2026 TRADE AND INTEGRATION MONITOR

CAPITALIZING ON RESILIENCE

REGULATORY ARCHITECTURE AS AN ASSET FOR ATTRACTING FOREIGN INVESTMENT

Coordinated by
Paolo Giordano

November 2026

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

The Trade and Integration Monitor is the outcome of research conducted by the Productivity, Trade, and Innovation Sector (PTI), under the leadership of Fabrizio Opertti, Sector Manager, with technical supervision from Christian Volpe Martincus, Sector Economic Advisor.

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

Antonella Bisceglie, Agostina Zulli, Gustavo Svarzman, and Oscar Perello Perez provided invaluable support with data analysis for several sections of the report. Jesica De Angelis, Carolina Barco, Noralí Spohn Marín, and Ceferino Dome contributed to the data collection process.

The team gratefully acknowledges the comments and contributions of Christian Volpe Martincus and the anonymous external reviewer of the report. The team thanks Amelia Santos Paulino at UN Trade and Development (UNCTAD) for providing the bilateral foreign direct investment statistics used in Chapter 4.

Daniela Brenes Morera, María Lidia Víquez Mora, and Matthew Shearer provided support for the team during the production phase. The publication was designed by Word Express and translated into English by Victoria Patience.

The information in this report reflects the latest available data from the respective sources as of October 13, 2026. Generative artificial intelligence tools were used to support research, programming, drafting, and editorial review. The authors verified and replicated all codes and empirical results, fully reviewed the report's contents, and assume sole responsibility for it.

The designations employed in this publication and the presentation of material do not imply the expression of any opinion whatsoever on the legal status of any country, territory, city, or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries. The term "country" is used for convenience and encompasses territories and economies for which separate statistics are maintained.

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Foreword

Over the past year, the global economy operated amid changing international economic relations and shifting market-access conditions, compounded by rising geopolitical tensions and global supply chain disruptions. Despite these factors, global trade in goods remained remarkably resilient, initially buoyed by demand linked to artificial intelligence and more recently by rising energy and metal prices.

Against this backdrop, goods exports from Latin America and the Caribbean grew faster than the global average. Export volumes drove growth, with Mexico leading due to sales of artificial intelligence equipment, while higher mining and energy prices sustained exports from South America and the Caribbean. Services exports grew slower than the global average and regional goods exports, supported by knowledge-based services and travel. The latest indicators suggest the current expansion will continue, although the balance of risks is tilted to the downside.

The *2026 Trade and Integration Monitor* is the 14th edition of an annual report published by the Inter-American Development Bank's Productivity, Trade and Innovation Sector. It analyzes Latin America and the Caribbean's role in the global trading system, compares its performance with other regions, and examines trade dynamics by country and across major subregional blocs. This year's edition includes a medium-term analysis of foreign direct investment with the aim of identifying conditions that will help the region capitalize on its favorable trade performance in recent years and attract larger volumes of higher-quality investment.

The report finds that Latin America and the Caribbean continues to attract more investment relative to the size of its economy than any other region analyzed, despite inward flows falling relative to a decade ago and a shrinking share of global stock. The empirical evidence indicates that what is associated with the existence of investment relationships is not trade openness alone, but its combination with regulatory architecture that defines host-country commitments to investors, especially where domestic institutional frameworks are weaker.

These findings suggest that international commitments and domestic institutional strengthening are not mutually exclusive alternatives. The provisional application of the MERCOSUR–European Union Agreement, the modernization of trade agreements with other partners, and the global realignment of value chains associated with artificial intelligence and

the energy transition present a strategic window of opportunity for the region. To translate recent export growth into tangible investment opportunities, the region must pair its external trade agenda with reforms that strengthen the predictability and quality of institutional and regulatory frameworks. At the same time, investments in public goods must contribute effectively to lowering the private sector's internationalization costs.

We trust that this edition of the *Trade and Integration Monitor* will support the identification, design, and implementation of state productive development policies that integrate trade and investment attraction strategies, transforming the region's regulatory architecture into an asset for attracting foreign direct investment and allowing Latin America and the Caribbean to fully capitalize on its export resilience.

Fabrizio Opertti
Manager—Productivity, Trade, and Innovation Sector

List of Abbreviations

AC	Andean Community
AI	artificial intelligence
BEA	Bureau of Economic Analysis
BLS	Bureau of Labor Statistics
BPM6	*Balance of Payments and International Investment Position Manual*, 6th edition
CADR	Central America and the Dominican Republic
CAFTA-DR	Central America–Dominican Republic Free Trade Agreement
CARICOM	Caribbean Community
CIF	cost, insurance, and freight
COVID-19	Coronavirus Disease 2019
CPB	Netherlands Bureau for Economic Policy Analysis
DAP	diammonium phosphate
DESTA	Design of Trade Agreements Database
DR	Dominican Republic
ECLAC	Economic Commission for Latin America and the Caribbean
EU	European Union
EU-15	The 15 European Union member states prior to the 2004 enlargement
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
FOB	free on board
G7	Group of Seven
GDP	gross domestic product
HS	Harmonized Commodity Description and Coding System
ICEX	ICEX Spain Trade and Investment
ICTD	International Centre for Tax and Development
IDB	Inter-American Development Bank
IEA	International Energy Agency
IMF	International Monetary Fund
INDEC	National Institute of Statistics and Censuses (Argentina)
KBS	knowledge-based services
LA	Latin America
LAC	Latin America and the Caribbean
LATLI	Latin American Trade Leading Index

LATNI	Latin American Trade Nowcasting Index
MAP	monoammonium phosphate
MERCOSUR	Southern Common Market
MOFA	majority-owned foreign affiliates
MOFCOM	Ministry of Commerce of the People's Republic of China
n.a.	not available or not applicable
NACE	Statistical Classification of Economic Activities in the European Community
NAICS	North American Industry Classification System
NBS	National Bureau of Statistics of China
OECD	Organisation for Economic Co-operation and Development
OFATS	Outward Foreign Affiliates Statistics
OFDI	outward foreign direct investment
OPEC	Organization of Petroleum Exporting Countries
p.p.	percentage points
PA	Pacific Alliance
PMI	Purchasing Managers' Index
PPML	Poisson Pseudo Maximum Likelihood
Q1	first quarter
RoW	rest of the world
S1	first semester
SAFE	State Administration of Foreign Exchange (China)
SAR	Special Administrative Region
SEGIB	Ibero-American General Secretariat
SICA	Central American Integration System
SITC	Standard International Trade Classification
SME	small and medium-sized enterprise
STR	special trade regime
TPA	Trade Policy Activity Index
TPU	Trade Policy Uncertainty Index
UK	United Kingdom
UN	United Nations
UNCTAD	UN Trade and Development
US	United States
US$	US dollars
USITC	US International Trade Commission
WEO	World Economic Outlook
WITS	World Integrated Trade Solution
WTI	West Texas Intermediate
WTO	World Trade Organization

Executive Summary

The *2026 Trade and Integration Monitor* analyzes the factors underlying the resilience of global trade amid new global shocks and a sharp export acceleration in Latin America and the Caribbean (LAC). The report highlights the fact that LAC trade outperformed the global average, driven mainly by extraregional demand, against the backdrop of hostilities in the Gulf region beginning in late February 2026, rising energy and metal prices, and ongoing uncertainty over trade policy. Given that the region receives less investment than it did a decade ago and has lost market share in the global stock, capitalizing on this trade resilience to attract larger volumes of higher-quality investment has become an urgent policy priority for LAC.

Regional goods exports accelerated sharply in the first half of 2026, driven by higher export volumes from Mexico, whereas price effects predominated in South America. Services exports continued to expand, but more slowly than the global average. Looking ahead, export growth is expected to continue but at a more modest pace, in a context of heightened uncertainty.

- The value of global trade in goods accelerated from 6.5% growth in 2025 to 14.5% year-on-year in the first half of 2026. While volume increases underpinned growth in 2025, driven by trade in artificial intelligence (AI)–related goods, rising prices became the primary driver in 2026, especially energy and metal prices.
- Following a 7.7% expansion in 2025, LAC's goods exports accelerated to 19.5% in the first half of 2026. Mexico led this growth (24.6%), buoyed by exports of equipment for AI infrastructure to the United States, followed by the Caribbean (19.1%) and South America (16.5%). Central America was the only subregion where momentum slowed (8.3%).
- Higher export volumes from Mexico were the region's main growth engine, while price effects were the key determinant in South America. In Latin America, export volume growth accelerated from 5.5% in 2025 to 11.9% in the first half of 2026, amid rising prices (up from 1.9% to 6.8%).
- Latin America's terms of trade improved by 2.1%, although gains in 2026 were concentrated in South America. Terms of trade deteriorated in Mexico and Central

America as rising energy, transport, and fertilizer costs pushed import prices higher than export prices.

- Higher commodity prices are estimated to have generated a positive effect on the trade balance, equivalent to 1.3% of LAC GDP, with marked differences between the Caribbean (2.5% of GDP) and South America (1.7%) on the one hand, compared to Mexico (0.5%) and Central America (0.3%) on the other.
- LAC's service exports grew by 8.0% year-on-year in the first quarter of 2026, lagging behind global trade in services (10.7%) and driven mainly by knowledge-based services (KBS) and travel.
- Predictive forecasting models anticipate that total goods exports will remain in an expansionary phase, amid downside risks linked to hostilities in the Gulf region, energy costs, fragile global growth, and trade policy instability.

Export growth in LAC was driven by extraregional demand, particularly from the United States, and the region gained market share in the US and European markets while maintaining a historically high share in China. Intraregional trade accelerated but lost share in total trade. A synthetic indicator measuring various dimensions of economic integration revealed a widespread decline at both the global and regional levels.

- Extraregional exports grew by 21.4% in the first half of 2026, accounting for 18.5 of the 19.5 percentage points of LAC's total export growth, while intraregional exports increased by 7.8%.
- The United States was the main driver of growth, and LAC's share of US imports reached a record high of 22.1% as the country's imports from the rest of the world contracted. Exports to China and the European Union also accelerated, and LAC recovered market share in the latter.
- Export growth picked up in all the subregional integration blocs except Central America and the Dominican Republic. Growth was strongest in the Pacific Alliance, bolstered by Mexico's productive integration with the United States, followed by the Andean Community and MERCOSUR.
- Data from a limited sample of Caribbean countries suggests the bloc's export growth remained strong, but was heavily concentrated in Guyana and Suriname.
- Intraregional flows accounted for 12.2% of total LAC exports in the first half of 2026, down 1.3 percentage points from the same period in 2025, with intrabloc trade losing market share in all blocs.
- The aggregate indicator for economic integration in LAC fell in 2025 due to declines in the physical and trade dimensions, echoing global downtrends. The region remains one of the least integrated in the world; the largest gaps are in the institutional and physical dimensions.

- The provisional application of the MERCOSUR–European Union (EU) Agreement in May 2026 expanded the South American bloc's preferential market access from economies representing 7% of global GDP to nearly 25%, creating a major opportunity for the region to foster greater convergence within its trade architecture.

Trade and foreign direct investment (FDI) are interdependent aspects of international integration. LAC continues to attract more FDI relative to the size of its economy than any other region analyzed, yet it receives lower inflows than it did a decade ago and has seen a reduction in its share of global stock. Empirical evidence indicates that double taxation treaties, bilateral investment treaties, and trade agreements with investment chapters are associated with a higher probability of an investment relationship existing between two economies, particularly where the host country's institutional framework is weak. For these international instruments to translate into significant, stable investment flows with spillovers across the local productive sector, they must be accompanied by complementary domestic regulatory reforms and investments.

- Global FDI flows during 2023–2025 remained unchanged from their 2012–2014 levels, reaching their lowest share of global GDP. This stagnation stemmed from a contraction in flows routed through transit jurisdictions; excluding these, global FDI flows expanded by 26.4%. The fall in inflows to the EU was concentrated in transit economies, whereas the rest of Asia and the United States gained market share.
- LAC received an annual average of US$178.5 billion in 2023–2025, down 4.5% from 2012–2014, and its share in global FDI stock fell from 7.1% to 6.0%. Even so, with flows equivalent to 2.6% of GDP, the region recorded the highest FDI-to-GDP ratio among all the regional groupings analyzed, double the global average. Within LAC, Mexico, Central America, and the Caribbean (driven by Guyana) gained share relative to South America.
- Among countries that report incoming FDI by origin and target sector, the United States and Europe are the main reported sources of investment. Sector-specific destination data show a shift away from extractive activities toward financial services.
- Excluding transit economies, LAC's share of US outward FDI stock rose from 14.1% to 16.0%. Its share of EU stock fell from 9.9% to 8.7%, but remained stable when transit jurisdictions were excluded (moving from 16.9% to 17.2%). Without transit economies, the region's share of Chinese stock fell from 5.7% to 4.4%. Mexico gained share in the stock of all three economies, an outcome consistent with nearshoring.
- US investment represents a larger share of GDP in LAC than in any other destination. It is more closely tied to productive activity than in other destinations: manufacturing accounts for 29.2% of stock and holding companies for 12.5%. Over the decade, the shares of extractive activities and information services have expanded.

- Net divestment by the EU outside the bloc was primarily concentrated in transit economies; excluding these, European outward FDI flows grew by 53.1%. LAC and China were the only two destinations that continued to attract positive net flows, although LAC's inflows were 67.2% lower than in 2013–2014. Its FDI stock rose by 7.2%, the smallest gain among all destinations, but growth reached 32.2% when transit jurisdictions were excluded. Mexico gained share, while Brazil and Venezuela accounted for the contraction across South America.
- Chinese outward investment expanded robustly. LAC doubled its stock of Chinese FDI, but more slowly than other destinations, resulting in a loss of market share. Within the region, Mexico's share of flows surged from 4.3% to 44.2%, with operations concentrated in manufacturing, the primary sector, and power generation. The only notable sectoral shift over the decade was a contraction in services.
- The most persistent gap is in LAC's outward investment. Outward FDI stock stands at 13.1% of regional GDP and has expanded at less than half the pace of the rest of Asia over the past decade.
- Econometric analysis using a bilateral panel dataset for 1985–2022 shows that double taxation treaties, bilateral investment treaties, and trade agreements with an investment chapter are associated with a higher likelihood of an investment relationship existing. Trade agreements, whether or not they contain an investment chapter, provide additional positive effects when combined with these instruments.
- This association is stronger where the destination economy's regulatory and institutional framework is weaker. This pattern is consistent with international commitments substituting for guarantees that host countries do not provide on their own, a dynamic particularly prevalent in developing countries. International commitments and strengthening domestic regulatory architecture are therefore not mutually exclusive alternatives.
- Capitalizing on the region's trade resilience requires integrating trade and investment-attraction agendas and supporting them with complementary domestic regulatory reforms and investments so that the regulatory architecture becomes an asset for attracting international investors.

1 The Resilience of Global Trade

World trade proved remarkably resilient to new global shocks. Growth in the value of goods trade accelerated from 6.5% in 2025 to 14.5% year-on-year in the first half of 2026, despite escalating hostilities in the Gulf region and disruptions to shipping through the Strait of Hormuz. However, the drivers of growth have shifted: while volume increases dominated in 2025, driven largely by trade in goods related to artificial intelligence, the primary determinant in the first half of 2026 was rising prices, particularly for energy and metals. Global trade in services also gained momentum, accelerating from 7.9% in 2025 to 10.7% in the first quarter of 2026. Against this backdrop, Latin American exports outpaced the global average, increasing by 7.6% in 2025 and 19.5% in the first half of 2026. This performance is expected to cool over the rest of the year, however, in response to mounting uncertainty, energy costs, and downside risks to global growth.

New shocks in global markets

Trade proved resilient despite geopolitical uncertainty.

International trade remained highly resilient despite escalating hostilities in the Gulf region since February 2026 and disruptions to shipping in the Strait of Hormuz, both of which increased geopolitical uncertainty within the global economy. This situation affected financial markets, commodity prices (energy, fertilizer, and food), supply chains (with disruptions to shipping routes driving up freight costs), and global growth prospects.[1] Downside risks to economic growth include inflationary and commodity price pressures, financial and geopolitical tensions, and a potential tightening of global monetary policy.[2]

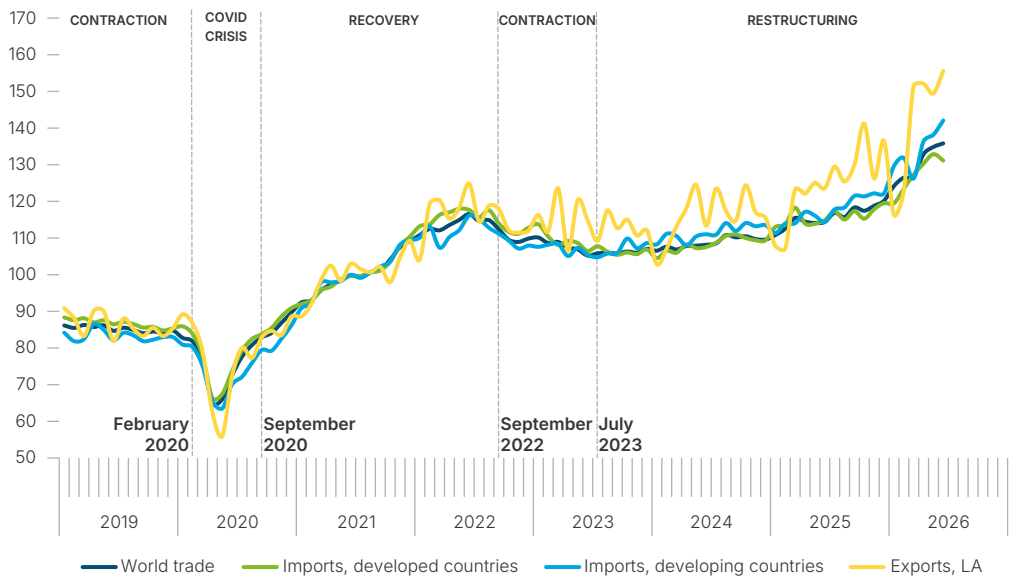
The artificial intelligence (AI) boom emerged as a new driver of global trade in goods, which expanded by 6.5% in 2025, exceeding initial forecasts and accelerating from 1.6%

[1] IMF (2026a).
[2] World Bank (2026a).

Trade in goods was partly driven by the artificial intelligence boom.

in 2024 (Figures 1 and 2).[3] This momentum was driven partly by investments in data centers, processors, semiconductor manufacturing equipment, and other essential AI inputs.[4] WTO estimates show AI-related goods accounted for 42% of global trade growth in 2025, despite comprising just one-sixth of the total.[5] In the first half of 2026, world trade accelerated to 14.5%, sustained by ongoing momentum in AI-related goods and rising energy and metal prices.[6] Meanwhile, global trade in services also picked up pace, growing by 10.7% in the first quarter of 2026 (Box 1), following a 7.9% expansion in 2025. Nevertheless, downside risks to trade persist as nominal factors begin to weigh on real flows, driven primarily by rising energy and tariff-related costs, alongside regulatory changes and the weakening of multilateral trade rules,[7] which have heightened global trade uncertainty (Box 2).

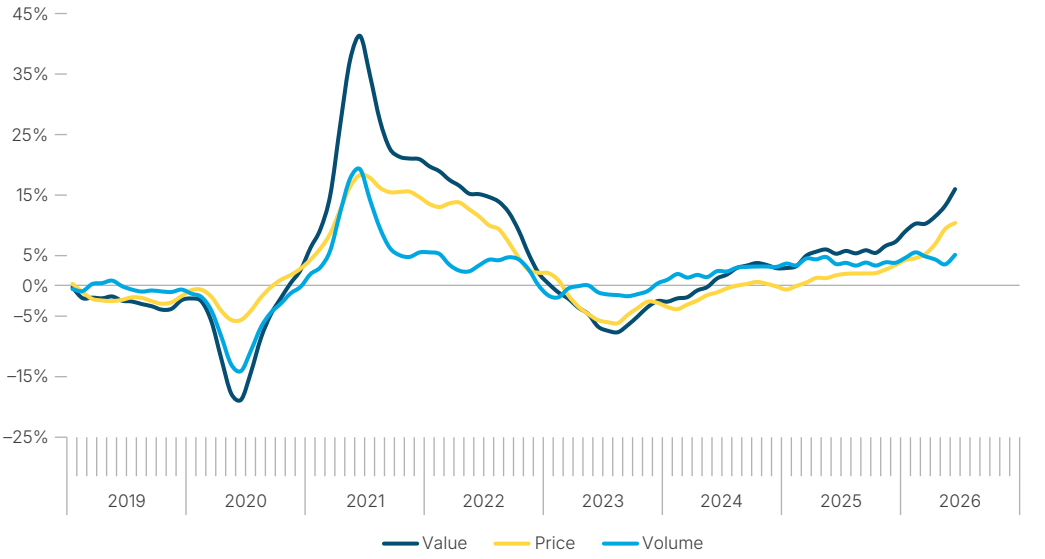
FIGURE 1 • VALUE OF WORLD TRADE IN GOODS
(Index 2021=100, 2019–2026)



Source: IDB Productivity, Trade, and Innovation Sector with data from the Netherlands Bureau for 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).

[3] Throughout this publication, 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.
[4] García and Duran-Fernandez (2026a).
[5] WTO (2026a).
[6] UNCTAD (2026a).
[7] UNCTAD (2026b).

FIGURE 2 • TRENDS IN WORLD TRADE IN GOODS
(Quarterly moving average of the year-on-year growth rate, percentages, 2019–2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from CPB.
Note: The value and volume figures are the average of global imports and exports.

The decomposition into prices and volumes shows that the former displaced the latter as the main driver of global trade in goods. In the first half of 2026, an 8.6% increase in international prices was the main factor underlying the 14.5% expansion in the value of trade, with volume growth playing a secondary role, at 5.5%. In contrast, the 6.5% rise in trade in goods in 2025 was largely explained by robust volume growth (4.3%), alongside more moderate price gains (2.1%) (Figure 3).

Prices became the main driver of trade in goods.

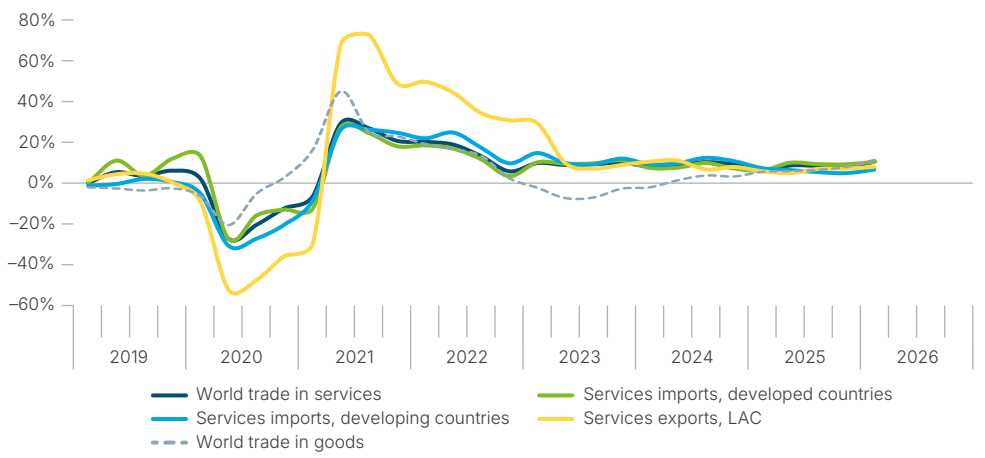
BOX 1 • GLOBAL TRADE IN SERVICES

Trade in services continued its robust performance in 2025, increasing by 7.9% in nominal terms. Knowledge-based services (KBS) grew by 9.4%, accounting for 56% of the total increase, driven mainly by other commercial services. International travel expanded by 8.5%, contributing 20% of overall growth, whereas transport expanded more modestly (2.2%), reflecting disruptions to major shipping routes. Preliminary estimates for the first quarter of 2026 indicate an acceleration in the growth rate of global trade in services to 10.7%, driven by strong performances for KBS (11.2%) and travel (8.5%), and a rebound in transport (9.7%). Nevertheless, transport and travel services could be affected by conflict-related disruptions in the Gulf region and rising fuel prices.[a] WTO forecasts for 2026 indicate that real growth in global trade in services will slow to 3.3% (down from 5.3% in 2025), before rebounding to 6.4% in 2027.[b]

(continued on next page)

BOX 1 • GLOBAL TRADE IN SERVICES *(continued)*

TREND IN THE VALUE OF WORLD TRADE IN SERVICES
(Year-on-year growth rate, percentages, 2019–2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from the International Monetary Fund (IMF), the World Trade Organization (WTO), and national sources.
Note: The value of world trade in goods and services is defined as the average of imports and exports. The data for the first quarter of 2026 are preliminary estimates based on a sample of countries. The sample represents 92% of global services imports in 2024.

[a] WTO (2026b).
[b] WTO (2026b). The nominal variation of 10.7% for the first quarter of 2026 includes price variations, while the 3.3% forecast is annual and expressed in real terms.

BOX 2 • UNCERTAINTY AND GLOBAL TRADE POLICY MEASURES

Since 2025, geopolitical developments have made market access conditions more unpredictable, a trend further exacerbated in 2026 by hostilities in the Gulf region. The figure shows the Trade Policy Uncertainty (TPU) Index,[a] which tracks how often the words "uncertainty" and "trade policy" appear together in leading newspapers. After peaking in April 2025 around "Liberation Day,"[b] the index declined over the rest of the year before surging again as hostilities intensified in the Gulf region from February 2026 onward.

