-19.3
Uruguay	6.9	9.5	11.2	-10.6	39.0	17.2	-20.1
Venezuela	5.3	10.8	18.0	-70.2	103.2	65.9	-24.3
CARIBBEAN	11.4	18.4	31.6	-9.0	61.5	71.9	-41.4
Bahamas ^b	0.2	0.5	0.6	-22.7	137.3	13.3	23.1
Barbados	0.2	0.2	0.3	-12.1	8.0	3.4	1.2
Belize	0.2	0.2	0.2	3.4	2.4	10.8	-20.6
Guyana	2.6	4.4	11.3	91.3	69.6	159.5	-59.4
Haiti	0.5	n.a.	n.a.	-61.5	n.a.	n.a.	n.a.
Jamaica ^b	1.3	1.5	1.9	-24.3	18.4	28.4	32.0
Suriname	2.1	2.2	2.8	438.7	4.2	24.9	-14.6
Trinidad and Tobago	4.3	8.6	13.3	-39.8	99.2	54.1	-34.9

Source: IDB Integration and Trade Sector with data from INTEGRA and national sources.

Notes: n.a.: no data available. Methodological Annex 3 describes the geographic coverage and time periods included in the goods export data. ^a The data for Honduras and Panama does not include exports from STRs. ^b Data is only available for the first quarter for the Bahamas and the first four months of the year for Jamaica, so the totals for the first half of 2023 for the Caribbean and LAC do not include these countries.

TABLE 2 • GOODS IMPORTS TO LATIN AMERICA AND THE CARIBBEAN

(Annual growth rate, billions of US\$, 2020–S1 2023)

	Billions of US\$			Growth rate (%)			
	2020	2021	2022	2020	2021	2022	S1 2023
LATIN AMERICA AND THE CARIBBEAN	871.8	1191.7	1438.5	-15.6	37.0	20.7	-3.2
LATIN AMERICA	851.7	1167.9	1411.8	-15.5	37.1	20.9	-3.2
MESOAMERICA	465.6	622.9	746.9	-15.8	33.8	19.9	0.6
Mexico	383.0	505.7	604.6	-15.9	32.0	19.6	1.6
Central America	82.6	117.2	142.3	-15.2	41.9	21.4	-3.4
Costa Rica	14.0	18.4	21.4	-12.3	31.5	16.3	11.1
El Salvador	10.2	14.6	17.1	-11.7	42.6	17.0	-10.1
Guatemala	18.2	26.6	32.1	-8.4	46.1	20.7	-7.3
Honduras ^a	9.0	13.2	15.2	-13.5	47.6	15.2	-2.1
Nicaragua	5.9	8.4	10.1	-5.0	41.8	21.0	-5.5
Panama ^a	8.1	11.6	15.2	-37.1	43.1	31.8	-2.8
Dominican Republic	17.3	24.5	31.1	-16.3	41.9	26.9	-5.3
SOUTH AMERICA	386.1	545.0	664.9	-15.3	41.2	22.0	-7.6
Argentina	42.4	63.2	81.5	-13.8	49.2	29.0	7.2
Bolivia	7.0	9.6	13.0	-29.2	38.3	35.6	0.3
Brazil	158.8	219.4	272.6	-14.6	38.2	24.2	-7.1
Chile	59.2	84.3	94.7	-15.2	42.4	12.4	-18.5
Colombia	41.2	61.1	71.4	-18.1	48.4	16.9	-13.5
Ecuador	17.9	25.7	33.0	-20.6	43.4	28.7	-7.9
Paraguay	9.5	12.5	14.6	-19.3	32.1	16.6	1.2
Peru	36.1	50.9	60.2	-14.9	41.1	18.3	-13.1
Uruguay	7.6	10.3	13.0	-8.3	36.4	25.7	1.9
Venezuela	6.5	7.9	10.6	11.3	21.0	35.1	6.9
CARIBBEAN	20.1	23.8	26.8	-18.5	33.0	12.3	-1.3
Bahamas ^b	2.2	3.5	3.8	-33.4	57.9	10.3	22.5
Barbados	1.5	1.8	2.1	-5.3	21.3	18.2	-3.8
Belize	0.8	1.1	1.4	-17.9	31.1	30.2	-2.7
Guyana	2.2	4.4	3.6	559.0	95.0	-17.1	5.6
Haiti	2.2	n.a.	n.a.	-47.0	n.a.	n.a.	n.a.
Jamaica ^b	4.8	6.0	7.7	-25.6	25.3	29.5	5.8
Suriname	1.5	1.4	1.8	-4.0	-9.9	30.7	0.4
Trinidad and Tobago	4.9	5.8	6.2	-23.2	18.3	8.3	-4.5

Source: IDB Integration and Trade Sector with data from INTEGRA and national sources.

Notes: n.a.: no data available. See Methodological Annex 3. ^a The data for Honduras and Panama does not include exports from STRs. ^b Data is only available for the first quarter for the Bahamas and the first four months of the year for Jamaica, so the totals for the first half of 2023 for the Caribbean and LAC do not include these countries.

Trade performances was uneven in the Caribbean.

In the Caribbean, exports fell in the first half of 2023 after rising in 2022, and performance varied across countries. Declines were recorded in Belize, Guyana, Suriname, and Trinidad and Tobago, while exports from Barbados increased. Contractions in Guyana and Trinidad and Tobago drove the Caribbean's performance, as a result of lower gas and oil prices and a statistical base effect in Guyana. Every Caribbean country except Guyana saw an increase in imports in 2022. In the first half of 2023, imports rose in Guyana and Suriname but fell in Barbados, Belize, and Trinidad and Tobago. Exports and imports increased in the Bahamas and Jamaica according to data for the first three and four months of the year, respectively.

The Role of Prices and Volumes

Export prices fell.

After climbing by 8.8% on average in 2022,²¹ the prices of LA exports fell by 4.7% in the first half of 2023. In 2022, the boost from prices was widespread, although it had a greater impact in South America (9.4% in Brazil and 14.5% in the rest of the sub-region) and less of an effect in Central America (6.6%) and Mexico (5.7%). Falling export prices also had a widespread impact in the first half of 2023, affecting South America the most (-6.6% in Brazil and -10.7% in the rest of the subregion), while in Mexico prices stagnated (-0.3%).

In the first half of 2023, the prices of LA imports fell by 1.5% after increasing by 16.7% on average in 2022. In 2022, import prices increased by 13.4% in Mexico, 17.3% in Central America, 22.9% in Brazil, and 17.7% in the rest of South America. In the first half of 2023, they fell by 7.0% in Brazil and 3.5% in the rest of South America and increased by just 1.6% in Mexico.

Import prices fell less than export prices.

LA's terms of trade contracted by 6.8% in 2022 due to import prices increasing more than export prices. External purchasing power declined in most countries of the region, especially in Central America. The exceptions to this pattern were the economies specializing in oil exports (Colombia, Ecuador, and Venezuela), which recorded improvements. LA's terms of trade continued to decline in the first half of 2023 (-3.5%), as export prices fell more than import prices

Terms of trade continued to deteriorate.

²¹ The breakdown of export prices and volumes includes a sample of 18 LA countries for 2022, as is detailed in Methodological Annex 2. The sample for the first half of 2023 includes 10 LA countries that account for approximately 90% of the region's exports. For Central America, an estimate is only available for El Salvador. The Caribbean countries are excluded from both periods due to a lack of data.

FIGURE 9 • LATIN AMERICA'S TERMS OF TRADE

(Index, 2015=100 and annual rate of change, percentages, 2019–S1 2023)



Source: IDB Integration and Trade Sector with data from INTEGRA, BLS, and national sources.

Note: Terms of trade were calculated for 18 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. The data for the first half of 2023 was estimated based on a sample of ten countries (see Methodological Annex 2).

(-4.7% and -1.5%, respectively) (Figure 9). The terms of trade stagnated in Brazil (0.4%) and worsened in the rest of South America (-7.4%) and, to a lesser extent, in Mexico (-1.8%).

In real terms, LA exports increased by 6.7% in 2022, driven by the dynamism in the region's two largest economies: Mexico (10.4%) and Brazil (8.8%) (Box 2). In Central America, exports increased by 3.8%, driven by Costa Rica, Guatemala, Honduras, and Nicaragua, but they stagnated in South America (-0.6%), dropping in Paraguay, Colombia, Ecuador, and Argentina.

Quantities continued to increase in the first half of 2023 (2.9%), albeit at a markedly lower pace than in 2022, again due to increases in Mexico (4.3%) and Brazil (7.9%). They fell in the rest of South America (-2.7%), mainly because of downturns in Argentina, Chile, and Colombia (Figure 10).²²

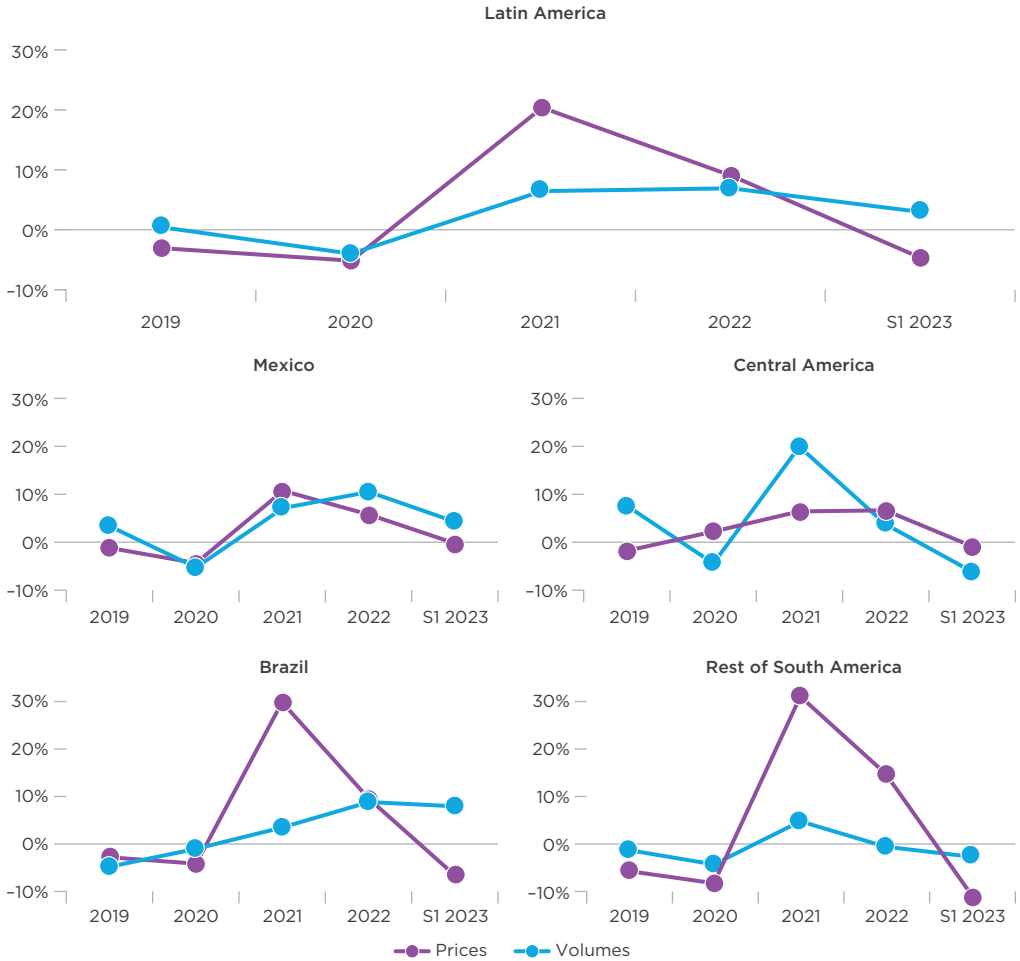
Export quantities continued to expand.

The Resilience of Services

In 2022, growth in LAC services exports accelerated to 37.7%, and this increase was seen in every subregion: South America (42.2%), the Caribbean (46.2%), Central America (39.4%), and Mexico (27.1%). It is worth noting that Mexico and Central

²² As explained in footnote 21, El Salvador is the only Central American country for which data for the first half of 2023 was available.

FIGURE 10 • PRICES AND VOLUMES OF LATIN AMERICAN EXPORTS
(Year-on-year growth rate, percentages, 2019-S1 2023)



Source: IDB Integration and Trade Sector with data from INTEGRA, BLS, and OPEC.

Note: The base year for the indices is 2015. Methodological Annex 2 contains a detailed description of the estimation procedures for the series at constant prices.

America had already recovered more rapidly in 2021 from the shock of the pandemic (Table 3). In the first quarter of 2023, service exports increased by an estimated 27.8%. This was the case in every subregion, albeit at lower rates than the previous year, which suggests the effects of post-Covid recovery are lingering but will dwindle in the coming months.

Trade in services continued to expand in LAC.

The 37.7% increase in services exports in 2022 was driven by the traditional sectors that dominate the region’s export patterns. The sectors that contributed most were travel (21.6 p.p.) and transportation (4.5 p.p.). Knowledge-intensive

TABLE 3 • SERVICE EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN

(Annual growth rate, billions of US\$, 2019–Q1 2023)

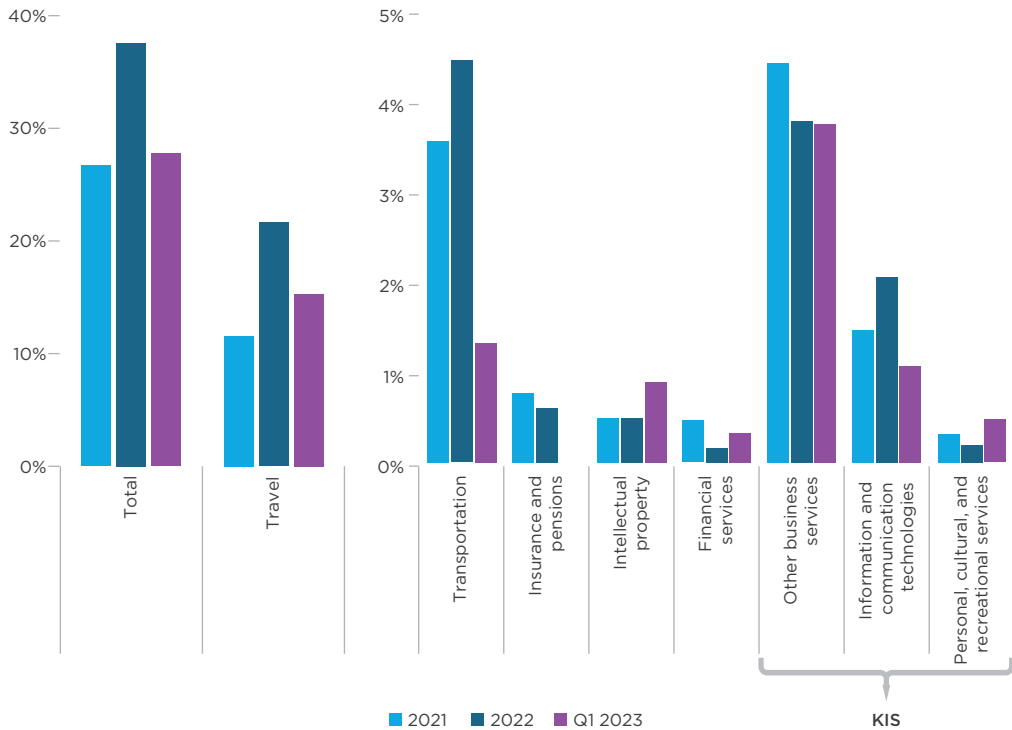
	Billions of US\$				Growth rate (%)			
	2019	2020	2021	2022	2020	2021	2022	Q1 2023
LATIN AMERICA AND THE CARIBBEAN	175.3	109.8	139.3	191.7	-37.3	26.8	37.7	27.8
LATIN AMERICA	164.0	105.3	132.3	181.6	-35.8	25.7	37.3	27.5
MESOAMERICA	81.5	50.4	70.4	93.5	-38.2	39.7	32.9	24.8
Mexico	40.9	25.6	37.2	47.3	-37.4	45.3	27.1	22.8
Central America	40.6	24.8	33.2	46.3	-38.9	33.8	39.4	27.6
Costa Rica	10.9	7.9	9.1	11.7	-27.3	15.6	28.6	28.3
El Salvador	2.3	1.4	2.1	3.2	-41.1	54.2	54.3	29.1
Guatemala	2.9	2.0	2.3	3.1	-31.9	13.8	35.3	30.5
Honduras	1.1	0.6	0.8	1.0	-43.7	22.0	32.7	23.5
Nicaragua	0.8	0.5	0.6	1.0	-35.0	7.7	80.6	15.2
Panama ^b	13.6	8.1	10.6	15.2	-40.3	30.1	43.4	n.a.
Dominican Republic	8.9	4.2	7.8	11.0	-52.6	82.9	41.3	27.2
SOUTH AMERICA	82.5	54.9	62.0	88.1	-33.5	12.8	42.2	29.9
Argentina	14.5	9.3	9.2	14.2	-36.1	-0.2	53.8	38.3
Bolivia ^a	1.4	0.4	0.4	0.9	-71.3	8.4	108.1	79.5
Brazil	31.8	25.8	30.0	37.9	-18.9	16.3	26.3	21.5
Chile	8.1	5.3	5.7	8.2	-35.2	7.8	43.8	43.6
Colombia	10.4	5.6	7.7	13.1	-45.5	36.4	70.8	24.1
Ecuador	3.1	1.7	2.0	2.8	-45.8	16.1	40.9	25.8
Paraguay	1.4	0.7	0.5	0.9	-53.3	-17.6	69.4	99.9
Peru ^a	6.5	2.5	2.8	4.8	-61.0	8.8	72.6	23.9
Uruguay	5.2	3.6	3.6	5.3	-30.9	-0.5	47.2	53.7
Venezuela	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CARIBBEAN	12.4	5.2	6.9	10.1	-58.2	32.5	46.2	38.3
Bahamas	4.4	1.2	2.5	3.7	-72.3	108.6	44.1	n.a.
Barbados ^a	1.5	0.8	n.a.	n.a.	-47.4	n.a.	n.a.	n.a.
Belize	0.6	0.4	0.6	0.8	-40.5	51.3	41.9	32.0
Guyana ^a	0.2	0.2	0.3	0.1	-10.5	34.7	-77.2	n.a.
Haiti ^a	0.4	0.1	0.1	n.a.	-65.2	-54.0	n.a.	n.a.
Jamaica ^b	4.3	2.0	2.9	4.5	-54.7	46.8	55.5	40.3
Suriname	0.1	0.1	0.1	0.1	-36.3	-1.9	46.3	15.2
Trinidad and Tobago ^a	0.8	0.4	0.4	0.9	-46.4	5.5	98.8	n.a.

Source: IDB Integration and Trade Sector with data from IMF, WTO, United Nations Conference on Trade and Development (UNCTAD), and national sources.

Notes: n.a.: no data available. ^a The data for Barbados, Bolivia, Guyana, Haiti, Jamaica, Peru, Trinidad and Tobago report exports of commercial services from WTO and UNCTAD (see Methodological Annex 3). The rates are approximated based on a sample of available data, which is always smaller in 2023. ^b The 2023 rate for Jamaica was estimated based on the export values of total services published by the Central Bank of Jamaica.

FIGURE 11 • SERVICES EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN BY SECTOR

(Year-on-year growth rate, percentages, and percentage points, 2021–Q1 2023)



Source: IDB Integration and Trade Sector with data from the IMF.

Note: The total is expressed in percentages, and the sector data in percentage points (contribution to the total variation). The breakdown is based on a sample of countries that provide disaggregated data by sector, and thus the total does not coincide with the values in Table 3. KIS: knowledge-intensive services.

services (KIS)²³ were relatively less affected by the pandemic and continued to contribute to the expansion: other business services accounted for 3.8 p.p. of growth, and ICTs for 2.1 p.p. (Figure 11). According to the available data, exports of services rose again in the first quarter of 2023, with positive contributions from all components.

Traditional sectors accounted for the growth in exports.

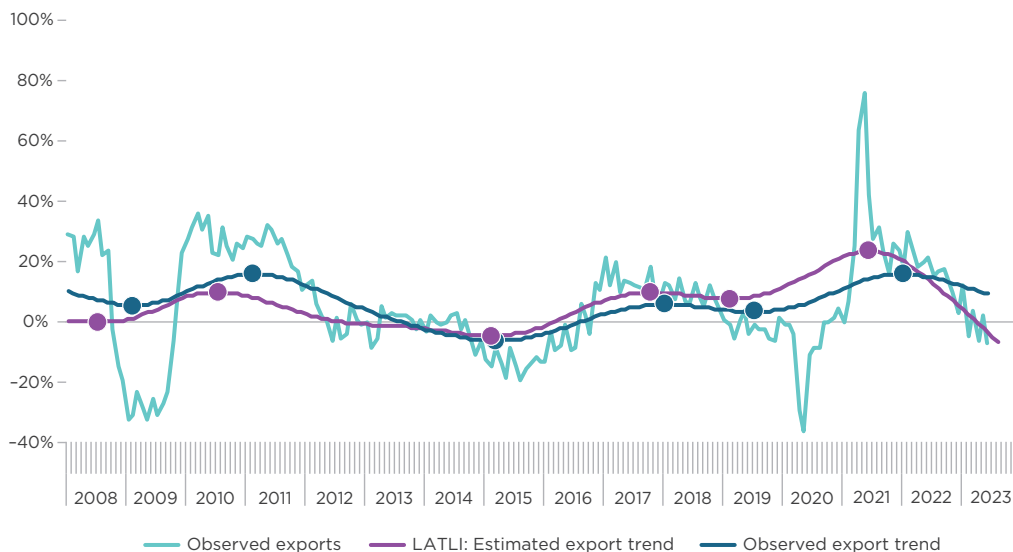
No Signs of Recovery in the Near Future

The results of two models provide relevant data for interpreting how LAC’s exports will perform in the coming months. The objective of the Latin American Trade Leading

²³ This includes personal, cultural, and recreational services, information and communication technologies, and other business services.

FIGURE 12 • CHANGES IN THE TREND OF THE VALUE OF GOODS EXPORTS FROM LATIN AMERICA

(Year-on-year growth rate and LATLI index, January 2018=100, 2008-2023)



Source: IDB Integration and Trade Sector and authors' estimations.

Note: The leading index series shows the trend after the Hodrick-Prescott filter was applied. The circles indicate the turning points in the trend for the estimated series and the observed value of LAC exports.

The outlook is highly uncertain.