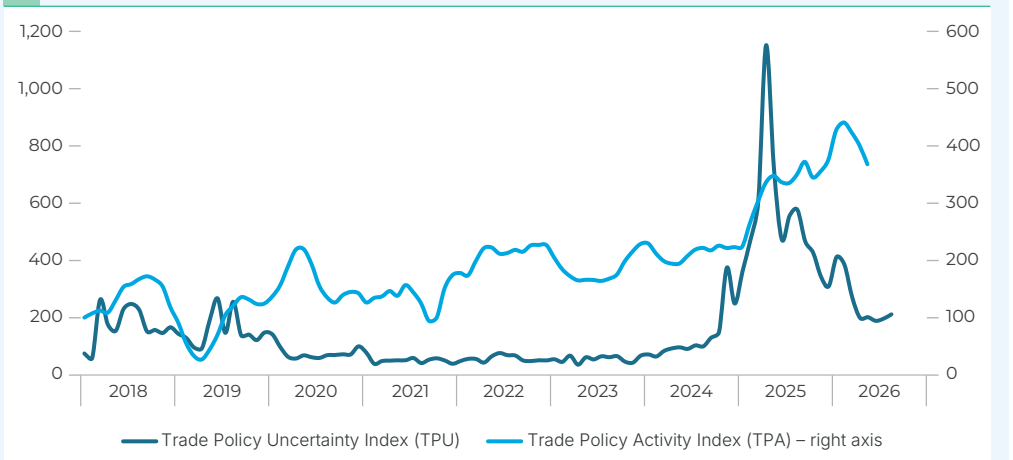
The figure also shows the WTO–IMF Trade Policy Activity (TPA) Index.[c] Covering 197 countries and territories, this indicator tracks the dynamics of global trade policy measures—including tariffs, nontariff measures, and subsidies—drawing on two databases: the WTO Trade Monitoring Database and Global Trade Alert. The index shows that industrial policy initiatives and trade measures reached relative peaks during US–China tariff frictions (2018), the COVID-19 pandemic (2020), the war in Ukraine (2022), and the re-emergence of trade disputes (2025). In early 2026, the index hit a new high as industrial and trade policy actions escalated worldwide.

(continued on next page)

BOX 2 • UNCERTAINTY AND GLOBAL TRADE POLICY MEASURES *(continued)*

While the TPU measures media coverage of trade policy uncertainty, the TPA records measures actually implemented. Consequently, the TPU may spike before a trade measure comes into force, in response to announcements or anticipation of policy changes. Both indexes rose in 2025 and 2026, reflecting a shift in the international trade environment. The main difference between the two indices is timing: the TPU peaked first, in April 2025. At that point, the TPA began to pick up momentum and eventually peaked in February 2026, a pivotal moment in the evolution of US trade policy.[d] In other words, a comparison of the two indicators suggests a shift from an initial phase of uncertainty about future trade policy changes to a later phase of more concrete, persistent policy implementation. Ultimately, trade uncertainty gradually stopped being associated solely with the anticipation of new measures and instead came to reflect tangible changes in market access conditions.

UNCERTAINTY AND TRADE POLICY
(Trade Policy Uncertainty Index and Trade Policy Activity Index, 2018–2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from the Federal Reserve Board and the WTO.

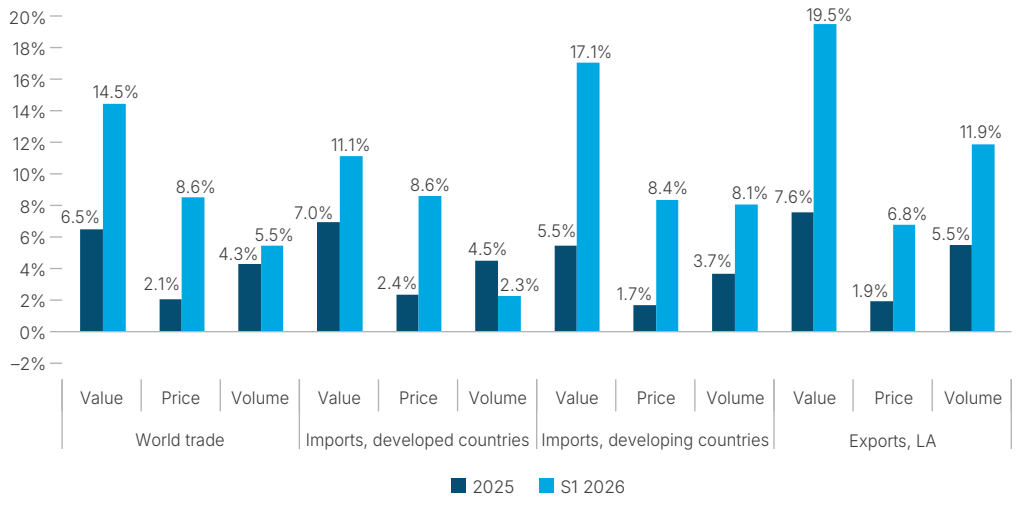
[a] The Trade Policy Uncertainty (TPU) Index measures media coverage of trade policy uncertainty. The index is compiled using automated text searches of electronic archives from seven leading newspapers reporting on trade policy uncertainty (Caldara et al., 2020).

[b] "Liberation Day" is the term the US administration used to describe April 2, 2025, when it announced it would be implementing broad-based tariffs on trading partners, comprising a universal baseline tariff alongside other reciprocal and country-specific rates.

[c] The Trade Policy Activity Index (TPA) is constructed using data on restrictive and enabling trade measures from 197 countries and territories, tracking fluctuations in trade policy activity. The TPA is normalized relative to January 2010–December 2011 (baseline = 0). Positive values denote higher activity relative to the baseline, whereas negative values indicate lower activity. The series is plotted from 2018 onward, when the index remained above the baseline; recent months reflect preliminary data. See Centorrino et al. (2025).

[d] For the sequence of US tariff decisions and measures in 2026—including the Supreme Court ruling on the IEEPA, the temporary surcharge under Section 122, refunds of duties collected, investigations under Sections 301 and 232, and the scope of the ruling regarding reciprocal trade agreement frameworks announced in November 2025—see US Supreme Court (2026), The White House (2026), US Court of International Trade (2026a, 2026b), US Customs and Border Protection (2026), and USTR (2025, 2026a, 2026b).

FIGURE 3 • VOLUMES AND PRICES OF WORLD TRADE IN GOODS
(Year-on-year growth rate, percentages, 2025 and S1 2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from CPB and IDB estimates.
Note: The value of world trade is calculated as the average of global imports and exports. Latin American exports are the authors' estimations and do not include the Caribbean (see Methodological Annexes 1 and 2).

Imports by developing countries drove the trade acceleration.

The momentum recorded in the first half of 2026 was due mainly to robust import demand in developing countries. The value of their external purchases, which had risen by 5.5% in 2025, surged by 17.1% year-on-year in the first half of 2026. This increase reflected both higher prices, which accelerated from 1.7% in 2025 to 8.4% in the first half of 2026, and more rapid trade volume growth, which rose from 3.7% to 8.1% over the same period.

In contrast, in developed countries, the import acceleration was driven almost entirely by prices. The value of their external purchases accelerated from an average 7.0% in 2025 to 11.1% in the first half of 2026. While import volumes slowed from 4.5% in 2025 to 2.3% in the first half of 2026, prices accelerated sharply from 2.4% to 8.6% over the same period.

Prices sustained imports by developed countries.

The region's exports grew, fueled by real flows.

Export growth from Latin America[8] outpaced global trade growth, propelled primarily by higher volumes. The value of goods exports from the region accelerated from 7.6% growth in 2025 to 19.5% in the first half of 2026. Its total exports grew slightly faster than global trade in 2025, then gained further momentum in 2026. Growth in the region's export volumes accelerated in the first half of

[8] Certain sections of this report focus on Latin America whenever the Caribbean has to be excluded due to a lack of up-to-date or disaggregated data.

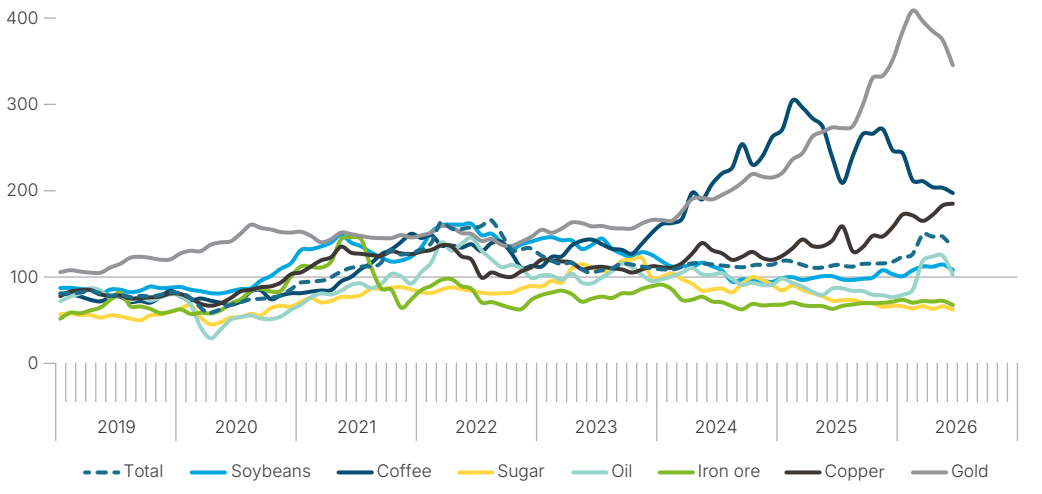
2026 in comparison with the 2025 average (11.9% versus 5.5%), while prices also surged (from 1.9% to 6.8%).[9] In this context, analyzing price dynamics is critical to assessing the region's current trade performance and prospects.

Commodity price trends

Commodity prices accelerated.

Commodity prices rose sharply in 2026, driven by metal prices and the energy shock stemming from hostilities in the Gulf region. The overall commodity price index[10] rose by 1.5% in 2025 before accelerating to 20.3% in the first half of 2026. Disruptions to shipping through the Strait of Hormuz triggered unprecedented disturbances across commodity markets, affecting one of the main routes for the global energy trade that handles roughly 35% of crude oil and 20% of refined products transported by sea.[11] These disruptions drove up prices for energy, fertilizer, and metals. Following a 9.1% drop in 2025, the energy price index rebounded by 18.5% in the first half of 2026.[12] Meanwhile, the price of nonenergy commodities[13] expanded by 21.6% in the first half of 2026, up from 9.9% in 2025 (Figure 4). Despite divergent trends in specific commodities, prices are expected to

FIGURE 4 • PRICES OF THE MAIN EXPORT COMMODITIES FROM LATIN AMERICA AND THE CARIBBEAN
(Index 2010=100, 2019–2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from Bloomberg, the World Bank, and the IMF.

[9] Based on a sample of 15 Latin American countries that accounted for 95% of the region's exports in 2023.
[10] Based on the IMF All Commodity Price Index.
[11] World Bank (2026b).
[12] Based on the IMF Fuel (Energy) Index.
[13] Based on the IMF Non-Fuel Price Index.

rise across the board in 2026, reversing the downward trend that began in 2022 following the shock caused by the invasion of Ukraine.[14]

Oil prices rose after hostilities escalated in the Gulf region.

Escalating hostilities in the Gulf region reversed the downward trajectory in oil prices. After falling by an average of 14.4% in 2025, oil prices[15] rebounded by 20.0% year-on-year in the first half of 2026. By late 2025, they had hit a low in response to expanding global supply and weak demand, the latter weighed down by trends such as electric vehicle adoption, improvements in energy efficiency, and modest growth in some major energy-consuming economies, notably China.[16] Escalating hostilities in the Gulf region from February 2026 onward altered market dynamics. These tensions triggered an energy crisis marked by intense volatility and price hikes, peaking in May. Although International Energy Agency (IEA) member states responded with coordinated releases of strategic petroleum reserves to stabilize markets,[17] average energy prices are projected to rise throughout 2026, especially in the case of oil, due to a tighter market and ongoing volatility.[18]

Metal prices rose.

Metals spearheaded the increase in commodity prices. The metal price index rose by an average of 23.0% in 2025 before accelerating to 43.7% year-on-year in the first half of 2026,[19] driven by gains in both precious and base metals. Gold reached a new record high in February 2026 as investors sought safe-haven assets amid geopolitical and economic uncertainty. Gold prices surged by 44.1% on average in 2025 and accelerated further in the first half of 2026, reaching 52.5%. At the same time, the energy transition continued to buoy the prices of some base metals. After growing by 14.4% on average in 2025, copper prices climbed by a further 28.6% year-on-year in the first half of 2026. This uptrend was fueled by global demand, concerns over disruptions at major mines in Asia and South America (notably Grasberg in Indonesia and El Teniente in Chile), and interruptions to exports of Gulf sulfur, a critical input for the sulfuric acid used to leach copper ore.[20] Similarly, following drops driven by oversupply in critical mineral markets in 2025 (–24.9% for lithium and –9.8% for nickel) prices recovered in the first half of 2026, surging by 81.5% and 15.2%, respectively. The sharp rebound in lithium prices stemmed from supply cuts in Australia and China and the suspension of raw ore exports from Zimbabwe in February 2026. Meanwhile, Indonesia lowered its 2026 nickel ore production quotas to sustain export prices and promote domestic processing.[21] Looking ahead, some base metals, including copper, are projected to reach

14 World Bank (2026b).
15 This is the average of Brent, WTI, and Dubai Crude.
16 World Bank (2026b).
17 IEA (2026).
18 World Bank (2026b).
19 Based on the IMF All Metals Price Index.
20 World Bank (2026b).
21 World Bank (2026b).

new highs driven by growing demand and tighter supply. In contrast, iron ore experienced a more modest recovery. After dropping by 6.8% in 2025, iron ore prices rallied by 6.5% year-on-year in the first half of 2026. Prices are nonetheless expected to trend downward due to weakness in China's real estate sector, sluggish construction activity in developed countries, and increased output from leading exporters like Australia and Brazil, as new mining capacity in West Africa gradually comes online.[22]

Agricultural prices fell slightly.

The price of agricultural products[23] dropped by 2.1% on average in 2025 before contracting by a further 0.9% year-on-year in the first half of 2026. This average masks highly divergent trends for individual products, driven by factors such as geopolitical dynamics for soybeans and supply conditions for sugar and coffee. Soybeans led the gains among agricultural products. After falling by an average of 5.7% in 2025, soybean prices rebounded by 10.2% year-on-year in the first half of 2026. In 2025, US–China tariff disputes reduced Chinese purchases of US soybeans and redirected demand to South America, which expanded its share in the Chinese market as prices declined. Prices rallied in 2026, bolstered by higher soybean oil prices and expectations that China would resume purchases from the US after bilateral negotiations. Conversely, sugar and coffee prices plummeted as supply conditions improved. International sugar prices fell 18.2% on average in 2025, then fell a further 22.5% in the first half of 2026 due to higher output in Brazil and India, the world's largest producers. Coffee prices, which climbed 25.7% in 2025 after weather-related disruptions in Brazil and Vietnam, fell 28.2% in the first half of 2026 amid improved harvest forecasts and the repeal of US tariffs on coffee imports from Brazil. Looking ahead, agricultural prices are expected to rise by the end of 2026, whereas beverage commodities like coffee are projected to decline. However, hostilities in the Gulf region impact these markets through a different channel than the war in Ukraine. In 2022, the war directly disrupted grain supplies from two major producers, causing food prices to spike immediately; the current conflict, by contrast, involves fertilizer-exporting countries, which play an indirect role in agricultural production (Box 5). Consequently, the impact is expected to be more gradual: higher input costs could raise agricultural producers' costs and pass through to crop prices for upcoming harvests, exerting medium-term pressure on food security.[24]

Risks and prospects

The escalation of hostilities in the Gulf region in February 2026 altered growth prospects and deepened geoeconomic fragmentation. Global GDP growth is projected at 3.1% in

[22] World Bank (2026b).

[23] Based on the IMF Agricultural Price Index, which combines price indices for food, beverages, and nonfood agricultural commodities.

[24] World Bank (2026b). See Box 5, Chapter 2.

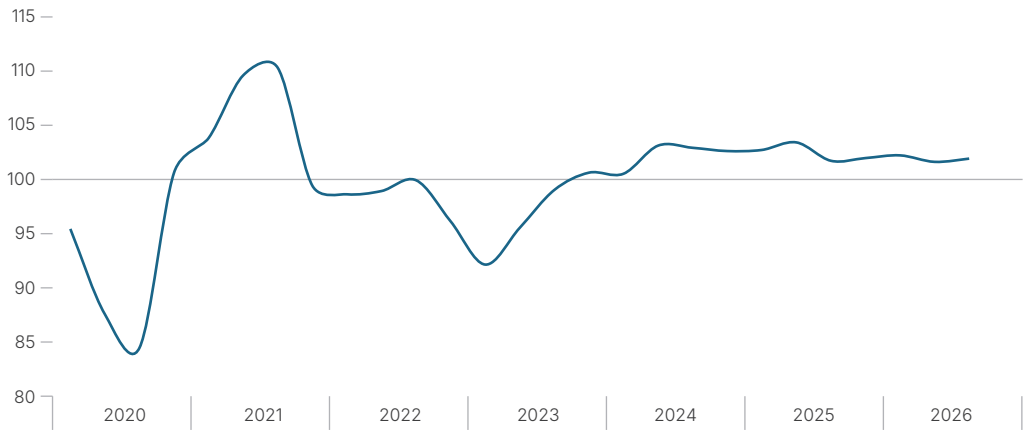
The prospects for global growth moderated.

2026 and 3.4% in 2027, slightly below the 3.5% recorded in 2024 and 2025.[25] The latest WTO baseline scenario forecast, released in October 2026, projects global trade volumes to slow to 3.9% in 2026 before picking up to 4.1% in 2027.[26] The drivers for growth include AI-related investment, trade in high-tech goods, and supply chain adaptations, partially offset by the impact of the conflict in the Gulf region.[27]

Leading indicators signal resilience in global trade.

In the short term, leading indicators show that growth in trade in goods remains above trend. The WTO Goods Trade Barometer,[28] an indicator that seeks to anticipate global trade trends, remained above 100 throughout 2024 and 2025 (Figure 5), signaling that trade volumes will continue to expand above trend. In January 2026, the Goods Trade Barometer stood at 102.3, dipping slightly to 101.7 in April,[29] and rebounding to 102.0 in July.[30] The adverse impacts of hostilities in the Gulf region appear to have been partially countered by higher demand for electronic components and other goods linked to investment in AI, a subindex that far outperformed

FIGURE 5 • WTO GOODS TRADE BAROMETER
(Index, 2020–2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from the WTO.
Note: The index and its components measure deviations from the medium-term trend, which is normalized to 100.

[25] IMF (2026b).
[26] WTO (2026b).
[27] WTO (2026b).
[28] The Goods Trade Barometer is designed to measure underlying trends and identify turning points in global trade growth in real time. Readings near 100 indicate trade growth in line with medium-term trends, values greater than 100 signal above-trend growth, while those below 100 suggest the opposite (WTO, 2026c).
[29] WTO (2026c).
[30] WTO (2026d).

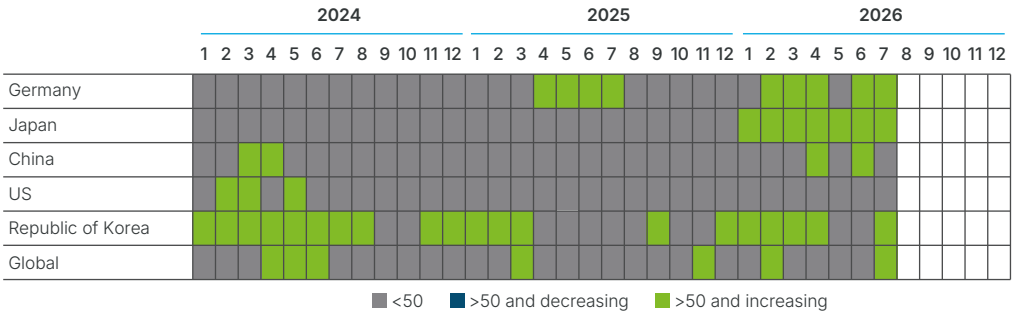
baseline trends. Most other component subindices also stayed above trend, including export orders, air freight, agricultural raw materials, and automotive products; container shipping was the sole exception that remained below baseline. Broadly speaking, these subindices point to resilient growth in global trade in goods despite uncertainty over trade policy and geopolitical tensions.

The indicator for new export orders was volatile.

New export orders point to volatile external demand, despite recent gains. However, the new export orders subindex of the Purchasing Managers' Index (PMI), a leading indicator of global demand ahead of official data releases, has remained largely below the critical threshold of 50[31] since June 2024, crossing above it on only four occasions: March and November 2025, and February and July 2026. The July performance reflected the easing of US tariff-related disruptions, precautionary stockpiling ahead of possible bottlenecks, and strong demand for AI-related hardware.[32] The aggregate index conceals divergent subindex behavior in major economies. Early 2026 saw a notable recovery in Germany, driven by demand in multiple international markets and sectors. Japan was another case in point: foreign demand accelerated, particularly from Europe and Asia, bringing its index score above 50 for the first time since February 2022. Export orders in the Republic of Korea increased, driven by demand from the United States and China. China's score moved above the 50 mark in April and June 2026 (Figure 6) before falling back below this threshold in July.

More broadly, the global manufacturing PMI is a survey-based indicator of business sentiment and expectations that provides a comprehensive view of global economic

FIGURE 6 • NEW EXPORT ORDERS
(PMI manufacturing subindex, global and selected countries, January 2024–July 2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from JP Morgan and China's National Bureau of Statistics (NBS).

[31] See Martínez-Martín and Rusticelli (2021) for evidence of the correlation between these indicators and global trade. A reading of 50 marks the critical threshold between expansion and contraction.

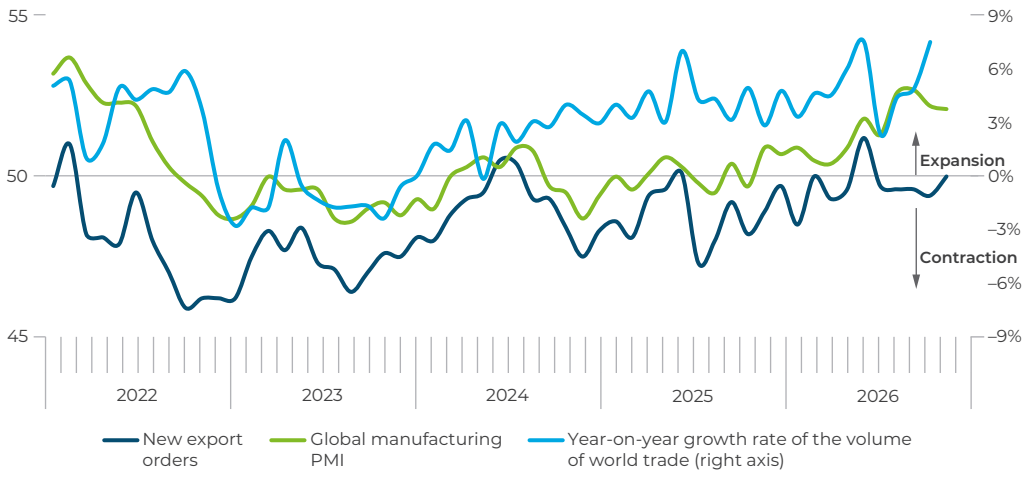
[32] S&P Global (2026a).

Expectations for the global manufacturing sector improved.

performance (Figure 7).[33] Since August 2025, it has remained above 50, trending upward to peak at 52.7 in May 2026. This positive value is explained by the subindices for new orders, output, inventories, employment, and longer supplier delivery times. However, this improvement may partly reflect temporary factors. First, conflict-related supply disruptions lengthened supplier delivery times, mechanically raising the index value. Second, firms engaged in precautionary stockpiling to buffer against higher prices and delays. Similarly, in the US, stockpiling was a key driver of manufacturing output and demand between the second quarter and August of 2026, suggesting this momentum may fade as restocking cycles run their course.[34] Nevertheless, the business climate is sensitive to geopolitical and economic uncertainty, including concerns surrounding tariffs, conflicts, and energy prices.[35]

In summary, world trade proved remarkably resilient to fresh shocks. Building on a strong performance in 2025 driven by volume growth and AI-related trade, global flows accelerated in early 2026 as price increases—particularly for energy and metals—became the main driver. While trade is expected to continue growing in 2026, downside

FIGURE 7 • PURCHASING MANAGERS' INDEX FOR THE GLOBAL MANUFACTURING SECTOR, NEW EXPORT ORDERS SUBINDEX, AND VOLUME OF WORLD TRADE
(Indices and percentages, 2022–2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from JP Morgan and CPB.

[33] The PMI is a composite index made up of five variables: new orders, output, employment, suppliers' delivery times, and stocks of purchases. A reading above (below) 50 indicates an improvement or increase (deterioration or decline) in the manufacturing sector relative to the previous month. The greater the divergence from 50, the faster the rate of change.
[34] S&P Global (2026b).
[35] S&P Global (2026c).

risks persist as escalating hostilities in the Gulf region heighten uncertainty about energy costs, supply chains, and global growth prospects. Global trade in services also proved resilient, although ongoing geopolitical conflict could affect the outlook for transport and travel. Latin American exports outpaced the global average, but the international environment poses risks to the region's future performance. Against this backdrop, the following chapters examine regional trade flows and prospects in detail.

Regional Trade Growth

2

Goods exports from Latin America and the Caribbean outpaced global trade growth, accelerating from 7.7% in 2025 to 19.5% in the first half of 2026. In contrast to global trends, which were driven primarily by rising prices, regional trade growth was fueled mainly by higher export volumes of artificial intelligence infrastructure equipment from Mexico to the United States. In South America, price effects predominated as commodity prices rose. Terms of trade improved in South America but worsened in Mexico and Central America, where import prices rose faster than export prices. Services exports grew by 8.0%, trailing behind regional goods exports and global trade in services. Looking ahead, predictive models anticipate that export growth will continue, albeit at a more moderate pace toward year-end.

Performance by subregion, country, and sector

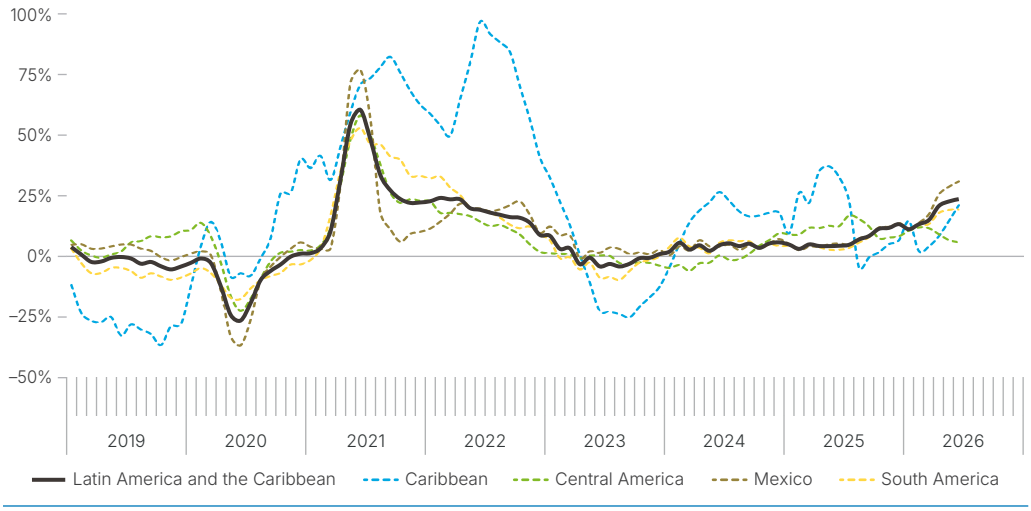
LAC's exports outperformed global trade growth in both 2025 and the first half of 2026. After climbing by 7.7% in 2025, LAC's goods exports grew by 19.5% year-on-year in the first half of 2026 (Figure 8).[36] In 2025, the region's export growth was driven by all its subregions. In the first half of 2026, Mexico contributed most to the acceleration, followed by South America and the Caribbean, while Central America experienced a slowdown in export growth.

Exports from the region accelerated, with momentum varying across subregions.

Mexico led the region's export acceleration. Its exports recorded the strongest momentum (24.6%) in the first half of 2026, following an average 7.6% gain in 2025 (Table 1). This outcome was driven by growth in exports of manufactures to the US—primarily data-processing equipment, servers, and electronic components for the construction of US data centers and AI infrastructure. Together, these accounted for

[36] The estimate for the first half of 2026 is based on data for 25 LAC countries and differs from the data presented in Chapter 1, which includes Latin America but not the Caribbean. Both estimates yield a result of 19.5% although the samples differ.

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, percentages, 2019–2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from INTEGRA and national sources.

Mexico's exports were highly dynamic.

all of Mexico's export growth in 2025 and 75%–80% of the expansion recorded in the first half of 2026 (Box 3). These exports mainly originate from two sources: manufacturing hubs in the northern Mexican states of Coahuila, Baja California, Chihuahua, and Nuevo León—leveraging their proximity to the United States—and Guadalajara, Jalisco, which specializes in electronics and software.[37]

Central America[38] was the only subregion where export growth slowed. Following an 11.0% increase in 2025, its external sales slowed to 8.3% in the first half of 2026. Although slowdowns were recorded in some countries (Costa Rica, Guatemala, and Honduras), performances improved in others (the Dominican Republic, El Salvador, and Nicaragua), while Panama was affected by exceptional factors. The largest contributions to subregional growth came from gold, precious stones, and jewelry, followed by medical and precision instruments, as well as grains, oilseeds, and oils. Textiles and apparel held back growth, offsetting much of the increase due to a decline in the apparel assembly sector. At the country level, Costa Rica's export momentum in the first half of 2026 was driven by medical devices and instruments, followed by machinery and spare parts. Shipments of pineapples, bananas, and coffee also contributed to the growth. In El Salvador,

Central American exports slowed slightly.

[37] García and Duran-Fernandez (2026a and 2026b).
[38] Includes the Dominican Republic.

BOX 3 • TRADE IN AI-ENABLING GOODS IN LATIN AMERICA AND THE CARIBBEAN

AI-enabling goods[a] accounted for much of LAC's export growth in 2025, mirroring global trends.[b] In contrast to the rest of the world, in LAC this outcome owes almost entirely to a single country: Mexico, which accounts for 93% of regional exports of these products and drove 96% of their growth in 2025.[c] In the rest of the region, export growth was the result of other factors.

LAC's exports of AI-enabling goods reached US$163.84 billion in 2025, up 59.4% from 2024. This increase accounted for 59% of the overall growth in LAC goods exports in 2025. If Mexico is excluded from estimates, AI-enabling goods accounted for just 4% of total export growth in the rest of the region, which reached 7.2%. In Mexico, AI-enabling goods accounted for all export growth in 2025.

AI-ENABLING GOODS IN LAC TRADE

(Exports in millions of US$ and share in total trade by country, percentages, 2025)

	Exports	% of exports	% of imports
Mexico	152,111	23.1	24.9
Brazil	5,105	1.5	8.3
Costa Rica	4,354	16.5	13.7
Dominican Republic	489	3.3	7.2
Colombia	421	0.8	6.6
Chile	411	0.4	6.2
Argentina	204	0.2	7.6
Peru	168	0.2	6.3
El Salvador	162	2.5	4.8
Ecuador	147	0.4	4.9
Guatemala	144	0.9	4.3
Uruguay	42	0.4	4.4
Paraguay	36	0.3	7.5
Guyana	33	0.1	8.5
Bolivia	7	0.1	3.7
Panama	3	0.3	4.7
Jamaica	1	0.1	3.2
Belize	0	0.2	4.7
LAC	**163,839**	**10.9**	**15.3**

Source: IDB Productivity, Trade, and Innovation Sector, based on data from INTEGRA, WITS, and national sources.
Note: The regional aggregate includes the 18 countries with available data. The data for 2025 are preliminary.

This concentration is also evident in these goods' share of national export baskets. In 2025, they accounted for 23.1% of Mexico's exports and 16.5% of Costa Rica's, the only two countries with

(continued on next page)

BOX 3 • TRADE IN AI-ENABLING GOODS IN LATIN AMERICA AND THE CARIBBEAN
(continued)

double-digit shares. In the remaining 16 LAC countries, their share did not exceed 3.3% and stayed below 1% in 13 of them. In the regional aggregate, AI-enabling goods made up 10.9% of total exports.

On the import side, however, participation in this trade is widespread across LAC countries. Regional imports of AI-enabling goods totaled US$221.41 billion in 2025, 1.35 times the exported value, and represented 15.3% of total LAC imports, close to the global average. These products accounted for over 5% of total imports in 10 of the 18 countries, with shares ranging from 3.2% in Jamaica to 24.9% in Mexico. China, Chinese Taipei[d], Vietnam, Malaysia, the Republic of Korea, and Thailand supplied 67% of these imports, while 86.5% of LAC exports of these goods went to the United States.

The region also participates in different stages of the value chain. Final equipment—computers, servers, and communications equipment—accounted for 60.4% of LAC exports of AI-enabling goods. If Mexico is excluded, this share drops to 9.9% and intermediate inputs account for 81.7%. In other words, while Mexico exports finished goods, the rest of the region supplies modest volumes of parts and components.[e]

[a] Non-exhaustive list of 104 six-digit Harmonized System subheadings related to the construction and operation of AI infrastructure, grouped using the WTO categorizations (2025, Annex A.1) of raw materials, processed chemicals, intermediate inputs, and final equipment.
[b] WTO estimates (2026a) indicate that AI-related goods accounted for 42% of global trade growth in 2025, despite representing just one-sixth of total trade.
[c] The sample comprises 18 countries: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Jamaica, Mexico, Panama, Paraguay, Peru, and Uruguay. The data for 2025 is preliminary.
[d] Use of the phrase "Chinese Taipei" does not in any way reflect the position of the IDB Group or any of its member countries regarding issues of national sovereignty or diplomatic recognition.
[e] For a more detailed analysis of trade dynamics in AI-enabling goods in LAC, see García and Duran-Fernandez (2026a and 2026b).

growth was driven by sales of electrical and electronic equipment, sugar, and other agrifood products. In Guatemala, grains, oilseeds, oils, and other agrifood products drove external sales, while sugar exports declined. In Honduras, precious metals and bananas drove the expansion, with coffee contributing to a lesser extent. Declines in textiles and apparel exports affected outcomes in both Honduras and El Salvador. Panama's exports declined in early 2026 due to a statistical effect: in 2025, authorities allowed the export of stockpiled copper from the Cobre Panamá mine, which had been commercially inactive since November 2023 after the Supreme Court ruled that the law approving the mine's concession contract was unconstitutional. The release of this copper raised the country's 2025 export values and created a high baseline for comparisons. In the Dominican Republic, export growth was led by precious stones and jewelry, followed by tobacco products, medical and pharmaceutical goods, and electrical and electronic products.

In South America, higher mining and energy prices drove an export acceleration in most countries. Export growth rose from 7.2% in 2025 to 16.5% in the first half of 2026. Most of this expansion was explained by just four product groups: copper, gold, crude oil,

and soybeans and their derivatives, followed, by a considerable margin, by silver and other precious metals and beef. Conversely, coffee, sugar, and cocoa exports negatively affected the subregion's performance. In Bolivia, growth was driven by the mining sector—silver and gold, primarily—benefiting from higher international prices. Argentina's momentum came from oil and mining, with export gains in crude oil, grains, oilseeds, oils, and gold. In Brazil, export growth was explained by oil, soybeans and soy products, beef, and gold, though it was partially offset by declining sugar and coffee exports. Growth in Paraguay was fueled by soybean shipments, which accounted for almost all the country's gain. Chile's exports were bolstered by shipments of copper, which contributed half of the total increase, and lithium. In Colombia, precious stones and energy products drove growth. Mining exports delivered strong results in Peru, with gold and copper accounting for virtually the entire increase. In Ecuador, higher exports of crude oil, shrimp, and bananas offset plummeting cocoa sales. Beef and soybean exports continued to expand in Uruguay, albeit at a slower pace.

South American exports gained momentum.

Export growth in the Caribbean was robust but highly concentrated. The subregion's exports are estimated to have increased by 19.1% in the first half of 2026, following average gains of 12.2% in 2025. This momentum was driven almost entirely by Guyana, which accounted for 62% of Caribbean exports in 2025 due to expanding oil production, and Suriname, in both 2025 and the first half of 2026.

Growth in exports from the Caribbean was concentrated in a handful of countries.

LAC imports also accelerated, albeit at a slower pace than exports, widening the regional trade surplus. Imports grew by 6.7% in 2025, accelerating to 12.5% in the first half of 2026 (Table 2), with increases in all countries except Argentina and Guyana. The trade surplus was greater than in the same period in 2025, driven mainly by South America, Mexico, and the Caribbean, whereas Central America's trade deficit increased. In the first half of 2026, exports outpaced imports in LAC as a whole and in all subregions except Central America.

Imports grew less than exports.

Import growth accelerated in Mexico and Central America in the first half of 2026. Mexico posted the strongest import growth in the region: after rising 4.4% in 2025, its external purchases accelerated to 22.0%, closely tied to its export performance. This growth was driven by purchases of electrical and electronic equipment and devices and specialized industrial machinery and equipment, mainly from Asia. The import boom occurred despite the implementation of 5%–50% tariff rates early in the year on more than 1,400 tariff lines imported from countries with which it does not have free trade agreements. Central American imports rose

Import growth accelerated in Mexico and Central America.

TABLE 1 • GOODS EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN

(Billions of US$ and annual growth rate, 2019–S1 2026)

	Billions of US$							Growth rate (%)						
	2019	2020	2021	2022	2023	2024	2025	2020	2021	2022	2023	2024	2025	S1 2026
LATIN AMERICA AND THE CARIBBEAN	**1,033.8**	**941.1**	**1,206.2**	**1,412.9**	**1,388.0**	**1,448.0**	**1,559.5**	**–9.0**	**28.2**	**17.1**	**–1.8**	**4.3**	**7.7**	**19.5**
LATIN AMERICA	**1,020.8**	**928.5**	**1,186.0**	**1,379.3**	**1,359.5**	**1,414.9**	**1,522.4**	**–9.0**	**27.7**	**16.3**	**–1.4**	**4.1**	**7.6**	**19.5**
MESOAMERICA	**515.0**	**469.4**	**561.7**	**651.8**	**665.9**	**691.1**	**746.3**	**–8.8**	**19.7**	**16.0**	**2.2**	**3.8**	**8.0**	**22.7**
Mexico	460.6	417.2	494.9	577.7	593.0	617.7	664.8	–9.4	18.6	16.7	2.6	4.2	7.6	24.6
Central America[a]	**54.4**	**52.3**	**66.7**	**74.1**	**72.9**	**73.4**	**81.5**	**–3.9**	**27.7**	**11.0**	**–1.7**	**0.7**	**11.0**	**8.3**
Costa Rica	11.4	11.6	14.4	15.7	18.2	19.9	22.7	2.1	23.7	9.3	15.7	9.6	13.8	5.8
El Salvador	5.9	5.0	6.4	7.1	6.5	6.3	6.4	–14.8	27.2	11.3	–8.7	–2.9	1.9	4.1
Guatemala	11.2	11.1	13.6	15.7	14.2	14.6	15.6	–0.6	22.7	14.9	–9.4	2.6	7.1	4.9
Honduras	8.8	7.7	10.2	12.2	11.3	11.0	12.2	–12.6	33.5	19.9	–7.3	–2.7	10.4	3.7
Nicaragua	5.6	5.3	6.9	7.4	7.4	7.7	8.9	–5.1	29.4	7.2	0.3	4.6	15.4	25.7
Panama	1.5	1.7	3.6	3.7	3.4	1.0	1.3	14.7	111.3	0.2	–7.8	–71.4	36.9	–22.1
Dominican Republic	10.1	9.8	11.6	12.4	11.9	12.9	14.4	–2.3	18.3	6.3	–3.6	8.2	11.2	14.8
SOUTH AMERICA	**505.8**	**459.1**	**624.3**	**727.5**	**693.6**	**723.8**	**776.1**	**–9.2**	**36.0**	**16.5**	**–4.7**	**4.4**	**7.2**	**16.5**
Argentina	65.1	54.9	77.9	88.7	67.0	79.7	87.1	–15.7	42.0	13.8	–24.5	19.0	9.3	24.4
Bolivia	8.9	7.1	11.0	13.9	10.8	8.9	9.7	–20.6	54.9	26.1	–21.9	–17.5	8.3	55.0
Brazil	221.1	209.2	280.8	334.1	339.7	337.0	348.3	–5.4	34.2	19.0	1.7	–0.8	3.3	11.5
Chile	68.8	74.1	94.6	98.5	93.0	98.9	110.4	7.7	27.7	4.1	–5.6	6.4	11.6	14.2
Colombia	39.5	31.1	41.4	56.9	49.8	49.6	50.2	–21.4	33.3	37.5	–12.5	–0.4	1.3	14.2

(continued on next page)

TABLE 1 • GOODS EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN

(Billions of US$ and annual growth rate, 2019–S1 2026) *(continued)*

	Billions of US$							Growth rate (%)					
	2019	2020	2021	2022	2023	2024	2025	2020	2021	2022	2023	2024	2025	S1 2026
Ecuador	22.3	20.4	26.7	32.7	31.1	34.4	37.2	−8.8	31.2	22.3	−4.7	10.6	7.9	4.0
Paraguay	8.0	8.5	10.6	9.9	11.9	10.9	11.1	6.9	24.1	−5.9	19.3	−8.0	1.5	19.5
Peru	46.4	41.7	60.9	63.6	64.6	74.5	91.4	−10.2	46.1	4.5	1.5	15.3	22.7	34.0
Uruguay	7.7	6.9	9.5	11.2	9.2	10.3	11.2	−10.6	38.9	17.3	−17.6	11.2	9.3	3.9
Venezuela	17.9	5.3	10.8	18.0	16.5	19.6	19.7	−70.2	103.2	65.9	−8.0	18.5	0.3	26.7
CARIBBEAN[b]	**13.1**	**12.6**	**20.2**	**33.6**	**28.5**	**33.1**	**37.2**	**−3.5**	**60.4**	**66.5**	**−15.2**	**16.1**	**12.2**	**19.1**
The Bahamas	0.3	0.2	0.6	0.8	0.6	0.5	0.5	−22.7	193.0	27.5	−32.3	−5.8	−3.2	0.7
Barbados	0.3	0.2	0.2	0.3	0.2	0.2	0.2	−12.1	8.0	3.5	−4.2	−1.1	−6.5	−0.3
Belize	0.2	0.2	0.2	0.2	0.2	0.3	0.2	3.4	2.4	10.8	−15.8	36.3	−13.9	−15.1
Guyana	1.5	2.6	4.3	11.2	12.8	19.2	23.2	70.7	68.8	159.9	13.8	50.2	20.8	28.9
Haiti	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jamaica	1.7	1.3	1.5	1.9	2.0	1.9	1.7	−24.3	18.4	28.4	4.9	−6.3	−11.6	−10.6
Suriname	0.4	2.1	2.2	2.5	2.4	1.4	3.3	438.7	4.2	13.2	−5.9	−40.2	136.8	147.2
Trinidad and Tobago	8.8	6.0	11.1	16.7	10.4	9.6	8.0	−31.5	84.6	50.6	−37.8	−7.6	−16.5	−35.5

Source: IDB Productivity, Trade, and Innovation Sector, based on data from INTEGRA and national sources.
Notes: n.a.: no data available. Methodological Annex 3 describes the geographical and temporal coverage of goods exports data. Mesoamerica comprises Mexico and Central America; the latter includes the Dominican Republic.
[a] The data for Panama do not include exports from special trade regimes (STRs).
[b] Data are only available through April for Jamaica and through March for the Bahamas and Suriname. No data are available for Haiti. The aggregate data for the Caribbean and LAC for the first half of 2026 are estimates based on the available data.

TABLE 2 • GOODS IMPORTS INTO LATIN AMERICA AND THE CARIBBEAN

(Billions of US$ and annual growth rate, 2019–S1 2026)

	Billions of US$							Growth rate (%)						
	2019	2020	2021	2022	2023	2024	2025	2020	2021	2022	2023	2024	2025	S1 2026
LATIN AMERICA AND THE CARIBBEAN	**1,037.1**	**874.2**	**1,211.5**	**1,471.9**	**1,375.9**	**1,435.5**	**1,530.3**	**–15.8**	**39.2**	**21.5**	**–6.5**	**4.3**	**6.7**	**12.5**
LATIN AMERICA	**1,009.2**	**852.2**	**1,187.3**	**1,443.8**	**1,346.8**	**1,405.5**	**1,497.2**	**–15.6**	**39.3**	**21.6**	**–6.7**	**4.4**	**6.5**	**12.9**
MESOAMERICA	**555.6**	**467.9**	**626.6**	**754.7**	**747.4**	**782.6**	**817.8**	**–15.8**	**33.9**	**20.4**	**–1.0**	**4.7**	**4.5**	**19.4**
Mexico	455.2	383.0	505.7	605.8	605.3	636.2	664.1	–15.9	32.0	19.8	–0.1	5.1	4.4	22.0
Central America[a]	**100.4**	**84.9**	**120.9**	**148.8**	**142.2**	**146.4**	**153.7**	**–15.4**	**42.4**	**23.1**	**–4.5**	**3.0**	**5.0**	**8.6**
Costa Rica	15.9	14.0	18.4	21.4	22.4	23.6	25.1	–12.3	31.5	16.2	5.0	5.4	6.1	6.1
El Salvador	11.6	10.2	14.6	17.1	15.6	15.8	17.8	–11.7	42.6	17.0	–8.5	1.0	12.9	8.8
Guatemala	19.9	18.2	26.6	32.1	30.3	32.5	34.6	–8.4	46.1	20.7	–5.6	7.2	6.5	10.5
Honduras	13.3	11.2	16.9	20.7	19.3	19.7	20.4	–15.6	50.2	22.8	–6.9	2.0	3.9	7.8
Nicaragua	6.2	5.9	8.4	11.2	10.9	10.6	11.4	–5.0	41.8	34.4	–2.9	–2.8	7.5	4.6
Panama	12.8	8.1	11.6	15.2	14.5	14.0	14.2	–37.1	43.1	31.8	–4.6	–3.7	1.2	14.6
Dominican Republic	20.6	17.3	24.5	31.1	29.0	30.2	30.2	–16.3	41.9	26.9	–6.5	4.0	–0.1	7.7
SOUTH AMERICA	**453.6**	**384.4**	**560.7**	**689.2**	**599.3**	**622.9**	**679.4**	**–15.3**	**45.9**	**22.9**	**–13.0**	**3.3**	**9.5**	**5.0**
Argentina	49.1	42.4	63.2	81.7	67.3	60.8	75.8	–13.8	49.2	29.4	–17.7	–9.7	24.7	–18.8
Bolivia	9.8	7.0	9.6	11.9	11.8	9.9	10.1	–29.2	38.3	23.7	–0.9	–16.0	1.6	1.6
Brazil	185.9	158.8	234.7	292.2	252.7	278.0	293.7	–14.6	47.8	24.5	–13.5	10.0	5.7	4.8
Chile	69.9	59.2	92.4	104.7	85.2	84.2	93.0	–15.2	56.0	13.3	–18.6	–1.1	10.4	4.0
Colombia	50.3	41.2	56.6	71.4	62.8	64.1	70.5	–18.1	37.5	26.1	–12.1	2.1	10.0	13.6

(continued on next page)

TABLE 2 • GOODS IMPORTS INTO LATIN AMERICA AND THE CARIBBEAN

(Billions of US$ and annual growth rate, 2019–S1 2026) *(continued)*

	Billions of US$							Growth rate (%)						
	2019	2020	2021	2022	2023	2024	2025	2020	2021	2022	2023	2024	2025	S1 2026
Ecuador	22.6	17.9	25.7	33.0	30.9	29.5	32.6	−20.6	43.4	28.7	−6.5	−4.6	10.7	17.9
Paraguay	11.8	10.0	13.6	15.9	16.1	17.2	19.1	−14.6	35.7	16.7	1.6	6.7	11.2	9.2
Peru	40.2	33.8	46.6	54.7	48.9	51.4	57.3	−15.8	37.6	17.4	−10.6	5.2	11.5	20.0
Uruguay	8.2	7.6	10.3	13.0	12.5	12.5	12.9	−8.3	36.4	25.7	−3.8	0.3	3.4	10.2
Venezuela	5.9	6.5	8.0	10.6	11.2	15.3	14.3	11.3	22.7	32.5	5.6	36.8	−6.2	11.3
CARIBBEAN[b]	**27.9**	**22.0**	**24.2**	**28.1**	**29.1**	**30.0**	**33.2**	**−24.5**	**34.1**	**15.8**	**3.8**	**2.5**	**18.7**	**−4.6**
The Bahamas	3.3	2.2	3.3	3.9	3.1	3.7	3.8	−33.4	48.0	18.8	−19.1	18.7	1.5	2.0
Barbados	1.6	1.5	1.8	2.2	2.1	2.2	2.3	−5.3	21.3	18.4	−1.5	1.6	6.1	6.2
Belize	1.0	0.8	1.1	1.4	1.3	1.5	1.5	−17.9	31.1	30.2	−3.0	8.5	0.1	21.7
Guyana	4.0	2.3	4.4	3.6	6.6	7.2	10.2	−44.3	94.5	−17.2	83.0	8.7	41.3	−27.6
Haiti	3.9	3.9	n.a.	n.a.	n.a.	n.a.	n.a.	−0.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jamaica	6.4	4.8	6.0	7.7	7.6	7.3	7.5	−25.6	25.3	29.5	−1.8	−4.0	3.2	0.9
Suriname	1.6	1.5	1.4	1.8	1.7	1.8	2.1	−4.0	−9.9	30.7	−5.9	3.1	21.5	6.1
Trinidad and Tobago	6.0	5.0	6.4	7.5	6.6	6.4	5.8	−16.8	26.9	17.8	−11.9	−3.6	−8.8	17.3

Source: IDB Productivity, Trade, and Innovation Sector, based on data from INTEGRA and national sources.
Notes: n.a.: no data available. See Methodological Annex 3. Mesoamerica comprises Mexico and Central America; the latter includes the Dominican Republic.
[a] The data for Panama do not include imports through STRs.
[b] Data is only available through April for Jamaica and through March for the Bahamas and Suriname. No data are available for Haiti. The aggregate data for the Caribbean and LAC for the first half of 2026 are estimates based on the available data.

by 8.6%, building on 5.0% growth in 2025, driven largely by purchases of oil and other energy products. Imports rose in all Central American countries, mainly from the United States and China. Central America was the only subregion where import growth outpaced export growth, widening its trade deficit.

Import growth slowed in South America and the Caribbean.

In contrast, import growth slowed in South America and the Caribbean. In South America, growth eased somewhat, dropping from 9.5% in 2025 to 5.0% in the first half of 2026. Vehicles and autoparts accounted for one-third of the gain, while oil products contributed another quarter. Performance varied across countries: import growth accelerated in Colombia, Ecuador, Peru, and Uruguay; held steady in Bolivia and Brazil; and slowed in Chile and Paraguay. At the other extreme, Argentina posted a sharp decline (–18.8%) due to weaker domestic demand and a high comparison baseline from the previous year, whereas Venezuela managed to reverse the downturn of 2025. Import growth came primarily from China, the United States, and intraregional trade. In the Caribbean, imports contracted by 4.6% in the first half of 2026, following an 18.7% expansion in 2025. This drop was mainly due to a high comparison baseline in Guyana, which posted exceptionally high imports in May 2025. Imports expanded in the remaining Caribbean countries for which data are available.

The role of prices and volumes

Latin American export prices picked up momentum.

Prices supported regional exports, although less than at the global level. After rising 1.9% in 2025, Latin American export prices accelerated to 6.8% in the first half of 2026,[39] below the rates recorded for global trade (2.1% and 8.6%, respectively). These figures show that volume growth was particularly remarkable, given the limited boost from prices. Price momentum in the region was driven mainly by Brazil, where growth went from 0.6% to 6.3%, and by the rest of South America, where it accelerated from 4.0% to 16.7%. In Mexico, prices rose by 1.0% in 2025 and 2.2% in the first half of 2026. In Central America, export prices rose by 4.2% in 2025, while data from a sample of countries point to an estimated 2.7% increase in the first half of 2026.[40] Box 4 discusses how commodity price changes affect trade balances.