Index (LATLI) is to forecast an eventual turning point in the trend and signal the likelihood of a reversal in the growth of the value of LAC exports (Figure 12). The export growth rate can be estimated using a nowcasting prediction methodology, which is what underlies the Latin American Trade Nowcasting Index (LATNI).²⁴

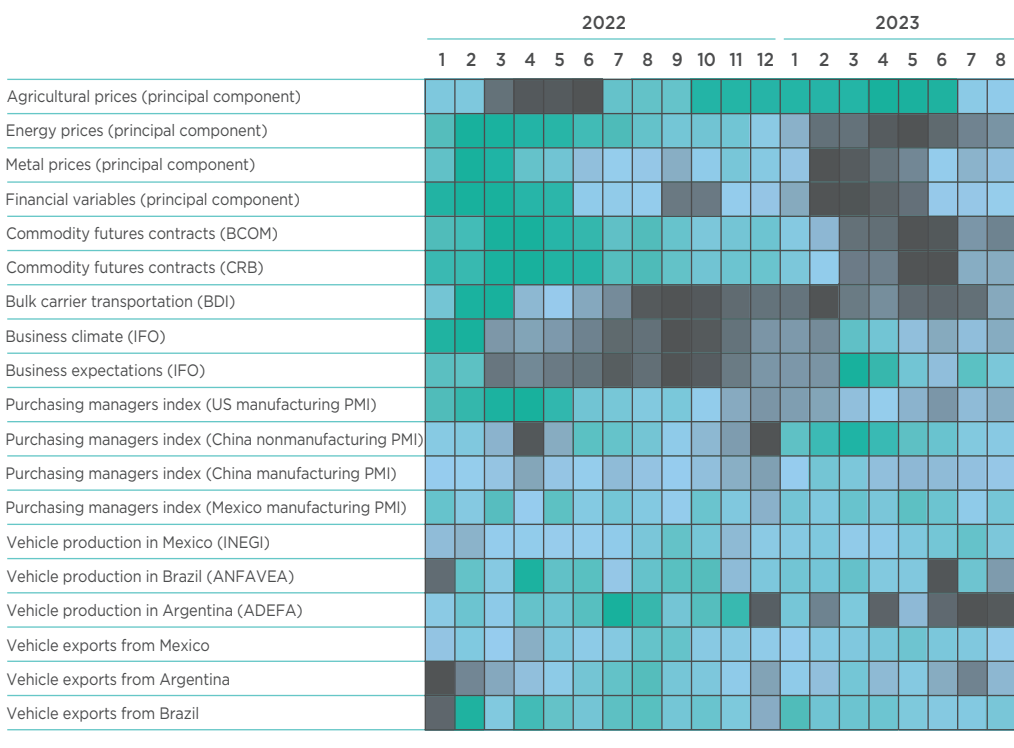
According to the LATLI (Figure 12), the trend in export values is not expected to change. The model indicates that the downward trend will continue through January 2024 at least.²⁵ The latest estimate of the LATLI predicts that the negative year-on-year growth of goods exports will continue. It does not suggest that a turning point will occur in the five months following the last observation of official data in August 2022. The downward trend in LAC's external sales is consistent with the performance of subindices

Exports are expected to continue contracting.

²⁴ The nowcasting model provides an estimate of the export growth rate for periods for which official records were not yet available for all countries in the region at the time of writing (July and August, in the case of this publication), as this data is generally released with a one- to two-month lag. For a detailed description of the two indicators and the data and estimation methodology used, see Giordano et al. (2019 and 2021).

²⁵ The timeframe for which the prediction is valid is the average lead of the index with respect to the variation observed in export data since 2008. In the most recent estimate, which uses data through August 2023, the average lead was five months, so the model allows a change in the trend to be forecast through January 2024.

FIGURE 13 • COMPONENTS OF THE LATLI INDEX FOR EXPORTS FROM LATIN AMERICA
(Year-on-year growth rate, percentages, 2022-2023)



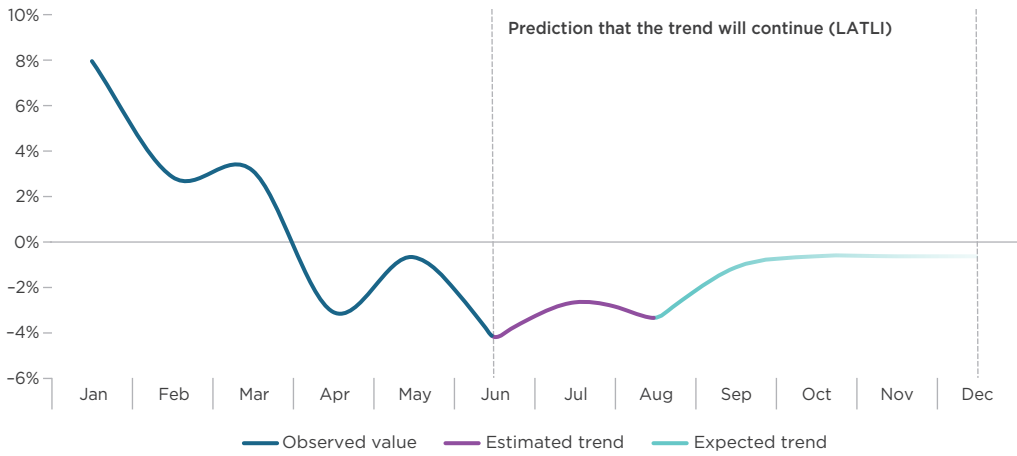
Source: IDB Integration and Trade Sector and authors' estimations.
 Note: The colors correspond to growth rates ordered from minimum (gray) to maximum (green), with 0% (light blue) as the midpoint. In the case of the PMI, the midpoint is the critical threshold of 50. For a detailed description of the estimation methodology, see Giordano et al. (2019 and 2021).

that are highly correlated with LAC goods exports and components of the LATLI (Figure 13). The indicators have pointed to a widespread decline since mid-2022, especially in relation to commodity prices.

The LATNI, on the other hand, enables the year-on-year change in LAC exports to be estimated for July and August, months for which no official export record data was available at the time of publication. The estimate confirms that the region's exports will continue to contract, albeit at a slower pace than in previous months, bringing the year-on-year growth rate to around -2% in July and -1% in August (Figure 14). In other words, while the LATLI indicates that the downward trend is likely to continue, the LATNI anticipates that the rate of contraction will slow somewhat. Exports from the region are therefore expected to end the year in decline, marking the end of the expansionary phase that followed the Covid shock.

The rate of decline is expected to slow.

FIGURE 14 • ESTIMATED VARIATION IN THE VALUE OF EXPORTS FROM LATIN AMERICA
 (Quarterly moving average of the year-on-year growth rate, percentages, 2023)



Source: IDB Integration and Trade Sector and authors' estimations.

Note: The prediction that the contraction will continue is based on the leading index (LATLI). The estimated value of the growth rate is based on the nowcasting model (LATNI). The expected value is based on the assumption that there will be no extraordinary boosts to export growth.

In conclusion, after the slowdown of 2022, goods exports from LAC declined in the first half of 2023, although they continued to outperform world trade. In contrast to 2022, when export performance was shored up by both prices and volumes, the decline in the first half of 2023 was mainly due to lower prices, which particularly affected South America. Mexico and Brazil were the only countries with noteworthy export volume expansions in both periods. Meanwhile, after a sharp acceleration in 2022, services exports continued to grow in the first quarter of 2023, albeit at a slower pace. The evolution of both goods and services flows suggests that the postpandemic expansionary phase has come to an end. However, there are signs that the near future will be challenging for trade growth in LAC. Looking ahead, the IDB's forecasting models suggest that the contractionary trend will likely continue for the rest of the year. Chapter 3 examines how LAC countries performed in global and intraregional markets.

The Dynamics of Extra- and Intra-regional Trade

The contraction in external demand was observed among partners inside and outside Latin America and the Caribbean. Due to its weight in the total, extra-regional demand was the main driver of the region's trade performance. At the same time, intraregional exports fell less than extraregional ones. Intrabloc trade only increased within MERCOSUR, where it was sustained by exports from Brazil. The synthetic indicator for integration shows a slight advance at the regional level due to improvements in the trade and production dimensions. At the institutional level, there was progress on the internal and external agendas of the region's main integration schemes.

This chapter examines the evolution of external demand from LAC's main trading partners in 2022 and the first half of 2023, explores the performance of extra- and intraregional exports²⁶ from the perspective of the main subregional integration blocs, and summarizes the progress made on the agendas of the main integration initiatives: the Pacific Alliance (PA), Central America and the Dominican Republic (CADR),²⁷ the Andean Community (AC), the Caribbean Community (CARICOM),²⁸ and the Southern Common Market (MERCOSUR).

²⁶ In this chapter, "intraregional exports" refer to exports to LAC trading partners, while "intrazone exports" or "intrabloc exports" refer to exports to other members of the respective trading blocs.

²⁷ Although the Central American countries and the Dominican Republic do not form an institutionalized integration scheme, they are analyzed as a bloc due to the scale of trade flows among them and their shared trade ties with the US, their main trading partner, through CAFTA-DR.

²⁸ See Methodological Annex 4 for the countries included in each group. The analyses by country of origin were only conducted for the integration blocs in LA. The Caribbean was left out due to a lack of comparable disaggregated data for the majority of member countries. However, LAC as a whole is included as a destination market. A separate analysis is included for the CARICOM countries for which data is available: Barbados, Belize, Guyana, and Suriname.

External Demand from Trading Partners

Imports by LAC trading partners lost momentum.

Total imports from major trading partners began to slow in 2022 and then contracted in the first half of 2023. However, purchases from LAC by the US, China, the EU, and the region itself performed relatively better than those originating in the rest of the world. As a result, the region's share in these markets increased.

Total US external purchases were up 15.0% in 2022, and those originating in LAC increased by 20.1%. In the first half of 2023, total US purchases fell by 7.2%, while those originating in the region rose by 3.8%. Total imports by the EU grew by 14.8% in 2022, whereas those originating in LAC did so by 20.4%. In the first half of 2023, total EU purchases shrank by 4.2%, while those originating in LAC contracted somewhat less (-3.0%). China's total imports increased by 1.2% in 2022, and those originating in the region rose substantially more (7.1%). In the first half of 2023, total Chinese purchases fell by 6.6%, while those originating in LAC slowed (0.9%). Finally, in 2022, total LAC imports increased at a similar rate to those originating in the region (20.7% vs. 21.0%). In the first half of 2023, total LAC imports dropped by 3.2%, while those originating in the region itself fell slightly less (-2.3%).²⁹ Even though purchases from LAC performed slightly better than the global total, all trade flows tended toward contraction in 2023 (Figure 15).

The ongoing war in Ukraine, persistent inflation, monetary tightening in advanced countries, and the performance of the Chinese economy resulted in the cooling of external demand for the region and prompted a downward correction of the global economic outlook. After slowing to 2.1% in 2022, US growth dropped to 2.0% in the first quarter of 2023, and this slowdown is expected to continue (to 1.8% on average in 2023, according to the IMF).³⁰ In the Eurozone, GDP growth slowed to 3.5% in 2022 and then stagnated at 0.1% in the first quarter of 2023. It is projected to slow to 0.9% over the year. After a 3.0% slowdown in 2022, China's GDP received a temporary boost in the first and second quarters of 2023 (4.5% and 6.3%, respectively) due to the lifting of mobility restrictions and the low basis for comparison in 2022. However, economic activity then slowed. It is now estimated to average 5.2% in 2023 and 4.5% in 2024. After rising by 3.9% in 2022, LAC GDP is set to slow to 1.9% in 2023, although growth will be slightly higher in the region's two largest economies, Brazil (2.1%) and Mexico (2.6%).

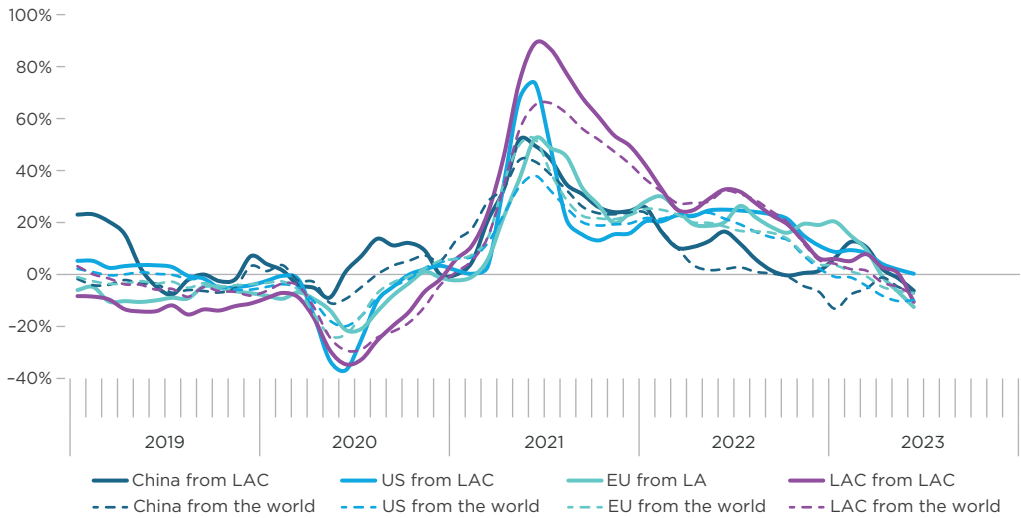
The outlook for global demand deteriorated.

²⁹ The imports discussed in this section were taken from the import records of the countries in question and thus differ from the exports recorded by national sources for the LA countries discussed in the rest of this report, and in particular later in this chapter. This difference is not only due to sources, but also to the time lag between recording exports and imports.

³⁰ See IMF (2023a).

FIGURE 15 • IMPORTS FROM SELECTED ECONOMIES

(Quarterly moving average of the year-on-year growth rate, percentages, 2019-2023)



Source: IDB Integration and Trade Sector with data from the US International Trade Commission (USITC), EuroStat, China Customs, IMF, and national sources.

Note: For China, the USA, and LAC, the imports reported are the aggregate for LAC, while for the EU, they are the aggregate for LA only.

Intra- and Extraregional Exports

LA's export performance was determined by extraregional trade flows, which account for most of the total. Intraregional exports—that is, export flows to other LAC countries—grew by 21.6% in 2022 and were more dynamic than extraregional exports (15.3%). In the first half of 2023, intraregional exports contracted slower than extraregional exports (-0.6% and -2.2%, respectively) (Table 4). As a result of these dynamics, the intraregional trade coefficient increased from 14.6% to 15.2% between these two periods (Table 5).

Extraregional demand played a decisive role in LAC's export performance.

In 2022, the main extraregional partners made a positive contribution to LAC's export performance. The US played the largest role in this, mainly via Mexican exports, while China's contribution was substantially smaller. Looking at the effects on different integration schemes, in the first half of 2022, US demand was decisive for the PA countries (again due to Mexico). In the case of CADR and the AC, LAC itself also made a significant contribution. For MERCOSUR, the three markets that contributed the most were the EU, the region itself, and the rest of the world.

In the first half of 2023, the US continued to contribute positively to the region as a whole. In contrast, sales to China stagnated while exports to the region itself, the

TABLE 4 • EXPORTS FROM LATIN AMERICA TO MAIN TRADING PARTNERS BY INTEGRATION BLOC

(Year-on-year growth rate, percentages, 2022–S1 2023)

Origin	LAC	Extra-LAC					Total
		Extra-LAC	US	EU	China	RoW	
2022							
Latin America	21.6	15.3	17.8	24.4	3.7	14.5	16.1
PA	21.4	14.3	17.5	7.8	2.7	11.1	14.9
AC	34.6	13.4	29.0	17.8	-1.9	13.0	18.2
CADR	15.7	8.4	9.6	11.3	10.8	2.1	10.7
MERCOSUR	22.2	15.8	22.1	40.1	2.4	15.2	17.1
S1 2023							
Latin America	-0.6	-2.2	4.5	-9.3	0.2	-15.3	-2.0
PA	-10.5	1.6	4.8	5.6	-5.2	-10.9	0.6
AC	-18.1	-15.4	-12.5	-6.4	-9.3	-25.7	-16.1
CADR	-0.1	1.3	3.7	-7.1	-34.4	10.9	0.9
MERCOSUR	10.5	-9.0	-4.2	-20.5	4.9	-16.2	-4.5

Source: IDB Integration and Trade Sector with data from official national sources.

Note: RoW—Rest of the World.

The US remained the driving force behind LAC's trade expansion.

EU, and the rest of the world declined. Exports from Mexico and CADR slowed but remained positive. Mexico's performance was primarily underpinned by shipments to the US, which continued to grow, albeit at a lower rate than the year before. In CADR, increased shipments to the US and the rest of the world offset the downturn in sales to China and the EU. Meanwhile, export growth rates turned negative in the AC and MERCOSUR. There was a drop in exports from the AC to all

TABLE 5 • INTRAREGIONAL AND INTRABLOC TRADE COEFFICIENTS

(Share of intrazone exports and exports to LAC in the total, percentages, 2022–S1 2023)

	2022		S1 2023	
	Intrabloc	LAC	Intrabloc	LAC
Latin America		14.6		15.2
PA	2.5	8.4	2.2	7.6
AC	6.4	25.5	6.3	24.6
CADR	23.0	32.0	21.8	30.5
MERCOSUR	10.3	21.8	12.8	26.2

Source: IDB Integration and Trade Sector with data from official national sources.

Note: "Intrabloc" indicates exports to members of the same subregional trade bloc. The Caribbean was excluded as an origin due to the lack of comparable disaggregated data.

the destinations considered. MERCOSUR's decline was explained by India, ASEAN and other Asian economies, the EU, and, to a lesser extent, the US. In contrast, China and the region itself continued to make positive contributions.

In 2022, intraregional trade outperformed extraregional trade for both the region as a whole and all the subregional blocs. However, in the first half of 2023, intraregional trade was only more dynamic in MERCOSUR.

Among the different subregional integration schemes, intrabloc trade in 2022 was higher for CADR (23.0%) and MERCOSUR (10.3%) than for the PA (2.5%) due to the weight of Mexican

Intrabloc trade only gained market share in MERCOSUR.

exports to the US. In the case of the AC, although the bloc itself accounts for only a small share of its exports (6.4%), LAC as a whole is much more important (25.5%). In the first half of 2023, the share of intrabloc trade shrank for the LAC integration schemes, except MERCOSUR, which is examined in detail in the next section.

Intraregional trade deteriorated less than extraregional trade.

Progress on Regional Integration

The following section tracks the evolution of intra- and extraregional trade flows in the various LAC integration blocs and the countries that comprise them (Table 6). It also summarizes progress on regional integration with a synthetic indicator based on the measurement of different dimensions (Box 3) and presents the main focuses of the blocs' internal and external agendas and developments thereon (Boxes 4 to 8).

Pacific Alliance

In the PA, exports to LAC in 2022 grew at a higher rate than to the rest of the world (21.4% and 14.3%, respectively) (Table 6). Overall, exports performed well, increasing by 14.9%, mainly due to higher vehicle sales from Mexico to the US. The US and the region itself boosted Colombia's oil and Peru's mineral sales, while China was the driving force behind Chile's mineral exports. In 2022, intrabloc trade increased by 14.5%, accounted for 2.5% of total trade, and was driven by Chile's food and chemical sales to Mexico and Colombia's oil exports to Chile and Mexico. However, this performance switched direction in the first part of 2023, when total exports slowed to 0.6%.

Intraregional exports contracted by 10.5%, while growth in shipments to the rest of

The PA's solid performance of 2022 was reversed, leading to a deeper decline in intrabloc trade.

TABLE 6 • EXPORTS TO MAIN TRADING PARTNERS BY COUNTRIES IN EACH INTEGRATION BLOC

(Year-on-year growth rate, percentages, 2022-S1 2023)

Origin	Intra-LAC		Extra-LAC					Total
	Intrabloc	LAC	Extra-LAC	US	EU	China	RoW	
2022								
PA	14.5	21.4	14.3	17.5	7.8	2.7	11.1	14.9
Chile	20.2	14.4	2.4	-9.7	-10.2	7.9	6.6	4.0
Colombia	31.7	48.4	34.0	31.9	79.4	-40.7	44.3	38.3
Mexico	2.0	10.8	17.0	18.1	6.5	16.0	11.6	16.7
Peru	17.1	20.7	-2.0	16.1	-10.8	-4.9	-2.1	0.8
CADR	14.9	15.7	8.4	9.6	11.3	10.8	2.1	10.7
Costa Rica	7.5	7.4	10.1	12.3	9.0	-22.4	4.1	9.2
El Salvador	12.4	14.2	8.1	6.8	58.2	-20.8	-8.3	11.3
Guatemala	16.6	18.2	12.2	13.8	14.9	27.5	0.9	14.9
Honduras	20.3	24.9	14.7	22.6	21.3	-12.5	-10.2	17.3
Nicaragua	29.2	27.5	5.8	4.1	17.0	-3.7	12.4	12.6
Panama	10.6	-22.8	4.7	-4.6	-9.0	11.5	8.2	0.2
Dominican Rep.	6.1	16.7	5.4	6.4	9.5	4.9	1.6	6.4
AC	22.7	34.6	13.4	29.0	17.8	-1.9	13.0	18.2
Bolivia	38.6	42.2	11.4	-33.1	1.7	39.0	14.8	23.8
Colombia	5.6	48.4	34.0	31.9	79.4	-40.7	44.3	38.3
Ecuador	29.2	17.7	24.0	41.0	3.0	42.0	4.2	24.3
Peru	27.0	20.7	-2.0	16.1	-10.8	-4.9	-2.1	0.8
MERCOSUR	14.3	22.2	15.8	22.1	40.1	2.4	15.2	17.1
Argentina	7.6	15.0	12.8	34.2	9.9	27.2	7.5	13.5
Brazil	28.1	31.2	16.8	20.1	49.3	0.9	18.4	19.0
Paraguay	-8.4	-4.2	-10.3	17.8	-12.2	-17.5	-12.5	-5.9
Uruguay	16.3	18.8	16.5	29.0	23.5	-6.2	33.4	17.2
S1 2023								
PA	-13.4	-10.5	1.6	4.8	5.6	-5.2	-10.9	0.6
Chile	-10.1	-3.9	3.4	12.5	2.9	-0.7	4.9	2.4
Colombia	6.1	-16.7	-12.8	-11.5	5.5	3.9	-26.5	-14.0
Mexico	-24.4	-9.1	4.5	5.2	13.2	1.4	-5.8	3.9
Peru	-16.0	-11.7	-20.6	-3.7	-17.3	-18.4	-31.3	-19.3
CADR	-1.0	-0.1	1.3	3.7	-7.1	-34.4	10.9	0.9
Costa Rica	20.2	15.8	23.4	26.3	17.5	-10.0	23.0	21.5
El Salvador	-8.3	-8.1	-6.3	-12.9	7.2	-63.6	77.6	-7.2

(continued on next page)

TABLE 6 • EXPORTS TO MAIN TRADING PARTNERS BY COUNTRIES IN EACH INTEGRATION BLOC *(continued)*

(Year-on-year growth rate, percentages, 2022–S1 2023)

Origin	Intra-LAC		Extra-LAC				Total	
	Intrabloc	LAC	Extra-LAC	US	EU	China		RoW
S1 2023								
Guatemala	-0.4	-0.2	-13.8	-10.3	-9.8	-72.4	-15.7	-7.7
Honduras	-3.9	-2.5	-0.8	9.2	-16.6	-4.5	5.2	-2.2
Nicaragua	-14.1	-7.5	0.8	-1.0	-18.3	33.3	28.4	-2.0
Panama	-31.4	-30.8	-6.3	-11.0	-39.5	-16.7	46.2	-8.0
Dominican Rep.	-23.3	-1.5	-2.3	-1.0	-12.7	-39.5	1.3	-1.3
AC	-14.6	-18.1	-15.4	-12.5	-6.4	-9.3	-25.7	-16.1
Bolivia	-26.4	-28.1	-21.8	-58.2	-58.3	75.3	-25.3	-24.6
Colombia	0.4	-16.7	-12.8	-11.5	5.5	3.9	-26.5	-14.0
Ecuador	-15.2	-20.3	-6.6	-19.4	6.9	3.6	-6.4	-10.1
Peru	-19.9	-11.7	-20.6	-3.7	-17.3	-18.4	-31.3	-19.3
MERCOSUR	14.6	10.5	-9.0	-4.2	-20.5	4.9	-16.2	-4.5
Argentina	-0.4	-1.6	-34.6	-22.3	-39.8	-4.0	-39.8	-24.5
Brazil	16.9	12.2	-1.2	-0.1	-14.4	6.2	-1.8	0.7
Paraguay	37.8	33.5	-20.9	-10.9	-7.8	98.8	-28.9	18.4
Uruguay	-6.1	-5.2	-26.3	-3.2	-0.8	-40.2	-26.9	-20.1

Source: IDB Integration and Trade Sector with data from official national sources.

the world slowed dramatically (1.6%) due to declines in those to China, India, Turkey, and Switzerland, along with an increase in exports to the US and the EU. External sales continued to grow in Mexico and Chile but declined in Colombia due to lower oil shipments to LAC and the US and in Peru due to lower iron ore exports to China. Intrabloc trade within the PA fell by 13.4%, the result of lower sales from Mexico, Peru, and Chile. Box 4 summarizes the main focuses of the PA's internal and external agendas and the progress made on these.