[39] The price-volume decomposition of export values covers a sample of 18 LA countries for 2025, as detailed in Methodological Annex 2. For Mexico, export values were deflated using the "All Commodities from Mexico" price index published by the US Bureau of Labor Statistics (BLS). The BLS import price index applies quality adjustments, partly hedonic, for computers and servers, which may raise implicit export volumes. For the first half of 2026, the sample includes 15 LA countries, accounting for approximately 95% of total regional exports. Caribbean countries are excluded from both periods due to data availability.

[40] For Central America in the first half of 2026, data were available for Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

Rising energy and freight costs pushed up import prices throughout the region. Latin American import prices climbed by 4.6% year-on-year in the first half of 2026, reversing an average decline of 1.5% in 2025. This increase was observed in all LAC subregions.

BOX 4 • THE IMPACT OF COMMODITY PRICE CHANGES ON TRADE BALANCES

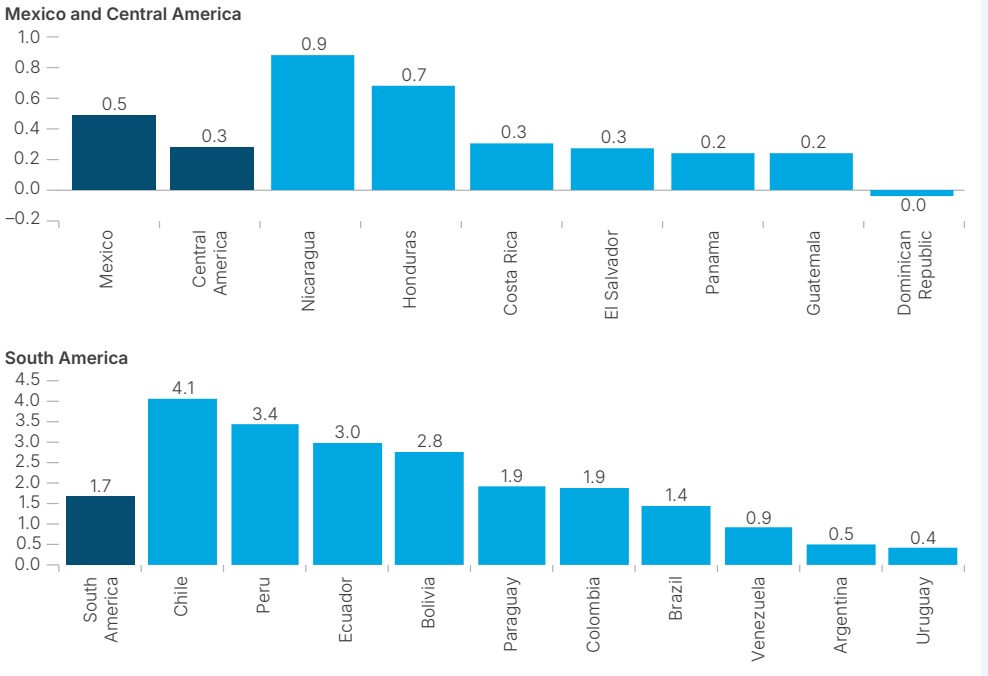
Higher commodity prices brought gains in the trade balance for most LAC economies.[a] Price changes generated a positive impact on the trade balance, estimated at 1.3% of the region's GDP. However, the results varied sharply across subregions and countries, reflecting differences in export specialization and the relative weight of commodities in each economy.

The Caribbean benefited most (2.5% of GDP), led by Guyana, which posted the largest gain in the region (8.3% of GDP) due to the heavy weight of its oil exports. The effect was considerably more limited in the rest of the Caribbean economies, reflecting less commodity-intensive export baskets or, in the case of Suriname, the exclusion of nonmonetary gold from the calculation.

South America also saw a significant positive impact (1.7% of GDP). Chile benefited from strong metal prices (4.1%), as did Peru (3.4%), Ecuador (3.0%), and Bolivia (2.8%). Agricultural commodity exporters posted more moderate gains: 1.9% in Paraguay, 1.4% in Brazil, 0.5% in Argentina, and 0.4% in Uruguay.

The smallest impacts were observed in Mexico (0.5% of GDP) and Central America (0.3%), reflecting that the estimate only captures commodity trade, which carries less weight in these economies, and their status as net importers of energy, grains, and processed foods.

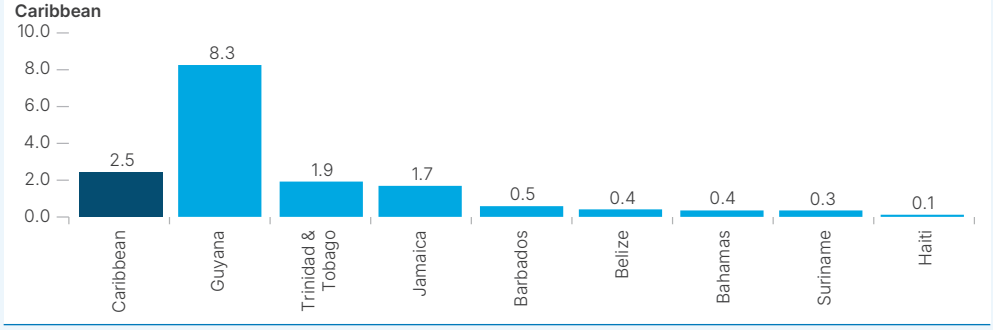
NET EFFECT OF COMMODITY PRICE CHANGES ON TRADE
(% of GDP, January–August 2026)



(continued on next page)

BOX 4 • THE IMPACT OF COMMODITY PRICE CHANGES ON TRADE BALANCES *(continued)*

NET EFFECT OF COMMODITY PRICE CHANGES ON TRADE
(% of GDP, January–August 2026) *(continued)*



Source: IDB Productivity, Trade, and Innovation Sector, based on data from the World Bank.
Note: Calculated using the methodology of Svarzman (2021). Based on each country's export and import structure within the WTO's primary product categories (food, agricultural raw materials, fuels, and minerals), each category is assigned its World Bank price subindex (Pink Sheet). Copper is included under minerals and metals, while nonmonetary gold is excluded. Because nonmonetary gold is excluded, the results understate the gains of economies where gold accounts for a large share of exports, such as Suriname. This procedure yields an annualized theoretical value for exports and imports, which is then compared with the realized value. Doing so isolates each country's gain from higher export prices or loss from higher import prices; the difference yields the net trade impact by country and subregion. These values measure relative economic impact for each economy, expressed as a share of 2025 GDP in US dollars.

[a] The data in this box differ from the rest of the chapter in terms of time and sector coverage, as it focuses exclusively on commodities. Consequently, the metrics here are not strictly comparable with the data used in the terms of trade analysis below.

Latin American import prices recovered.

In Mexico, import price growth rose from 0.7% in 2025 to 4.4% in the first half of 2026. In Brazil and the rest of South America, import prices rose 5.5% and 4.1%, respectively, after falling 4.4% and 4.0% in 2025. Central America posted an increase of 1.4% in 2025, while the data for the first half of 2026 point to a further 4.9% gain.[41] The energy shock passed through to key agricultural inputs, such as fertilizers, whose prices jumped 21.9% in the first half of 2026. This increase poses a risk for the region, as agricultural producers benefiting from higher export prices also face rising production costs (Box 5). Conversely, fertilizer exporters stand to benefit from the price surge: key players in LAC include Trinidad and Tobago (ammonia and urea), Peru (urea), and Chile (potash fertilizers and nitrates).

Latin America's terms of trade continued to improve, although gains in 2026 were concentrated in South America. They increased 3.5% in 2025 as export prices rose (1.9%) and import prices fell (–1.5%). In the first half of 2026, Latin America's terms of trade

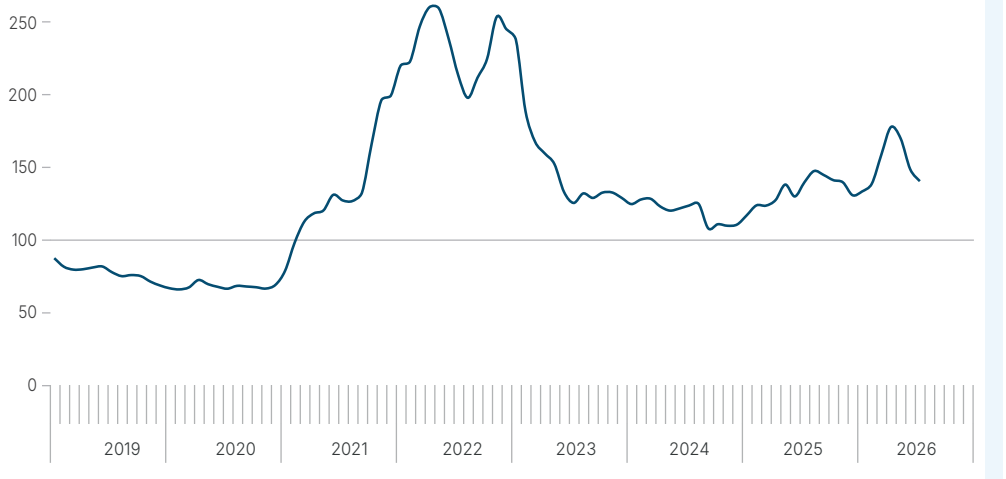
[41] For Central America in the first half of 2026, data were available for Costa Rica, the Dominican Republic, El Salvador, Honduras, Guatemala, and Nicaragua.

BOX 5 • FERTILIZER IMPORTS

In February 2026, escalating hostilities in the Gulf region triggered new disruptions to global fertilizer markets. This shock is particularly significant for LAC, where fertilizers are critical to crop yields and international price changes quickly pass through to domestic costs. Fertilizer price changes may eventually affect producers' profit margins, planting decisions, and input use, and thus agricultural output. Specifically, when fertilizer prices outpace crop prices, the economic incentive for using them declines.

International fertilizer prices[a] rose significantly in 2021 and peaked in 2022, following Russia's invasion of Ukraine. Although prices decreased in 2023 and 2024, they remained above precrisis levels. They rose again in 2025 by 11.8% before accelerating to 21.9% in the first half of 2026, driven by rising energy costs and disruptions to shipping through the Strait of Hormuz, a critical bottleneck for global fertilizer trade. Approximately 35% of global urea shipments, over 25% of ammonia trade, more than 20% of phosphates, and nearly 45% of sulfur exports are shipped through this route.[b]

FERTILIZER PRICES
(Index 2010=100, 2019–2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from the IMF.

Fertilizer supply is geographically concentrated: China plays a central role, producing 30% of global urea and 40% of monoammonium phosphate (MAP) and diammonium phosphate (DAP).[c] Other major fertilizer producers and exporters include Russia, Canada, Morocco, and the Gulf states, depending on the specific nutrient in question. In 2025, global fertilizer trade reached 185 million metric tons and a value of US$81 billion, up 3% in volume and 19.1% in value from 2024, due to higher prices. From January to April 2026, these levels dropped to 41 million metric tons (US$18 billion), down 29.3% in volume and 18.2% in value compared to the same period in 2025. The steeper drop in volume than in value reflects higher prices and reduced supply due to disruptions.[d]

In several LAC countries, domestic fertilizer demand relies heavily on imports. The more dependent countries are on imports and the more concentrated supplier networks and shipping routes, the more vulnerable they are to external shocks. Brazil, Mexico, and Argentina rank among the world's

(continued on next page)

BOX 5 • FERTILIZER IMPORTS *(continued)*

TOP GLOBAL FERTILIZER-IMPORTING COUNTRIES
(Millions of US$, 2025)

	Country	Millions of US$
1	Brazil	16,726
2	India	14,171
3	United States	8,996
4	Australia	3,626
5	France	3,264
6	Canada	2,758
7	Indonesia	2,511
8	Mexico	2,275
9	Argentina	2,256

Source: IDB Productivity, Trade, and Innovation Sector, based on data from WITS.

leading fertilizer importers in terms of both value and volume (Table). Colombia and Paraguay are also net fertilizer importers.[e]

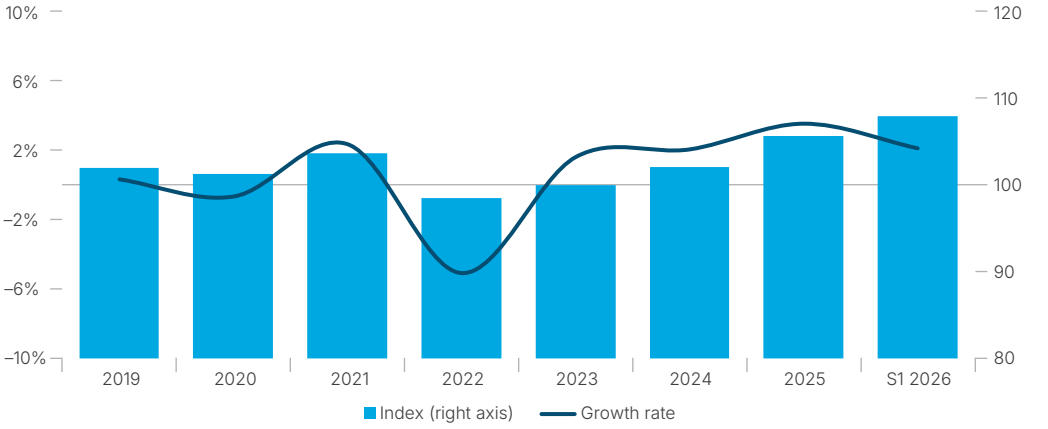
In response to disruptions to fertilizer markets, the finance and development ministers of the G7 and partner countries (Brazil, India, Kenya, and the Republic of Korea) adopted a joint action plan. Their initiative highlighted the need for better monitoring, early warning systems, coordination, and timely financing to mitigate fertilizer-related food security risks.[f] It put forward coordinated, temporary measures that prioritize logistical and financial support to address immediate crises, stabilize trade flows, and foster long-term agricultural resilience. The IDB and other international organizations issued a joint statement on improving supply chains to support countries by financing fertilizer production, promoting efficient application, and strengthening food systems and food security.[g]

[a] IMF fertilizer price index.
[b] FAO (2026a).
[c] FAO (2026b).
[d] FAO (2026c).
[e] FAO (2025).
[f] G7 (2026).
[g] IDB (2026). The declaration was signed by the IDB, the World Bank, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the International Fund for Agricultural Development.

Terms of trade improved in the region.

expanded by another 2.1% as export prices (6.8%) outpaced import prices (4.6%) (Figure 9). Gains in external purchasing power were widespread in 2025, rising in Brazil (5.2%), the rest of South America (8.3%), Central America (2.8%), and Mexico (0.3%). By the first half of 2026, these improvements persisted only in Brazil (0.7%) and the rest of South America (12.1%). Meanwhile, in Mexico and Central America, terms of trade fell by 2.1% as import price increases outstripped those of export prices.

FIGURE 9 • LATIN AMERICA'S TERMS OF TRADE
(Index 2023=100 and annual variation, percentages, 2019–S1 2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from INTEGRA, BLS, and national sources.
Note: Terms of trade were calculated based on 18 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. The result for the first half of 2026 is estimated using a sample of 15 countries (see Methodological Annex 2).

Export volume growth accelerated.

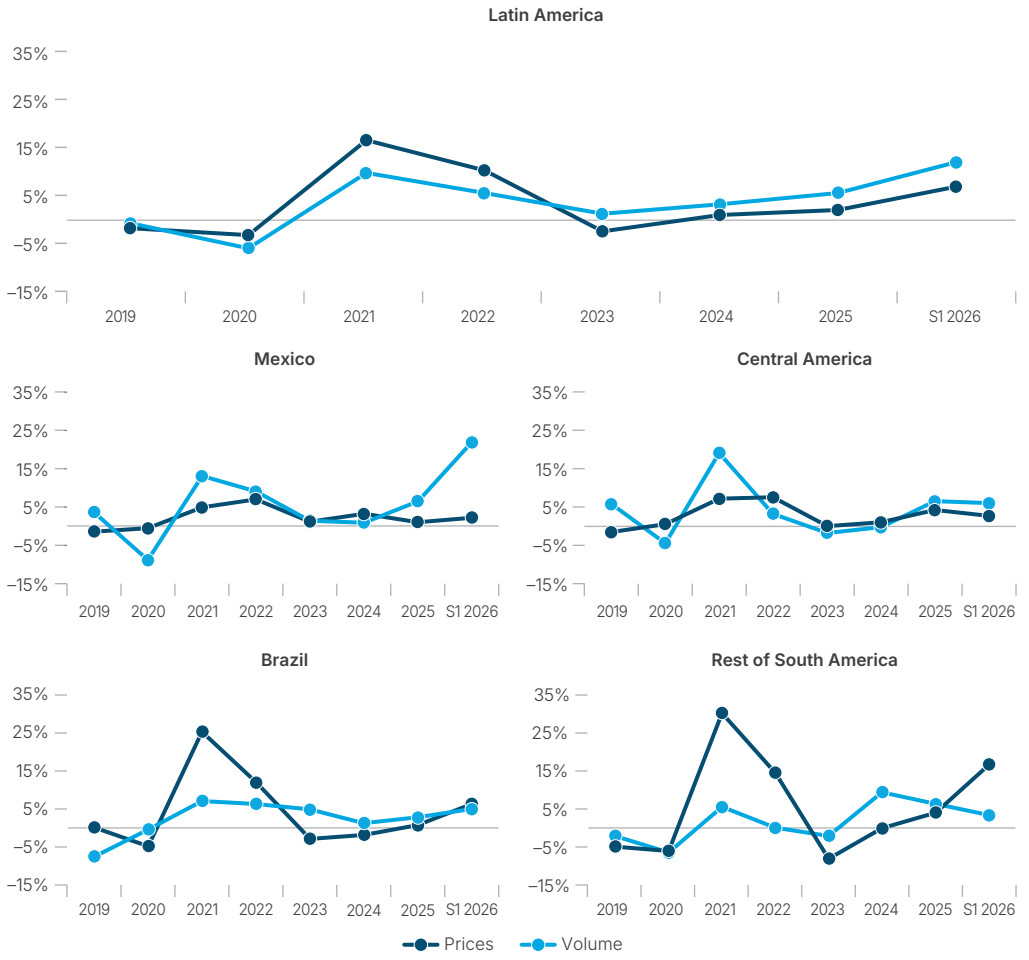
The main driver of regional export growth was higher volumes, led by Mexico. In real terms, Latin America's exports increased by 5.5% in 2025, outpacing the global average (4.3%). All subregions posted gains in export volumes: Mexico and Central America (6.5% each), Brazil (2.7%), and the rest of South America (6.3%). In the first half of 2026, the region's export volumes accelerated to 11.9%, well above the global average (5.5%). This momentum came mainly from Mexico (21.9%), while growth accelerated to 4.9% in Brazil and slowed to 3.3% in the rest of South America and 6.0% in Central America (Figure 10).

In summary, regional goods exports grew robustly in 2025 and accelerated in the first half of 2026, outperforming the global average. Export price growth rose from 1.9% in 2025 to 6.8% in the first half of 2026. The region's terms of trade improved during both periods, although slightly less so in the first half of 2026 and with subregional variations. Nevertheless, export volumes drove the gains, expanding 5.5% in 2025 and 11.9% in the first half of 2026, largely supported by Mexico. Imports also expanded in most countries in the region.

The services sector

LAC's services exports continued to grow, albeit at a slower pace than global service exports and regional goods exports, rising 6.2% in 2025 and 8.0% in the first quarter of 2026 (Table 3). However, performance varied across the region. In Mexico, growth slowed from

FIGURE 10 • PRICES AND VOLUMES OF LATIN AMERICAN EXPORTS
(Year-on-year growth rate, percentages, 2019–S1 2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on 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 constant-price series.

2.4% to 1.9% between the two periods, while in the Caribbean service exports continued to contract (–1.2% and –0.1%, respectively).[42] By contrast, services exports accelerated in early 2026 in South America (from 9.8% to 10.9%) and Central America (from 4.9% to 9.4%).

Travel and KBS sustained growth, while transport also contributed positively. In both 2025 and the first quarter of 2026,

LAC's trade in services continued to grow but remained below the global average.

[42] The rate for the Caribbean for the first quarter of 2026 is an estimate based on data for Belize, Suriname, and Trinidad and Tobago.

TABLE 3 • SERVICES EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN

(Billions of US$ and annual growth rate, 2019–Q1 2026)

	Billions of US$							Growth rate (%)						
	2019	2020	2021	2022	2023	2024	2025	2020	2021	2022	2023	2024	2025	Q1 2026
LATIN AMERICA AND THE CARIBBEAN	**186.8**	**120.4**	**153.4**	**212.9**	**241.2**	**262.3**	**278.5**	**–35.5**	**27.4**	**38.8**	**13.3**	**9.0**	**6.2**	**8.0**
LATIN AMERICA	**175.7**	**115.8**	**146.2**	**201.5**	**227.7**	**248.4**	**264.8**	**–34.1**	**26.2**	**37.8**	**13.0**	**9.1**	**6.6**	**8.1**
MESOAMERICA	**89.5**	**57.0**	**79.8**	**106.6**	**118.7**	**130.1**	**134.9**	**–36.4**	**40.0**	**33.7**	**11.3**	**9.6**	**3.7**	**5.5**
Mexico	44.2	28.5	42.4	53.3	57.7	64.3	65.8	–35.4	48.7	25.5	8.3	11.4	2.4	1.9
Central America	**45.3**	**28.4**	**37.3**	**53.4**	**61.0**	**65.8**	**69.1**	**–37.3**	**31.3**	**43.0**	**14.3**	**7.9**	**4.9**	**9.4**
Costa Rica	10.9	7.9	8.7	13.6	15.6	17.1	18.1	–27.4	9.3	57.3	14.1	9.7	5.9	4.5
El Salvador	3.3	2.2	3.1	4.3	5.2	6.0	6.2	–33.6	41.3	39.3	20.2	14.6	4.4	10.8
Guatemala	3.7	2.6	2.9	3.9	4.3	4.7	4.9	–29.7	11.6	34.7	10.5	8.4	4.5	7.4
Honduras	3.0	2.0	2.8	3.4	3.8	3.8	3.9	–33.6	43.6	18.4	13.7	–1.3	3.3	2.1
Nicaragua	1.4	0.9	1.0	1.6	1.6	1.3	1.4	–31.1	10.4	49.4	–0.1	–16.7	5.8	n.a.
Panama	13.8	8.2	10.7	15.2	17.7	18.4	20.2	–40.4	30.2	42.2	16.9	3.6	9.8	9.7
Dominican Republic	9.3	4.6	8.1	11.4	12.8	14.7	14.4	–50.8	76.9	40.7	12.4	14.4	–1.7	16.5
SOUTH AMERICA	**86.2**	**58.9**	**66.5**	**94.9**	**109.0**	**118.3**	**130.0**	**–31.7**	**12.9**	**42.7**	**14.9**	**8.6**	**9.8**	**10.9**
Argentina	14.8	9.5	9.6	14.4	16.3	17.1	18.3	–35.9	1.0	50.3	13.2	4.9	7.2	12.0
Bolivia	1.4	0.4	0.4	0.9	1.1	1.2	1.3	–70.6	5.8	97.7	25.1	5.4	8.3	19.1
Brazil	33.0	27.5	31.5	40.3	45.5	49.1	54.4	–16.7	14.4	28.0	12.9	8.0	10.8	14.0
Chile	8.5	5.6	5.8	8.6	10.3	11.9	13.0	–34.4	5.2	46.5	19.9	16.0	9.3	–0.9

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TABLE 3 • SERVICES EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN
(Billions of US$ and annual growth rate, 2019–Q1 2026) *(continued)*

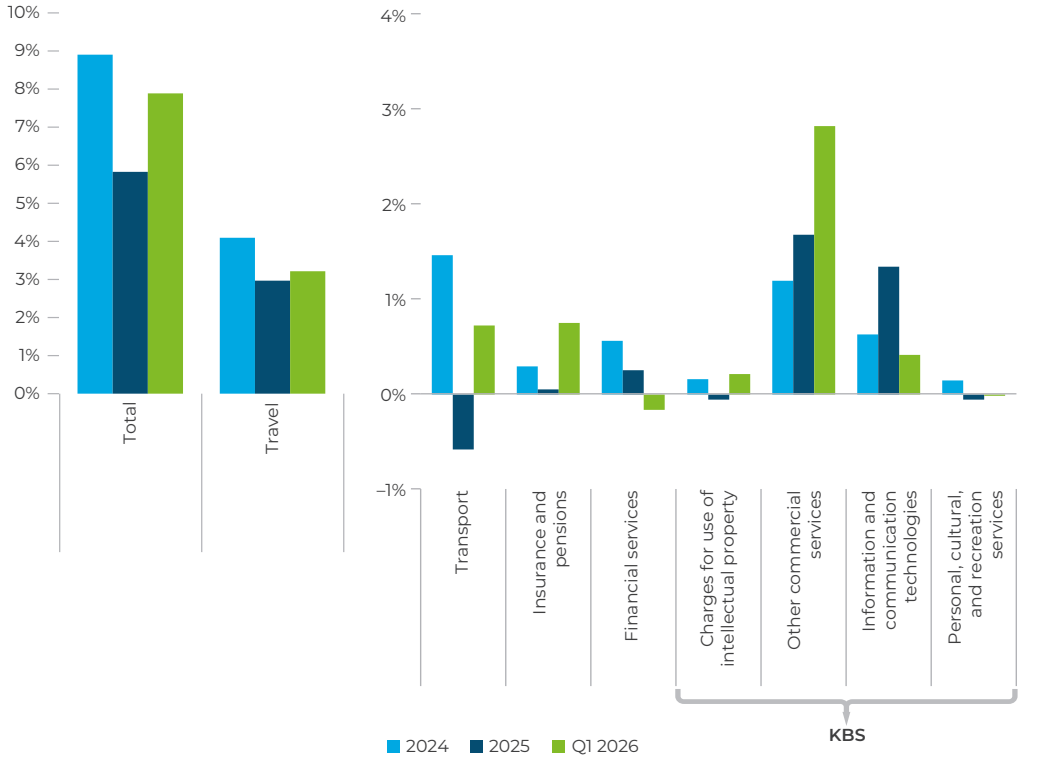
	Billions of US$							Growth rate (%)						
	2019	2020	2021	2022	2023	2024	2025	2020	2021	2022	2023	2024	2025	Q1 2026
Colombia	10.7	5.9	8.2	14.0	16.0	18.0	20.0	−44.6	38.3	71.3	14.3	12.6	10.7	11.3
Ecuador	3.4	2.0	2.4	3.7	4.4	3.9	4.2	−39.5	19.1	51.2	18.6	−10.8	7.8	8.6
Paraguay	2.2	1.4	1.6	2.2	2.6	2.9	3.7	−37.2	15.4	34.9	19.6	13.7	27.1	24.4
Peru	6.6	2.6	2.9	5.0	5.7	7.0	7.6	−60.3	8.3	73.2	16.1	22.1	8.9	11.2
Uruguay	5.5	3.9	4.1	5.9	7.1	7.1	7.4	−29.1	3.5	45.9	19.8	0.8	3.5	3.7
Venezuela	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CARIBBEAN	**11.1**	**4.6**	**7.1**	**11.4**	**13.5**	**13.9**	**13.6**	**−59.0**	**56.7**	**59.2**	**18.7**	**7.0**	**−1.2**	**−0.1**
The Bahamas	4.5	1.3	2.7	4.6	5.1	5.9	5.9	−71.9	113.9	71.4	11.6	14.5	−0.4	n.a.
Barbados	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Belize	0.7	0.4	0.6	0.9	1.1	1.2	1.2	−37.1	45.8	37.1	24.7	10.4	3.6	4.1
Guyana	0.2	0.2	0.2	0.2	0.5	n.a.	n.a.	−20.8	29.9	−0.3	123.1	n.a.	n.a.	n.a.
Haiti	0.4	0.2	0.1	0.1	0.1	0.1	n.a.	−63.4	−22.7	−9.3	34.8	−47.6	n.a.	n.a.
Jamaica	4.4	2.0	2.9	4.5	5.3	5.3	5.1	−54.3	46.1	54.9	16.6	−0.3	−3.8	n.a.
Suriname	0.2	0.1	0.1	0.1	0.2	0.2	0.2	−34.8	−6.5	49.0	21.3	21.9	3.3	43.4
Trinidad and Tobago	0.8	0.4	0.5	0.9	1.2	1.3	1.3	−45.4	5.2	95.0	30.0	7.9	1.2	−9.1

Source: IDB Productivity, Trade, and Innovation Sector, based on data from the IMF and UNCTAD.
Note: Growth rates for regional aggregates were calculated based on countries for which complete data was available for both comparison years. Mesoamerica comprises Mexico and Central America; the latter includes the Dominican Republic. n.a.: complete data were not available for the period. The Q1 2026 figures were calculated using data from 19 countries, representing 95% of LAC service exports in 2024. Data for the Bahamas, Guatemala, Nicaragua, and Peru are sourced from UN Trade and Development (UNCTAD); Q1 2026 data for Guatemala were estimated using IMF statistics.

Knowledge-based services and travel boosted trade in services.

the increase in LAC service exports was buoyed by travel, which contributed 3.0 and 3.2 percentage points (p.p.), respectively, and by KBS[43] (2.9 p.p. and 3.4 p.p.), which emerged as the primary factor underlying the expansion (Figure 11).[44] Transport weighed on growth in 2025 (–0.6 p.p.) but contributed positively in the first quarter of 2026 (0.7 p.p.). Looking ahead, while it is plausible that post-COVID tourism[45] and KBS, primarily "other commercial services," will continue to support the region's exports, transport services are likely to be affected in the coming months by disruptions to international shipping routes and higher freight and logistics costs.

FIGURE 11 • SERVICES EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN BY SECTOR
(Year-on-year growth rate, percentages and percentage points, 2024–Q1 2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from the IMF.
Note: Totals are expressed in percentages, and sector data in percentage-point contributions to total variation. The breakdown is based on a sample of countries that provide disaggregated data by sector and accounted for around 92% of exports in 2024. KBS: knowledge-based services.

[43] This category includes charges for the use of intellectual property; personal, cultural, and recreational services; telecommunications, computer, and information services; and other commercial services.

[44] The sample in Figure 11 (covering 92% of 2024 exports) differs slightly from the sample in Table 3 (95%), which may result in minor discrepancies in totals.

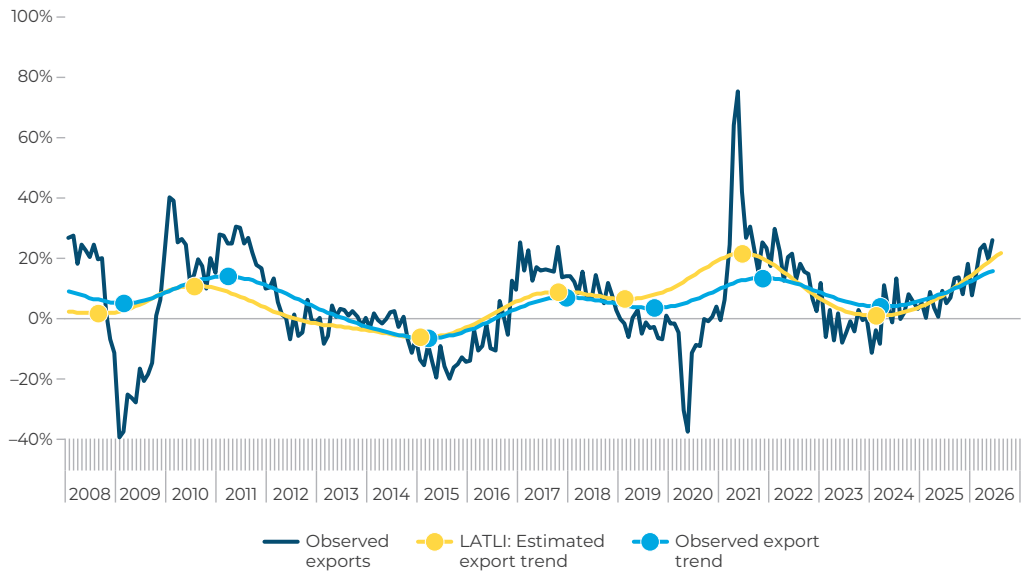
[45] This conclusion should be qualified by noting the lack of data for several tourism-intensive Caribbean economies, such as the Bahamas, Barbados, and Jamaica.

Positive outlook, downside risks

Uncertainty continues to cloud the trade outlook.

Predictive models anticipate that LAC's export expansion will continue into the coming months. The results below provide insights into recent developments and future trends in the region's exports. The first of these is the Latin American Trade Leading Index (LATLI), which is designed to anticipate potential turning points in the growth trend for LAC export values (Figure 12). The second is the Latin American Trade Nowcasting Index (LATNI), which uses a nowcasting methodology to produce real-time estimates of monthly variation in export values for recent months for which official statistics are not yet available.[46] Although estimates are subject to a high degree of variability and uncertainty, the models suggest that the expansion that began in 2024 remains firmly established and is unlikely to change in the coming months, barring unexpected shocks.

FIGURE 12 • CHANGES IN THE TREND OF THE VALUE OF GOODS EXPORTS FROM LATIN AMERICA
(Year-on-year growth rate and LATLI index, 2008–2026)



Source: IDB Productivity, Trade, and Innovation Sector with authors' estimates.
Note: The leading index series shows the trend after the Hodrick-Prescott filter was applied. The circles indicate turning points in the index trend and the observed value of LAC exports.

[46] The nowcasting model provides an instantaneous estimate of the export growth rate for recent periods (in this case, August and September 2026). Official records were not yet available for all LAC countries for these periods at publication, as these are 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 2021b).

Exports are expected to continue expanding.

According to the LATLI (Figure 12), the change in export value trends observed in mid-2024 is expected to hold over the coming months. As indicated by the estimate, none of the model's three specifications[47] anticipates a turning point in the trend within three to four months of the most recent official data observation in July 2026[48] (Figure 12). The model predicts that goods exports have entered a sustained expansionary phase following the slowdown observed in 2021 and 2022 after the post-COVID rebound and the contraction of 2023. In other words, the export rebound observed in 2024 is expected to hold, despite the uncertainty stemming from shifting global trade policies and geopolitical tensions.

Risk signals are appearing.

However, the LATLI components are sending mixed signals. On the one hand, the growth scenario is supported by certain subindices that are closely correlated with LAC goods exports and are used as components of the LATLI: commodity prices, commodity futures, and measures of business sentiment such as purchasing managers' indices for the United States (Figure 13). On the other hand, business sentiment indicators in Mexico, along with auto export indices from Brazil and Mexico, have deteriorated in recent months, which could weaken exports and introduce an element of uncertainty into the forecast.

The balance of risks remains tilted to the downside.

Nevertheless, real-time estimates indicate that exports maintained strong momentum in recent months. The LATNI provides estimates of year-on-year LAC export growth for August and September 2026, months for which official data were unavailable at publication. The model estimates that the region's exports grew by 21.8%–26.4% in August and 26.4%–32.8% in September, after growing 26.1% in July (Figure 14). In any case, the balance of risks remains tilted to the downside due to factors such as the normalization of international prices, fragile global economic growth, instability surrounding trade policies, and the geopolitical environment.

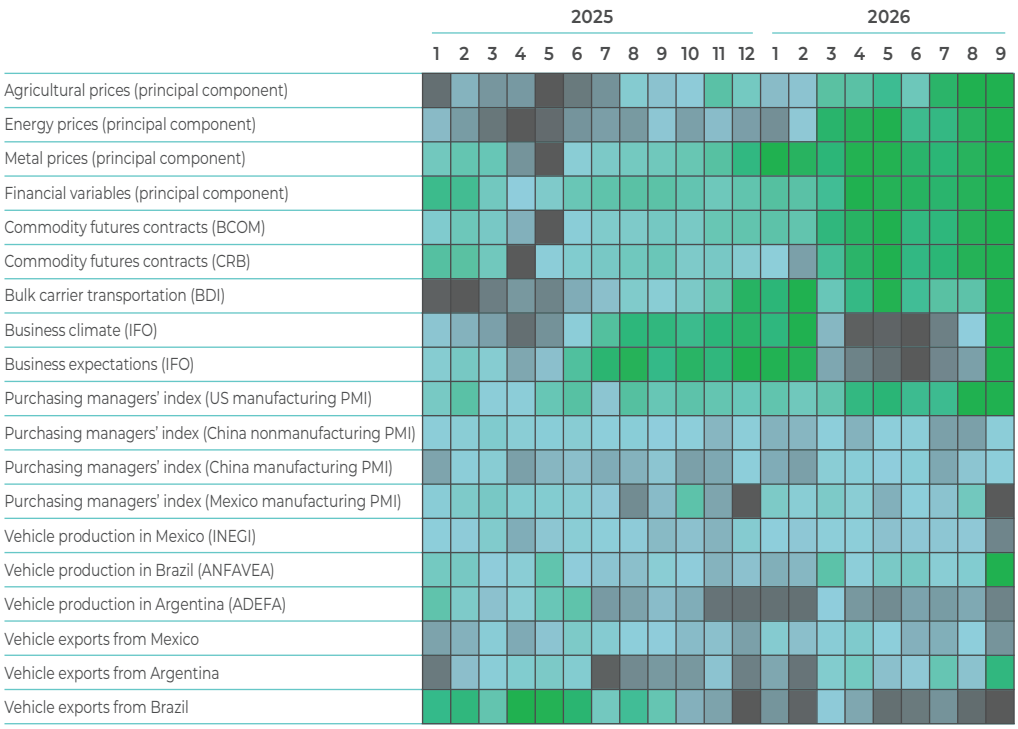
In conclusion, goods exports from LAC outpaced global trade growth in 2025 before accelerating sharply in the first half of 2026. In contrast to global trends, growth in the region was driven mainly by volumes, especially from Mexico. Higher commodity prices

[47] The model uses different variable-weighting methodologies: principal components, simple averages, and constrained ordinary least squares.

[48] The forecast horizon reflects the average lead time of the index relative to observed export growth since 2008. In the latest estimation, which uses data through September 2026, the average lead time was three months for the constrained ordinary least squares specification and four months for both the simple averages and principal component specifications. Accordingly, the index can forecast trends through January 2027 at most.

FIGURE 13 • COMPONENTS OF THE LATLI INDEX FOR EXPORTS FROM LATIN AMERICA

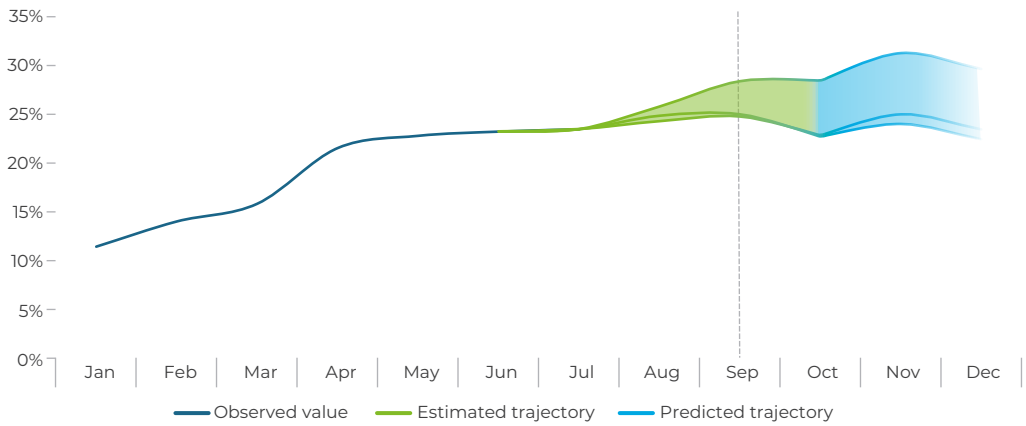
(Year-on-year growth rate, percentages, 2025–2026)



Source: IDB Productivity, Trade, and Innovation Sector with authors' estimates.
Note: The colors indicate growth rates, ranging from lowest (gray) to highest (green), with light blue marking the midpoint (0%). The midpoint for the PMI is the critical threshold of 50. For a detailed description of the estimation methodology, see Giordano et al. (2019 and 2021b).

FIGURE 14 • ESTIMATED VARIATION IN THE VALUE OF EXPORTS FROM LATIN AMERICA

(Quarterly moving average of the year-on-year growth rate, percentages, 2026)



Source: IDB Productivity, Trade, and Innovation Sector with authors' estimates.
Note: Trend predictions are based on the leading index (LATLI), while the estimated growth rate is based on the nowcasting model (LATNI). The predicted trajectory is constructed based on the statistical carryover from the estimated September level. Projections assume no extraordinary stimulus to export growth.

also contributed, particularly in South America and the Caribbean. Price effects, however, varied across subregions: terms of trade improved in South America but worsened in Mexico and Central America. Services exports continued to expand, buoyed by KBS and travel, albeit at a slower pace than global averages. Looking ahead, the predictive models confirm that the trade cycle's expansive phase is set to continue, but in a global environment marked by volatility, uncertainty, and downside risks. In this context, Chapter 3 examines the region's export performance across both intraregional and extraregional destination markets.

3 The Dynamics of Extra- and Intraregional Trade

Latin American and Caribbean export growth was driven primarily by extraregional demand, while intraregional trade integration lost ground. In the first half of 2026, extraregional sales grew 21.4%, driven mainly by the United States, where the region captured a record share of imports, and, to a lesser extent, by China and the European Union. Although intraregional trade also picked up momentum (7.8%), its growth rate was less than half that of exports to the rest of the world, resulting in a lower share of total exports. Similarly, the regional economic integration index fell in 2025, mirroring the broader global decline, as a result of contractions in the trade and physical dimensions. In this context, the provisional application of the MERCOSUR–European Union agreement constitutes an opportunity to broaden market access.

This chapter describes trends in external demand from LAC's main trading partners in 2025 and the first half of 2026. It also explores the performance of extra- and intraregional exports[49] across LAC's main subregional trade blocs: the Pacific Alliance (PA), Central America and the Dominican Republic (CADR),[50] the Andean Community (AC), the Southern Common Market (MERCOSUR), and the Caribbean Community (CARICOM).[51] The chapter also summarizes progress made on various dimensions of economic integration using a synthetic indicator.

[49] In this chapter, "intraregional exports" refer to those shipped to LAC, while "intrabloc exports" refers to trade flows within specific integration schemes.

[50] Although the Central American countries and the Dominican Republic do not constitute a formal integration scheme, they are analyzed together due to their joint membership in the Central American Integration System (SICA), the scale of intrazone trade, and their shared trade ties with the US, their main trading partner, through CAFTA-DR. Although Panama is not party to CAFTA-DR, it has a bilateral trade agreement with the US.

[51] See Methodological Annex 4 for lists of the countries included in each group. Analyses by country of origin were only conducted for the integration blocs in LA. The Caribbean was excluded as an origin as comparable disaggregated data are not available for most countries. However, LAC as a whole is included as a destination market. CARICOM countries were analyzed where reliable data were available.

External demand from trading partners

Trade expanded in a context of economic slowdown.

External demand for LAC goods remained stable despite the slowdown anticipated in global growth. After growing 3.5% in 2025, global GDP is projected to slow to 3.1% in 2026 before rebounding to 3.4% in 2027.[52] Slower global growth did not dampen the momentum of international or regional trade in the first half of 2026, which proved highly resilient amid significant volatility and geopolitical uncertainty. However, the easing of global growth could slow external demand for LAC, with different impacts on key trade partnerships. China's growth is expected to slow gradually, with GDP growth dropping from 5.0% in 2025 to 4.5% in 2026 and 4.0% in 2027. In the Euro area, GDP growth is expected to remain relatively stable, falling from 1.2% in 2025 to 1.1% in 2026, before recovering slightly to 1.2% in 2027. Similarly, US GDP growth is expected to maintain its 2025 rate of growth (2.3%) in both 2026 and 2027. Growth in LAC is projected at 2.3% in 2026, down from 2.5% in 2025, before recovering to 2.5% in 2027. The region's export momentum is therefore all the more notable against this backdrop of slowing global growth.

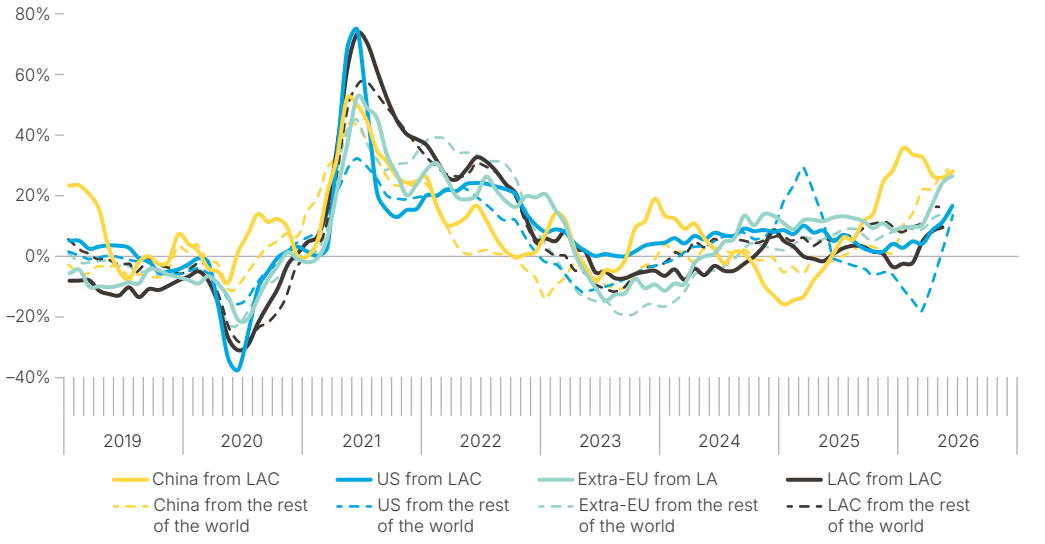
Purchases from LAC by main trading partners grew faster than their imports from the rest of the world, enabling the region to expand its market share in most of these markets. Demand remained robust throughout 2025 and gained further momentum in most markets in the first half of 2026 (Figure 15).[53] EU imports from Latin America expanded by 10.8% in 2025, outpacing extra-EU imports from the rest of the world (7.1%). In the first half of 2026, EU imports from Latin America accelerated to 18.9%, again exceeding purchases from the rest of the world (11.8%) and boosting Latin America's share in extra-EU imports from 5.3% to 5.5% between the two periods. As a result, Latin America recovered part of the EU market share it had lost over the previous decade, after declining from a record high of 5.8% in 2011 to a low of 4.4% in 2022. The provisional application of the MERCOSUR–EU Agreement in May 2026 (Box 6) could help consolidate this recovery. China's imports from LAC rose by 6.2% in 2025, whereas those originating in the rest of the world remained practically flat (–0.3%). Both growth rates accelerated sharply in the first half of 2026, as China's imports from LAC expanded by 30.0% year-on-year and its imports from the rest of the world grew by 26.3%. This growth was driven

EU and Chinese imports from Latin America outpaced their purchases from the rest of the world.

[52] See IMF (2026b).

[53] The data used in this section are drawn from countries' import records and therefore differ from the export figures reported by national sources in the Latin American countries analyzed elsewhere in this report, particularly later in this chapter. These discrepancies reflect not only differences in data sources but also the time lags between export and import reporting. In the case of the United States, the gap is considerable, and the available data do not allow its cause to be identified.

FIGURE 15 • TRENDS IN THE VALUE OF IMPORTS OF SELECTED ECONOMIES
(Quarterly moving average of the year-on-year growth rate, percentages, 2019–2026)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from the US International Trade Commission (USITC), Eurostat, China Customs, IMF, and national sources.
Note: For China, the US, and LAC, reported imports are the aggregate for LAC, while for the EU they are the aggregate for Latin America only.

mainly by increased demand for high-tech products (semiconductors and AI components), agricultural and mineral commodities, and industrial inputs.[54] In this context, LAC's share in China's imports stood at 9.5% in the first half of 2026, slightly below the 2025 average of 9.8% but higher than the 9.2% recorded in the first half of 2025.[55] This change is part of a broader upward trend in LAC's market share in China over the past decade, which has risen continuously from an average of around 6.5% in 2010–2016 to a high point of 9.8% in 2025. The region has thus strengthened its position in two major markets, recovering market share in the EU while maintaining a historically high share in the Chinese market.

The United States was the market where LAC gained the most share, reaching a record high. US imports from LAC expanded by 5.4% in 2025, slightly outpacing growth in imports from the rest of the world (4.4%). In contrast, in the first half of 2026, US imports from the rest of the world fell 3.9% year-on-year, while imports from LAC rose 10.4%. This strong performance expanded the region's share in total US imports from 20.4% in 2025 to a record high of 22.1% in the first half of 2026. This gain is part of a broader upward trend over the last five years, building on LAC's 18% to 19% share throughout the 2010s.

[54] World Bank (2026c).

[55] Although China's imports from LAC grew faster than its total imports in the first half of 2026, LAC's share in total Chinese imports during this period was below the 2025 average, which was driven up by higher market shares in the second half of the year. In the first half of 2025, LAC's market share was 9.2%, below the 9.5% recorded in the first half of 2026.

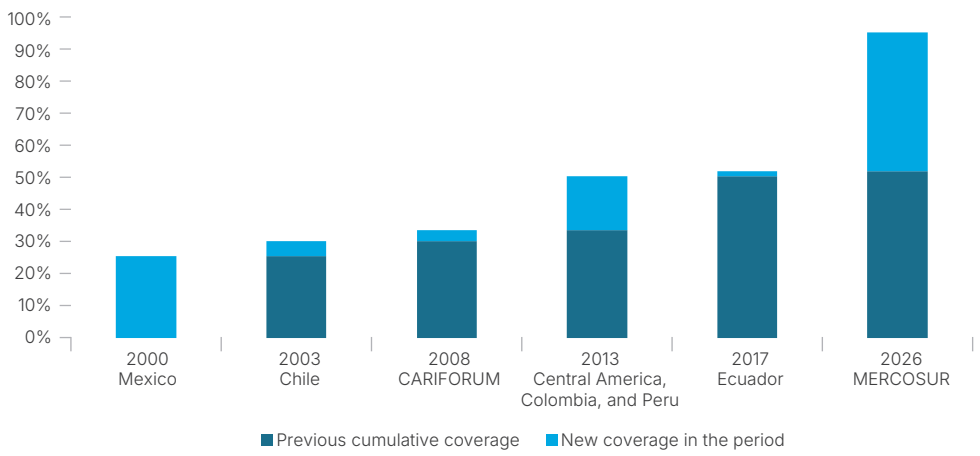
BOX 6 • THE MERCOSUR–EUROPEAN UNION AGREEMENT

On May 1, 2026, the Interim Trade Agreement between MERCOSUR and the EU entered into provisional application, marking the implementation of the trade pillar of the Association Agreement signed in January after nearly three decades of negotiations.[a] According to the European Commission, once fully implemented, the agreement will eliminate tariffs on 92% of MERCOSUR exports to the EU and on 91% of EU exports to MERCOSUR. The timelines of tariff liberalization are asymmetrical: the EU will eliminate tariffs on all industrial goods within 10 years, while MERCOSUR will have phase-out periods of up to 15 years.[b] These changes mark a major leap in scale for MERCOSUR, expanding its preferential access from economies accounting for 7% of global GDP to markets representing nearly 25%.[c]

Computable general equilibrium simulations carried out by the IDB with a horizon through 2040[d] anticipate growth across all four MERCOSUR member countries. In the reference scenario, by 2040 GDP would be 2.7% higher in Argentina, 1.9% higher in Brazil and Uruguay, and 1.1% higher in Paraguay than without the Agreement, while exports to the EU would increase by between 11.5% (Paraguay) and 23.8% (Argentina). However, when the market access component is isolated, GDP gains decrease to between 0.1% and 0.3%. This result indicates that most of the agreement's benefits come not from tariff cuts or increases in tariff-rate quotas, but from the complementary reforms it may catalyze. Agribusiness stands to benefit most, while the automotive, chemical, and textile industries will face increased competitive pressure, mitigated by bilateral safeguards and phase-in schedules of up to 30 years for certain products.