Central America and the Dominican Republic

CADR's total exports increased by 10.7% in 2022, driven by demand from LAC itself and the US. Sales through Costa Rica's STRs to the US were particularly dynamic. Intrabloc sales increased by 14.9% in 2022 and accounted for 23.0% of the total. The main drivers of growth in intrabloc trade were exports of fats and oils and textiles from Guatemala to El Salvador and

CADR's trade performance deteriorated both within and outside the region.

BOX 3: THE REGIONAL INTEGRATION INDICATOR

The aggregate integration index for LAC objectively measures economic integration and enables its evolution to be evaluated and compared with similar processes in other world regions. The indicator covers four core dimensions of regional integration: trade, productive, physical, and institutional integration (Table).³

DIMENSIONS AND SUBINDICATORS OF THE REGIONAL INTEGRATION INDICATOR

Trade	Intraregional share of exports of goods
	Intraregional share of imports of goods
	Intraregional trade intensity index
	Number of products exported intraregionally
Productive	Intraregional intraindustry trade index
	Intraregional share of exports of intermediate goods
	Intraregional share of imports of intermediate goods
Physical	Index of average maritime connectivity with all partners
	Index of the quality and extent of transportation infrastructure
Institutional	Share of LAC countries with which trade agreements have been signed
	Share of LAC countries with which investment agreements have been signed
	Share of LAC countries with which double taxation agreements have been signed

The aggregate integration index for LAC remains below the levels of other regions, such as Africa, Asia, and especially Europe. Although the nature of the indicators that make up the aggregate is such that variations in the latter tend only to be small, the aggregate index for LAC increased by 1.0% between 2021 and 2022, while the figure for Africa was 4.0%. The indicator decreased in Europe and Asia by 1.2% and 1.8%, respectively, during the same period. In Europe, this was due to a drop in intra-industry trade that affected productive integration; in Asia, it owed to a deterioration in all dimensions except the institutional dimension.

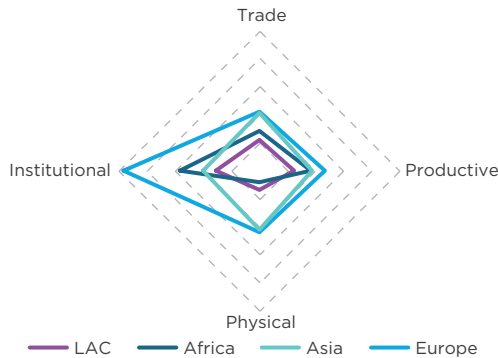
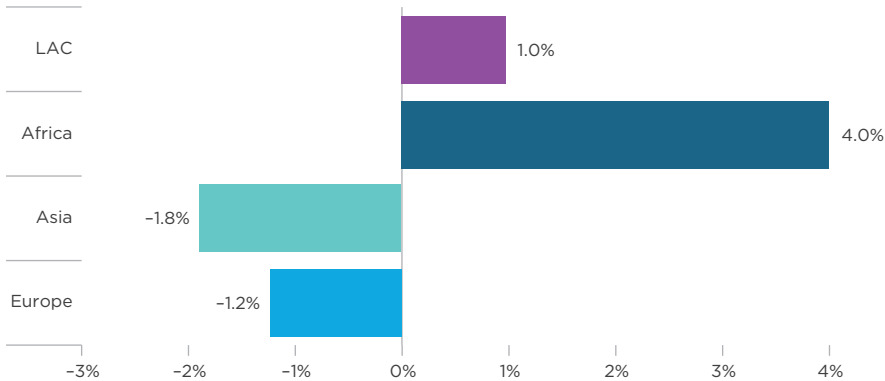
The increase in the overall index in LAC is due to improvements in the trade dimension and, to a lesser extent, in the production dimension. These were offset by deteriorations in the physical dimension, both in the maritime connectivity and infrastructure subindicators. Progress in the trade dimension was mainly due to the increase in intraregional exports, although the subindicators for imports and the number of products traded intraregionally also improved. Productive integration also improved, albeit to a lesser extent, driven by increases in both intra-industry trade and trade in intermediate goods.

There were no changes in the institutional dimension, as the number of new trade, tax, or investment agreements captured by the indicator did not change. However, it should be pointed out that the agreement subindicators only track the entry into force of new agreements but do not reflect the updating and/or expansion of preexisting agreements. In other words, the indicator does not reflect changes to trade agreements already in force that deepen or broaden trade relations among LAC countries. In any case, LAC has weaker subindicators for the institutional dimension than the other regions. In 2022, LAC's score for the institutional dimension was 0.32,

(continued on next page)

BOX 3: THE REGIONAL INTEGRATION INDICATOR *(continued)***ECONOMIC INTEGRATION INDEX**

(Selected regions, 2022)

a. Dimensions**b. Growth rate of the aggregate index**

Source: IDB Integration and Trade Sector.

while Africa's was 0.57 and Asia's was 0.41. All of these results are still far from the European economies (0.97) due to the wide coverage of agreements there.

With regard to the different subregions' integration with the rest of LAC,^b there was progress on the aggregate index in all blocs (Figure). This improvement in interbloc integration is mainly due to the positive impact of the trade subindicators. There was no progress on the institutional dimension in any of the blocs, as measured by the number of new agreements signed.

The aggregate indicator for the PA shows a slight improvement in integration in 2022 (0.1%), resulting from losses in the productive dimension and, to a lesser extent, the physical dimension, offset by gains in the subindicators for trade. There was no progress on the subindicators that make up the institutional dimension, although they are above the regional average (0.36).

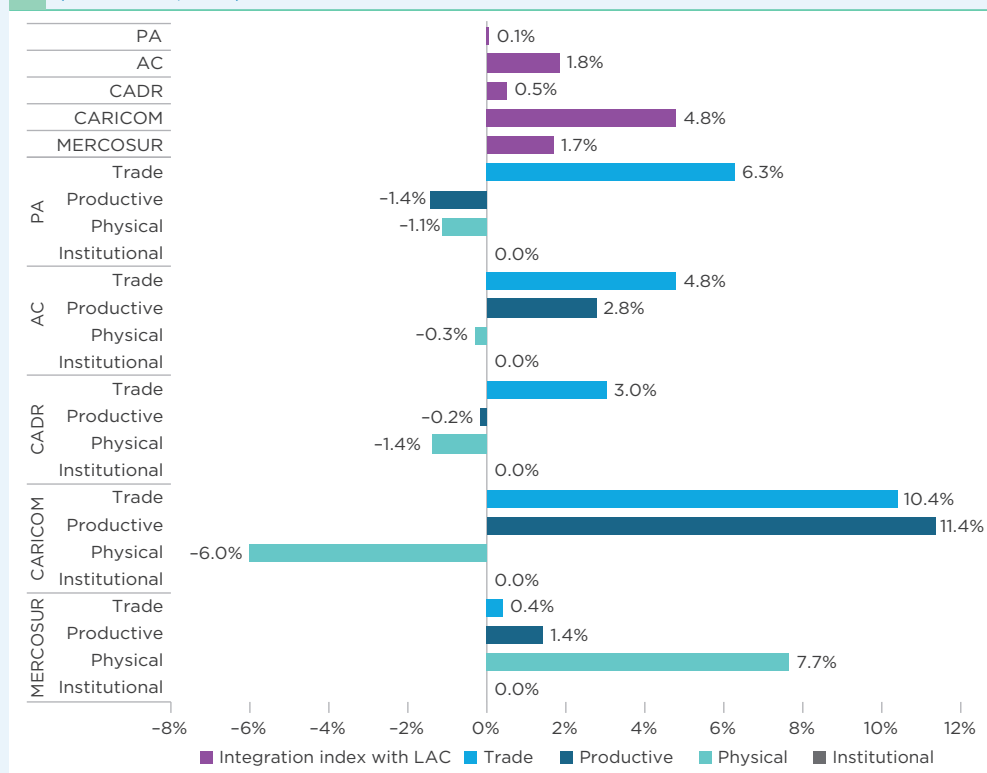
According to the aggregate indicator, the integration of the CADR countries increased by 0.5% due to declines in the physical and productive dimensions offset by increases in the trade dimension. CADR made no progress in the institutional dimension in 2022: its score of 0.22 is the lowest in the region, the result of its limited network of agreements with the other LAC countries.

(continued on next page)

BOX 3: THE REGIONAL INTEGRATION INDICATOR *(continued)*

In the AC, integration increased by 1.8% due to improvements in the commercial and productive dimensions. The institutional dimension remained at 0.26, as no new trade, investment, or double taxation agreements entered into force. In MERCOSUR, the aggregate indicator increased by 1.7%. There were improvements in all dimensions except the institutional dimension, which remained unchanged. In CARICOM, the aggregate indicator increased by 4.8%, reflecting significant progress on the trade and productive dimensions.

DIMENSIONS OF ECONOMIC INTEGRATION IN LATIN AMERICA AND THE CARIBBEAN, BY BLOC
(Growth rate, 2022)



Source: IDB Integration and Trade Sector.

^a The methodology for the construction of the indicator is explained in detail in Giordano et al. (2021), which also analyzes its evolution in the long term. The update in this edition includes specific features that are explained in Methodological Annex 5.

^b The measurement described in this paragraph reflects the relations between the member countries of each bloc and all other LAC countries, not just their partners within the integration scheme.

BOX 4: PROGRESS ON THE PACIFIC ALLIANCE INTEGRATION AGENDA

Internal agenda—The PA faced internal challenges that included the cancellation of presidential summits and difficulties in the transfer of the presidency pro tempore (PPT). In August, Peru received the PPT from Chile, which had been previously handed by Mexico. In this context, there was some progress such as the entry into force of the Convention to Avoid Double Taxation. The Promotion Agencies Technical Group also updated the Pacific Alliance Investment Portfolio, adding 15 strategic infrastructure projects to foster economic growth and integration in the region. The bloc is also working hard to address various key aspects of trade policy today: climate change, gender, digital trade, and SMEs. In this regard, the Technical Subgroup on Climate Monitoring, Reporting, and Verification (MRV) remained active. This subgroup comprises representatives of the national authorities responsible for implementing climate policy in each member country and aims to strengthen and advance the harmonization and convergence of climate MRV systems to reduce greenhouse gas emissions and other pollutants. With regard to environmental issues, the PA also has an agenda on the circular economy and the sustainable management of plastics. There were also subregional fisheries and aquaculture activities, with a gender focus. A roadmap for the Regional Digital Market is already in place, and regarding the SME agenda, there are expectations of progress on a public-private roadmap and the launch of the Digital PA platform.

External negotiations—The most notable achievements with regard to trade negotiations with the rest of the LAC economies was the establishment of preparatory working groups for the admission of Costa Rica and Ecuador to the PA. Honduras has also expressed interest in joining the bloc. Turning to extrabloc relations, the PA has accepted Saudi Arabia and Malta as observer members, while Peru has ratified the free trade agreement (FTA) with Singapore. On the matter of bilateral relations, Peru has opened negotiations with Hong Kong, and is also seeking to begin talks with Indonesia, resume its dialogue with India, and modernize its agreement with China. Mexico signed a cooperation agreement with the Republic of Korea and modernized its FTA with the EU. Colombia reestablished trade relations with Venezuela and updated its partial scope agreement with that country, formalized its FTA with the United Kingdom, and began negotiations toward an agreement with the United Arab Emirates, as did Chile. The Chilean Senate approved Chile's entry into the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP), the possibility of widening the agreement with India was explored, and negotiations were held with Indonesia to include a chapter on services in the current agreement. Chile has also signed the modernization of its agreement with the EU and is negotiating with the countries of the European Free Trade Association (EFTA) to the same end.

vice versa. However, the improvement seen in 2022 was reversed in the first half of 2023, both intra- and extraregionally. The group's total exports slowed to 0.9%, and although shipments to the US continued to grow, they did so at a significantly lower rate than in the previous year and were partially offset by declines in sales to the remaining destinations. Only Costa Rica avoided a downturn due to the dynamism of its exports to the US. Intra-bloc trade contracted by 1.0%, as exports from all countries except Costa Rica declined. Box 5 summarizes the main focuses of CADR's internal and external agendas and the progress made on these.

BOX 5: PROGRESS ON THE INTEGRATION AGENDA FOR CENTRAL AMERICA AND THE DOMINICAN REPUBLIC

Internal agenda—Between 2022 and mid-2023, Guatemala and El Salvador made progress on intrabloc integration. The two countries moved forward with the Regional Action Plan for the Time Release Study, which aims to reduce road congestion, promote cargo traceability, and facilitate trade and the Advance Declaration of goods at shared border posts, as part of the deep integration process. At the regional level, there was progress on updating the Central American Trade Facilitation Strategy, which is expected to be approved by the Council of Ministers of Economic Integration in December 2023. Physical integration may also improve in the coming years following the approval of the Regional Master Plan on Mobility and Logistics 2035 and the launch of the Mesoamerican Integration and Transportation Hub, a digital tool for investment planning and decision-making on regional infrastructure issues. Significant progress was also made in the digital arena, as a Technical Cooperation Agreement was signed with the IDB for the execution of the project to strengthen the Central American Digital Trade Platform for Trade Facilitation. The Regulations on the Adoption and Recognition of Electronic Signatures were also approved as part of the SICA Regional Digital Strategy.

External negotiations—On the matter of negotiations with the rest of LAC, Guatemala brought the extension of its Partial Scope Agreement with Ecuador into force. Costa Rica concluded negotiations for an FTA with Ecuador. Looking outside the region, these two countries have also been actively engaged in negotiations, and Guatemala signed an FTA with Israel.

Andean Community

Total AC exports increased by 18.2% in 2022. There was robust growth in shipments to the US, especially oil from Ecuador and Colombia and minerals from Peru. Meanwhile, the growth in intraregional trade was explained by Bolivia's exports of gas to Argentina and Brazil. Intrabloc trade in the AC increased by 22.7% in 2022, accounted for 6.4% of the bloc's total trade, and was driven mainly by sales of soybean derivatives from Bolivia to the other three member states and of fishmeal from Peru to Ecuador and vice versa. But in the first half of 2023, the AC's exports declined more than any other bloc's. They fell by 16.1%, dragged down by contractions in both intra- and extraregional shipments. Particularly significant were the drops in oil shipments from Colombia to Panama and the US, from Bolivia to LA partners, and from Ecuador to the US. Meanwhile, intrabloc trade fell by 14.6%, reflecting lower sales of soybean derivatives from Bolivia to Peru and from Peru to the other member countries, as well as a decline in nonoil exports from Ecuador to Colombia and Peru. Box 6 summarizes the main focuses of the AC's internal and external agendas and the progress thereon.

The AC was the bloc whose trade performance deteriorated the most.

BOX 6: PROGRESS ON THE ANDEAN COMMUNITY INTEGRATION AGENDA

Internal agenda—In 2022, the bloc approved the decision to form a working group to evaluate the reform, modernization, strengthening, and restructuring of the AC. It also agreed to breathe new life into the High-Level Group on Integration and Border Development; the Andean Agricultural and Fisheries Agenda was agreed upon; and the Roadmap for the Andean Digital Agenda was adopted. The Joint Legislation on Household Hygiene Products and Absorbent Personal Hygiene Products was amended, and the Andean Technical Regulation for the Labeling of Cosmetic Products was approved. The deadline for the implementation of the Single Customs Document has been extended to 2024. In March, an agreement was signed to establish the Regional Phytosanitary Intelligence Center to provide information on pest prevention and control. Progress was also made on the sale of veterinary products, the coding and description of certain tariff lines were updated, and a rule was approved that allows member countries to temporarily reduce a percentage of transportation costs when determining the customs value of goods.

External negotiations—During the period under review, some progress was made on strengthening ties between AC members and other countries in LAC, as well as intrabloc integration. The presidents of the AC countries were in favor of the return of Chile and Venezuela to the group, the inclusion of Argentina, and closer ties with MERCOSUR. Turning to members' bilateral agendas, Colombia updated its agreement with Venezuela, whereas Ecuador brought an agreement with Chile into force, completed negotiations with Costa Rica, and began exploratory talks for an FTA with Canada. However, negotiations with Mexico were halted due to disagreements over two key products for Ecuador: shrimp and bananas. Ecuador also moved forward on extraregional affairs, concluding negotiations with China and making progress on those with Korea and Israel. As mentioned above, Peru was also active in extraregional negotiations: it ratified its FTA with Singapore, opened negotiations with Hong Kong, prepared for talks with Indonesia, resumed its dialogue with India, and started modernizing its agreement with China.

Southern Common Market

Total MERCOSUR exports increased by 17.1% in 2022, driven mainly by shipments to LAC but also to the EU and the rest of the world. In contrast to the other LAC blocs, intraregional exports in MERCOSUR continued to grow in the first half of 2023. After climbing by 14.3% in 2022, intrabloc flows increased by 14.6% in the first half of 2023. This performance was driven by Brazil's exports of soybeans for processing and auto parts to Argentina. Intrabloc shipments from Uruguay increased due to higher exports to Brazil. Paraguay's exports of soybeans for processing and energy to Argentina also contributed positively. However, lower sales to the EU, the US, and the rest of the world caused total exports to fall by 4.5% in the first few months of 2023. Brazil's intraregional exports and soybean and oil to China played a positive role, as did Paraguay's

Intraregional trade flows continued to expand within MERCOSUR.

BOX 7: PROGRESS ON THE MERCOSUR INTEGRATION AGENDA

Internal agenda—The bloc approved the new MERCOSUR Regime of Origin at the July 2023 Summit. This had been under negotiation since 2019 and implies a modernization of the rule in force since 2009.^a As part of the common trade policy with third countries, the members of MERCOSUR agreed to reduce the Common External Tariff (CET) by 10% for all products with a CET of 14% or less, except for products with a current tariff of 2%, which will be reduced by 100%. Likewise, CMC Declaration 8/22 enabled the states parties to reduce the applied import tariff for an additional set of items with tariffs of 16% or higher. Argentina did not include any products in this reduction, while Paraguay included 1,106, Uruguay 1,409, and Brazil 1,430.

External negotiations—During Argentina's term as PPT in the first half of 2023, the bloc sought to give momentum to Bolivia's accession. However, the most dynamic area of MERCOSUR's negotiations was its trade relations with Asian countries. Negotiations for an FTA with Singapore were concluded, preparations for the first round of negotiations with Indonesia began, exploratory work was carried out with Vietnam, and a work plan was agreed upon to evaluate options for increasing exports of vegetable oils to India. Progress was also made on relations with the European economies: the EU presented a proposal for a joint instrument on environmental, labor, and human rights issues to be included in the trade and sustainability chapter of the Association Agreement between the two regions. At the 3rd EU-CELAC Summit, it was agreed that negotiations between the EU and MERCOSUR would resume to discuss the outstanding issues that have prevented the approval of the agreement between the two blocs. Technical work on rules of origin with EFTA also progressed. Uruguay maintained its position of allowing bilateral trade negotiations between the MERCOSUR states parties and third countries. It also held dialogues with China and Turkey with a view to negotiating future FTAs. The bloc also submitted a request to join the CPTPP.

^a See IDB INTAL (2023) for a more detailed analysis.

recovering soybean exports. Conversely, Argentina's shipments of corn and soybean derivatives to Vietnam and the Netherlands fell, as did exports of Uruguayan beef to China. Box 7 summarizes the main focuses of the MERCOSUR's internal and external agendas and the progress thereon.

Caribbean Community

According to a sample of CARICOM countries³¹ (Barbados, Belize, Guyana, and Suriname), CARICOM exports grew in 2022, driven by extraregional sales. However, in the first half of 2023, the subregion experienced a decline in exports. Box 8

CARICOM's
trade
performance
went from
strong growth
to a decline.

³¹ The limitations of official records make it impossible to calculate the aggregate figure for the Caribbean or distinguish between flows from the subregion to LA and those to the rest of the world.

BOX 8: PROGRESS ON THE CARICOM INTEGRATION AGENDA

Internal agenda—Over the past year, the most significant milestone for CARICOM has been its commitment to expand its Free Movement of Persons regime to include access to health care and education, which will require an amendment to the Treaty of Chaguaramas. In 2022, the bloc also launched a regional platform to facilitate intraregional trade in goods and agricultural products. Known as CIMSUPro, this marketplace will enable buyers from CARICOM to find sellers of goods produced in the bloc, thereby creating the conditions for direct contact between parties. In addition, at the beginning of 2023, the member states announced that they had collectively reached 57% of the goal of reducing the region’s food imports by 25% by 2025. Environmental issues played a leading role in CARICOM’s agenda in 2023. The bloc was a party to the final negotiations for the treaty on the conservation and sustainable use of marine biological diversity, an instrument designed to improve the governance of marine biodiversity and ensure its conservation and sustainable use in areas beyond national jurisdiction.

External negotiations—CARICOM did not make significant progress in the external arena, although the renewal of the WTO waiver for CARICOM goods to enter Canada duty-free under CARIBCAN is noteworthy.

summarizes the main focuses of CARICOM’s internal and external agendas and the progress thereon.

In sum, economic growth slowed among LAC’s main trade partners in 2023, affecting external demand and impacting the region’s trade performance. Intraregional exports fell less than extraregional exports, and the intraregional trade coefficient rose to 15.2% in the first half of 2023. However, the greater relative weight of extraregional sales meant that these drove the main trends: the US continued to contribute positively to LAC’s exports in the first half of 2023, while the opposite was true for the EU, the rest of the world, and LAC itself, while exports to China stagnated. Sales from the PA and CADR slowed, while exports from the AC, MERCOSUR, and CARICOM went into negative territory. In 2023, the share of intrabloc exports from the different subregional groups shrank, except in MERCOSUR, where they were sustained by exports from Brazil. The synthetic indicator on regional integration showed progress on the aggregate score in 2022 because of improvements in the trade and productive dimensions. Preliminary records suggest that the role of the trade dimension will cease to be positive in 2023, although some progress on institutional aspects can be anticipated.

The Competitiveness of the Region in Global Agrifood Markets

4

Latin America and the Caribbean face an international trade outlook defined by slower growth, greater geopolitical fragmentation, and new restrictive trade policies dictated by environmental concerns and sustainable development. The agrifood sector, in which several of the region's economies play a key global role, is being affected by these trends and by the reduced traction of the factors that drove its growth in recent decades, such as technological advances that increased productivity and the emergence of China and other Asian economies as the primary sources of global demand for foods. In this context, most Latin American countries have experienced a decline in the competitiveness of their agrifood exports over the past decade. For agrifood trade to remain an engine of growth and continue contributing to regional and global food security, the region's agricultural policy agenda must take on the challenge of strengthening the sector's international integration, while addressing traditional trade barriers and adapting to new environmental demands.

Trade Opportunities After the Pandemic

Now that the postpandemic recovery has run out of steam, the trade environment facing LAC economies is challenging. First, the region's external demand and export momentum are expected to slow due to lower potential global GDP growth and a reduction in the elasticity of trade relative to global activity.³² Second, the series of shocks that have hit the world economy, geopolitical fragmentation, and the growing weight of strategic factors in international economic relations are leading to

Profound changes in the trade environment are on the horizon.

³² Bekkers et al. (2023) and Altuzarra, Bustillo, and Rodríguez (2023).

efforts to mitigate risk, implemented through industrial policies that will change the conditions of competition in world markets.³³ Third, the transition to a low-carbon economy will place new demands on countries that export natural-resource-based products.³⁴ However, in a context of weakening multilateralism, cooperation and integration among countries in the region will take on greater strategic value and should be used to ensure that trade continues to be an engine for growth in the region, as it has been in recent decades³⁵.

Nevertheless, this challenging environment presents opportunities. LAC has an important role to play in some of the challenges that are currently at the heart of the global debate, such as environmental sustainability, the energy transition, and food security. Food is one of the sectors with the greatest potential for trade growth.³⁶ The region's importance in agrifood production and trade makes it essential to global food security: it accounts for 14% of the value of global agricultural and fisheries production; its share of world agrifood exports is around 17%; and it is the world's main supplier of cereals, oilseeds, bananas, coffee, and sugar, among other products. LAC's agrifood sector has the potential to address environmental and food security issues simultaneously. The region's forests and the ecosystem services it provides mean that it can make a positive contribution to mitigating climate change.³⁷ LAC accounts for 15% of the world's land area, receives 30% of the world's rainfall, generates 33% of the world's water, and is home to nearly 35% of the world's forests, making it a global reserve of arable land and forests.³⁸

LAC is part of the solution to certain global problems.

Latin America is key to global food security.

LAC is the world's largest net exporter of agrifood products, thus contributing to global food security through trade.³⁹ In 2022, the trade surplus in agrifood products⁴⁰ totaled US\$210.9 billion. However, the region is remarkably diverse in this regard: Brazil and Argentina account for 57% and 20% of the total surplus, respectively; Mexico and several South and Central American countries make smaller contributions; and Venezuela, El Salvador, Panama, the Dominican Republic, and the Caribbean countries are net importers. Looking at the breakdown

³³ IMF (2023b).

³⁴ WTO (2022).

³⁵ Mesquita Moreira and Stein (2019) estimate that without trade liberalization, the region's per-capita GDP would have grown 30%–40% less between 1990 and 2010.

³⁶ This edition of the report does not cover other productive sectors that also offer new opportunities for LAC, such as critical metals and renewable energy, driven by the energy transition.

³⁷ Morris et al. (2021).

³⁸ OECD/FAO (2019 and 2023); Hansen et al. (2013).

³⁹ ECLAC, FAO and WFP (2022); OECD/FAO (2019 and 2023); FAO and IFPRI (2023); FAO and IDB (2023).

⁴⁰ The statistics cited in this chapter are primary and processed agricultural and fishery products covered by chapters 01 to 24 of the Harmonized Commodity Description and Coding System (HS).

of these exports, Argentina and Bolivia are the only countries with a surplus in most of the key items for food security (cereals, meats, dairy products, vegetable oils, and fruits and vegetables). The remaining countries are net importers of several of these items, and their supply depends on imports (Table 7). Specifically, given that 40% of the latter's agrifood imports are from LAC itself, intraregional trade is vital for food security in the region.⁴¹

After decades of decline, undernourishment rates⁴² increased globally in 2020 and 2021 before stabilizing above pre-Covid levels in 2022.⁴³ The food price crisis of 2021–22 increased concerns about the growing frequency of these episodes, given how quickly it followed those of 2008–09 and 2010–11. Likewise, shocks from economic cycles, more frequent extreme weather events, and geopolitical conflicts have focused the policy agenda on food and nutritional security. Although trade is an essential part of the policy mix to stabilize agricultural markets and achieve food security, some countries around the world have imposed restrictions on trade in food and fertilizers.⁴⁴ This has led to a growing outcry at the highest levels that global food security depends on markets remaining free of interference.⁴⁵

Trade is essential to the resilience of food systems.

International trade connects national food systems by allowing products to move from countries with surpluses to countries with deficits that do not have the resources to produce them sustainably and affordably. In other words, trade makes it possible to respond to the global demand for food by matching supply and demand, stimulating investment, and improving the resilience of food systems. This is why the fundamental role of

trade in the management of food security crises has become a focus of international attention (Box 9).

LAC's agrifood sector has significant economic weight in terms of its contribution to GDP, exports, and employment (Table 8). Agrifood products accounted for 24.3% of total exports in 2022, more than double the world average (10%). In 16 countries, this share was above 20%—the highest figures were in Belize (98.1%), Honduras (72.0%), Uruguay (70.7%), Paraguay (65.8%), and Argentina (54.6%). The average share of the agricultural sector in LAC GDP was 6.1% in 2021, and it

The agrifood sector is extremely important for LAC economies.

⁴¹ FAO and IDB (2023).

⁴² According to the FAO, the prevalence of undernourishment is an indicator of food insecurity and is an estimate of the proportion of the population that is severely food-deprived. This indicator is derived from official national-level information on food supply and consumption and energy requirements.

⁴³ FAO (2022) and FAO, IFAD, UNICEF, WFP, and WHO (2023).

⁴⁴ World Bank (2023c) and WTO (2023d).

⁴⁵ FAO, IMF, WBG, WFP, and WTO (2022).

TABLE 7 • BALANCE OF TRADE IN MAIN AGRIFOOD PRODUCTS
(in millions of US\$, 2022)

	HS chapters									
	Total agricultural exports	Meat and edible offal	Cereals	Fruits and vegetables	Fats and oils	Dairy	Oilseeds	Rest		
	01 to 24	02	10	07 and 08	15	04	12			
LATIN AMERICA AND THE CARIBBEAN	210,898	27,441	6,048	40,981	10,535	-2,749	45,885	82,757		
LATIN AMERICA	213,744	27,601	6,179	40,986	10,700	-2,509	45,932	84,855		
MESOAMERICA	9,703	-3,433	-12,989	22,817	-859	-3,656	-6,424	14,249		
Mexico	6,939	-2,837	-8,426	16,095	-1,692	-2,699	-5,968	12,467		
Central America	2,765	-596	-4,563	6,722	833	-957	-457	1,782		
Costa Rica	3,089	-10	-1,256	4,055	214	52	-309	344		
El Salvador	-1,667	-257	-473	-218	-267	-228	-19	-204		
Guatemala	2,476	-364	-971	1,671	800	-312	21	1,632		
Honduras	1,391	-126	-513	773	574	-98	-38	819		
Nicaragua	1,673	660	-328	165	-5	167	111	903		
Panama	-1,954	-63	-309	32	-86	-151	-31	-1,346		
Dominican Republic	-2,244	-435	-713	244	-397	-386	-192	-365		
SOUTH AMERICA	204,040	31,034	19,168	18,169	11,560	1,147	52,356	70,606		
Argentina	43,228	3,873	14,393	689	7,449	1,526	1,987	13,311		
Bolivia	2,400	175	31	242	979	18	419	535		
Brazil	121,217	23,521	10,622	46	3,208	-419	46,756	37,483		
Chile	10,798	-373	-1,794	7,683	-759	-211	310	5,942		
Colombia	-1,007	-322	-3,302	697	170	-264	-402	2,416		
Ecuador	11,780	-17	-731	3,610	-133	-14	-46	9,112		

(continued on next page)

TABLE 7 • BALANCE OF TRADE IN MAIN AGRIFOOD PRODUCTS (continued)
(in millions of US\$, 2022)

	Total agricultural exports	HS chapters												
		Meat and edible offal		Cereals		Fruits and vegetables		Fats and oils		Dairy		Oilseeds		Rest
		02	10	07 and 08	15	04	12							
Paraguay	5,399	1,835	1,403	-25	624	9	1,343	210						
Peru	6,370	-249	-2,186	5,253	-88	-356	-108	4,104						
Uruguay	6,141	2,591	733	-26	110	859	2,096	-222						
Venezuela	-2,285	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-2,285						
CARIBBEAN	-2,846	-160	-131	-5	-165	-240	-47	-2,098						
Bahamas	-482	-120	-11	-56	-17	-51	0	-227						
Barbados	-362	-44	-25	-44	-4	-42	-19	-184						
Belize	-22	-2	-12	45	-26	-22	-2	-3						
Guyana	2	-4	160	-14	-23	-51	-20	-47						
Haiti	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.						
Jamaica	-1,235	-89	-264	21	-88	-106	-4	-703						
Suriname	-199	-20	10	-14	-24	-18	-3	-130						
Trinidad and Tobago	-548	-105	-101	-68	-48	-79	-25	-122						

Source: IDB Integration and Trade Sector with data from INTEGRA.

BOX 9: FOOD SYSTEMS, FOOD SECURITY, AND INTERNATIONAL TRADE

The concept of **food systems** encompasses the interconnected individuals, stakeholders, and activities involved in feeding the population (production, harvesting, packaging, processing, distribution, sale, storage, marketing, consumption, and disposal).^a Sustainable food systems guarantee food security and nutrition for all in a way that does not compromise the economic, social, and environmental foundations for future generations.^b

According to the United Nations, **food security** exists when “all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life” (FAO, 1996). Food security is connected to macroeconomic policies, well-functioning markets, and social, income, and poverty alleviation policies. The four dimensions on which it is based are availability, access, utilization, and stability.^c Availability depends on domestic supply and international food trade. Access is influenced by patterns of income, employment, and poverty, which are linked to economic growth and development. Utilization is associated with food safety, nutritional qualities, and dietary diversity. Stability implies that food is continuously available and accessible over time, which can be affected by economic crises or weather events.

International trade is central to food security. The channels through which international trade and trade policies affect food security are widely documented in both the academic and policy literature.^d First, trade impacts agricultural and food production by determining the geographic and temporal availability of food at the country level.^e Second, trade policies can affect economic growth, employment, and income opportunities, which affect access to food. Generally speaking, increased international trade is associated with better outcomes in terms of growth, poverty reduction, and income distribution. Occasionally, however, this is not the case, especially when openness increases the frequency of economic crises or magnifies their impact, and, in any case, openness has a distributive impact that needs to be mitigated. Third, while trade may contribute to more varied diets, there is a risk that healthy traditional diets will be replaced by diets that are based on ultraprocessed products, which are associated with chronic diseases. Fourth, international trade can reduce the volatility of food prices and availability, thereby contributing to stability. In general, the empirical evidence shows that trade has positive effects on food security, although the balance depends on specific countries and conditions, and on mechanisms for compensation and redistribution between those who benefit from trade and those who are exposed to adverse distributive impacts.

^a United Nations (2021).

^b The United Nations Food Systems Summit of 2021 established the concept of food systems to highlight the changes needed to make them sustainable. See FAO (2021) for more details.

^c The four dimensions cited are based on FAO (1996) and are discussed in Díaz Bonilla (2023). Two additional dimensions are agency (the ability of individuals to make their own food choices) and sustainability (the ability of food systems to ensure food security now and in the future, linking this to climate change and sustainable natural resource management).

^d See FAO (2022), OECD/FAO (2023), and Díaz Bonilla (2015) for an exhaustive review of the literature.

^e Food imports can replace or supplement domestic production, affecting availability in different ways. There is debate as to whether the expansion of trade replaces production for household consumption with production for export, which could jeopardize food security.

TABLE 8 • SHARE OF THE AGRIFOOD SECTOR IN GDP, EXPORTS, AND EMPLOYMENT
(Billions of US\$, thousands of people, and percentage share)

	Exports (2022)			Imports (2022)			Net exports (2022)			GDP (2021)			Employment (2021)	
	Chapters 1 to 24	Total	% share	Chapters 1 to 24	Total	% share	Chapters 1 to 24	Total	% share	Agriculture	Total	% share of people	Thousands	% share
LATIN AMERICA AND THE CARIBBEAN	340.4	1,401.3	24.3%	129.5	1,438.5	9.0%	210.9	312.7	5,097	6.1%	39,165	14.7%		
LATIN AMERICA	338.7	1,371.0	24.7%	124.9	1,411.8	8.9%	213.7	309.6	5,021	6.2%	36,901	14.2%		
MESOAMERICA	74.2	646.1	11.5%	64.5	746.9	8.6%	9.7	74.3	1,657	4.5%	11,919	15.0%		
Mexico	48.3	577.7	8.4%	41.3	604.6	6.8%	6.9	49.5	1,273	3.9%	6,757	12.3%		
Central America	25.9	68.3	38.0%	23.2	142.3	16.3%	2.8	24.8	384.4	6.4%	5,162	21.1%		
Costa Rica	5.7	15.7	36.5%	2.6	21.4	12.3%	3.1	2.8	64.6	4.3%	340	17.1%		
El Salvador	1.4	7.1	19.5%	3.1	17.1	17.8%	-1.7	1.4	29.5	4.9%	391	15.2%		
Guatemala	7.6	15.7	48.8%	5.2	32.1	16.1%	2.5	8.1	86.0	9.4%	2,003	29.2%		
Honduras	4.4	6.1	72.0%	3.0	15.2	19.7%	1.4	3.1	28.5	11.0%	964	24.8%		
Nicaragua	3.3	7.7	43.2%	1.7	10.1	16.5%	1.7	2.2	14.1	15.5%	815	28.7%		
Panama	0.5	3.7	14.8%	2.5	15.2	16.4%	-2.0	1.8	67.4	2.7%	273	15.7%		
Dominican Republic	2.9	12.4	23.6%	5.2	31.1	16.6%	-2.2	5.3	94.3	5.7%	376	8.3%		
SOUTH AMERICA	264.5	724.9	36.5%	60.5	664.9	9.1%	204.0	235.1	3,241.8	7.3%	24,982	13.9%		
Argentina	48.2	88.4	54.6%	5.0	81.5	6.2%	43.2	34.6	485.3	7.1%	1,422	7.7%		
Bolivia	3.2	13.6	23.6%	0.8	13.0	6.2%	2.4	5.2	40.4	12.9%	1,688	29.2%		
Brazil	135.2	334.1	40.5%	13.9	272.6	5.1%	121.2	123.6	1,650.4	7.5%	8,246	9.7%		
Chile	23.1	98.5	23.5%	12.3	94.7	13.0%	10.8	11.5	316.6	3.6%	508	6.6%		
Colombia	9.7	57.2	17.0%	10.7	71.4	15.0%	-1.0	24.3	318.0	7.6%	3,536	15.9%		

(continued on next page)

TABLE 8 • SHARE OF THE AGRIFOOD SECTOR IN GDP, EXPORTS, AND EMPLOYMENT (continued)
(Billions of US\$, thousands of people, and percentage share)

	Exports (2022)			Imports (2022)			Net exports (2022)			GDP (2021)			Employment (2021)		
	Chapters 1 to 24	Total	% share	Chapters 1 to 24	Total	% share	Chapters 1 to 24	Total	% share	Agriculture	Total	% share	Thousands of people	% share	
Ecuador	16.1	32.7	49.2%	4.3	33.0	13.0%	11.8	10.0	10.0	106.2	9.4%	2,544	32.2%		
Paraguay	6.5	9.9	65.8%	1.1	14.6	7.8%	5.4	4.6	39.9	11.6%	680	19.7%			
Peru	13.9	61.1	22.7%	7.5	60.2	12.5%	6.4	16.1	223.6	7.2%	4,922	27.9%			
Uruguay	7.9	11.2	70.7%	1.8	13.0	13.6%	6.1	5.1	61.4	8.4%	129	8.4%			
Venezuela	0.6	18.0	3.3%	2.9	10.6	27.0%	-2.3	n.a.	n.a.	n.a.	n.a.	1,307	13.1%		
CARIBBEAN	1.7	30.3	5.5%	4.5	26.8	16.9%	-2.8	2.8	61.2	4.6%	2,264	31.6%			
Bahamas	0.1	0.6	16.7%	0.6	3.8	15.1%	-0.5	0.1	11.5	0.5%	6	3.2%			
Barbados	0.1	0.3	42.1%	0.5	2.1	21.8%	-0.4	n.a.	4.9	n.a.	4	2.8%			
Belize	0.2	0.2	98.1%	0.3	1.4	18.8%	-0.0	0.2	2.5	7.7%	35	21.2%			
Guyana	0.4	11.3	3.6%	0.4	3.6	11.1%	0.0	1.1	8.0	13.5%	33	13.1%			
Haiti	n.a.	(1.0)	n.a.	n.a.	-1.0	n.a.	n.a.	n.a.	19.5	n.a.	1,947	45.6%			
Jamaica	0.4	1.9	22.9%	1.7	7.7	21.6%	-1.2	1.2	14.6	8.3%	203	15.5%			
Suriname	0.1	2.8	2.7%	0.3	1.8	15.2%	-0.2	n.a.	3.2	n.a.	17	7.9%			
Trinidad and Tobago	0.3	13.3	2.5%	0.9	6.2	14.1%	-0.5	0.2	24.5	1.0%	19	3.0%			

Source: IDB Integration and Trade Sector with data from INTEGRA, FAO, and ECLAC.

Note: The data for HS chapters 1 to 24 for Venezuela, Trinidad and Tobago, and Bahamas are estimates using mirror trade data. The data for Costa Rica, the Dominican Republic, El Salvador, and Guatemala includes exports through STRs.

was above 5.0% in 15 countries, while the global average was 4.0%. It should also be noted that forward and backward production linkages are not taken into consideration when calculating national accounts. Consequently, inputs and most postharvest value-added activities are not included in agricultural activities. When the entire agrifood chain is contemplated, the sector's share increases significantly.⁴⁶

Global agrifood markets are critical to the region's growth.

Given the importance of this sector to the economies of LAC, dynamic participation in international markets is essential not only for global food security but also for economic growth and poverty reduction in the region.⁴⁷ Since the first decade of the 21st century, the share of agrifood exports in the region's total exports has increased from 15% to 25%. This was largely due to the rapid growth of China and the rest of Asia, the increased purchasing power of their populations, and changes in their diets (which now include a higher proportion of protein). Since China joined the WTO in 2001, it has become the leading destination for LAC agricultural exports. Its share of the sector's exports increased from 3% to 20% in that time, while the region's traditional partners lost relative weight: the EU's share went from 25% to 14%, that of the US from 29% to 22%, and that of the region itself from 19% to 15%.

However, projections for the next decade indicate a slowdown in agricultural production both globally and in LAC.⁴⁸ At the same time, growth in the volume of global agrifood trade will slow to an estimated 1.0% per year between 2023 and 2032, about one-third the rate of the previous decade (2.9% in 2013–2022). This is largely explained by the slower pace of growth in demand for agricultural products from China and other emerging economies, which has had a significant impact on the expansion of LAC exports over the past two decades. However, for the agricultural sector to continue contributing to reducing global food insecurity and boosting the region's economic and social progress through trade, on the supply side, it is essential to reverse the decline in LAC's international competitiveness, as is explained in detail in the following section.

LAC's ability to supply global markets is facing challenges on both the supply and demand fronts.

⁴⁶ According to the available data, the agricultural sector's share in GDP was 3.8% in Chile (2008), 7.3% in Peru (2007), 2.9% in Mexico (2012), 8.7% in Argentina (2021), and 6%–7% in Uruguay (2015–2019). When the entire agrifood chain is taken into account, these shares increase to 6.4%, 11.3%, 11.9%, 15%, and 14%–16% of GDP, respectively. See World Bank (2021), Lódola and Picón (2023), and Uruguay XXI (2022).

⁴⁷ See Giordano (2009) for a discussion of the relationship between trade, growth, and income distribution in the region, and Mesquita Moreira and Stein (2019) for a review of compensation policies.

⁴⁸ OECD/FAO (2023).

The Competitiveness of the Agro-Export Sector

Between 2012 and 2021, the region's real exports expanded by 31.1%, slightly above the increase in global trade (27.9%). LA's share in the volume of world trade increased from 5.8% in 2012 to 5.9% in 2021.⁴⁹ The shift-share methodology makes it possible to decompose the variation in trade flows to distinguish the effects that respond to the structure and dynamics of global demand (the global, product, and destination effects) from those related to the competitiveness of the export supply (the competitiveness effect), which can be influenced by public policies (expansion, technological progress, productivity, market access, and trade facilitation, among others). The global effect reflects the impact of the expansion of world trade; the product and destination effects indicate the changes determined by the export basket's sectoral composition and geographic pattern, respectively, and the residual variation is attributed to competitiveness. If these effects differ from the global average for a given economy, a change in global market share is determined.⁵⁰

Latin America
has lost
competitiveness
in world
markets.

The breakdown of the 3.2 percentage point (p.p.) difference between the region's export growth and world trade shows that destination and product effects were positive (3.3 p.p. and 2.1 p.p., respectively), while the loss of competitiveness subtracted 2.3 p.p. from real export growth. In other words, the difference in export growth relative to the rest of the world would have been 72% higher had there been no loss of competitiveness. At the sector level, the aggregate effect was due to the deteriorations in mining, metals, and their manufactures (MMs) (-5.4 p.p.) and fuels and energy (F&E) (-1.0 p.p.), which were partially offset by improvements in industrial manufactures (IMs) (3.6 p.p.) and agrifood products (APs) (0.5 p.p.).

The competitiveness
of the agrifood
sector only
increased in a
handful of countries.