The agreement will also reshape LAC's trade landscape. The EU will now have agreements with countries accounting for nearly 95% of the region's GDP, a level of coverage unmatched by any other extraregional partner (Figure). This coverage is further expanded by the EU–Chile Interim Trade Agreement

COVERAGE OF EUROPEAN UNION TRADE AGREEMENTS IN LATIN AMERICA AND THE CARIBBEAN
(In % of regional GDP, by year of entry into force of each agreement)



Source: IDB Productivity, Trade, and Innovation Sector, based on Michalczewsky et al. (2026), European Commission, and IMF.
Note: Cumulative share of 2025 LAC GDP for countries with active trade agreements with the EU, by year of entry into force.

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BOX 6 • THE MERCOSUR–EUROPEAN UNION AGREEMENT *(continued)*

(in force since February 1, 2025), the modernized trade pillar of the EU–Mexico agreement (signed May 22, 2026, pending ratification), and the MERCOSUR–EFTA agreement (signed September 16, 2025, and bilaterally in force between Brazil and Iceland since October 1, 2026). Sharing a trade partner with similar disciplines could unlock mechanisms such as cumulation of origin, fostering the creation of regional value chains. However, overlapping trade agreements negotiated at different times pose regulatory alignment challenges.

Ultimately, this is MERCOSUR's most ambitious trade agreement to date. Fully realizing its benefits will depend on effective implementation: aligning regulatory frameworks, investing in institutional capacity to manage the agreement, and implementing a robust productivity strategy for the private sector, especially SMEs. For LAC as a whole, the agreement represents an unprecedented opportunity to advance toward greater convergence within the region's trade architecture.

[a] The agreement applies provisionally while a ruling from the Court of Justice of the EU remains pending, following a request by the European Parliament in January 2026. This opinion is required before the formal ratification vote. Alongside the Interim Trade Agreement, Safeguard Regulation (EU) 2026/687 governs sensitive agricultural products. Effective market access will also depend on compliance with the EU Deforestation Regulation (deferred for large and medium-sized operators until December 30, 2026) and the Carbon Border Adjustment Mechanism.
[b] European Commission (2026).
[c] For a more detailed analysis of the agreement's scope and content, see Michalczewsky et al. (2026).
[d] For a more detailed analysis of the agreement's economic impact, see Cicowiez and Giordano (2026).

LAC significantly expanded its share in the US market.

Despite tariff uncertainty, the United States consolidated its role as the primary driver of LAC's export growth, largely because of its productive integration with Mexico. The overall contraction in US imports was the result of multiple factors, including uncertainty around trade policy and a high comparison baseline following the frontloading of purchases and stockpiling in 2025 ahead of anticipated tariff increases. Indeed, while US imports increased by an average of 4.6% in 2025, this growth was concentrated in the first quarter, as firms frontloaded orders before the new tariffs took effect. Imports then contracted in the second half of 2025, a trend that persisted through the first half of 2026.

LAC continued to lose ground as an origin for its own imports.

Lastly, although intraregional trade recovered, it did not increase its overall market share. LAC's intraregional imports, which essentially stagnated in 2025 (–0.1%), increased by an estimated 5.6% in the first six months of 2026. However, stronger relative growth of extraregional imports (7.8% in 2025 and 13.6% in the first half of 2026) led the intraregional market share to contract from 13.4% to 12.7%. After declining steadily, the relative weight of the region as an origin of imports reached a record low, far from the peaks of nearly 20% observed in the early 2010s. In contrast to its performance in the US and EU markets, LAC lost ground to extraregional suppliers within its own market.

In short, demand from LAC's main trading partners, most notably the United States, was the primary driver for export growth. The region expanded its share in key markets despite the slowing of global growth and trade policy uncertainty. Conversely, the region became less significant as a destination market, as confirmed by an analysis of exports by destination.

Intra- and extraregional exports

This section breaks down aggregate LAC exports by geographic destination to identify patterns in intra- and extraregional markets, focusing particularly on the dynamics of the region's main trade blocs.

Extraregional exports accelerated sharply.

LAC's export growth was driven primarily by extraregional markets. After expanding by 7.6% in 2025, Latin America's exports accelerated to 19.5% year-on-year in the first half of 2026. These gains were fueled primarily by extraregional sales, which surged from 8.3% growth in 2025 to 21.4% in the first half of 2026. Intraregional exports also gained momentum, albeit more modestly, rising from 3.1% in 2025 to 7.8% in the first half of 2026. This acceleration was broad-based across LAC's major destination markets: exports to the United States increased from 6.8% in 2025 to 20.8% in the first half of 2026, to China from 12.3% to 25.0%, to the EU from 10.7% to 18.7%, and to the rest of the world from 8.2% to 21.4% (Table 4). The United States was the main engine of regional export growth, its contribution climbing from 3.1 percentage points (p.p.) in 2025 to 9.6 p.p. in the first half of 2026. Contributions from other partners also expanded: China's went from 1.6 to 3.4 p.p., the EU's from 0.9 to 1.7 p.p., and the rest of the world's from 1.5 to 3.8 p.p. Meanwhile, intraregional exports contributed 0.4 p.p. to overall export growth in 2025 and 1.1 p.p. in the first half of 2026. Recent trends have thus reinforced the extraregional orientation of LAC's export profile.

Export performance improved across nearly all integration blocs.

Between 2025 and the first half of 2026, exports from Latin America accelerated across nearly all the subregional integration blocs, most notably in the PA, the AC, and MERCOSUR. However, performance varied significantly by export destination. Growth in sales to the United States accelerated particularly in the PA and AC, while CADR exports lost momentum and MERCOSUR exports contracted. Sales to the EU from the PA and MERCOSUR picked up speed, contrasting with slower growth in sales from the AC and CADR. China saw the most broad-based expansion, with export growth accelerating across all four subregional blocs. A similar pattern emerged in exports to the rest of the world, particularly the rest of Asia, which also accelerated in all blocs, except CADR. Intraregional export growth gathered momentum across all the region's integration schemes; notably, the AC rebounded from its

TABLE 4 • EXPORTS FROM LATIN AMERICA TO MAIN TRADING PARTNERS BY INTEGRATION BLOC
(Year-on-year growth rate, percentages, 2025–S1 2026)

		Extra-LAC					
Origin	LAC	Extra-LAC	US	EU	China	RoW	Total
				2025			
Latin America	**3.1**	**8.3**	**6.8**	**10.7**	**12.3**	**8.2**	**7.6**
PA	0.1	9.8	7.7	12.3	15.5	16.2	9.1
AC	–1.5	17.5	3.9	31.5	24.9	14.5	12.6
CADR	4.1	14.4	5.9	25.7	4.5	39.0	11.0
MERCOSUR	4.5	4.5	–0.7	5.0	9.2	2.5	4.5
				S1 2026			
Latin America	**7.8**	**21.4**	**20.8**	**18.7**	**25.0**	**21.4**	**19.5**
PA	9.9	24.7	23.3	30.1	25.8	28.7	23.6
AC	8.6	27.2	12.5	13.9	38.4	35.8	23.1
CADR	4.6	9.9	5.3	8.6	20.3	25.4	8.3
MERCOSUR	8.2	15.4	–4.9	13.9	23.6	17.3	13.9

Source: IDB Productivity, Trade, and Innovation Sector, based on data from official national sources.
Note: RoW—Rest of the World.

2025 contraction. Overall, export acceleration was broad-based, but was primarily driven by extraregional markets.

In the first half of 2026, intraregional trade accounted for 12.2% of Latin American exports, 1.4 p.p. lower than the 2025 average (13.6%) and 1.3 p.p. below the figure for the first half of 2025 (13.5%) (Table 5).[56] The decline was widespread, with the ratio contracting across all four subregional trading blocs (Table 5). In other words, intraregional trade played a role in overall expansion but failed to keep pace with the aggregate.[57]

Intraregional trade expanded but trailed behind extraregional growth.

Trade within the various subregional blocs accounted for only a modest share and lost share in all of them. In the first half of 2026, intrabloc trade was more significant for CADR (21.0%) and MERCOSUR (10.1%) than for the PA (1.9%), due to the scale of Mexican exports to the US. Although intrabloc trade within the AC accounted for only a small share

[56] The decline compared to the first half of 2025 reflects the slower growth of intraregional exports relative to total exports (7.8% and 19.5%, respectively). The ratio remained virtually unchanged throughout 2025, standing at 13.5% in the first half of the year and averaging 13.6% for the full year.

[57] The intraregional trade coefficient measures the share of exports from Latin America to LAC in total exports, whereas the intrabloc coefficient measures exports to partners within the same subregional integration mechanism.

TABLE 5 • INTRAREGIONAL AND INTRABLOC TRADE COEFFICIENTS
(Share of intrabloc and intraregional exports in total exports, percentages, 2025 and S1 2026)

	2025		S1 2026	
	Intrabloc	LAC	Intrabloc	LAC
Latin America		**13.6**		**12.2**
PA	2.0	7.3	1.9	6.3
AC	5.2	22.8	4.4	19.9
CADR	22.5	31.0	21.0	28.9
MERCOSUR	11.1	21.3	10.1	20.4

Source: IDB Productivity, Trade, and Innovation Sector, based on data from official national sources.
Note: "Intrabloc" refers to exports to other members of the same subregional trade bloc. The Caribbean countries were excluded as an export origin due to the lack of comparable disaggregated data.

Intrabloc trade lost market share.

of the bloc's total exports (4.4%), LAC as a whole was a much more significant destination market (19.9%). Between 2025 and the first half of 2026, the intrabloc trade coefficient fell in all blocs. The broader intraregional trade coefficient fell more than the intrabloc coefficient in the PA, the AC, and CADR, while both ratios evolved similarly in MERCOSUR (Table 5).

Overall, regional exports grew robustly, but this growth was largely outward-looking: extraregional markets accounted for 18.5 percentage points of the total 19.5% expansion recorded in the first half of 2026. Although intraregional trade accelerated, it lost share in total trade, while intrabloc trade posted an even weaker performance.

Trade flows by bloc

The following section discusses trends in intra- and extraregional trade flows in the subregional integration blocs and their respective member countries (Table 6).

Pacific Alliance

Exports from the PA increased by 9.1% in 2025, driven by higher external sales in all four member states: Mexico, Chile, Colombia and Peru (Table 6). Export growth was propelled by extraregional exports. Key drivers included higher Mexican manufacturing sales to the United States, notably of data-processing equipment, and increased shipments of copper from Peru and Chile to China and of coffee from Colombia to the EU. Meanwhile, intrabloc trade rose by 4.6%, driven largely by increased exports of coffee from Peru to Colombia and of copper and copper concentrates from Colombia to Peru. The PA was the bloc where trade grew fastest in the first half of 2026, with momentum

TABLE 6 • EXPORTS TO MAIN TRADING PARTNERS BY COUNTRY AND INTEGRATION BLOC

(Year-on-year growth rate, percentages, 2025–S1 2026)

	Intra-LAC		Extra-LAC					
Origin	Intrabloc	LAC	Extra-LAC	US	EU	China	RoW	Total
				2025				
PA	**4.6**	**0.1**	**9.8**	**7.7**	**12.3**	**15.5**	**16.2**	**9.1**
Chile	6.5	3.9	12.8	13.2	21.0	8.9	15.8	11.6
Colombia	0.6	−5.7	6.2	3.7	20.7	−30.8	13.0	1.3
Mexico	0.4	0.9	7.9	7.7	2.5	11.2	12.5	7.6
Peru	12.7	5.4	25.1	7.1	25.1	31.2	25.8	22.7
CADR	**3.9**	**4.1**	**14.4**	**5.9**	**25.7**	**4.5**	**39.0**	**11.0**
Costa Rica	6.2	4.5	17.0	13.5	19.2	22.4	31.2	13.8
El Salvador	3.1	2.2	1.4	−2.5	36.4	−3.8	14.5	1.9
Guatemala	4.9	2.9	11.6	3.1	18.5	3.4	37.3	7.1
Honduras	4.8	4.9	12.9	1.1	57.0	38.6	44.6	10.4
Nicaragua	−3.5	−3.6	24.0	13.3	42.2	20.1	36.4	15.4
Panama	12.0	33.6	37.8	−20.7	−1.9	19.3	108.6	36.9
Dominican Rep.	−0.3	16.4	10.3	2.2	18.4	−7.2	38.7	11.2
AC	**7.7**	**−1.5**	**17.5**	**3.9**	**31.5**	**24.9**	**14.5**	**12.6**
Bolivia	2.4	−12.6	22.2	52.4	11.0	29.4	19.1	8.3
Colombia	9.4	−5.7	6.2	3.7	20.7	−30.8	13.0	1.3
Ecuador	0.1	4.4	9.5	−2.1	53.1	17.6	−26.7	7.9
Peru	13.9	5.4	25.1	7.1	25.1	31.2	25.8	22.7
MERCOSUR	**8.7**	**4.5**	**4.5**	**−0.7**	**5.0**	**9.2**	**2.5**	**4.5**
Argentina	−4.7	−2.8	16.8	28.6	2.7	61.6	8.6	9.3
Brazil	26.8	11.2	1.9	−6.5	4.8	5.7	0.3	3.3
Paraguay	−2.6	−2.4	15.3	43.5	−8.3	−14.4	16.5	1.5
Uruguay	−14.0	15.3	−17.1	−23.5	−33.2	−18.8	10.7	9.3
				S1 2026				
PA	**16.8**	**9.9**	**24.7**	**23.3**	**30.1**	**25.8**	**28.7**	**23.6**
Chile	8.1	8.4	15.1	7.8	17.2	7.7	30.6	14.2
Colombia	33.8	17.1	12.8	5.5	33.9	−47.4	20.6	14.2
Mexico	15.6	6.1	25.3	24.5	41.9	50.3	20.9	24.6
Peru	12.0	9.3	37.2	19.5	12.1	43.1	45.2	34.0

(continued on next page)

TABLE 6 • EXPORTS TO MAIN TRADING PARTNERS BY COUNTRY AND INTEGRATION BLOC
(Year-on-year growth rate, percentages, 2025–S1 2026) *(continued)*

	Intra-LAC		Extra-LAC					
Origin	**Intrabloc**	**LAC**	**Extra-LAC**	**US**	**EU**	**China**	**RoW**	**Total**
CADR	**3.0**	**4.6**	**9.9**	**5.3**	**8.6**	**20.3**	**25.4**	**8.3**
Costa Rica	6.6	7.3	5.3	–1.5	13.1	50.5	24.5	5.8
El Salvador	0.2	1.6	7.8	5.1	6.8	33.0	26.5	4.1
Guatemala	2.0	3.3	6.4	3.1	25.1	177.3	–0.9	4.9
Honduras	1.4	5.1	3.2	3.1	3.0	1.7	3.7	3.7
Nicaragua	4.2	–3.5	35.3	42.5	15.7	–32.4	44.4	25.7
Panama	21.3	–0.2	–21.9	9.6	–54.8	–38.7	–8.6	–22.1
Dominican Rep.	26.6	17.9	14.3	3.1	–5.7	41.8	55.3	14.8
AC	**6.6**	**8.6**	**27.2**	**12.5**	**13.9**	**38.4**	**35.8**	**23.1**
Bolivia	11.2	1.0	82.9	15.4	61.1	101.2	90.7	55.0
Colombia	–0.7	17.1	12.8	5.5	33.9	–47.4	20.6	14.2
Ecuador	13.7	–1.3	6.4	19.6	–4.3	22.9	–15.9	4.0
Peru	8.8	9.3	37.2	19.5	12.1	43.1	45.2	34.0
MERCOSUR	**0.6**	**8.2**	**15.4**	**–4.9**	**13.9**	**23.6**	**17.3**	**13.9**
Argentina	8.7	9.5	32.9	42.9	22.3	59.1	27.9	24.4
Brazil	–11.8	5.2	12.7	–13.2	12.9	21.5	14.6	11.5
Paraguay	26.8	23.6	6.1	41.3	3.5	39.3	–4.3	19.5
Uruguay	2.3	6.9	2.7	–12.9	7.8	14.5	3.1	3.9

Source: IDB Productivity, Trade, and Innovation Sector, based on data from official national sources.

PA exports expanded due to momentum in extraregional sales.

across all destination markets. Total PA exports accelerated to 23.6%, buoyed by extraregional sales (up by 24.7%), although exports to LAC as a whole also increased (9.9%). The PA's major trade flows included sales of data-processing machinery from Mexico to the US; gold from Peru to India; copper from Chile to China; oil from Colombia to the US; and gold from Colombia to Europe. Intrabloc trade also gained momentum, expanding by 16.8% due to higher exports of copper and copper concentrates from Colombia to Peru and increased sales from Mexico to the three other PA member states. The PA thus drove the region's overall momentum, supported by Mexico's productive integration with the United States and strong metal prices. Nevertheless, the PA's intrabloc trade remains marginal, despite recent growth.

Central America and the Dominican Republic

CADR was the only bloc where exports slowed.

Total CADR exports rose by 11.0% in 2025, driven by growth in extraregional sales (14.4%), primarily to the EU and the United States. Exports to LAC rose by 4.1%, while intrabloc trade increased by 3.9%, with increases in most member countries, except Nicaragua and the Dominican Republic. Intra-CADR trade featured a higher share of industrial products, such as processed foods, medicines, and intermediate goods. CADR was the only bloc where exports slowed in the first half of 2026, although extraregional demand kept growth on positive ground. Total CADR exports increased by 8.3% due to gains in both extra- and intraregional sales (9.9% and 4.6%, respectively). This performance was again driven by extraregional demand, with increased shipments to the United States, China, and the rest of the world. Intrabloc trade also contributed to total growth, with all member countries reporting export gains. Notable results included Costa Rica's higher exports of precision medical equipment to Honduras, along with electrical and electronic equipment to Honduras and Guatemala. Similarly, exports from Guatemala to Honduras and El Salvador increased, led by edible fats and oils and pharmaceutical products. CADR stands out for its high levels of intrabloc integration and industrial trade, even as it remains heavily reliant on the US market.

Andean Community

The AC's extraregional exports offset the drop to LAC.

Total exports from the AC rose by 12.6% in 2025, driven by extraregional sales. Key contributions to this outcome included Peru's rising metal exports—copper, silver, and zinc to China and gold to India, Canada, the United Arab Emirates and Australia—along with coffee from Colombia and Peru and shrimp and cocoa from Ecuador. Exports to LAC contracted by 1.5% due to lower trade flows from Bolivia and Colombia. In contrast, intrabloc trade increased by 7.7%, driven mainly by higher Peruvian exports of coffee to Colombia and fishmeal to Ecuador. The AC sustained strong export momentum in the first half of 2026, buoyed by extraregional exports of minerals and foods. The bloc's total exports accelerated to 23.1%, fueled by increased extraregional sales (27.2%) in all four member states, with notable contributions from Bolivia and Peru. Exports to LAC increased by 8.6%. Major trade flows included exports of gold from Peru to India and of shrimp from Ecuador to China. Intrabloc trade rose by 6.6%, driven by higher copper exports from Peru to Colombia and Ecuador, from Colombia to Peru, and from Ecuador to Peru, although Colombia's total intrabloc exports declined slightly (–0.7%). Higher metal prices bolstered extraregional sales and intrabloc trade, with copper playing a key role.

Southern Common Market (MERCOSUR)

MERCOSUR offset falling exports to the United States with increases to China and the EU.

MERCOSUR exports expanded by 4.5% in 2025, fueled by higher sales to China, the EU, and the rest of the world, which offset the drop in exports to the United States, mainly from Brazil. Overall export growth reflected the increase in exports from all member states: Argentina (9.3%), Brazil (3.3%), Paraguay (1.5%), and Uruguay (9.3%). Intrabloc trade increased by 8.7%, driven largely by the increase in Brazilian exports of transport equipment and electrical machinery to Argentina. In the first half of 2026, MERCOSUR exports accelerated to 13.9%, supported by both sales outside LAC (15.4%) and within the region (8.2%). Exports to China and the EU expanded, whereas those to the United States fell, mainly due to lower sales from Brazil. The key drivers of export growth to China included higher sales of crude oil, beef, soybeans, and iron ore from Brazil, which more than offset sharp drops in Brazilian exports of sugar, tobacco, and coffee, alongside increased sales of lithium carbonate, soybeans, and beef from Argentina. In contrast, the contraction in Brazilian exports to the United States was mainly due to lower shipments of oil and coffee. Meanwhile, intrabloc trade was largely flat at 0.6%, weighed down by lower Brazilian exports of transport equipment and electrical machinery to Argentina. MERCOSUR diversified its exports toward China and the EU while intrabloc trade stagnated, highlighting the strategic importance of its agreement with the EU (Box 6).

Caribbean Community

CARICOM's export growth was strong but concentrated in a few countries.

Based on data for a sample of countries,[58] CARICOM exports rose by 12.2% in 2025 and 19.1% in the first half of 2026, propelled by Guyana and Suriname. The remaining countries posted declines over both periods, except the Bahamas, which recorded growth in the first half of 2026 (0.7%). The bloc's export growth remains concentrated in a handful of countries and products, with oil accounting for a growing share, which leaves Guyana vulnerable to volatility in fuel prices, while gold dominates Suriname's exports.

This subregional analysis confirms a broader pattern: although LAC exports accelerated across the board, in every bloc growth was driven by extraregional demand, while intrabloc trade grew at a slower pace or stagnated. Differences across the various

[58] The figures for the Caribbean countries were drawn from data for the first half of 2026 for Barbados, Belize, Guyana, and Trinidad and Tobago; through April for Jamaica; and for the first quarter of the year for the Bahamas and Suriname. Due to data limitations in official records, it is not possible to separate Caribbean exports to Latin America from those bound for the rest of the world.

blocs primarily reflect their specialization patterns: productive integration with the United States in the PA and CADR, metals in the AC, and agricultural and energy products in MERCOSUR.

Progress on economic and trade integration

The aggregate integration index for LAC synthesizes economic integration across four dimensions, providing a framework for tracking progress and comparing it with other regions, subject to the usual caveats inherent to composite indicators (metric selection, normalization, and weighting). The indicator covers four core dimensions of regional integration: trade, productive, physical, and institutional integration[59] (Table 7).

Integration declined globally.

In 2025, the overall integration index declined again in comparison with the previous year (Figure 16a). The largest drop was in Africa (–2.8%), followed by Europe (–1.0%), Asia (–0.7%), and LAC (–0.2%). LAC remains among the least integrated regions in the world, below Asia and, most notably, Europe across all four dimensions, outperforming only Africa in trade, productive, and physical integration (Figure 16b).

The drivers of the decline differed across regions. In Africa, the drop in the index was explained mainly by the sharp drop in productive integration (–10.3%) due to a contraction in trade in intermediate goods, alongside a decline in trade integration (–5.6%). Conversely, physical integration improved by 10.2% due to gains in intraregional liner

TABLE 7 • DIMENSIONS AND SUBINDICATORS OF THE REGIONAL INTEGRATION INDICATOR

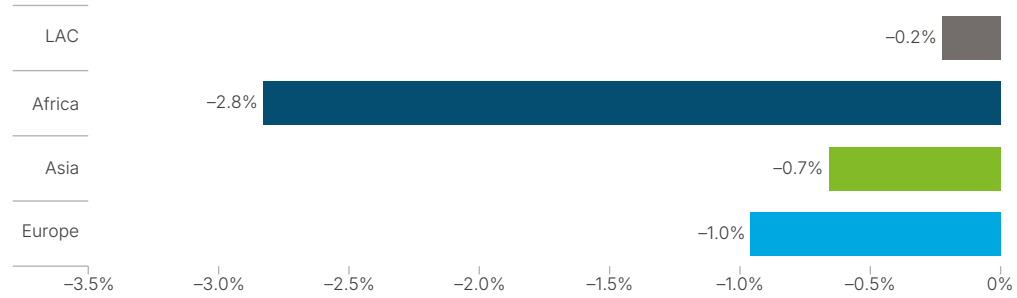
Trade	Intraregional share of exports of goods
	Intraregional share of imports of goods
	Intraregional trade intensity index
	Number of products exported intraregionally
Productive	Intraregional intraindustry trade index
	Intraregional share of intermediate goods exports
	Intraregional share of intermediate goods imports
Physical	Liner shipping connectivity index
Institutional	Share of LAC countries with which trade agreements are in force
	Share of LAC countries with which investment agreements are in force
	Share of LAC countries with which double taxation agreements are in force

Source: IDB Productivity, Trade, and Innovation Sector.

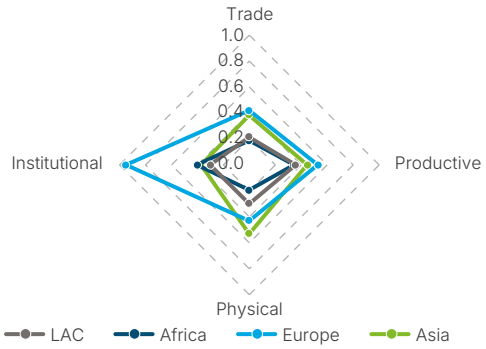
[59] For a detailed explanation of the methodology used to construct the indicator and an analysis of long-term trends, see Giordano et al. (2021a). Specific factors affecting this edition's update are detailed in Methodological Annex 5.

FIGURE 16 • ECONOMIC INTEGRATION INDEX
(Selected regions, 2025)

a. Rate of change in the aggregate index



b. By dimension



Source: IDB Productivity, Trade, and Innovation Sector.

Productive integration deteriorated in all regions except LAC.

shipping connectivity. Declines were observed in both Asia and Europe, although driven by different factors. In Asia, the decline was concentrated in physical integration (–2.4%), which was partially offset by gains in institutional integration (+0.9%), following the entry into force of new investment and double taxation treaties. In Europe, the drop in physical integration (–5.4%) outweighed minor improvements in trade and institutional integration (+0.2% and +0.3%, respectively).