At the aggregate level, the increased competitiveness of agrifood products represents gains equivalent to around US\$5 billion in real terms.⁵¹ However, the region's overall performance was largely driven by Brazil, which accounted for more than half of the total increase (Figure 16). Improvements were also seen in five other countries: primarily in Mexico, Ecuador, and Paraguay, followed by Colombia and the Dominican Republic. On the other hand, competitiveness

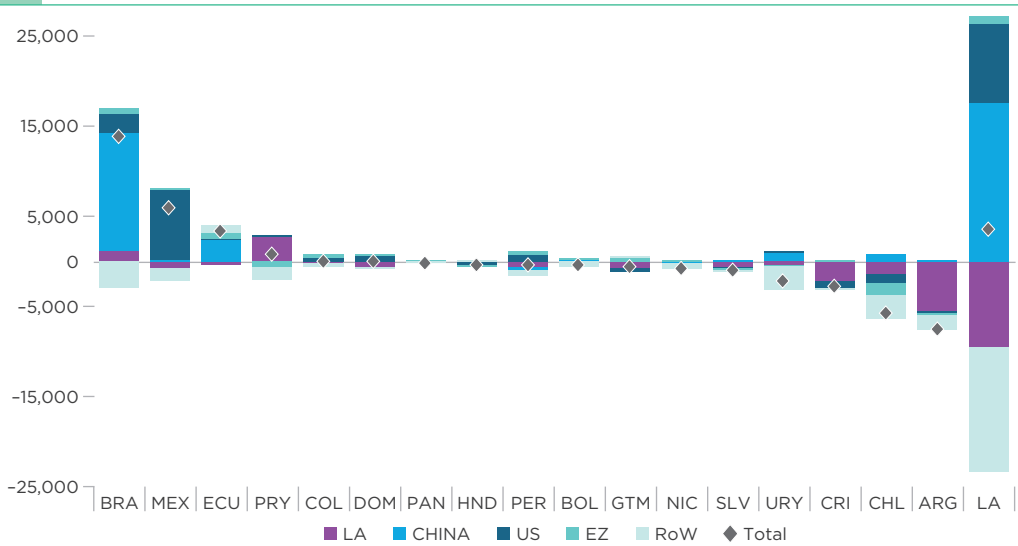
⁴⁹ See Giordano, Campos and Michalczewsky (2022) for an analysis of the evolution of the region's competitiveness in all sectors of the economy.

⁵⁰ For a detailed description of the methodology, see Giordano et al. (2017). The agricultural products studied in this report correspond to HS chapters 01 to 24 and 41 to 49.

⁵¹ Although the figures show the absolute values of the changes attributed to the competitiveness effect, to facilitate comparisons, they are expressed in the text as percentage-point contributions to the total variation.

FIGURE 16 • EFFECT OF COMPETITIVENESS ON THE VARIATION IN LATIN AMERICAN EXPORTS OF AGRIFOOD PRODUCTS IN SELECTED DESTINATIONS

(Millions of US\$, constant 2015 prices, 2012–2021)



Source: IDB Integration and Trade Sector with data from BACI, COMTRADE, and INTEGRA.

declined in 11 of the 17 countries analyzed, with the largest losses occurring in Argentina and Chile, followed by Costa Rica and Uruguay.

Looking at the region’s main export destinations, competitiveness gains in the agrifood sector were concentrated in China (+2.3 p.p.), which accounted for two-thirds of the total gains, and to a lesser extent in the United States (+1.1 p.p.), which accounted for the remaining third. The increase in competitiveness in China was true for almost every country in the region⁵² except the Dominican Republic, Nicaragua, and Peru. However, three-quarters of the region’s increased competitiveness in China was due to Brazil. Likewise, the competitiveness gain in the US market is almost entirely attributable to Mexico and, to a lesser extent, Brazil.⁵³

Competitiveness gains were concentrated in exports to China and the US.

⁵² The main products that explain the competitiveness gains in each LAC country are: fish and crustaceans in Ecuador; meat and edible offal in Uruguay; wood pulp and fruits in Chile; meat and edible offal and tobacco in Mexico; meat and edible offal and wood in Bolivia; meat and edible offal and cereals in Argentina; coffee, meat and edible offal, wood, and animal or vegetable fats and oils and other animal products in Colombia; coffee in Guatemala; sugars in El Salvador; meat and edible offal in Costa Rica; meat and edible offal in Panama, raw hides and skins in Paraguay; and fish and crustaceans and tobacco in Honduras.

⁵³ In Mexico, the main products were beverages, cereals, and fruits, while Brazil’s competitiveness increased in wood and meat and edible offal.

Intraregional exports lost competitiveness.

Conversely, the agrifood sector lost competitiveness in intraregional exports (-1.2 p.p.) and exports to the rest of the world (-1.8 p.p.), while there were no significant changes in exports to the Eurozone. Of the 17 countries analyzed, only Brazil and Paraguay had gains in intraregional trade, while 14 countries accumulated losses; the largest declines were in Argentina, Costa Rica, Chile, Guatemala, Mexico, Peru, El Salvador, Dominican Republic, Ecuador, and Colombia.⁵⁴ Competitiveness in trade with the rest of the world declined in 14 countries, although Uruguay, Brazil, Chile, Argentina, Mexico, and Paraguay accounted for most of this contraction. Finally, LA's competitiveness in the Eurozone remained unchanged,⁵⁵ as improvements in Ecuador, Brazil, and Colombia were offset by Chile, which experienced the greatest loss in this market.⁵⁶

The variation in competitiveness resulted in changes in the share of LA countries as suppliers of agrifood products vis-à-vis their competitors. The HS chapters with the largest gains in competitiveness were oil seeds and oleaginous fruits (12), fish and crustaceans (03), beverages (22), and meat and edible offal (02) (Figure 17). These four chapters account for 39% of LA's total exports and increased their share by 9 p.p. over the past decade (Figure 18). The losses in competitiveness mainly affected cereals (10), followed by vegetables, plants, roots, and tubers (07), prepared meat, fish, and crustaceans (16), prepared vegetables (20), miscellaneous edible preparations (21), and dairy products (04). This group of six chapters in which LA lost market share represents 18% of the region's agrifood exports: 3 p.p. less than in 2012. Furthermore, LA is a major global supplier of these goods (Figure 19).

With regard to the sectors in which the region increased its market share, the gains in the Chinese market stand out. LA's exports of oilseeds and meat to China were strong, particularly compared to those of the US. The trade war between China and the US may partly explain the region's growing share in the Chinese market.⁵⁷ In the US market, the increase in LA's share as

The region gained significant market share in China.

⁵⁴ The main products that explain the loss of competitiveness in each LAC country are: cereals in Argentina; vegetable, fruit, and miscellaneous edible preparations in Costa Rica; fruits, wood, vegetable, fruit, and miscellaneous edible preparations in Chile; vegetable and fruit preparations in Guatemala; grain-based preparations, miscellaneous edible preparations, and paper and cardboard in Mexico; residues and wastes from food industries and meat, fish, and mollusk preparations in Peru; vegetable and fruit preparations and meat, fish, and mollusk preparations in El Salvador, cereals in the Dominican Republic; fruits, animal and vegetable fats and oils vegetable and fruit preparations, and coffee in Ecuador, and milling products in Colombia.

⁵⁵ Improvements in competitiveness came in coffee in Brazil and Colombia; fats and oils in Guatemala and Honduras; fish in Ecuador; fruits in Peru; and cocoa in Ecuador, Mexico, and the Dominican Republic. These were offset by losses in food industry waste in Brazil; meat in Brazil and Argentina; and meat preparations in Brazil.

⁵⁶ In wood pulp and paper and cardboard.

⁵⁷ Cerutti, Gopinath, and Mohommad (2019).

a supplier of both oilseeds and meat was mirrored by losses for traditional exporters of these products, such as Australia and Canada. A more detailed analysis of the products in which LA gained market share over its competitors is presented in the Statistical Annex.

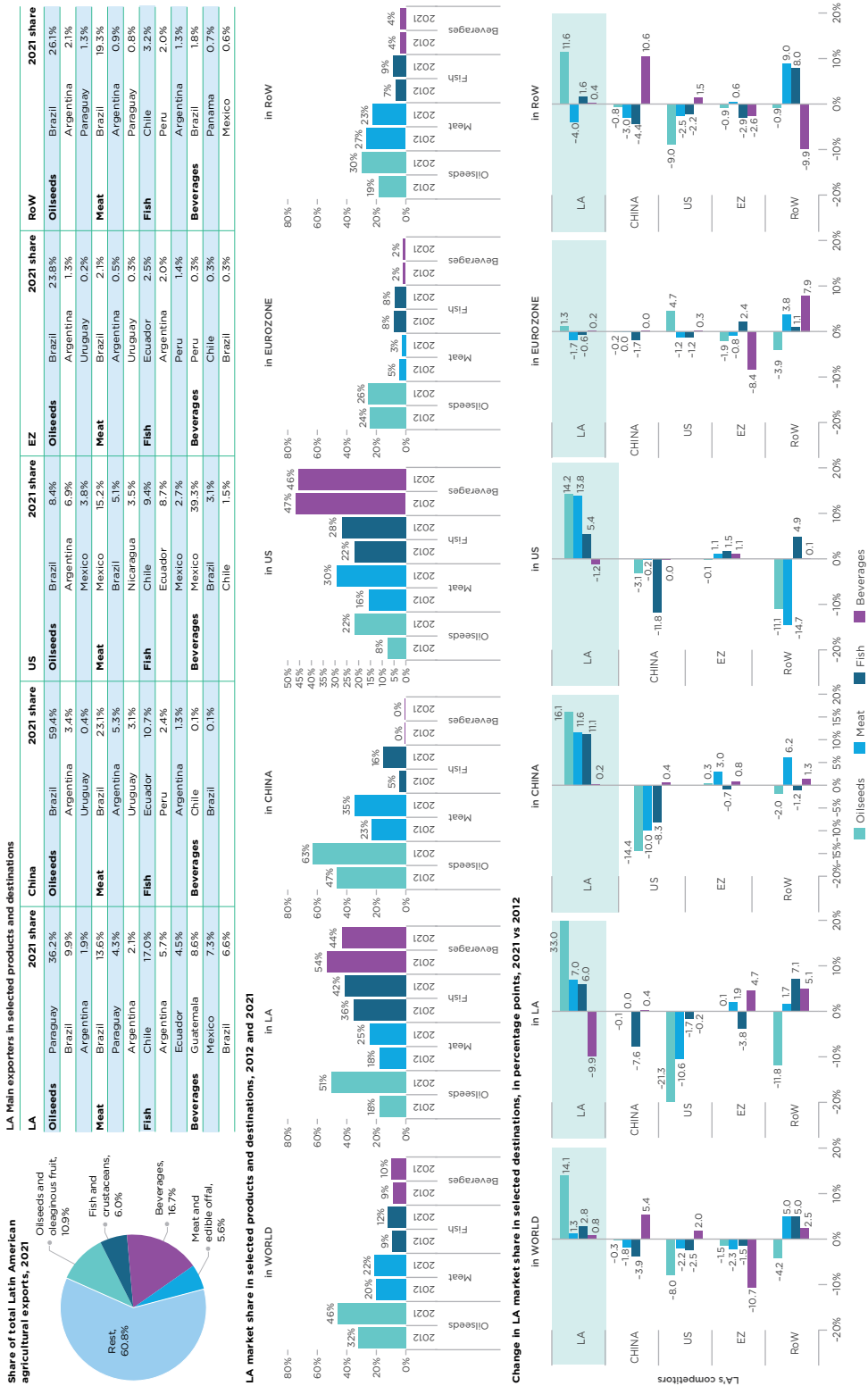
FIGURE 17 • IMPACT OF VARIATIONS IN THE COMPETITIVENESS OF LATIN AMERICAN AGRIFOOD EXPORTS

(By HS chapter, millions of US\$, constant 2015 prices, variation 2012–2021)



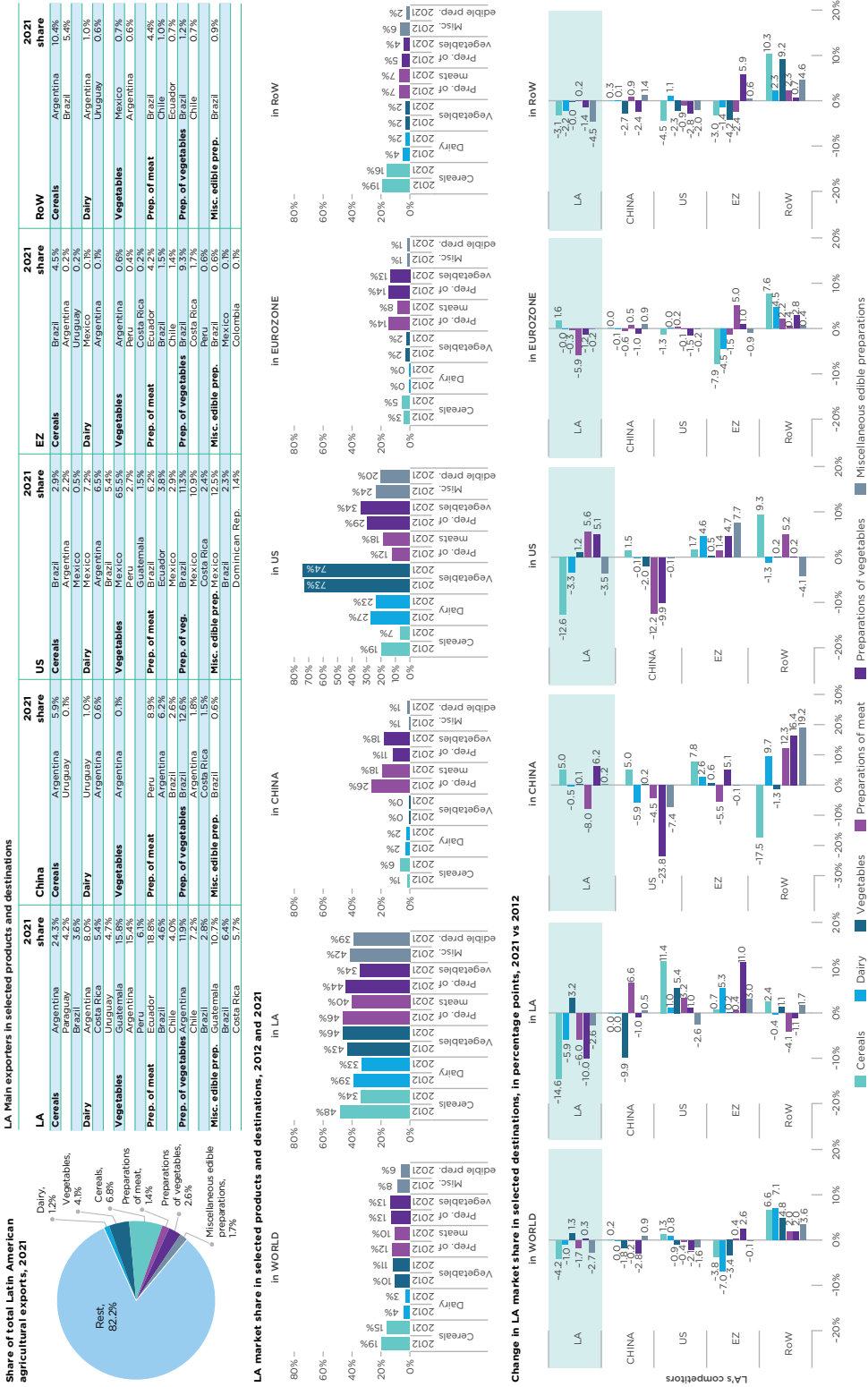
Source: IDB Integration and Trade Sector with data from BACI, COMTRADE, and INTEGRA.

FIGURE 18 • LATIN AMERICA'S GAINS IN MARKET SHARE VIS-À-VIS COMPETITORS IN SELECTED SECTORS AND DESTINATIONS
(Share of selected products in LA's total agrifood exports and LA market shares in selected destinations, in percentages and percentage points, 2012–2021)



Source: IDB Integration and Trade Sector with data from BACI.
 Note: The pie chart shows the share in LA's total agricultural exports in 2021 of the four products in which LA had the greatest gains in competitiveness between 2012 and 2021. The vertical histograms show LA's market share in selected destinations in 2012 and 2021. The horizontal bar charts show the changes in market share of LA and its competitors (vertical axis) in the world and selected destinations, measured in percentage points.

FIGURE 19 • LATIN AMERICA'S LOSSES IN MARKET SHARE VIS-À-VIS COMPETITORS IN SELECTED SECTORS AND DESTINATIONS
(Share of selected products in LA's total agrifood exports and LA market shares in selected destinations, in percentages and percentage points, 2012–2021)



Source: IDB Integration and Trade Sector with data from BACI.
 Note: The pie chart shows the share in LA's total agricultural exports in 2021 of the six products in which LA experienced the greatest losses in competitiveness between 2012 and 2021. The table reports the main LA exporters in selected destinations and their market share in each economy, between 2012 and 2021. The vertical histograms show LA's market share in selected destinations in 2012 and 2021. The horizontal bar charts show the change in market share of LA and its competitors (vertical axis) in the world and selected destinations in 2012 and 2021, measured in percentage points.

On the other hand, the most significant losses in LA's market share were observed in intraregional exports. This was the case for all the products for which the greatest losses in competitiveness were observed: cereals; vegetables; preparations of meat or vegetables and miscellaneous edible preparations; and dairy products. In the remaining destination markets, losses were limited to a few specific products. The declines in intraregional market share were mainly due to competition from the US and the Eurozone. The period in which this decline was recorded coincides with the implementation and consolidation of trade agreements between several LA countries and these economies, which seems to have influenced the region's loss of market share as a supplier of certain key agrifood products like cereals, dairy products, and various edible preparations.⁵⁸ This outcome may also have been influenced by other factors, such as comparatively high transportation costs.⁵⁹ A more detailed analysis of the products in which LA lost market share to its competitors is presented in the Statistical Annex.

The greatest losses in market share were within the region itself.

Policy Challenges in a Global Scenario in Transition

Agricultural policies must address the multiple determinants of competitiveness.

If the agrifood sector is to continue boosting economic growth and reducing poverty in the region and also contribute to global food security, LAC countries will need to increase their productivity and regain international competitiveness while responding to a range of new objectives and weighing up trade-offs among them. In the 1990s and 2000s, the expansion of the agriculture sector in LAC was driven by high growth in total factor productivity (TFP), averaging more than 2% per year,⁶⁰ and the emergence of new demand in international markets, which boosted the volumes and prices of the region's export products. However, between 2011 and 2021, average TFP growth in the region slowed to 0.69% per year, and the region's external competitiveness lagged, as seen in the previous section. Going forward, policymakers will need to take action to reverse these trends. In doing so, they will face a number of challenges at once: sustaining the growth of the sector in a context of slowing external demand; facilitating climate change adaptation, taking into account its impact on comparative advantages and

⁵⁸ USDA (2016) and European Commission (2022 and 2023).

⁵⁹ FAO and IDB (2023).

⁶⁰ According to Agnew and Hendery (2023), the annual average growth of TFP in agriculture in LAC went from 2.11% in 1991-2000 to 2.20% in 2001-2010 and 0.69% in 2011-2021.

the new determinants of competitiveness; increasing export surpluses while reducing environmental impacts and contributing to greenhouse gas mitigation; addressing increased global competition as industrial policies return to the fore; overcoming the regulatory barriers associated with a new generation of environmental certifications, among others; all in a context of limited public spending and highly asymmetric institutional capacities.

Technological progress is fundamental to meeting these challenges.⁶¹ However, the objectives of investment systems in agricultural science, technology, and innovation are broader and more complex than in the past because of the need to increase production and reduce environmental impact in tandem. Given these challenges, the expansion of the agricultural sector will need to be driven more by productivity gains and the sustainable intensification of production than by increases in land area.⁶² Investment in agricultural research and development (R&D) represents less than 1% of agricultural GDP in most LAC countries and is low compared to other global competitors such as Australia or Canada.⁶³ Agricultural policymakers are facing the challenge of increasing and improving the composition of expenditure, including by creating the conditions for public-private financing mechanisms. Priority should be given to public policies for the productive modernization of national food systems based on the creation, spread, and adoption of technologies.⁶⁴ These efforts should be supported by international integration strategies that facilitate access to and competitiveness in global markets.⁶⁵

Innovation must go hand-in-hand with international integration strategies.

Despite multilateral liberalization efforts, traditional trade barriers severely affect the region's agrifood exports and pose a threat to global food security.⁶⁶ Tariffs in the agricultural sector remain higher on average than for other goods and include tariff peaks that effectively limit trade. Agricultural products are also subject to tariff escalation by importing countries, which seek to encourage

Trade barriers are high in the agrifood sector.

⁶¹ See Piñeiro and Trigo (2023), who point out that technological objectives, the existence of research organizations capable of generating the necessary technological knowledge (the national agricultural research centers in several LAC countries, international centers such as the CGIAR (Consultative Group on International Agricultural Research), and other regional research and technology transfer programs, and the intersection of economic and political interests to direct and finance these institutions were decisive in increasing the yields of strategic crops in LAC from the 1980s to the 2000s.

⁶² OECD/FAO (2023).

⁶³ Based on indicators from ASTI/IFPRI (2021) cited in Piñeiro and Trigo (2023).

⁶⁴ For a comprehensive discussion of the proposals for the region see Piñeiro and Trigo (2023), Nin Pratt et al. (2023); Trigo, Mateo, and Falconi (2013).

⁶⁵ See Mesquita Moreira and Stein (2019) for some success stories from the region.

⁶⁶ IICA (2021).

local processing by taxing imports of processed goods at higher rates than agricultural raw materials. Nontariff barriers are applied to products of animal or plant origin and foodstuffs more often than to other goods. Moreover, such barriers continue to proliferate as those restricting agricultural trade in 2022 doubled compared to 2019.⁶⁷ Although such measures address legitimate health and environmental concerns, they also increase trade costs and, in some cases, may constitute disguised protectionism if they are not based on scientific evidence. Even within the LAC market, the lack of trade agreements between some countries limits the growth of intraregional trade. These bilateral relations are therefore determined by the most-favored-nation tariff, which in LAC countries is, on average, twice as high for agricultural products as for nonagricultural ones.⁶⁸ There are also significant regulatory gaps among national food safety and plant and animal health systems, which results in substantial additional costs for interregional trade.⁶⁹

In addition to trade policy barriers, there has been a proliferation of private standards and requirements imposed by the corporations that dominate global agrifood trade.⁷⁰ For example, Voluntary Sustainability Standards (VSSs) are new tools that seek to certify that production processes meet a range of social, economic, and environmental sustainability requirements. By 2022, there were already more than 300 active VSSs and about 450 ecolabels, according to the ITC Standards Map and the Ecolabel Index, respectively.⁷¹ Three-quarters of VSSs are applied in OECD countries, and agricultural and food products are the most common goods they apply to.⁷² Although VSSs are voluntary, they can become *de facto* mandatory requirements if the companies adopting them dominate import markets and those wishing to export products have no option but to implement them. Moreover, high compliance costs mean that small producers, particularly those in developing countries, are more likely to be excluded from international markets as a result of the proliferation of these standards and the lack of adequate technical assistance structures.

Private standards are becoming increasingly important in global markets.

New certification requirements related to environmental protection and a low-carbon economy impose additional costs and could create barriers to trade in agrifood products, threatening the region's competitiveness. For example, in 2021, 931 of the 4,933 notifications submitted by WTO members concerned the environment

⁶⁷ See WTO, ITC, and UNCTAD (2021) and the September 2023 update to the Global Trade Alert.

⁶⁸ 13.9% and 7.2%, respectively. See FAO and IDB (2023).

⁶⁹ Blyde (2023).

⁷⁰ FAO and IFPRI (2023).

⁷¹ UNCTAD (2023).

⁷² Elamin and Fernandez de Cordoba (2020).

(almost 20% of all notifications), five times more than two decades ago, when they represented only 8% of the total. These measures are being adopted unilaterally in advanced economies, particularly the EU, while LAC countries lack the capacity and regulatory infrastructure to comply with them.⁷³ For example, the European Green Deal will include measures such as the certification of deforestation-free products, the Carbon Border Adjustment Mechanism, and the application of mirror clauses.⁷⁴ To adapt to these new policies, LAC countries must implement traceability systems that accurately measure the balance between emissions and carbon sequestration along the entire value chain, as well as monitoring mechanisms to certify that production does not take place on deforested land, among other things. These requirements demand financial resources and technical knowledge that can create barriers to entry, especially for small and medium-sized producers.

New environmental requirements add costs to exports.

The proliferation of domestic support distorts competition and puts the region at a disadvantage.

LAC's ability to sell to external markets is affected not just by border protection instruments, but also by its trading partners' domestic support policies. These measures may distort competition and, in some cases, may even be detrimental to health, the environment, and global food security.⁷⁵ As a result, there is growing global debate around "repurposing" resources toward more environmentally friendly interventions. At the same time, however, there has been a proliferation of subsidies to achieve various industrial policy objectives⁷⁶ and a growing awareness of the risks of greenwashing.⁷⁷ In 2020-2022, support for agricultural producers represented 15.2% of the value of gross farm income in OECD countries. Meanwhile, no sub-

stantive progress has been made at the WTO, the natural forum for negotiating the elimination of restrictive trade instruments. For their part, support policies also vary enormously in LAC countries. While some focus on providing public goods or supporting the adoption of environmentally sustainable technologies, others promote negative incentives that eliminate opportunities or work against productive modernization and climate change adaptation and mitigation (Box 10). In this context, the challenge

⁷³ WTO (2023e) and Piñeiro and Tejada Rodríguez (2023).

⁷⁴ In April 2023, the European Parliament approved a regulation based on mandatory due diligence requirements for EU companies trading in commodities and derived products that pose risks to forests. The EU's carbon border adjustment mechanism aims to equalize the carbon price between EU and imported products. The application of mirror clauses is intended to make purchases from third countries conditional on compliance with internal EU requirements, in order to compete on equal terms.

⁷⁵ See, for example, FAO, UNDP, and UNEP (2021) and Gautam et al. (2022).

⁷⁶ See, for example, Global Trade Alert (2023) and OECD (2022 and 2023a).

⁷⁷ See United Nations (2022). "Greenwashing" describes a strategy used by some companies or governments to appear to be more environmentally friendly than they actually are.

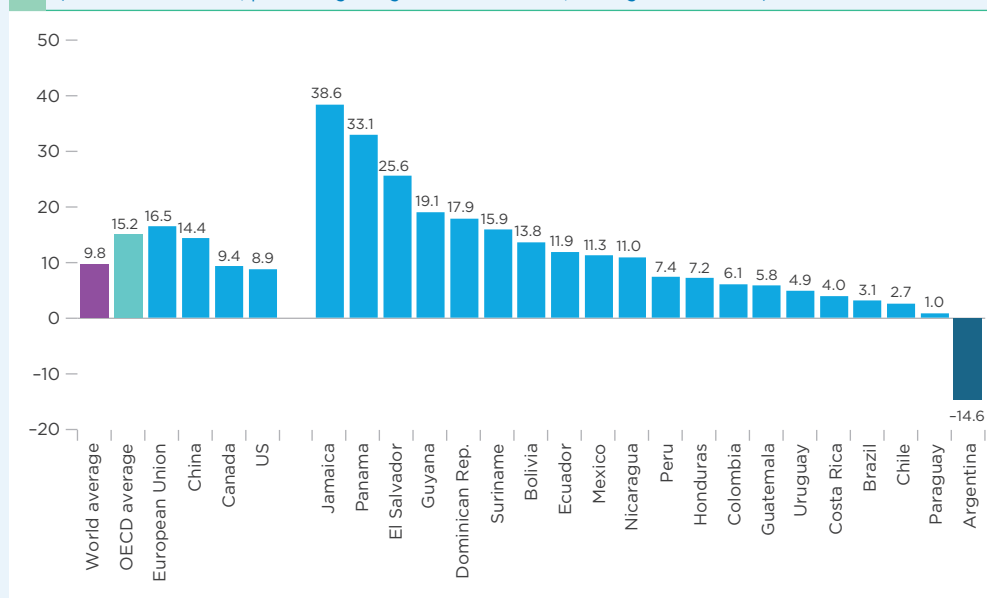
BOX 10: INTERNATIONAL MEASUREMENTS OF AGRICULTURAL SUPPORT POLICIES

Internationally, support to agricultural producers is quantified through the Total Support Estimate (TSE), which includes the Consumer Support Estimate (CSE), the Producer Support Estimate (PSE), and the General Services Support Estimate (GSSE). The PSE covers policies that modify prices and distort markets (Market Price Support, MPS) and direct payments (DPs) to farmers, such as payments per unit produced, subsidies to reduce input costs, payments per area or number of animals, producer income supplements, and so on. The OECD's Agricultural Policy Monitoring and Evaluation report estimates total support for 54 countries,^a and the IDB's Agrimonitor^b estimates these variables for LAC countries not included in the OECD sample.

Globally, the PSE is equivalent to 9.8% of gross farm income, but this varies greatly between countries: for example, the EU provides 16.5% support, while in the US, this figure is 8.9%. On average, the PSE in OECD countries is relatively high (15.2%). Meanwhile, support in emerging markets has increased significantly in recent years. This is particularly true in China, where it has risen to 14.4%.

AGRICULTURAL PRODUCER SUPPORT ESTIMATE

(Selected countries, percentage of gross farm income, average 2020–2022)



Source: IDB Integration and Trade Sector with data from the IDB Agrimonitor and OECD.

Note: for each country, the average of the data for the last three available years is reported.

In LAC, the smaller countries of the Caribbean and Central America stand out for their comparatively high levels of support relative to the world average, while levels are much lower in the region's larger economies, particularly in South America. Argentina is notable for having one of the highest levels of negative support in the world, as agricultural exports face export duties and other restrictions (-14.6%).

Comparing the relative weights of MPS and DPs in the breakdown of PSE in LAC and OECD countries is particularly relevant for assessing the impact of policy instruments on market

(continued on next page)

BOX 10: INTERNATIONAL MEASUREMENTS OF AGRICULTURAL SUPPORT POLICIES *(continued)*

efficiency. In OECD countries, DPs account for 64% of the total. In LAC, however, MPS is the main policy instrument, accounting for 72% of the total. Over the past 20 years, the use of MPS has declined in OECD countries, while there have been no significant changes in LAC, where distortionary instruments continue to prevail.

However, GSSE, which measures support to agricultural producers in the form of public goods (such as research, health, and infrastructure), represents 25% of TSE in OECD countries. In contrast, support for public goods dominates in LAC, where this accounts for 55% of the total. Specifically, investment in developing and maintaining infrastructure and agricultural innovation and knowledge systems represents 70% of the GSSE in OECD countries but as much as 80% in LAC.

The composition of expenditure and its concentration in public goods is important to ensuring market efficiency and international competition and also to maximizing the impact of domestic support on rural population income.^c Likewise, R&D is vital to sustainable productivity growth because it enables increased production with the same or fewer inputs.

^a OECD (2023a).

^b <https://agrimonitor.iadb.org/en/>.

^c Anríquez et al. (2016).

for LAC is twofold. First, the region must compete with advanced economies from a position of fiscal disadvantage. Second, it must progress on reforming agricultural support policies by reallocating scarce resources to investments in innovation and the provision of public goods and services that are critical to the productivity and competitiveness of the sector.

In addition to market access barriers and asymmetries in domestic support, the competitiveness of the LAC's agricultural exports also depends on transportation and logistics costs, which are higher in the region than in developed economies, especially for intraregional trade.⁷⁸ In fact, in *ad valorem* terms, infrastructure and logistics deficits have an even greater impact than tariffs.⁷⁹

By way of illustration, in the World Bank's Logistics Performance Index, which measures countries' ability to move goods across borders quickly and reliably, the average score for LAC countries is 2.7 out of a maximum of 5. Of the components that make up the index, the region scores lowest on the efficiency of customs clearance.⁸⁰ Similarly, the OECD Trade Facilitation Indicators show that LAC is lagging behind, particularly in terms

Agrifood trade costs are higher than other sectors.

⁷⁸ Mesquita Moreira et al. (2013).

⁷⁹ Ohnsorge et al. (2023); IMF (2023b); FAO and IDB (2023).

⁸⁰ World Bank (2023d).

of cooperation between border agencies.⁸¹ In this regard, trade facilitation initiatives should aim to simplify formalities and procedures, strengthen regulatory cooperation, promote the interoperability of national systems, and make progress on the mutual recognition of authorized economic operators, among other factors.⁸²

LAC needs to address the trade-off between policy objectives.

This overview of the agenda for restoring the region's trade competitiveness and thereby contributing to global food security highlights the fact that there are trade-offs between policy objectives. The most obvious of these is the need to reconcile the expansion of the region's export supply with the increasing use of instruments to reduce greenhouse gas emissions. To overcome this dilemma, the relationship between the agriculture sector and climate change must be seen as a two-way street.

Extreme weather events such as droughts, high temperatures, and floods lead to lower agricultural yields or crop losses, affecting comparative advantages. LAC countries need to facilitate adaptation to these phenomena to reduce vulnerability in the long term.⁸³ On the other hand, while the agricultural sector contributes to climate change through land use change and greenhouse gas emissions, it is the only sector that can also mitigate climate change by implementing production practices and systems that contribute to carbon sequestration. It is therefore essential for the region to adopt practices, technologies, and production systems that have the potential to meet the dual challenge of providing more food efficiently while protecting the environment.

Although most of the region's emissions are generated by agriculture and land use change,⁸⁴ the agricultural sector sequesters carbon through photosynthesis in crops, grazing land, and forests. Criticisms of livestock farming often take a blanket view of production systems without considering the differences between intensive confinement systems and the extensive grazing systems common in LAC, which also sequester significant volumes of carbon.⁸⁵ Several countries in the region are pioneering sustainable

LAC is pioneering sustainable agriculture practices.

⁸¹ OECD (2023b).

⁸² See Volpe Martincus (2010 and 2016) and FAO and IDB (2023).

⁸³ For example, Almeida et al. (2020) point to the need to incorporate climate change scenarios as a key component in the decision-making processes of ministries of agriculture and research institutes; support research and adoption of drought- and heat-tolerant crop varieties; promote sustainable irrigation; rehabilitate degraded soils; implement sustainable intensification to avoid further deforestation; and adopt climate-smart practices and technologies to increase productivity.

⁸⁴ See Global Carbon Project (2022); IPCC (2023); OECD, CAF, and European Commission (2022); and Li (2021).

⁸⁵ Steinfeld et al. (2009) started the discussion by reporting on the impact of livestock farming on climate change. Recent studies, such as Ricard and Viglizzo (2020) and Viglizzo et al. (2019), show the importance of the calculation method used to inventory carbon and of considering both emissions and carbon sequestration and thus the net balance.

livestock farming, silvopasture, the adoption and spread of no-till farming, and other good agricultural practices that provide ecosystem services.⁸⁶ Climate commitments are undoubtedly a challenge for the region's agrifood sector,⁸⁷ but they could also be an opportunity that should be recognized internationally.

To make the most of this potential, LAC countries need to renew their international integration strategies for the agrifood sector to boost its competitiveness and take into account the different factors posed by the new global scenario. The region's ministries of agriculture and foreign trade need to work together on this strategy. Their agenda should address several fronts: the pursuit of market access at the regional and multilateral levels, accompanied by trade facilitation and promotion initiatives; science, technology, and innovation policies to promote innovation, productivity, and sustainable investment; programs to attract long-term foreign direct investment; capacity-building for regulatory convergence and alignment with international standards; and the expansion of financing and technical assistance through private-sector mobilization and international cooperation. All these initiatives must be implemented in compliance with the region's commitments on Nationally Determined Contributions to reduce emissions.⁸⁸

New international integration strategies are needed.

Collective action and regional cooperation are strategic assets.

In addition to implementing new national strategies, LAC countries need to harness the potential of regional integration and cooperation. Active, coordinated participation in international dialogues and negotiations in relevant forums—such as the WTO, the Conference of the Parties to the United Nations Framework Convention on Climate Change, and the follow-up to the consensus of the UN Food Systems Summit—is essential to highlighting the region's fundamental role in the global agenda. This would also help mobilize support from multilateral organizations. It would also be a space for emphasizing that different circumstances must be taken into account because there is no single production model: the balances and solutions are different in each country, and transitions must be gradual, with adequate technical and financial support.⁸⁹ Collective regional action is also needed to address common national policy challenges at the operational level. Examples of such initiatives include the opening of regional agrifood markets, regulatory and customs cooperation, or regional science, technology, and innovation programs.⁹⁰

⁸⁶ Chacón and Gutman (2022).

⁸⁷ Dumas et al. (2022).

⁸⁸ IPCC (2023).

⁸⁹ CAS (2021); IICA (2022).

⁹⁰ IICA (2023); ECLAC, FAO, and IICA (2023); and Piñeiro et al. (2023).

In short, the region is facing a challenging external outlook that particularly impacts the agrifood sector. As the world's leading net exporting region of agricultural products, despite differences among countries, LAC is at the heart of global food security. However, the factors that drove the sector's dynamism in recent decades are fading. The governments of LAC must work alongside the private sector to increase productivity and regain competitiveness through integrated public policies that address multiple objectives and help find a way around the trade-off between increasing production and reducing the impact on climate change.

Conclusion

Throughout 2023, the waning of the post-Covid trade recovery was evident. At the same time, trends that will determine LAC's pattern of external integration and its ability to sustain economic growth through trade in the coming years have gained ground in the international arena.

While on the supply side, shipping conditions improved, freight rates returned to pre-pandemic levels, and pressure on the global supply chain gradually eased, the weakening of external demand began to manifest itself. Although the region's trade performed better than the world average, LAC goods exports entered a contractionary phase due to falling prices and the progressive weakening of real flows, while services sales slowed.

The region's export prices, which had held up external sales in 2022 following Russia's invasion of Ukraine, began to reverse. Import prices fell less than export prices, such that the terms of trade deteriorated further. With the notable exception of oil, outlook indicators suggest that the downward price trend for LAC's export commodities will continue in the coming months.

Although export volumes continued to grow, they slowed significantly. However, this outcome was largely due to Mexico and Brazil, while most LAC economies experienced contractions. Shipments to the US propped up the region's export performance, but external demand from China, which received a temporary boost in early 2023 following the lifting of the zero-COVID policy, lost momentum as the country's economy slowed amid changes in its growth pattern. Forecasts for global economic growth in the coming quarters remain tilted to the downside, and pessimism continues to cloud the outlook of trade operators.

Against a backdrop of macroeconomic instability and increasing global geopolitical fragmentation, LAC countries made slight progress on regional integration. The intraregional trade coefficient increased, and some productive integration indicators improved. However, the limitations on physical integration continue to keep foreign trade transaction costs high, and no significant progress has been made on the institutional dimension, notwithstanding some specific subregional initiatives.

From a broader perspective, an increasingly challenging trade environment for the region is on the horizon following the series of shocks that the past few years

have brought. Forecasts of less structural dynamism in world trade, the new boom in industrial policies, and the incorporation of objectives related to the transition to low-carbon economies into trade policies will affect LAC's ability to participate in world markets. But these circumstances also present opportunities. Among the sectors with potential is food. Indeed, LAC's importance in production and trade in this sector makes it key to global food security.

Nevertheless, the drivers of the region's agricultural sector trade performance in the last two decades are fading. On the demand side, absorption by emerging economies, particularly China, is expected to slow. On the supply side, the slowdown in productivity, the proliferation of public and private barriers to market access, and the high costs of foreign trade operations for the region's economies compared to third countries have eroded competitiveness in most of LAC. Reversing this trend is imperative.

An agricultural sector that is competitive in international markets is essential for food security worldwide and economic growth and poverty reduction in the region. The sector is a major source of employment and income for a significant proportion of the population. It also plays an essential role in food security for the region's net food importers through intraregional trade. Although liberalization may have distributional effects that need to be addressed, there is compelling evidence of the benefits of competing in international markets.

However, the attributes of competitiveness evolve according to consumer preferences and trade policy instruments in target markets. Adapting to this paradigm shift couldn't be more urgent. For example, traceability and environmental sustainability certification requirements pose a challenge to the competitiveness of the region's producers, particularly small and medium-sized firms, who need technical and financial assistance to be able to integrate into sustainable, inclusive value chains.

Going forward, decision-makers will have to respond to multiple new objectives simultaneously: sustaining the growth of the sector in a context of slowing external demand; facilitating climate change adaptation, taking into account its impact on comparative advantages and the new determinants of competitiveness; increasing export surpluses while reducing environmental impacts and mitigating emissions; facing increased global competition due to the proliferation of subsidies; and overcoming the regulatory barriers associated with a new generation of environmental certifications, among others factors.

In this sense, the need to restore the region's trade competitiveness and thereby contribute to regional and global food security highlights the existence of trade-offs between policy objectives. The most obvious stems from the need to reconcile expanding the region's export supply with the need to reduce greenhouse gas emissions. Technological progress is essential to achieving both objectives. On the

one hand, however, this trade-off increases the complexity of investment in science, technology, and innovation in the agricultural sector. On the other hand, the policies of LAC's trading partners and the requirements of private operators go far beyond border protection instruments, as they increasingly regulate production methods and domestic public policies.

Consequently, domestic productive development and international integration policies should be seen as two complementary aspects of the same agenda. Faced with these challenges, the region's ministries of agriculture and foreign trade must work together to increase productivity and regain competitiveness through integrated public policies that address multiple objectives and help overcome the trade-off between increasing production and reducing its impact on the environment and climate change.

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Statistical Annex

Competitiveness Analysis by Country

This statistical annex complements the competitiveness analysis presented in Chapter 4. It reports the data explaining the decomposition of real export growth rates by LA country between 2012 and 2021. The rates for each country are divided into three demand-related structural components (the global, product, and destination effects) and one component relating to supply-side performance (the competitiveness effect) (Table A1). The contribution of the competitiveness effect is broken down by sectors (Table A2) and, within the group of agrifood products, by destination (Table A3). Table A4 specifically disaggregates the effect of competitiveness on growth in agrifood-sector exports by HS chapter. This annex also contains tables showing the variations in the market shares of the main global suppliers in the agrifood sectors that experienced the most significant changes in competitiveness between 2012 and 2021 (Tables A5–A13).

Decomposition of Export Growth

TABLE A1 • COMPONENTS OF EXPORT GROWTH

(Growth rates, percentages and percentage points, 2012-2021)

Country	Contribution to Export Growth				Growth rate
	Global	Product	Destination	Competitiveness	
Argentina	27.9%	6.5%	-3.5%	-23.4%	7.6%
Bolivia	27.9%	0.1%	-0.4%	-19.1%	8.5%
Brazil	27.9%	-0.5%	-3.3%	20.7%	44.8%
Chile	27.8%	-2.1%	-4.9%	-22.9%	-2.0%
Colombia	27.9%	-5.1%	25.1%	-49.2%	-1.2%
Costa Rica	27.9%	10.7%	35.7%	-37.4%	36.9%
Ecuador	27.9%	-3.9%	10.1%	25.1%	59.3%
El Salvador	27.9%	-4.6%	25.9%	-27.7%	21.5%
Guatemala	27.9%	0.4%	17.7%	-15.9%	30.2%
Honduras	27.9%	0.8%	3.8%	-0.7%	31.8%
Mexico	27.9%	3.0%	5.3%	3.3%	39.6%
Nicaragua	27.9%	5.6%	7.9%	2.2%	43.7%
Panama	27.9%	-1.8%	5.2%	158.2%	189.6%
Paraguay	27.9%	6.0%	-10.7%	1.8%	25.1%
Peru	27.9%	14.4%	1.8%	-35.0%	9.1%
Dominican Republic	27.9%	-4.2%	24.1%	0.6%	48.4%
Uruguay	27.9%	11.2%	5.6%	-34.7%	10.1%

Source: IDB Integration and Trade Sector with data from BACI, COMTRADE, and INTEGRA.

TABLE A2 • EFFECT OF COMPETITIVENESS ON EXPORT GROWTH BY SECTOR
(Percentage points, 2012-2021)

Country	Contribution to Competitiveness Effect				Contribution to export growth
	Agrifood products	Fuels and energy	Industrial manufactures	Mining, metals, and their manufactures	
Argentina	-11.5%	-0.1%	-9.0%	-2.8%	-23.4%
Bolivia	-4.7%	-9.9%	-0.3%	-4.3%	-19.1%
Brazil	8.2%	7.0%	9.0%	-3.5%	20.7%
Chile	-8.7%	-0.0%	-6.1%	-8.1%	-22.9%
Colombia	0.5%	-35.6%	-3.3%	-10.7%	-49.2%
Costa Rica	-25.8%	-0.1%	-7.3%	-4.2%	-37.4%
Ecuador	21.5%	-10.3%	-3.8%	17.7%	25.1%
El Salvador	-18.4%	0.5%	-4.9%	-4.9%	-27.7%
Guatemala	-6.0%	-0.7%	-8.9%	-0.2%	-15.9%
Honduras	-3.9%	-0.8%	8.9%	-4.9%	-0.7%
Mexico	1.8%	-0.5%	7.6%	-5.7%	3.3%
Nicaragua	-14.8%	-1.0%	20.9%	-2.8%	2.2%
Panama	-20.1%	0.3%	-0.1%	178.1%	158.2%
Paraguay	13.8%	-20.3%	7.5%	0.9%	1.8%
Peru	-1.1%	-4.6%	-1.8%	-27.6%	-35.0%
Dominican Rep.	2.0%	0.9%	-2.3%	-0.1%	0.6%
Uruguay	-25.2%	-1.6%	-5.6%	-2.3%	-34.7%

Source: IDB Integration and Trade Sector with data from BACI, COMTRADE, and INTEGRA.