The integration indicator declined overall in LAC, albeit marginally, due to contractions in two dimensions: trade (–3.3%) and physical integration (–2.5%).[60] The drop in trade was due to decreases in the shares of intraregional exports (–6.6%) and intraregional imports (–4.9%) and in the intensity of intraregional trade (–6.5%), only partially offset by the increase in the number of products exported within the region (+3.7%). Physical integration

[60] The aggregate indicator and its individual dimensions are calculated as simple averages of normalized levels. Consequently, changes in the aggregate score do not equal the simple average of changes in the individual dimensions.

Improvements in LAC's productive integration failed to offset declines in trade and physical integration.

deteriorated as liner connectivity fell (–2.5%). Conversely, productive integration improved by 3.6%, buoyed by a higher share of intermediate goods in intraregional trade for both exports (+3.4%) and imports (+4.3%). The institutional integration score remained unchanged, as no new trade, investment, or double taxation agreements entered into force between LAC countries in 2025.[61] Thus, the overall decline reflected deteriorating trade and liner connectivity, with no changes to the institutional framework.

Significant gaps remain in nearly all dimensions of integration.

Nonetheless, LAC continues to lag behind Asia and Europe in every dimension of integration. The widest gap appears in institutional integration, where LAC scores 0.30, compared to 0.95 in Europe, 0.40 in Africa, and 0.37 in Asia.[62] The gaps in trade and productive integration are narrower, while LAC scores 0.30 on physical integration, behind Asia (0.53) and Europe (0.43), and outperforming only Africa (0.19). Because the widest gaps (institutional and physical integration) are heavily shaped by policy decisions, there is significant scope for action.

Integration contracted in MERCOSUR, the PA, and the AC, but expanded in CADR and CARICOM.

Subregional measurements of integration with the rest of LAC[63] reveal that the decline in the regional aggregate was driven by contractions in MERCOSUR (–2.4%), the PA (–2.2%), and the AC (–1.8%) (Figure 17). The exceptions were CARICOM and CADR. In the former, the index rose by 3.3%, boosted by a sharp gain in productive integration (+19.2%) and, to a lesser extent, trade (+2.7%).[64] CADR's aggregate score increased by 0.3% due to minor gains in physical and productive integration (+0.9% and +0.7%, respectively). Trade integration deteriorated in all the remaining blocs, falling by 7.7% in the AC, 6.8% in the PA, and 5.4% in MERCOSUR. Physical integration declined in the PA (–6.5%), AC (–5.5%), CARICOM (–3.1%), and MERCOSUR (–0.6%). Lastly, institutional integration remained unchanged in all five subregions, reflecting the lack of new intraregional agreements entering into force during the year.

In summary, the synthetic indicator confirms the structural trend observed in trade flows: recent export growth has not translated into deeper regional integration. With

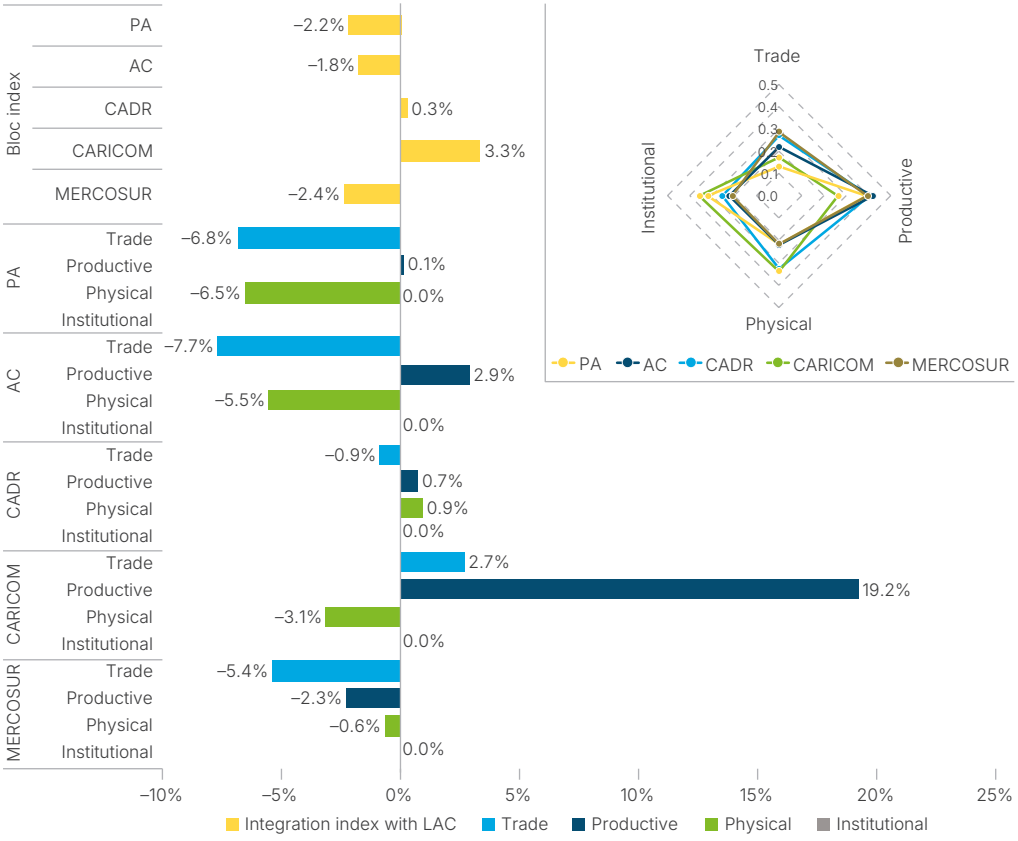
[61] The agreement indicators only track the entry into force of new agreements but do not reflect the amendments, updates, or expansions of existing agreements. As a result, the indicator does not reflect updates to trade agreements already in force that further deepen or expand trade relations among LAC countries.

[62] This comparison should be interpreted with caution: the indicator measures the number of agreements, rather than their depth or actual utilization, and excludes partial scope agreements.

[63] The indicator discussed in this paragraph measures the relations between each bloc's member countries and all other LAC countries, and not only with those within the same integration scheme.

[64] This result should be interpreted with caution, given the limited coverage of Caribbean trade data.

FIGURE 17 • DIMENSIONS OF ECONOMIC INTEGRATION IN LATIN AMERICA AND THE CARIBBEAN, BY BLOC
(Rate of change and levels, 2025)



Source: IDB Productivity, Trade, and Innovation Sector.

no new intraregional agreements entering into force and setbacks in liner connectivity, promoting integration effectively will require an agenda that combines infrastructure, regulatory convergence, and leveraging extraregional trade deals such as the agreement with the EU.

Overall, LAC's foreign trade expanded significantly throughout 2025 and the first half of 2026, despite more moderate growth prospects among its main trading partners. The region's performance was driven by extraregional demand: exports to the United States, China, the EU, and the rest of the world accelerated in the first half of 2026, increasing LAC's share in the US and European markets. Intraregional trade also picked up speed, but lost share in total trade because extraregional demand grew faster. Export growth accelerated in nearly all LAC integration blocs, with the sole exception of CADR. In parallel, MERCOSUR exports to the United States contracted, driven primarily by lower shipments

from Brazil. From a broader perspective, LAC's economic integration index fell in 2025, mirroring the global decline. In this context, the provisional application of the MERCOSUR–EU Agreement represents an opportunity for the region to diversify its export markets and advance toward greater convergence within the regional trade architecture. Building on this assessment, Chapter 4 examines the conditions needed to capitalize on LAC's trade resilience and translate it into new FDI opportunities.

4

Foreign Direct Investment in Comparative Perspective

Global foreign direct investment has stagnated over the past decade, but this stagnation has been concentrated in economies that function as capital transit platforms; excluding these countries, flows grew by 26.4%. Latin America and the Caribbean received 4.5% less investment in 2023–2025 than in 2012–2014 and lost share in global foreign direct investment stocks. Despite this trend, it continues to attract more investment relative to the size of its economy than any other region analyzed. Within the region, Mexico, Central America, and the Caribbean (driven by Guyana) gained ground compared to South America. From the perspective of source economies, Latin America and the Caribbean increased its share of US outward stock, held its share in European Union stock (after accounting for transit flows), and lost share in China, although Mexico gained share across all three investors. Econometric analysis indicates that double taxation treaties and bilateral investment treaties are associated with a higher probability of an active investment relationship between two economies. This association is particularly strong when the destination market's institutional frameworks are weak. Likewise, when trade agreements are paired with these treaties, they are found to reinforce their benefits.

Chapters 1–3 showed that the region's exports grew faster than the world average despite global shocks, gained market share in the United States and European Union (EU), and stand to gain broader preferential market access through the provisional application of the MERCOSUR–EU Agreement. The region's trade resilience raises an important medium-term question: how far can it be leveraged to attract larger volumes of higher-quality foreign direct investment (FDI)?[65] Exporting and establishing production overseas share common

[65] The IDB has long been committed to monitoring this agenda. López and García (2020) review definitions, determinants, and impacts of FDI and public policies relating to it; Volpe Martincus and Sztajerowska (2019) mapped investment promotion agencies in LAC and OECD countries; and Volpe Martincus (2021) systematized the evidence on multinational production and investment promotion. Evaluations using firm-level data show that agency assistance increases the likelihood that a multinational will establish operations in the country, particularly where information frictions are higher (Volpe Martincus et al., 2020; Carballo, Marra de Artiñano, and Volpe Martincus, 2020 and 2026), with effects on linked domestic firms (Carballo, Marra de Artiñano, and Volpe Martincus, 2019) and sustainability (Carballo et al., 2023). Recent studies analyze trade policy (Graziano, Sztajerowska, and Volpe Martincus, 2024), workforce skills (Lassmann and

drivers, including transaction costs, market access, factor endowments, and institutional quality.[66] The outcomes of both are increasingly interdependent, as a major share of the region's trade originates in local subsidiaries of foreign companies and their local supply networks.[67] Trade and investment agreements are one of the channels through which this relationship can be activated. This chapter examines the region's status as an investment destination for its main trading partners and analyzes how international agreements relate to stronger investment attraction, and how this relationship varies with the quality of institutional architecture in destination markets.

From a policy perspective, the relationship between trade and investment is of primary importance, as the potential development impact of FDI extends well beyond its role as a source of external financing. Multinational enterprises are larger, more capital-intensive, and more likely to export and innovate than their domestic counterparts. They generate spillovers across the productive ecosystem through supplier linkages, labor mobility, and the spread of technology. Through them, FDI drives productivity gains, job quality, and export diversification.

However, the quality and comparability of FDI data remain a key constraint: lags in balance of payments reporting, insufficient disaggregation by source and sector, and methodological differences across sources hinder timely analysis of trends.[68] Consequently, this chapter draws on multiple sources, combining global aggregates with FDI data published by investor countries, allowing sectoral breakdowns and revealing profitability metrics that host-country data fail to capture. In practice, this means countries often design investment attraction policies using data that reflect corporate structures and transit jurisdictions rather than real economic activity,[69] while assessing outcomes with some lag. Improving this statistical infrastructure, by attributing flows to the ultimate investing economy and disaggregating by source and sector, is essential to designing policies to attract larger volumes of higher-quality investment.

This chapter addresses three questions that standard analyses of FDI fail to answer: which destinations is Latin America and the Caribbean (LAC) competing against when firms choose production locations, what is the composition of real investment flows entering the region, and which international agreements are linked to active investment relationships. Addressing these issues requires analyzing FDI from the investor's perspective, not only

Volpe Martincus, 2025), and *multilatinas* (Blyde et al., 2025). On the impacts of FDI, see also Javorcik (2004), Harrison and Rodríguez-Clare (2010), Harding and Javorcik (2011), Alfaro (2017), Setzler and Tintelnot (2021), and Alfaro-Ureña, Manelici, and Vasquez (2022).

66 For a more detailed discussion of these topics, see Helpman, Melitz, and Yeaple (2004), Ramondo and Rodríguez-Clare (2013), and Antràs and Yeaple (2014).

67 See Freund and Moran (2017) and Carballo, Marra de Artiñano, and Volpe Martincus (2026).

68 See Rozemberg and Gayá (2021).

69 The results for each section are presented with and without the 20 transit economies identified by Damgaard, Elkjaer, and Johannesen (2019); the number actually excluded depends on how many are identified by each source (see Methodological Annex 6, Section 6.1.2).

from that of the host country. Outward FDI statistics from the United States, the EU, and China provide insight into LAC's weight in each partner's global portfolio, shedding light on how much investment the region receives, how important it is in investor decisions, and what alternative destinations it is competing against. From a medium-term structural perspective, this chapter complements existing reports that evaluate FDI primarily from the host country's point of view using balance of payments data.[70] Specifically, one of the chapter's key contributions is positioning LAC against each investor's alternative destinations, deducting transit jurisdictions, and estimating the association between investment and both international and domestic regulatory architecture.

Investment inflows in the global context

In 2023–2025, global FDI flows in dollar terms remained unchanged from 2012–2014 levels. As a share of global GDP, FDI flows reached their lowest point in all the periods analyzed. However, this stagnation was concentrated in a small group of transit jurisdictions.[71] Excluding these transit economies, global flows grew by 26.4% over the last decade. LAC failed to match this growth: in the most recent period, it received 4.5% less investment than in the baseline, while its FDI stock grew more slowly than the global average, reducing the region's share of global stock. Nevertheless, LAC continues to attract more FDI relative to the size of its economy than any other region analyzed. Internally, regional dynamics have shifted: South America lost ground, Mexico and Central America expanded their shares, and the Caribbean experienced a sharp increase driven almost entirely by Guyana. LAC's outward FDI is marginal but growing rapidly, concentrated in a handful of *multilatinas*.[72]

Global FDI as a share of GDP shrank.

Global FDI flows stagnated in value and declined as a percentage of GDP (Figure 18.a). Averaging US$1.49 trillion annually, flows in 2023–2025 are essentially on par with those of 2012–2014 (+0.8%). Expressed as a share of global GDP, the contraction is clear, falling from 1.9% to 1.3%. However, this stagnation was not uniform. Transit economies[73] saw FDI inflows drop 63.7% between periods, as their share of global inflows shrank from 28.4% to 10.2%. Excluding these jurisdictions, global flows grew by

[70] These include annual reports from ECLAC (2026), which analyze FDI inflows to the region using national balance of payments records and transnational corporate activity data; UNCTAD (2026c), which provides a global overview of flows, stocks, and investment policy trends; and ICEX and SEGIB (2025), which focus on outward investment by Latin American countries and firms.

[71] UNCTADstat data downloaded August 28, 2026, compiled according to BPM6 (IMF, 2009) and the OECD Benchmark Definition (OECD, 2008). The definition of FDI, coverage, and aggregation rules are detailed in Methodological Annex 6, Sections 6.1.4 and 6.2.1.

[72] See Blyde et al. (2025).

[73] The 20 transit economies are drawn from Damgaard, Elkjaer, and Johannesen (2019). In this section, the 11 transit economies included in UNCTAD's World aggregate are deducted from the global total (see Methodological Annex 6, Section 6.2.3).

26.4%, although they also lost ground relative to GDP (from 1.5% to 1.3%). The stagnation of the global aggregate thus stems directly from the contraction of flows channeled through these economies.[74] Global FDI stock continued to accumulate steadily, reaching 46.6% of GDP, up 13.7 percentage points (p.p.) from 2012–2014 (Figure 18.b).

The drop in flows to transit economies in the EU has reconfigured the global landscape.

This stagnation in FDI flows reflects a broader structural realignment of the global investment landscape. The EU offset growth in other regions: its inflows fell by US$224.15 billion between periods. In 2023–2025, the bloc received just one-third of the inflows recorded in 2012–2014. However, this drop was concentrated in six member states operating as transit jurisdictions: Cyprus, Hungary, Ireland, Luxembourg, Malta, and the Netherlands. Together, these six accounted for more than the bloc's entire drop.[75] In the remaining 21 member states, flows grew by 82.4%, and their FDI-to-GDP ratio rose from 1.0% to 1.5%. In the rest of Asia, flows increased by 66.7%, rising from 1.9% to 2.5% of GDP. In the United States, flows grew by 36.9%, even as the FDI-to-GDP ratio fell from 1.2% to 0.9%, expanding the country's global share without increasing investment intensity relative to the size of its economy. China[76] saw no gain in its global share, and its FDI-to-GDP ratio declined from 1.3% to 0.7%. Inflows to LAC were 4.5% lower than a decade earlier.

The United States gained share in global FDI stocks while the EU lost share.

As a result of these shifts in FDI stock allocation, the United States gained share. Between 2012–2014 and 2023–2025, the US share of inward global FDI stock rose from 19% to 30%, while the EU's share fell from 32% to 23%. This shift holds even when EU transit jurisdictions are excluded: the EU share in the nontransit sample dropped from 26% to 17%.

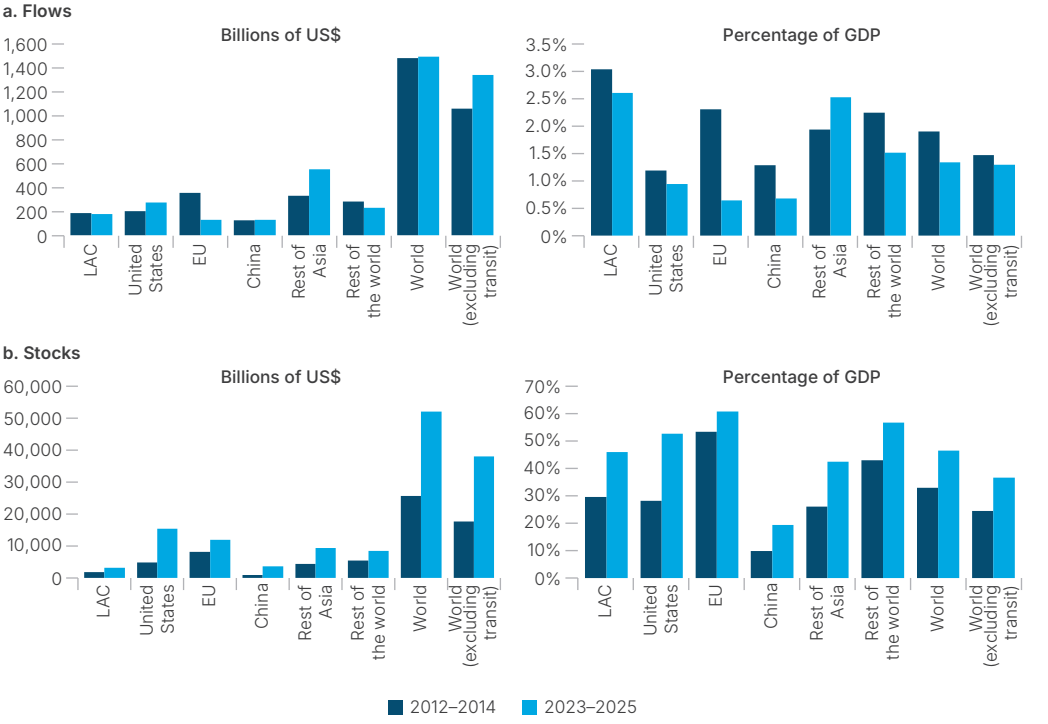
Investment stock intensity, however, is heavily dependent on transit flows. Measured as a share of GDP, EU investment stock was the largest of any regional grouping in 2023–2025, at 60.8%, ahead of the United States (52.6%). Excluding the six member states operating as transit

[74] Inflows to these 11 economies fell by 4.1% between 2012–2014 and 2017–2019, and by 62.2% in the subsequent three-year period, following the 2017 US tax reform and the OECD/G20 BEPS agenda. The choice of periods is justified in Methodological Annex 6, Section 6.1.3.

[75] The bloc's flows rose 12.8% between 2012–2014 and 2017–2019 before falling 67.6% between 2017–2019 and 2023–2025. Annual flows across the bloc's six transit jurisdictions dropped from US$213.63 billion in 2012–2014 to US$157.87 billion in 2017–2019, and to –US$125.84 billion in 2023–2025. This pattern is consistent with the dismantling of special-purpose entities following the 2017 US tax reform and the BEPS agenda (Damgaard, Elkjaer, and Johannesen, 2024; Coppola et al., 2021).

[76] China comprises only mainland China; Hong Kong Special Administrative Region (SAR) and Macao SAR are counted in the rest of Asia (see Methodological Annex 6, Section 6.1.1). Aggregating these three economies would raise their global share from 14.5% to 17.1%, with the entire increase driven by Hong Kong SAR, a transit economy (rising from 5.8% to 8.4%), while mainland China holds steady at around 8.5%.

FIGURE 18 • INWARD FOREIGN DIRECT INVESTMENT, BY REGION
(Billions of US$ and percentage of GDP, annual averages, 2012–2014 and 2023–2025)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from UNCTAD.
Note: "World (excluding transit)" reflects UNCTAD's global total minus transit economies (see Methodological Annex 6, Section 6.2.3).

jurisdictions, however, the stock of the remaining 21 member states was equal to 37.6% of GDP, down 23.2 p.p.,[77] pushing the EU from first to fourth place, behind the United States, LAC (45.5%), and the rest of the world (43.7%). The importance of transit investment extends beyond the EU: the 11 transit economies in the global aggregate accounted for 26.9% of world FDI stock in 2023–2025.[78] In the rest of Asia, the adjustment is comparable in scale to Europe's: excluding Hong Kong SAR and Singapore practically halves the ratio, from 42.4% to 21.2% of GDP in 2023–2025. China recorded one of the lowest FDI-to-GDP ratios in 2023–2025 (19.4%), although its share in global stock rose from 3.7% to 7.0%. Meanwhile, the rest of Asia gained 0.5 p.p. in the full sample but lost 1.6 p.p. when Hong Kong SAR and Singapore were excluded. LAC is the least sensitive to this adjustment, as its

[77] The trajectories of the two series also diverge. FDI stock for the entire bloc rose from 53.4% to 63.6% of GDP between 2012–2014 and 2017–2019 before falling to 60.8% in 2023–2025, whereas stock for the remaining 21 member states expanded continuously across the three periods, from 33.6% to 35.7% and 37.6%. Aggregate trends reflect cycles in the establishment and dismantling of corporate holding structures.

[78] The contrast with flows is revealing: while these 11 economies saw their share of global FDI flows fall from 28.4% to 10.2% between 2012–2014 and 2023–2025, their share of global stock dropped only slightly, from 30.8% to 26.9%.

FDI-to-GDP ratio dips only 0.4 p.p. (from 45.9% to 45.5% of GDP) when the Bahamas and Barbados are excluded. Nevertheless, its share in global stock fell more in the nontransit sample, dropping from 10.2% to 8.2% between 2012–2014 and 2023–2025, compared with a decline from 7.1% to 6.0% in the full sample.

LAC attracts more FDI than any other region relative to the size of its economy.

Although LAC received less investment in 2023–2025 than in 2012–2014, it still attracts more FDI relative to the size of its economy than any other region analyzed in this publication. Inflows averaged US$178.47 billion annually, down 4.5% from 2012–2014.[79] Only the EU (–63.4%) and the rest of the world (–19.5%) saw steeper contractions, while flows to the rest of Asia grew by 66.7% and those to the United States by 36.9%. This ranking depends on transit investment: if transit economies are excluded from each group, inflows to the EU grew by 82.4%. In comparison, those to the rest of the world fell by just 5.6%, leaving LAC with the second-weakest overall performance (–4.1%). Even so, at 2.6% of GDP, LAC's FDI ratio is the highest of any of the regional groupings and double the global average (1.3%). This finding is not driven by financial centers: even after excluding the region's two transit jurisdictions, the Bahamas and Barbados, the remaining 24 economies still maintain an average FDI-to-GDP ratio of 2.6%. Applying this criterion across all regions widens LAC's lead over the rest of Asia, whose ratio drops from 2.5% to 1.4% if Hong Kong SAR and Singapore are excluded. However, the same operation narrows the gap relative to the EU, whose ratio rises from 0.6% to 1.5%, and the rest of the world, where it increases from 1.5% to 2.1%.

FDI stock is equivalent to nearly half of LAC GDP.

Trends in FDI stock paint a less favorable picture of LAC as a global investment destination. The region's stock grew 72.1% between 2012–2014 and 2023–2025, lagging behind the global average (103.3%) and far behind China (280.9%), the United States (224.2%), and the rest of Asia (108.7%). As a result, LAC's share in global FDI stocks shrank from 7.1% to 6.0%, contrasting with higher shares in the United States and, to a lesser extent, China. Expressed as a share of regional GDP, FDI stock reached 45.9%, close to the global figure of 46.6%. As an outward investor, LAC's shares of both flows and stocks remain among the lowest of the regions analyzed (Box 7).

The regional aggregate masks significant subregional shifts between 2012–2014 and 2023–2025 (Table 8). South America previously received three out of every four FDI dollars entering LAC, but saw its share drop to less than two-thirds of the total.[80] Mexico

[79] These trajectories were uneven: inflows to the region fell 15.4% between 2012–2014 and 2017–2019, then recovered 12.9% over the next three years, but never returned to initial levels.

[80] Losses were concentrated between 2012–2014 and 2017–2019, when flows dropped 22.0% before recovering 5.5% between 2017–2019 and 2023–2025.

BOX 7 • THE OUTWARD INVESTMENT GAP

LAC's most persistent structural gap lies not in inward foreign direct investment, but in outward investment. Outward FDI flows averaged US$42.02 billion annually in 2023–2025. Despite a 20.2% increase over 2012–2014, outward flows barely changed as a percentage of GDP, increasing only incrementally from 0.57% to 0.61%.[a] Outward FDI stock equals 13.1% of LAC GDP, compared with 72.6% for the EU, 41.0% for the rest of Asia, and 17.1% for mainland China. The first two figures are inflated by the transit economies included in the groupings: excluding the six transit jurisdictions from the EU and Hong Kong SAR and Singapore from the rest of Asia lowers their outward stock ratios to 43.4% and 25.3% of GDP, whereas LAC's ratio barely moves, dipping to 13.0%, when the Bahamas and Barbados are excluded. The comparison with the rest of Asia highlights the gap in Latin American firms' international expansion. If Hong Kong SAR and Singapore are excluded, the rest of Asia's outward stock increased from 14.1% to 25.3% of GDP between 2012–2014 and 2023–2025, an 11.2 p.p. gain, while LAC's rose from 9.2% to 13.1%, increasing just 3.9 p.p.[b] Performance within the region was uneven: South America's outward flows expanded by 80.9%, accounting for 77.5% of LAC's total, while Mexico—the only economy to experience consecutive declines—saw its share in outward flows plummet from 43.2% to 16.8%.