TABLE A3 • EFFECT OF COMPETITIVENESS ON AGRIFOOD EXPORT GROWTH BY DESTINATION

(Percentage points, 2012-2021)

Country	Latin America	China	United States	Eurozone	Rest of World	Contribution to agrifood export growth
Argentina	-8.5%	0.2%	-2.4%	-0.3%	-0.3%	-11.5%
Bolivia	0.6%	1.4%	-6.2%	-0.8%	0.3%	-4.7%
Brazil	0.7%	7.7%	-1.8%	1.2%	0.4%	8.2%
Chile	-2.1%	1.2%	-4.0%	-1.5%	-2.2%	-8.7%
Colombia	-0.8%	0.2%	-1.2%	0.6%	1.6%	0.5%
Costa Rica	-20.0%	0.4%	-0.7%	-7.3%	1.7%	-25.8%
Ecuador	-2.9%	14.6%	4.5%	1.3%	4.0%	21.5%
El Salvador	-12.9%	1.0%	-0.4%	-4.5%	-1.6%	-18.4%
Guatemala	-9.2%	0.6%	2.3%	-3.9%	4.2%	-6.0%
Honduras	-0.2%	0.0%	1.1%	-4.5%	-0.4%	-3.9%
Mexico	-0.2%	0.1%	-0.4%	2.4%	0.1%	1.8%
Nicaragua	-1.0%	-2.7%	-13.1%	1.4%	0.6%	-14.8%
Panama	-2.0%	2.0%	-11.8%	-11.2%	2.9%	-20.1%
Paraguay	44.8%	0.1%	-20.5%	0.2%	-10.8%	13.8%
Peru	-2.0%	-0.7%	-1.8%	2.3%	1.3%	-1.1%
Dominican Rep.	-10.3%	-0.1%	-1.3%	9.3%	4.4%	2.0%
Uruguay	-5.0%	13.2%	-33.0%	0.8%	-1.2%	-25.2%

Source: IDB Integration and Trade Sector with data from BACI, COMTRADE, and INTEGRA.

TABLE A4 • EFFECT OF COMPETITIVENESS ON AGRIFOOD EXPORT GROWTH BY HS CHAPTER
 (Percentage points, 2012-2021)

HS Chapter	Description	Central America										Uruguay						
		Argentina	Bolivia	Brazil	Chile	Colombia	Costa Rica	Dominican Rep.	Ecuador	Guatemala	Honduras		Mexico	Nicaragua	Panama	Paraguay	El Salvador	
01	Live animals	0.0%	0.0%	-0.4%	-0.2%	-0.3%	0.0%	-0.1%	0.0%	0.0%	-0.1%	0.0%	-0.2%	-0.5%	-0.2%	0.0%	0.0%	2.0%
02	Meat and edible offal	1.0%	0.7%	0.3%	-0.1%	0.4%	0.1%	-0.1%	0.0%	-0.7%	-1.1%	0.1%	-5.3%	-1.4%	-0.1%	16.8%	-0.1%	7.7%
03	Fish and crustaceans, molluscs, and other aquatic invertebrates	0.3%	0.0%	0.0%	1.8%	-0.2%	-1.4%	-0.1%	23.1%	-0.2%	-1.2%	-0.1%	-0.6%	-6.5%	0.7%	0.0%	0.1%	-0.9%
04	Dairy produce; birds' eggs; natural honey	-0.7%	0.1%	0.0%	-0.2%	0.1%	-1.9%	-0.4%	-0.3%	-0.2%	-0.2%	0.0%	-1.5%	-1.3%	-0.4%	0.2%	0.2%	-1.6%
05	Products of animal origin not included elsewhere	0.0%	0.0%	0.0%	0.0%	0.2%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.4%	0.0%	0.0%
06	Live trees and other plants	0.0%	0.0%	0.0%	0.0%	0.4%	-0.7%	0.0%	0.5%	0.3%	0.0%	0.0%	0.2%	-0.1%	0.0%	0.0%	-0.1%	0.0%
07	Edible vegetables and certain roots and tubers	-0.2%	-0.2%	0.1%	-0.1%	0.0%	-1.0%	-1.1%	-0.3%	-0.3%	0.2%	-0.9%	-1.2%	0.0%	0.0%	-0.3%	-0.4%	0.0%
08	Edible fruit and nuts; peel of citrus fruits or melons	-0.5%	-0.6%	0.1%	-3.5%	-0.3%	-2.0%	3.0%	-0.8%	-1.2%	-3.4%	0.8%	0.5%	-1.6%	6.9%	0.2%	0.0%	-0.2%
09	Coffee, tea, yerba mate, and spices	-0.2%	-0.3%	0.9%	0.0%	2.2%	-1.6%	-0.1%	-0.6%	2.2%	-2.0%	-0.2%	-5.0%	-2.0%	-0.9%	0.4%	-4.1%	0.0%
10	Cereals	-6.8%	-0.6%	-2.6%	-0.4%	0.0%	-0.2%	-10.7%	0.0%	-0.8%	0.0%	0.7%	-0.5%	0.0%	-0.4%	-13.4%	-0.7%	-19.2%
11	Products of the milling industry, malt, starches, and others	-0.1%	-0.1%	0.0%	0.1%	-0.5%	-0.3%	-0.6%	0.0%	-0.1%	0.2%	0.0%	0.2%	0.0%	-0.1%	-0.3%	-0.6%	0.5%
12	Oilseeds and oleaginous fruit	-2.8%	-7.1%	6.9%	-0.4%	-0.3%	-0.6%	-0.1%	0.0%	0.1%	0.0%	0.0%	-1.7%	-0.1%	0.1%	-1.4%	0.0%	-19.9%
13	Lac; gums, resins, and other vegetable saps and extracts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%
14	Vegetable plaiting materials; vegetable products not included elsewhere	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%
15	Animal or vegetable fats and oils	-0.9%	1.2%	-0.3%	0.2%	0.4%	-1.0%	0.2%	-1.8%	2.7%	1.1%	0.0%	-0.6%	1.8%	-0.8%	3.2%	-0.1%	-0.3%
16	Preparations of meat, of fish, or of crustaceans, molluscs, or other aquatic invertebrates	0.0%	0.1%	-0.3%	-1.3%	-0.1%	-1.8%	-0.1%	1.3%	-0.4%	0.3%	-0.1%	0.1%	-1.7%	-1.4%	0.0%	-3.8%	0.2%
17	Sugars and sugar confectionery	0.0%	1.6%	-0.2%	0.0%	-0.6%	0.2%	-0.9%	0.0%	-1.3%	-0.3%	-0.1%	-0.5%	-1.4%	0.1%	0.2%	0.2%	0.3%

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TABLE A4 • EFFECT OF COMPETITIVENESS ON AGRIFOOD EXPORT GROWTH BY HS CHAPTER
(Percentage points, 2012–2021) (continued)

HS Chapter	Description	Central America and Caribbean											Total change in competitiveness of agrifood products					
		Argentina	Bolivia	Brazil	Chile	Colombia	Costa Rica	Dominican Rep.	Ecuador	Guatemala	Honduras	Mexico		Nicaragua	Panama	Peru	Paraguay	El Salvador
18	Cocoa and cocoa preparations	-0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.8%	2.9%	0.0%	-0.1%	0.0%	0.1%	-0.1%	0.5%	0.0%	-0.1%	0.1%
19	Preparations of cereals, flour, starch	-0.5%	0.1%	0.2%	-0.3%	0.2%	-0.6%	0.0%	0.1%	-0.2%	0.3%	-0.1%	-0.5%	-0.3%	0.1%	0.1%	-1.1%	-0.2%
20	Preparations of vegetables, fruit, nuts, etc.	-0.7%	-0.1%	0.1%	-0.6%	0.1%	-3.6%	0.5%	-0.5%	-5.1%	0.8%	0.0%	0.0%	-1.5%	-0.3%	0.0%	-5.8%	0.0%
21	Miscellaneous edible preparations	0.0%	0.0%	0.1%	-0.6%	0.0%	-6.9%	-0.8%	-0.8%	-1.1%	0.2%	-0.1%	-0.3%	-0.5%	-0.1%	-0.1%	0.0%	0.0%
22	Beverages, spirits, and vinegar	0.1%	0.1%	-0.2%	0.7%	0.0%	0.2%	2.2%	-0.1%	0.9%	0.2%	1.2%	0.6%	-2.1%	0.1%	1.3%	-1.8%	-0.1%
23	Residues and waste from the food industries	-0.9%	0.0%	0.3%	-0.6%	-0.2%	-0.6%	-0.3%	-1.1%	0.0%	0.5%	0.5%	-0.1%	-1.7%	-4.1%	7.4%	0.6%	-0.3%
24	Tobacco and manufactured tobacco substitutes.	-0.2%	0.0%	-0.5%	0.0%	-0.2%	0.0%	12.1%	-0.3%	-0.1%	1.0%	-0.1%	5.1%	-0.2%	0.0%	-0.7%	0.0%	-0.2%
41	Raw hides and skins and leather	1.7%	0.4%	0.3%	0.0%	0.0%	-0.1%	-0.1%	0.1%	-0.1%	0.0%	0.2%	-0.3%	-1.3%	0.0%	0.9%	-0.1%	2.0%
42	Articles of leather, saddlery and harness;	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
43	Furskins and manufactures thereof	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
44	Wood and articles of wood; charcoal	0.3%	0.0%	1.4%	-2.4%	0.0%	-1.0%	-0.2%	0.5%	-0.5%	-0.5%	-0.1%	-3.3%	6.4%	-0.5%	-1.6%	-0.1%	6.1%
45	Cork and articles of cork	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
46	Manufactures of straw, of esparto, or of other plaiting materials; basket-ware and wickerwork	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
47	Wood pulp	0.1%	0.0%	2.0%	-0.5%	0.0%	0.0%	0.1%	0.0%	0.0%	-0.1%	0.0%	0.0%	-0.2%	0.0%	0.0%	0.0%	0.0%
48	Paper and paperboard; articles of paper pulp, paper, or paperboard	-0.1%	0.3%	-0.1%	-0.3%	-0.6%	-0.7%	1.0%	-0.1%	0.0%	0.0%	-0.2%	0.0%	-3.5%	-0.1%	0.4%	-0.9%	-0.8%
49	Products of the printing industry	-0.1%	0.0%	0.1%	-0.1%	-0.2%	-0.4%	-1.0%	0.0%	-0.1%	0.1%	0.1%	0.0%	-0.1%	-0.1%	0.0%	0.1%	-0.2%
		-11.5%	-4.7%	8.2%	-8.7%	0.5%	-25.8%	2.0%	21.5%	-6.0%	-3.9%	1.8%	-14.8%	-20.1%	-1.1%	13.8%	-18.4%	-25.2%

Source: IDB Integration and Trade Sector with data from BACI, COMTRADE, and INTEGRA.

Changes in Market Shares

The main agro-industrial sectors that gained competitiveness in LAC were:

Oilseeds (12). In 2021, LA accounted for 46% of world supply (up 14 p.p. from 2012). It gained share in the main global markets—China and the US—and as well as intraregionally. Brazil accounted for most of the increase in LA's share, followed by Paraguay, while the role of Argentina and Uruguay shrank. In China and LA, the region's gain came at the expense of the US, while Canada's share in the LA market also fell. The region also won market share from Canada in the US.

TABLE A5 • MARKET SHARES OF THE MAIN OILSEED-SUPPLYING COUNTRIES IN SELECTED DESTINATIONS
(Percentage point change, 2012-2021)

Exporting region	Exporting country	Destination					TOTAL
		LA	CHINA	US	EZ	RoW	
LA	Argentina	-1.3%	-5.3%	4.7%	0.2%	0.0%	-2.2%
LA	Brazil	9.6%	22.5%	8.3%	6.7%	13.5%	16.6%
LA	Paraguay	30.0%	-0.0%	0.7%	-5.4%	-1.5%	0.6%
LA	Uruguay	-0.4%	-1.1%	0.4%	-0.2%	-0.1%	-0.5%
RoW	Australia	-0.0%	-0.4%	-7.6%	0.5%	-2.1%	-1.1%
RoW	Canada	-11.2%	-3.5%	-17.2%	0.7%	-1.6%	-3.1%
RoW	Hungary	0.0%	-0.0%	0.0%	-2.2%	-0.0%	-0.6%
RoW	Romania	-0.0%	0.0%	-0.0%	2.3%	1.2%	0.7%
RoW	United Kingdom	0.0%	-0.0%	0.1%	-3.5%	-0.2%	-0.8%
US	United States	-21.3%	-14.4%	n.a.	4.7%	-9.0%	-8.0%
EZ	France	-0.0%	0.0%	-0.1%	-2.1%	0.2%	-0.6%

Source: IDB Integration and Trade Sector with data from BACI.

Meat (02). LA's global share of meat exports rose by 2 p.p. to 22%, driven by market share gains in China and the region itself versus the US, and in the US versus Australia and Canada. Mexico and Argentina accounted for most of this gain, followed by Paraguay and Uruguay.

TABLE A6 • MARKET SHARES OF THE MAIN MEAT-SUPPLYING COUNTRIES IN SELECTED DESTINATIONS

(Percentage point change, 2012-2021)

Exporting region	Exporting country	Destination					TOTAL
		LA	CHINA	US	EZ	RoW	
LA	Argentina	-1.6%	3.5%	1.0%	-0.0%	-0.6%	0.4%
LA	Brazil	7.0%	3.6%	5.1%	-1.4%	-2.7%	-0.2%
LA	Mexico	-0.0%	0.7%	7.1%	-0.1%	0.1%	0.5%
LA	Paraguay	3.4%	-0.1%	0.0%	0.0%	0.0%	0.2%
LA	Uruguay	-1.2%	2.3%	-0.1%	-0.1%	-0.5%	0.2%
RoW	Australia	-0.9%	-0.1%	-10.3%	-0.1%	-0.5%	-0.7%
RoW	Denmark	0.1%	0.4%	-0.9%	-1.8%	-0.9%	-0.9%
RoW	India	0.0%	1.0%	0.0%	-0.0%	2.4%	1.2%
RoW	New Zealand	-0.2%	4.6%	0.1%	-0.1%	-0.0%	1.1%
RoW	Poland	0.1%	-1.2%	1.1%	6.0%	1.8%	1.6%
RoW	Russia	-0.0%	1.2%	0.0%	-0.0%	1.5%	1.0%
RoW	Thailand	0.0%	1.1%	-0.0%	0.2%	0.8%	0.6%
RoW	Ukraine	0.0%	0.2%	0.0%	0.7%	1.3%	0.8%
US	United States	-10.6%	-10.0%	n.a.	-1.2%	-2.5%	-2.0%
EZ	France	0.2%	0.1%	0.1%	-0.7%	-1.3%	-1.0%
EZ	Germany	0.8%	-6.8%	-0.0%	0.7%	-1.7%	-2.5%
EZ	Spain	0.8%	8.5%	0.3%	-0.0%	2.6%	2.8%

Source: IDB Integration and Trade Sector with data from BACI.

Fish (O3). The region's share in global fish trade is comparatively lower than for the rest of the products analyzed (12%), but it is nonetheless a major supplier in some markets, such as LA itself and the US. LA supplied 42% of the region's total fish purchases and 28% of those of the US. The region gained market share in fish and crustaceans in all major destinations except the Eurozone. Within LA, the increase in Chile's share and, to a lesser extent, Nicaragua's reflected decreases in the shares of China and the Eurozone. In China, Ecuador's gain counterbalanced the losses of Russia and the US. In the US, Ecuador, Chile, and Brazil all increased their share, while China's shrank.

TABLE A7 • MARKET SHARES OF THE MAIN FISH-SUPPLYING COUNTRIES IN SELECTED DESTINATIONS

(Percentage point change, 2012-2021)

Exporting region	Exporting country	Destination					TOTAL
		LA	CHINA	US	EZ	RoW	
LA	Argentina	-1.5%	-0.4%	-0.4%	-0.2%	-0.0%	-0.2%
LA	Brazil	0.5%	0.1%	0.6%	-0.1%	-0.1%	0.0%
LA	Chile	4.5%	-0.4%	2.8%	-0.4%	-0.1%	0.2%
LA	Ecuador	0.1%	10.4%	2.8%	1.0%	1.0%	2.3%
LA	Nicaragua	1.4%	0.0%	-0.4%	-0.1%	0.0%	0.0%
LA	Peru	0.8%	1.4%	-0.0%	-0.6%	0.9%	0.5%
LA	Uruguay	-0.8%	-0.1%	0.0%	-0.1%	-0.2%	-0.2%
CHINA	China	-7.8%	n.a.	-11.8%	-1.7%	-3.8%	-3.6%
RoW	Iceland	-0.1%	0.2%	0.3%	-0.8%	-1.0%	-0.7%
RoW	India	0.6%	3.9%	9.0%	0.2%	1.4%	2.0%
RoW	Indonesia	0.2%	0.3%	1.6%	0.1%	-2.4%	-1.0%
RoW	Mauritania	0.0%	0.4%	0.0%	0.3%	2.7%	1.6%
RoW	Morocco	1.1%	-0.0%	0.0%	1.3%	1.1%	0.9%
RoW	Myanmar	-0.0%	0.3%	0.2%	0.0%	0.7%	0.5%
RoW	Namibia	-0.2%	-0.0%	-0.1%	-0.8%	-0.4%	-0.5%
RoW	Norway	3.0%	-1.3%	1.8%	-0.6%	-0.9%	-0.7%
RoW	Oman	1.9%	-0.0%	0.0%	-0.0%	1.2%	0.7%
RoW	Senegal	-0.2%	0.0%	-0.0%	-0.1%	1.6%	0.8%
RoW	Seychelles	1.6%	-0.0%	0.0%	1.3%	0.6%	0.7%
RoW	Thailand	-0.1%	-1.0%	-3.4%	-0.7%	-1.9%	-1.5%
RoW	Türkiye	0.0%	0.0%	0.3%	0.9%	0.5%	0.5%
US	United States	-1.7%	-8.3%	n.a.	-1.2%	-2.2%	-2.5%

Source: IDB Integration and Trade Sector with data from BACI.

Notes: n.a.: no data available.

Beverages (22). In beverages, the region's share of total global trade is 10%, but it covers about half of the total external purchases of both the U.S. and the region itself. The variation in the region's share in beverage exports was less significant, and responded almost exclusively to gains in China, the Eurozone, and some African countries. In China, Brazil and Chile gained market share. In the Eurozone, Peru and Brazil increased their share, while the Eurozone itself incurred hefty losses.

**TABLE A8 • MARKET SHARES OF THE MAIN BEVERAGE-SUPPLYING COUNTRIES
IN SELECTED DESTINATIONS**

(Percentage point change, 2012-2021)

Exporting region	Exporting country	Destination					TOTAL
		LA	CHINA	US	EZ	RoW	
LA	Peru	-1.9%	0.0%	0.0%	0.2%	0.0%	0.1%
LA	Guatemala	-2.9%	0.0%	0.3%	-0.1%	0.0%	0.2%
LA	Panama	-0.5%	0.0%	-0.0%	-0.0%	0.7%	0.2%
LA	Mexico	1.7%	0.0%	15.1%	0.0%	-0.4%	2.4%
LA	Brazil	-3.3%	0.1%	-14.3%	0.1%	0.3%	0.6%
LA	Chile	-0.7%	0.1%	-0.2%	-0.1%	-0.2%	0.3%
CHINA	China	0.4%	n.a.	0.0%	0.0%	10.5%	-40.4%
RoW	Switzerland	0.1%	0.0%	-2.5%	0.7%	1.1%	1.1%
RoW	Czech Republic	-0.0%	0.0%	-0.0%	1.0%	-8.3%	2.8%
RoW	Hungary	-0.0%	0.0%	0.0%	0.8%	0.5%	0.5%
RoW	Canada	0.0%	0.0%	0.6%	0.2%	-0.1%	0.4%
RoW	Poland	1.5%	0.0%	0.0%	2.2%	0.8%	1.0%
RoW	United Kingdom	0.4%	0.1%	-0.7%	0.3%	-0.3%	0.9%
RoW	Malaysia	1.2%	0.1%	-0.0%	0.0%	0.2%	0.4%
EZ	Slovenia	0.0%	0.0%	-0.0%	-1.7%	0.0%	0.4%
EZ	Austria	1.0%	0.0%	0.5%	1.6%	0.2%	1.1%
EZ	Belgium	0.9%	0.0%	-0.6%	-3.0%	0.3%	1.3%
EZ	Italy	0.4%	0.1%	2.6%	-12.5%	-0.5%	1.7%
EZ	Spain	1.0%	0.1%	-0.1%	2.4%	-0.2%	1.7%
EZ	Netherlands	0.5%	0.1%	-2.1%	0.6%	-0.2%	1.9%
EZ	Germany	1.0%	0.2%	-0.9%	2.7%	-0.2%	3.4%
EZ	France	-0.3%	0.2%	1.6%	0.1%	-1.7%	3.0%

Source: IDB Integration and Trade Sector with data from BACI.

The main agro-industrial sectors that lost competitiveness in LAC were:

Cereals (10). The region's share in world cereal exports was 15% in 2021, 4 p.p. less than in 2012. The greatest losses in market share were in LA itself, which went from supplying 48% of the market in 2012 to 34% in 2021 (-14.6 p.p.). The loss in the intra-regional market was captured by the US, whose share increased from 43% to 54% (+11.4 p.p.). The most notable declines were those of Argentina in the Colombian corn market, where it lost market share to the US, and the Peruvian wheat market, where it did so to Canada. LA also lost out to Thailand and India in the US grain market, where its share shrank from 19% to 7%. This was also true of the region's

performance in the rest of the world: it lost market share in Morocco, Nigeria, Algeria, Saudi Arabia, Japan, and Egypt, mainly to competitors such as Ukraine, India, Romania, and Russia.

**TABLE A9 • MARKET SHARES OF THE MAIN CEREAL-SUPPLYING COUNTRIES
IN SELECTED DESTINATIONS**
(Percentage point change, 2012-2021)

Exporting region	Exporting country	Destination					TOTAL
		LA	CHINA	US	EZ	RoW	
LA	Argentina	-9.0%	5.5%	0.0%	-1.0%	1.4%	-0.4%
LA	Brazil	-1.2%	-0.6%	-7.7%	3.1%	-3.7%	-2.5%
LA	Paraguay	-2.9%	0.0%	-0.8%	-0.3%	-0.2%	-0.6%
RoW	Australia	0.5%	-20.0%	-0.0%	0.2%	-1.3%	-1.3%
RoW	Myanmar	-0.0%	-0.7%	-0.0%	0.2%	0.8%	0.6%
RoW	Canada	3.9%	3.5%	-0.5%	1.3%	-2.0%	-0.5%
RoW	Hungary	-0.0%	-0.0%	-0.0%	-0.2%	-0.3%	-0.5%
RoW	Kazakhstan	0.0%	-1.0%	0.0%	-0.4%	-2.3%	-1.6%
RoW	Poland	0.0%	0.0%	0.2%	3.4%	0.8%	0.9%
RoW	Romania	-0.0%	0.0%	-0.0%	2.7%	2.6%	1.8%
RoW	Russia	-0.3%	0.6%	0.0%	-0.7%	1.7%	0.5%
RoW	India	0.0%	1.7%	2.8%	-0.2%	5.8%	3.6%
RoW	Vietnam	-0.1%	-13.9%	-0.5%	-0.0%	-1.4%	-1.3%
RoW	Thailand	0.0%	-1.4%	7.1%	-0.1%	-1.3%	-0.8%
RoW	Ukraine	0.2%	16.0%	0.2%	-0.8%	6.6%	5.4%
RoW	United Kingdom	-0.0%	0.0%	-2.0%	-1.5%	-0.1%	-0.4%
US	United States	11.4%	5.0%	n.a.	-1.3%	-4.5%	1.3%
EZ	France	0.7%	7.7%	0.3%	-7.9%	-2.9%	-2.8%
EZ	Germany	-0.0%	-0.0%	1.0%	-1.8%	-0.1%	-0.7%

Source: IDB Integration and Trade Sector with data from BACI.

Preparations of meat (16). LA's 12% share as a global supplier in 2012 dropped to 10% in 2021. Peru, Paraguay, and Chile lost market share in China to competitors such as Thailand, Mongolia, the Republic of Korea, Japan, and Vietnam. In the region itself, the countries that lost the most to China and the US were Peru, Brazil, Costa Rica, and Ecuador; in the Eurozone, the same was true of Argentina and Brazil to European competitors.

TABLE A10 • MARKET SHARES OF THE MAIN COUNTRIES SUPPLYING PREPARATIONS OF MEAT IN SELECTED DESTINATIONS

(Percentage point change, 2012-2021)

Exporting region	Exporting country	Destination					TOTAL
		LA	CHINA	US	EZ	RoW	
LA	Argentina	0.0%	1.7%	-0.2%	-0.3%	-0.0%	-0.1%
LA	Brazil	-1.2%	1.5%	3.5%	-6.0%	-0.3%	-1.6%
LA	Chile	-0.4%	-1.2%	1.0%	-0.1%	0.1%	0.1%
LA	Costa Rica	-1.0%	-0.0%	0.0%	-0.0%	0.0%	-0.0%
LA	Ecuador	-1.0%	-0.0%	0.3%	0.5%	0.5%	0.6%
LA	Peru	-3.7%	-7.2%	0.1%	-0.1%	-0.1%	-0.8%
RoW	Belarus	0.0%	-0.1%	0.0%	0.1%	0.8%	0.5%
RoW	Japan	0.0%	2.4%	0.3%	0.0%	-0.1%	0.0%
RoW	Mongolia	0.0%	4.2%	0.0%	0.0%	0.0%	0.1%
RoW	Morocco	0.1%	-0.0%	0.4%	0.0%	1.5%	0.8%
RoW	Poland	-0.0%	-3.7%	0.5%	3.6%	2.4%	2.3%
RoW	Rep. of Korea	0.0%	3.3%	0.5%	-0.0%	0.0%	0.1%
RoW	Thailand	-4.8%	4.5%	-10.3%	-2.2%	-4.6%	-4.0%
RoW	Türkiye	0.0%	-1.2%	0.0%	0.0%	1.0%	0.5%
RoW	United Arab Emirates	0.0%	0.1%	-0.0%	0.0%	1.6%	0.9%
RoW	United Kingdom	-0.0%	-0.3%	-0.6%	-1.8%	-0.0%	-0.6%
RoW	Vietnam	0.5%	2.0%	2.4%	0.9%	1.1%	1.1%
EZ	Germany	-0.0%	-0.0%	0.1%	-2.2%	-0.4%	-0.7%
EZ	Ireland	0.0%	-1.0%	0.0%	0.1%	-1.2%	-0.6%
EZ	Italy	0.0%	-0.7%	0.5%	0.9%	0.4%	0.5%
EZ	Netherlands	0.0%	-1.4%	0.1%	2.1%	-0.2%	0.5%
EZ	Spain	0.5%	-0.2%	0.7%	2.3%	0.4%	1.0%

Source: IDB Integration and Trade Sector with data from BACI.

Preparations of vegetables (20). LA supplies around 13% of global exports of preparations of vegetables. In the region, Chile, Argentina, Guatemala, Costa Rica, and El Salvador saw the greatest losses vis-à-vis competitors in the Eurozone and the US.⁹¹ In the rest of the world, these losses were mirrored by gains for the Eurozone.

⁹¹ This was especially true for jams and preparations of fruits and vegetables.

TABLE A11 • MARKET SHARES OF THE MAIN COUNTRIES SUPPLYING PREPARATIONS OF VEGETABLES IN SELECTED DESTINATIONS

(Percentage point change, 2012-2021)

Exporting region	Exporting country	Destination					TOTAL
		LA	CHINA	US	EZ	RoW	
LA	Argentina	-2.2%	1.0%	-2.4%	-0.4%	-0.7%	-0.6%
LA	Brazil	0.5%	3.7%	5.7%	-1.5%	-0.7%	0.1%
LA	Chile	-3.8%	1.0%	0.3%	0.1%	-0.3%	-0.1%
LA	Costa Rica	-1.7%	0.3%	0.8%	0.7%	0.1%	0.4%
LA	El Salvador	-1.3%	0.0%	0.0%	0.0%	0.0%	-0.0%
LA	Guatemala	-2.1%	0.0%	0.6%	-0.1%	0.1%	0.0%
LA	Mexico	0.3%	0.1%	0.3%	0.1%	0.1%	0.5%
LA	Peru	0.2%	0.0%	-0.2%	-0.0%	-0.0%	0.1%
CHINA	China	-1.0%	n.a.	-9.9%	-1.0%	-2.4%	-2.7%
RoW	Canada	-1.4%	-0.4%	-0.2%	0.1%	-0.0%	0.6%
RoW	Poland	-0.1%	-0.0%	0.2%	1.8%	0.8%	0.9%
RoW	Russia	0.0%	0.2%	0.0%	0.0%	1.1%	0.5%
RoW	Saudi Arabia	-0.0%	-0.2%	0.0%	-0.0%	-1.6%	-0.8%
RoW	South Africa	-0.1%	-1.3%	0.4%	-0.0%	-4.0%	-1.9%
RoW	Thailand	-1.1%	3.0%	-2.1%	-1.3%	-0.3%	-0.7%
RoW	Türkiye	0.6%	2.1%	2.3%	1.2%	1.3%	1.3%
RoW	Vietnam	0.1%	8.0%	0.6%	0.1%	0.5%	0.5%
US	United States	1.0%	-23.8%	n.a.	-1.5%	-2.8%	-2.1%
EZ	Belgium	8.1%	-0.4%	1.8%	-0.6%	2.0%	1.1%
EZ	France	-0.2%	0.1%	0.2%	-1.3%	0.1%	-0.5%
EZ	Germany	-0.4%	0.2%	-0.0%	-1.1%	0.1%	-0.6%
EZ	Greece	2.4%	1.1%	1.3%	1.1%	1.5%	1.3%
EZ	Netherlands	-0.2%	-0.6%	0.6%	1.6%	1.0%	0.7%
EZ	Spain	1.1%	2.8%	0.1%	0.7%	0.7%	0.5%

Source: IDB Integration and Trade Sector with data from BACI.

Dairy produce (04). The region's share in the global market is lower, but it is a significant supplier in some markets, such as LA itself (where it accounts for 30% of the total) and the US (20%). In LA, Uruguay, Argentina, and Chile lost market share to Germany, the Netherlands, and the US. In the US, LA lost share to the Eurozone.

**TABLE A12 • MARKET SHARES OF THE MAIN DAIRY-SUPPLYING COUNTRIES
IN SELECTED DESTINATIONS**

(Percentage point change, 2012-2021)

Exporting region	Exporting country	Destination					TOTAL
		LA	CHINA	US	EZ	RoW	
LA	Argentina	-2.6%	-1.1%	-2.9%	-0.1%	-0.7%	-0.4%
LA	Chile	-1.8%	-0.0%	0.2%	0.2%	-0.1%	-0.1%
LA	Uruguay	-4.6%	0.6%	-1.6%	0.0%	-0.4%	-0.2%
RoW	New Zealand	-0.4%	5.2%	-6.6%	-0.3%	1.7%	4.3%
RoW	Poland	1.5%	3.0%	-0.0%	1.8%	1.0%	1.3%
RoW	United Arab Emirates	0.0%	-0.0%	0.0%	0.0%	1.3%	0.5%
RoW	Vietnam	0.0%	0.3%	-1.3%	0.0%	-1.8%	-0.7%
US	United States	1.0%	-5.9%	n.a.	0.0%	1.1%	0.8%
EZ	Austria	0.1%	0.4%	-0.0%	-1.8%	-0.3%	-1.4%
EZ	Belgium	0.1%	0.2%	-0.1%	-0.1%	0.6%	-0.5%
EZ	France	0.3%	-1.0%	0.0%	-3.8%	-1.6%	-3.0%
EZ	Germany	2.6%	4.2%	-1.1%	-4.2%	-1.1%	-3.2%
EZ	Greece	0.0%	0.0%	1.1%	1.3%	0.6%	0.8%
EZ	Ireland	0.4%	0.2%	4.1%	1.2%	1.0%	1.0%

Source: IDB Integration and Trade Sector with data from BACI.

Notes: n.a.: no data available.

Miscellaneous edible preparations (21). LA is a major exporter of miscellaneous food preparations in LA itself (39%) and the US (20%), although it lost market share in both markets. Chile, Argentina, and Costa Rica experienced the greatest losses in their own region, while competitors such as Germany, Italy, Poland, and China all gained market share. In the US, Mexico, Costa Rica, and the Dominican Republic lost market share in coffee-based preparations, ice-cream, and sauces to the Eurozone, Italy, and, to a lesser extent, Greece and Spain.

TABLE A13 • MARKET SHARES OF THE MAIN COUNTRIES SUPPLYING MISCELLANEOUS EDIBLE PREPARATIONS IN SELECTED DESTINATIONS

(Percentage point change, 2012-2021)

Exporting region	Exporting country	Destination					TOTAL
		LA	CHINA	US	EZ	RoW	
LA	Argentina	-2.0%	-0.0%	-0.1%	-0.0%	-0.1%	-0.2%
LA	Brazil	1.3%	0.3%	-0.0%	0.1%	-4.0%	-2.2%
LA	Chile	-2.8%	0.0%	0.1%	-0.0%	-0.0%	-0.2%
LA	Costa Rica	-1.9%	0.0%	-0.6%	0.0%	-0.0%	-0.2%
LA	Dominican Rep.	0.0%	0.0%	-0.5%	-0.0%	-0.2%	-0.1%
LA	Guatemala	2.6%	0.0%	0.0%	0.0%	-0.0%	0.2%
LA	Mexico	-0.4%	-0.1%	-2.8%	-0.0%	-0.1%	-0.1%
CHINA	China	0.6%	n.a.	0.3%	0.9%	1.6%	1.0%
RoW	Denmark	-0.2%	-0.1%	-0.0%	-1.0%	-1.3%	-1.0%
RoW	India	0.0%	-0.1%	1.0%	-0.0%	0.9%	0.6%
RoW	Indonesia	0.0%	1.9%	0.1%	0.5%	1.8%	1.2%
RoW	Japan	0.0%	2.2%	0.0%	0.3%	0.3%	0.4%
RoW	Malaysia	0.3%	-1.5%	-0.3%	-0.1%	1.2%	0.6%
RoW	Poland	0.9%	0.1%	0.1%	2.4%	0.4%	0.8%
RoW	Russia	0.3%	0.2%	0.5%	-0.0%	1.4%	0.8%
RoW	Senegal	0.0%	0.0%	0.0%	0.0%	0.7%	0.4%
RoW	South Africa	-0.0%	-0.0%	0.1%	0.0%	-1.3%	-0.7%
RoW	Switzerland	-0.1%	0.1%	-0.1%	-1.7%	-0.1%	-0.5%
RoW	United Arab Emirates	0.0%	0.1%	0.0%	0.0%	-1.0%	-0.6%
RoW	United Kingdom	0.2%	-0.1%	-0.2%	-1.1%	-0.3%	-0.5%
US	United States	-2.6%	-7.4%	n.a.	-0.2%	-2.0%	-1.6%
EZ	France	0.3%	-1.1%	-0.2%	-1.4%	-0.9%	-1.0%
EZ	Germany	0.7%	0.8%	-0.4%	-2.2%	-0.3%	-1.0%
EZ	Greece	0.0%	0.0%	0.9%	0.8%	0.3%	0.4%
EZ	Italy	0.8%	0.6%	5.9%	1.0%	0.7%	1.2%
EZ	Netherlands	0.1%	-0.2%	0.5%	0.2%	-0.5%	-0.4%
EZ	Spain	0.4%	0.4%	0.8%	-0.0%	0.6%	0.4%

Source: IDB Integration and Trade Sector with data from BACI.

Methodological Annex 1

Estimation of the Value of Global and Regional Trade

This annex summarizes the main aspects of the estimation of the world trade series published by the Netherlands Bureau for Economic Policy Analysis (CPB) and the export series for Latin America used in this publication.

CPB World Trade Monitor

The CPB compiles monthly series on trade flows for each country, drawing on selected sources that publish information online. Once collected, this data is standardized in terms of frequency and currency (US dollars). This allows for the construction of consistent series of values, prices, and volumes. Different techniques are used to estimate the missing observations at the country level for the most recent months. This country data is aggregated regionally, which entails completing missing data for some countries using regional growth rates. The CPB Monitor covers 81 countries. Seasonally adjusted series provided by the primary source are generally used, but when these are not available, seasonal adjustments are made to other available data. Since 2016, the base year for the series has been 2010.

Estimates of Latin American Exports

The series of seasonally adjusted exports covers the 18 countries in LA: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. This series was constructed using national sources and IDB estimates for Venezuela (see Methodological Annex 2). The Caribbean is not included, as up-to-date monthly data is not available.

Methodological Annex 2

Price, Volume, and Terms of Trade Indices

This annex summarizes the methodology used to estimate the indices on export and import prices, volumes, and terms of trade that are used in aggregate form in Chapters 1 and 2 and are disaggregated by category and country in Chapter 4 and in the application of the shift-share methodology.

Monthly Series

The decompositions of variations in the price and volume of LA exports in the first half of 2023 presented in Figure 3 (Chapter 1) and Figures 9 and 10 (Chapter 2) come from a monthly aggregate volume index that includes ten countries: Argentina, Brazil, Chile, Colombia, El Salvador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. The export volume indices were calculated using data from official sources for Argentina (National Institute of Statistics and Censuses), Brazil (Center for Foreign Trade Studies Foundation), Chile (Central Bank of Chile), Colombia (Bank of the Republic), Peru (Central Reserve Bank), and Uruguay (Central Bank). The series for El Salvador was deflated using the Monthly Import Price Index for BEA End Use Excluding Fuels (Bureau of Labor Statistics). The series for Paraguay was calculated using data on export volumes for the country's main products as reported by the Central Bank and aggregated according to the export structure of 2010. For Mexico, the export values series was deflated using the import price index published by the US Bureau of Labor Statistics (BLS). Venezuela's export volumes were calculated using data from OPEC on Merey-type oil prices. The national series were geometrically aggregated based on countries' shares in total exports valued in dollars in 2015. For imports, the price and volume indices published by the official sources in the list above were used, except for Venezuela.

Annual Series

Formulas

Price Indices

The price indices are Laspeyres estimates for imports and exports:

$$P_t = \frac{\sum_i p_t^i * q_0^i}{\sum_i p_0^i * q_0^i}$$

where $p_t^i = \frac{v_t^i}{q_t^i}$ is the unit value of item i in time t ,

- value, v_t^i , (thousands of US\$)
- volume, q_t^i , (thousands of kg)

The Laspeyres price index compares the value of a basket of products in the base year with the value of the same basket in period t . When $P_t = 1$, the basket in t costs the same as in the base year.

Volume Indices

Paasche volume indices are estimated for imports and exports.

$$Q_t = \frac{\sum_i p_t^i * q_t^i}{\sum_i p_t^i * q_0^i}$$

where $p_t^i = \frac{v_t^i}{q_t^i}$ is the unit value of item i in time t ,

- value, v_t^i , (thousands of US\$)
- volume, q_t^i , (thousands of kg)

The Paasche volume index compares the value of a basket of goods in period t valued at the prices of period t with the value of a basket in the base year valued at the prices of period t . When $Q_t = 1$, the current basket is composed of the same quantities as in the base year.

Terms of Trade

These are calculated based on the following formula:

$$TI_t = \frac{P_{x,t}}{P_{m,t}} * 100$$

Where $P_{x,t}$ and $P_{m,t}$ are the export and import price indices of the country in year t , respectively.

Specific Methodologies and Data Sources

Two methodologies were used to estimate the annual price and volume indices according to the availability and quality of the disaggregated data. The first draws on the primary microdata available from the INTEGRA information system, which was used to estimate import and export deflators for South American countries and Central American imports. The second used deflators developed by the BLS, which were applied to the exports of Mexico and Central America. The indicators for Mexico's imports come from the series published by the Bank of Mexico (Banxico). All data was homogenized according to the 1996 revision of the Harmonized System (HS).

Methodology 1: South American Trade Flows and Central American Imports

For the exports and imports of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, El Salvador, Paraguay, Peru, and Uruguay and for imports of Costa Rica, Guatemala, and Mexico, Laspeyres price indices were calculated at the HS 6-digit subheading level, taking 2015 as the base year. These calculations were based on data for current values and physical volumes reported to INTEGRA by national sources as of September 2023, and on COMTRADE data for imports from Venezuela, which were obtained based on the value of exports to Venezuela reported by other countries.

Methodology 2: Exports from Mexico and Central American Countries

This group includes Costa Rica, Guatemala, and Mexico. Problems that were detected in the data, specifically in the microdata on physical volumes of manufactures, made it advisable to proceed with estimates at constant prices at the HS chapter (2-digit) level, using BLS price indices for US imports. The disaggregation includes 31 HS chapters: 2, 3, 7, 8, 9, 22, 27, 28, 29, 30, 38, 39, 40, 42, 48, 62, 63, 64, 72, 73, 74, 76, 82, 83, 84, 85, 87, 90, 94, 95, 96. These calculations were based on data for current values and physical volumes reported to INTEGRA by national sources as of September 2023.

Methodology 3: Venezuelan Exports

Price indices were estimated using OPEC data on Merey crude oil, while volume indices were based on primary and secondary data on production volumes.

Additional Notes

At the time of publication, complete data was not available for Caribbean countries, so the subregion was excluded from the calculation.

The aggregate indicators for the region and groups of countries presented in Figure 3 (Chapter 1) and Figures 9 and 10 (Chapter 2) were obtained from weighted averages of the price and volume indices for each country's trade flows. The relative values of the exports or imports of the countries in each group each year were used as weights.

Data for the last two years is typically subject to revision by the respective sources and does not necessarily coincide with the figures that are subsequently updated and published by these sources. These estimates should thus be considered preliminary.

Methodological Annex 3

Goods and Services Export Statistics

The figures for 2019 to 2023 in Tables 1, 2, and 3 (Chapter 2) are preliminary and are subject to changes by national statistical offices.

Tables 1 and 2

Goods exports are expressed in free on board (FOB) values, and goods imports are expressed in values that include cost, insurance, and freight (CIF). For Venezuela, exports were estimated based on price and volume data reported by OPEC (see Methodological Annex 2), and imports were estimated based on IMF mirror data (exports to Venezuela recorded by trade partners). Data for Costa Rica, the Dominican Republic, El Salvador, Guatemala, and Nicaragua include STRs. The data for Panama and Honduras is only for NCT exports and imports. At the time of publication, data for the Caribbean countries was only available for the first half of 2023 for Barbados, Belize, Guyana, Suriname, and Trinidad and Tobago, through March 2023 for the Bahamas, and through April 2023 for Jamaica.

Table 3

The definition of services exports is that used in the sixth edition of the IMF Balance of Payments Manual. For all years, the series exclude construction, government, manufacturing, and maintenance and repair services. The data for Barbados, Bolivia, Guyana, Haiti, Jamaica, Nicaragua, Peru, and Trinidad and Tobago is from WTO and UNCTAD estimates of services exports. The 2023 rate for Jamaica was estimated based on the export values of total services published by the Central Bank of Jamaica. The value of services exports for the first quarter of 2023 is an estimate that excludes some countries for which no data was available at the time of publication.

Methodological Annex 4

Data Treatment in the Analysis of Intraregional Trade

Country Groupings by Integration Groups and Blocs

Pacific Alliance (PA): Colombia, Chile, Mexico, and Peru.

Andean Community (AC): Bolivia, Colombia, Ecuador, and Peru. Colombia and Peru, which are members of both the PA and the AC, are included in the estimates for both blocs. However, they are included only once in the totals for LA or LAC to avoid double counting.

Central America and the Dominican Republic (CADR): Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. The group includes Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua, Panama, as well as the Dominican Republic, given that the latter country belongs to the Central American Integration System (SICA) and has trade agreements with the other members of the group. Belize is not included because although it belongs to SICA, it does not have trade agreements with most Central American countries, except for Guatemala and Costa Rica.

Caribbean Community (CARICOM): Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Monserrat, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

Southern Common Market (MERCOSUR): Argentina, Brazil, Paraguay, and Uruguay.

Latin America and the Caribbean (LAC): includes all the countries mentioned above and Venezuela.

Database and Estimates

The following official data sources were used: Argentina: National Institute of Statistics and Censuses; Barbados: Barbados Statistical Service and Central Bank of Barbados;

Belize: Statistical Institute of Belize; Bolivia: National Institute of Statistics; Brazil: Ministry of Development, Industry, and Foreign Trade; Chile: Central Bank of Chile; Colombia: National Administrative Department of Statistics; Costa Rica: Central Bank of Costa Rica and PROCOMER; Dominican Republic: Customs Authority; Ecuador: Central Bank of Ecuador; El Salvador: Central Reserve Bank of El Salvador; European Union (27 countries, excl. United Kingdom): Eurostat; Guatemala: Bank of Guatemala; Guyana: Bureau of Statistics; Honduras: Central Bank of Honduras; Jamaica: Statistical Institute of Jamaica; Mexico: Bank of Mexico; Nicaragua: Central Bank of Nicaragua; Panama: National Institute of Statistics and Censuses; Paraguay: Central Bank of Paraguay; Peru: Central Reserve Bank of Peru and National Customs and Tax Administration; Suriname: Central Bank of Suriname; Uruguay: Central Bank of Uruguay; Venezuela: OPEC, IMF, and Central Bank of Venezuela.

Methodological Annex 5

Update of the Economic Integration Indicator

The aggregate integration indicator comprises four dimensions: trade, production, and physical and institutional factors. Each dimension is made up of indicators that measure different aspects of integration on an annual basis and by country. Giordano et al. (2021) provides details of the methodology and databases used for the calculations. The modifications to this calculation method are explained below.

For the physical dimension, the calculation was limited to a simple average of two indicators: the ratio between the average score for the maritime transport connectivity index and an index tracking infrastructure quality and coverage. The trade cost indicator was excluded because there were no 2022 updates for the ESCAP-World Bank Trade Cost Database. The connectivity index is based on the UNCTAD Liner Shipping Connectivity Index, consulted in September 2023. Unlike the index used in Giordano et al. (2021), it does not include bilateral records. The second indicator is based on the infrastructure factor from the IMD World Competitiveness Center's World Competitiveness Ranking. This replaces the infrastructure pillar from the World Economic Forum's Global Competitiveness Report, which was used in previous editions of this publication but has not been updated. Tariff costs are excluded from the institutional dimension because there was no 2022 update to the ESCAP-World Bank Trade Cost Database.

The *2023 Trade and Integration Monitor* analyzes the recent evolution of trade flows in Latin America and the Caribbean, highlighting that the post-Covid recovery has ended. It argues that the region has the potential to expand its agricultural exports and contribute to regional and global food security. To do so, it must meet the challenge of increasing productivity and rebuilding competitiveness through integrated policies that help address the trade-off between scaling production and reducing its impact on climate change and the environment.