[a] LAC excludes Ecuador and Haiti, which reported no outward flows or stock in either period.
[b] LAC is home to a select group of firms known as *multilatinas* that have successfully internationalized: a recent survey identifies 156 publicly traded firms headquartered in 15 LAC countries and operating across 116 destination markets. Their main business activities are manufacturing, food and beverages, and energy and mining. According to the survey, these firms face financing, regulatory, and market access constraints that limit their ability to scale up operations (Blyde et al., 2025). The Global LATAM report, which tracks outward investment by Latin American countries and firms, provides the most comprehensive annual overview of this international expansion (ICEX and SEGIB, 2025).

and Central America[81] steadily expanded their shares. The most striking change occurred in the Caribbean, whose share in regional FDI flows had declined to below 2% before bouncing back to 6% in the most recent period.[82] The subregional distribution of stocks has changed more slowly but has followed similar trends. In relative terms, the Caribbean stands out, attracting FDI flows equal to 8.3% of GDP and accumulating stock equivalent to 90.8% of GDP. However, one-third of this stock is concentrated in the Bahamas and Barbados, whose role as offshore financial centers inflates the subregional ratio—without them, the Caribbean's stock represents 72.6% of GDP. By contrast, in all other subregions, FDI flows ranged from 2.1% to 3.2% of GDP, and stocks ranged from 42% to 51%.

South America lost ground as a destination for regional FDI inflows.

FDI inflows to Mexico grew by 14.7% over the decade, compared with a 4.5% decline in the LAC aggregate, explaining its larger share of total regional FDI. However, inflow growth lagged behind the country's overall economic growth, so Mexico's FDI-to-GDP ratio

[81] Central America includes the Dominican Republic.

[82] The surge occurred entirely during the last three years: subregional annual inflows hovered around US$2.9 billion in both 2012–2014 and 2017–2019 before jumping to US$10.6 billion in 2023–2025. Guyana explains this jump, with inflows climbing from US$254 million to US$1.05 billion and reaching US$8.28 billion across the three periods.

Mexico gained regional share, but its FDI-to-GDP ratio declined.

fell to 2.1%, the lowest level in all periods analyzed. Conversely, its FDI stock grew 72.3% to 42.4% of GDP. Mexico's growing share of regional FDI thus coincides with declining investment intensity relative to the size of its economy, a pattern indicative of a consolidated foreign presence rather than rapid expansion.

The drop in FDI flows to South America was concentrated in a small group of countries, with Brazil's performance preventing a

TABLE 8 • FOREIGN DIRECT INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN, BY SUBREGION
(Millions of US$, percentage of GDP, and growth rate, annual averages, 2012–2014 and 2023–2025)

Flows

	Millions of US$		% of GDP		Growth rate
Subregion/country	2012–2014	2023–2025	2012–2014	2023–2025	2023–2025 /2012–2014
LATIN AMERICA AND THE CARIBBEAN	**186,807**	**178,466**	**3.0%**	**2.6%**	**–4.5%**
MEXICO	**33,493**	**38,427**	**2.5%**	**2.1%**	**14.7%**
CENTRAL AMERICA AND DOMINICAN REPUBLIC	**12,667**	**16,051**	**4.8%**	**3.2%**	**26.7%**
Costa Rica	2,642	4,879	5.3%	5.2%	84.7%
El Salvador	317	693	1.5%	2.0%	118.4%
Guatemala	1,397	1,741	2.6%	1.5%	24.6%
Honduras	1,179	946	6.2%	2.6%	–19.7%
Nicaragua	939	1,334	8.4%	6.7%	42.0%
Panama	3,745	1,810	8.1%	2.1%	–51.7%
Dominican Rep.	2,447	4,649	3.9%	3.7%	90.0%
SOUTH AMERICA	**137,741**	**113,388**	**3.1%**	**2.6%**	**–17.7%**
Argentina	10,070	8,019	1.7%	1.2%	–20.4%
Bolivia	1,155	406	3.9%	0.8%	–64.8%
Brazil	68,332	67,930	2.8%	3.1%	–0.6%
Chile	26,192	14,470	9.8%	4.3%	–44.8%
Colombia	15,806	14,141	4.2%	3.5%	–10.5%
Ecuador	690	742	0.7%	0.6%	7.5%
Paraguay	721	973	2.0%	2.1%	35.0%
Peru	9,331	7,137	4.7%	2.3%	–23.5%

(continued on next page)

TABLE 8 • FOREIGN DIRECT INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN, BY SUBREGION *(continued)*

(Millions of US$, percentage of GDP, and growth rate, annual averages, 2012–2014 and 2023–2025)

Flows

	Millions of US$		% of GDP		Growth rate
Subregion/country	2012–2014	2023–2025	2012–2014	2023–2025	2023–2025 /2012–2014
Uruguay	2,901	405	5.0%	0.5%	–86.0%
Venezuela	2,542	–836	0.7%	–0.6%	n.a.
CARIBBEAN	**2,907**	**10,599**	**3.4%**	**8.3%**	**264.6%**
The Bahamas	2,058	1,512	18.9%	9.6%	–26.6%
Barbados	412	267	7.4%	3.5%	–35.2%
Belize	146	101	7.2%	3.2%	–31.0%
Guyana	254	8,281	6.2%	37.4%	3,156.4%
Haiti	139	19	1.0%	0.1%	–86.6%
Jamaica	513	382	3.5%	1.7%	–25.5%
Suriname	175	1,074	3.3%	24.2%	513.0%
Trinidad and Tobago	–791	–1,036	–2.9%	–4.1%	n.a.
Stocks					
LATIN AMERICA AND THE CARIBBEAN	**1,826,917**	**3,144,570**	**29.7%**	**45.9%**	**72.1%**
MEXICO	**450,635**	**776,518**	**34.3%**	**42.4%**	**72.3%**
CENTRAL AMERICA AND DOMINICAN REPUBLIC	**110,611**	**259,535**	**41.6%**	**50.9%**	**134.6%**
Costa Rica	24,785	68,212	49.4%	72.4%	175.2%
El Salvador	8,292	11,679	37.7%	32.9%	40.8%
Guatemala	9,012	26,369	16.7%	23.4%	192.6%
Honduras	4,780	10,869	25.3%	29.5%	127.4%
Nicaragua	5,839	14,837	52.4%	74.9%	154.1%
Panama	30,974	66,104	66.9%	76.5%	113.4%
Dominican Rep.	26,929	61,465	42.5%	49.4%	128.3%
SOUTH AMERICA	**1,211,607**	**1,993,374**	**27.0%**	**45.5%**	**64.5%**
Argentina	92,253	122,816	15.7%	18.7%	33.1%
Bolivia	10,529	9,070	34.7%	18.7%	–13.9%
Brazil	631,162	1,068,021	25.6%	48.1%	69.2%
Chile	191,707	280,247	71.7%	82.2%	46.2%

(continued on next page)

TABLE 8 • FOREIGN DIRECT INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN, BY SUBREGION *(continued)*
(Millions of US$, percentage of GDP, and growth rate, annual averages, 2012–2014 and 2023–2025)

Stocks

	Millions of US$		% of GDP		Growth rate
Subregion/country	**2012–2014**	**2023–2025**	**2012–2014**	**2023–2025**	**2023–2025 /2012–2014**
Colombia	127,658	269,243	33.7%	65.4%	110.9%
Ecuador	13,815	23,546	14.5%	18.8%	70.4%
Paraguay	6,306	11,189	16.9%	24.4%	77.4%
Peru	72,236	143,898	36.4%	48.7%	99.2%
Uruguay	30,870	38,112	53.5%	47.1%	23.5%
Venezuela	35,071	27,230	9.4%	18.6%	–22.4%
CARIBBEAN	**54,064**	**115,143**	**63.2%**	**90.8%**	**113.0%**
The Bahamas	17,846	30,869	165.3%	195.0%	73.0%
Barbados	6,351	9,062	113.2%	119.1%	42.7%
Belize	1,852	2,724	91.2%	85.7%	47.0%
Guyana	2,552	34,252	61.9%	150.5%	1,242.2%
Haiti	1,040	2,072	7.2%	8.4%	99.3%
Jamaica	12,676	18,929	85.8%	85.8%	49.3%
Suriname	1,158	4,708	21.5%	110.5%	306.6%
Trinidad and Tobago	10,588	12,526	37.4%	48.9%	18.3%

Source: IDB Productivity, Trade, and Innovation Sector, based on data from UNCTAD.
Note: Aggregates comprise the IDB's 26 borrowing member countries, including the Bahamas and Barbados, transit economies that together account for 1.0% of regional flows and 1.3% of regional stock in 2023–2025 (see Methodological Annex 6, Section 6.2.2). The growth rate is reported as "n.a." when it lacks economic interpretation.

Brazil sustained South America's performance, and Chile accounted for a large portion of the subregion's loss.

steeper overall contraction. Subregional inflows, measured in US dollars, averaged 17.7% lower in 2023–2025 than in 2012–2014. Three countries accounted for nearly three-quarters of this contraction in dollars: Chile (48.1%), Venezuela (13.9%), and Uruguay (10.2%). Brazil, which absorbed 59.9% of subregional FDI inflows in 2023–2025, maintained its dollar volume, declining by just 0.6% over the decade; meanwhile, its FDI-to-GDP ratio rose from 2.8% to 3.1%. Chile followed the opposite pattern: inward flows fell 44.8% in dollar terms; its share in subregional flows contracted by 6.2 p.p., from 19.0% to 12.8%; and its FDI-to-GDP ratio dropped from 9.8% to 4.3%, although it still maintains the subregion's highest inward FDI stock relative to its economy, at 82.2% of GDP in 2023–2025. Argentina and Peru also experienced contractions in their

dollar-denominated inflows, which fell 20.4% and 23.5%, respectively. Colombia recorded a smaller drop than the subregional average (–10.5% in dollar terms), and its inward stock relative to GDP nearly doubled, going from 33.7% to 65.4%, the largest gain in South America.

FDI inflows to Central America expanded, buoyed by Costa Rica and the Dominican Republic.

Together, Central America and the Dominican Republic expanded their FDI inflows by 26.7% over the decade,[83] a contrast to the broader regional trend, which contracted by 4.5%. Growth was almost entirely driven by Costa Rica and the Dominican Republic, which together now attract 6 out of every 10 FDI dollars entering Central America. Panama experienced the reverse, losing more than half of its inflows and 18 p.p. of subregional share, despite maintaining the highest FDI stock relative to GDP (76.5%). Subregional FDI stock grew 2.3-fold to reach 50.9% of GDP in 2023–2025, remaining well above the regional average (45.9% of GDP).

Guyana explained almost all of the Caribbean's recent growth.

The Caribbean's expansion was significant, but was driven entirely by a single economy. Subregional inflows expanded 3.6-fold between 2012–2014 and 2023–2025, with all of the growth concentrated in the most recent period. Guyana accounted for 78.1% of this total, driven by its oil industry, receiving investment worth 37.4% of its GDP and accumulating a stock equivalent to 1.5 times its GDP. Suriname followed a similar upward trajectory on a smaller scale. In the rest of the Caribbean, inflows contracted: the Bahamas, Barbados, Belize, Haiti, and Jamaica received less investment than a decade ago, while Trinidad and Tobago recorded persistent net divestment.

Data disaggregated by source and sector are scarce.

This analysis is based on available UNCTAD data, which measures total investment entering the region but not who is investing or in which sectors. Data that enable analysis of these factors are scarce: only a subset of LAC countries publish FDI inflows disaggregated by source country or target sector, often using different definitions and coverage windows. Furthermore, no global, standardized, up-to-date source breaks down investment by partner economy and sector, making it impossible to compare LAC's patterns with those in other parts of the world. Box 8 summarizes the insights into source countries and target sectors for the region's inward FDI that can be derived from this limited data sample. Given these data limitations, the following sections shift perspective to analyze investment using data from three of the largest global investors (the United States, the EU, and China), which identify recipient countries and allow comparisons between LAC and the main competing investment destinations.

[83] Growth was steady throughout the period: flows expanded 6.2% between 2012–2014 and 2017–2019 and another 19.3% thereafter, boosting the subregion's share of total LAC inflows from 6.8% to 8.5% and ultimately to 9.0%.

BOX 8 • SOURCE AND TARGET SECTOR OF INWARD FDI: STRUCTURE AND CHANGES

Inward FDI to LAC can be analyzed by source and target sector only for a sample of countries. No source with global coverage disaggregates investment by both partner economy and sector. Within LAC, only 14 countries publish FDI flows by source country and 15 by sector, often using differing criteria and timeframes. Consequently, this box cannot benchmark the region against other destinations or extrapolate findings to LAC as a whole. Instead, it synthesizes insights from this limited sample using disaggregated data from INTEGRA, the IDB's trade and investment database, between 2012–2014 and 2023–2025.[a]

Reported FDI sources are grouped into four geographic patterns that are not mutually exclusive. The first is dominated by the United States, which is the leading individual source of FDI in 7 of the 14 countries: Costa Rica (63.8% of inflows in 2023–2025), Mexico (41.2%), Colombia (33.9%), El Salvador (28.6%), Brazil (25.4%), the Dominican Republic (25.3%), and Argentina (19.4%) (Table). The second pattern applies to Central America and centers on Panama and Colombia as source countries.[b] In Guatemala and Honduras, Colombia is the primary source of flows, followed by Panama; in Nicaragua, Panama accounts for 22.8%—exceeding US flows in all three instances. In addition, Mexico accounts for 4.8% to 11.0% in the three host countries. Panama is also the second-largest source of FDI to El Salvador, accounting for 25.1%. The third group comprises countries whose primary sources of FDI are intraregional: Paraguay, led by Brazil (21.6%); Ecuador, with Costa Rica (12.1%) and Chile (10.2%); Panama, with Colombia (15.3%); and Argentina, where Brazil ranks third (13.3%). The fourth group includes economies whose primary FDI sources do not follow regional trends: Chile, where Canada accounts for 26.3%, and Panama, where Switzerland accounts for 14.7%, second only to Colombia. Switzerland is one of the 20 global transit jurisdictions; if these are excluded, Chile is the only country in the fourth group. A similar dynamic applies to other intermediation jurisdictions that appear sporadically, such as the Cayman Islands (17.9% in Paraguay), Anguilla (10.0% in Colombia), and Bermuda (9.0% in Honduras): two of the three are included on the list, and their presence provides the most direct indication that a non-negligible share of reported origin reflects corporate holding structures rather than the investor's ultimate economic residence.

European investment requires a separate analysis, as it is particularly sensitive to the measurement criterion. In the full sample, Europe surpasses the United States in 10 of the 14 host economies, accounting for 53.5% of flows to Brazil and 40.7% to Argentina. Spain is the second-largest individual source country in Argentina (where it accounts for 15.1%), Colombia (17.8%), and the Dominican Republic (20.7%), while the Netherlands and Luxembourg rank second and third in Brazil (9.9% and 9.0%, respectively). However, 10 of the 20 global transit jurisdictions are European—Cyprus, Gibraltar, Hungary, Ireland, Jersey, Luxembourg, Malta, the Netherlands, Switzerland, and the United Kingdom—and excluding them alters three key relationships. First, Europe moves past the United States in 7 of the 14 economies rather than 10, as Brazil, Colombia, and Guatemala leave the group. Second, Europe's share in Brazil falls to 36.9%, behind the US share (42.3%). Third, Spain becomes Brazil's second-largest individual source country, at 12.8%. Using both methodologies, Spain remains the second-largest individual source country in Argentina, Colombia, and the Dominican Republic. China's share is low using either of the two approaches: the median share across the 10 economies reporting it as a partner is 1.1%, exceeding 5% only in Ecuador (10.9%) and Argentina (6.3%). Excluding transit economies moves these figures to 1.4%, 13.3%, and 7.4%, respectively, leaving the core finding intact.[c]

(continued on next page)

BOX 8 • SOURCE AND TARGET SECTOR OF INWARD FDI: STRUCTURE AND CHANGES *(continued)*

MOST FREQUENT ORIGINS OF INWARD FDI FLOWS
(Percentage of reported flows, 2023–2025)

Country	United States	Europe	Panama	Mexico	Colombia	Rest	Transit economies
Argentina	19.4	40.7	0.0	2.1	0.2	37.6	15.4
Brazil	25.4	53.5	1.0	0.7	0.0	19.4	40.0
Chile	12.6	15.6	0.2	9.2	1.2	61.2	−2.6
Colombia	33.9	34.7	5.3	2.7	0.0	23.4	18.5
Costa Rica	63.8	14.8	2.1	2.2	3.0	14.1	8.6
Ecuador	9.4	24.6	6.7	0.4	2.4	56.5	18.0
El Salvador	28.6	8.7	25.1	7.6	6.0	24.0	3.0
Guatemala	12.9	19.4	13.7	11.0	14.9	28.1	14.2
Honduras	−7.4	11.5	23.3	4.8	27.4	40.4	17.2
Mexico	41.2	23.3	0.1	0.0	0.2	35.2	9.9
Nicaragua	17.6	9.8	22.8	7.4	0.0	42.4	7.3
Panama	12.8	33.6	0.0	1.8	15.3	36.5	26.7
Paraguay	−2.1	13.1	3.8	2.8	−0.2	82.6	23.5
Dominican Rep.	25.3	35.1	5.1	5.9	2.0	26.6	6.1

Source: IDB Productivity, Trade, and Innovation Sector, based on data from INTEGRA.
Notes: Shares are calculated based on total reported flows, without excluding partner countries. The final column highlights the share of flows originating in the 20 transit jurisdictions, overlapping with the Europe and Rest columns. "Rest" includes flows not attributed to a specific source (see Methodological Annex 6, Section 6.3.1).

In terms of target sectors, the sample can be broken down into four patterns that are not mutually exclusive. The first pattern includes economies where financial services represent the primary recipient sector, a group that did not exist a decade ago. The countries comprising it are Guatemala (40.6% of aggregate 2023–2025 flows), Paraguay (32.6% in 2023–2024), Argentina (30.3%, where deposit-taking corporations and other financial intermediaries moved into first place, overtaking manufacturing), and Brazil (16.2%). The second pattern is manufacturing, which ranks first in Costa Rica (69.5%), Mexico (45.1%), and Nicaragua (33.2%), and second in Argentina (26.6%), explaining the country's inclusion in both the first and second groups. The third pattern is extractive: mining is the primary destination sector in Chile (51.2% in 2023–2024) and, when the oil sector and mining and quarrying are combined, in Colombia (29.7%, outranking financial services at 24.9%). Extractive activities rank second in Nicaragua (23.4%) and Ecuador (20.3%), and third in Argentina (21.9%). The fourth group comprises six economies where services predominate: Jamaica and the Dominican Republic (tourism at 61.7% and 26.9%, respectively); Panama and El Salvador (trade at 34.6% and 22.1%, behind a generic "other services" category in El Salvador accounting for 25.9%); Ecuador (business services at 26.4%); and Honduras (60.8% of inflows are bracketed under an unspecified general services classification).

Three patterns emerge when comparing the two timeframes. First, there was a shift in the reported source of capital toward the United States, whose share expanded between the first and last periods in eight countries, raising the simple average from 17.1% to 21.1%. However, the median remained essentially flat (from 17.8% to 17.6%), indicating that gains were concentrated in a few specific economies.

(continued on next page)

BOX 8 • SOURCE AND TARGET SECTOR OF INWARD FDI: STRUCTURE AND CHANGES *(continued)*

In contrast, trends in European FDI depend entirely on whether transit economies are included. In the full country sample, Europe's average share fell from 25.8% to 22.9%, with the median dropping from 27.8% to 19.4%, including declines in eight countries. This contraction was almost entirely driven by European transit economies, whose average share fell from 11.4% to 9.1%, compared with 14.4% and 13.7% for the rest of Europe. If transit jurisdictions are excluded, Europe's average share fell only slightly (from 17.0% to 16.7%), while its median share rose from 15.7% to 16.4%. Thus, the contraction in European FDI reflects a decline in intermediation rather than a downturn in investment from nontransit European partners. The overall share of the 20 transit economies rose from an average of 13.4% in the first period to 14.7% in the last, with the median climbing from 8.0% to 14.2%. This share expanded in eight countries, driven by non-European transit economies, whose average share rose from 2.0% to 5.5%. These trends point to a realignment across financial centers rather than an overall reduction in corporate intermediation.[d]

The second pattern is the growing weight of financial services in host countries: between the first and last periods, this sector grew in 8 of the 12 countries reporting financial data, showing uninterrupted growth throughout the period in Colombia, Guatemala, Mexico, Nicaragua, and Paraguay. One possible interpretation is that part of this shift reflects recording practices rather than real economic activity, if investment that previously entered productive sectors through intermediary vehicles now enters through holding companies classified by the data source within the financial sector. Partner-level data do not permit confirmation of this explanation: if this were the dominant mechanism, the share of transit hubs would be expected to decline, and it does not.[e]

A third pattern is the contraction in extractive sector FDI within the country sample. In the 10 economies where extractive activities accounted for at least 5% of aggregate inflows in either period, the sector's share declined in 8 between the two periods, falling continuously in Colombia (48.7% to 29.7%), the Dominican Republic (16.7% to 4.2%), Ecuador (56.2% to 20.3%), and Mexico (11.5% to 5.5%). The two exceptions were Chile, where mining's share expanded from 32.1% in 2012–2014 to 51.2% in 2023–2024, and Nicaragua, where mining and quarrying rose from 1.2% to 23.4%. Only Brazil and Colombia report hydrocarbons separately from mining, and the former are the main driver of the drop in extractive investment in both economies: in Colombia, the oil sector's share contracted by 13.9 p.p. while mining and quarrying dropped by 5.1 p.p.; in Brazil, oil and gas extraction fell by 8.5 p.p. while

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[a] Official series for 14 countries with partner-country breakdowns and 15 with sector-level breakdowns, available from INTEGRA. The latest period covers 2023–2025 (2023–2024 for Chile, Panama, and Paraguay) and transit economies are not excluded (see Methodological Annex 6, Sections 6.3.1 and 6.3.2). Comparisons between the first and last periods are calculated across 13 countries, excluding Argentina, whose breakdown under the manual used in this box begins in 2017.

[b] Panama was not included in the list of 20 transit economies despite operating extensively as an intermediary hub.

[c] China's low recorded share does not imply an absence of Chinese investment: balance of payments statistics record the immediate counterparty jurisdiction, and this investment frequently flows through subsidiaries located in transit economies. In addition, construction contracts and development bank lending are not classified as FDI (see Methodological Annex 6, Section 6.3.3).

[d] A portion of the increase observed across identified partners reflects the reduction in the share unallocated to a specific partner, most notably in the Dominican Republic and Costa Rica (see Methodological Annex 6, Section 6.3.4).

[e] The growing weight of financial services in recipient-country statistics does not contradict the decline in holding company shares in BEA data: each source classifies data according to a different convention (see Methodological Annex 6, Section 6.3.4).

BOX 8 • SOURCE AND TARGET SECTOR OF INWARD FDI: STRUCTURE AND CHANGES *(continued)*

mineral extraction rose by 1.7 p.p. In the remaining economies, sources report an aggregate extractive category, making it impossible to attribute the decline to hydrocarbons or mining.[f] The extractive aggregate combines mining and quarrying and oil and gas extraction, while excluding refining, nonmetallic mineral products, and public utilities. Source data for Jamaica do not allow the extractive aggregate to be identified.

[f] This outcome describes the specific country sample and not the region as a whole. It is therefore not comparable to the surge in FDI to the Caribbean or the expansion in US stock in the rest of South America, which are analyzed in this chapter and were driven heavily by Guyana's oil sector.

While LAC retains its relative appeal as an investment destination, it has been unable to translate this into a larger share in global FDI stock. Over the last decade, flows fell by 4.5%, stock expanded more slowly than the world average, and the region's share of global stock shrank from 7.1% to 6.0%. Dynamics within the region shifted in favor of Mexico, Central America, and the Caribbean (driven by Guyana). Meanwhile, South America lost ground, with Brazil alone sustaining the aggregate. The United States and Europe remain the region's primary sources of FDI, while, at the sector level, investment has shifted from extractives to the financial sector. Outward investment remains a pending challenge: LAC's outward FDI remains marginal despite the growth of a small group of *multilatinas*.

The United States: the investor gaining ground in regional FDI stock

Outward US FDI flows averaged 9.1% lower in 2023–2025 than in 2012–2014, but 23.4% higher when transit economies were excluded from the calculation. In contrast, US FDI stock accumulated steadily under both criteria. LAC's share in this growth was uneven: it gained share as a destination for cumulative FDI but lost ground as a destination for annual flows. Moreover, once transit economies are excluded, LAC is the destination where US FDI stock represents the highest share of output, reaching 5.4% of regional GDP in 2023–2025. LAC's sectoral composition also sets it apart from the rest of the US portfolio, with manufacturing representing a larger share of stock than in either the EU or the rest of Asia. Over the decade, extractive activities and information services also saw their shares expand in LAC. Within the region, FDI distribution shifted: Mexico's share of inflows expanded, absorbing nearly half of the regional total; Central America and the Dominican Republic saw significant gains in share; and South America lost more than a third of the inflows it previously received.[84]

[84] Data from the US Bureau of Economic Analysis (BEA) and GDP from the IMF. Figures are not comparable in level to UNCTAD data due to differences in valuation and coverage (see Methodological Annex 6, Section 6.4.1).

US outward FDI flows declined to nearly all regions, except the rest of Asia.

Based on the full aggregate, annual US outward FDI flows fell by 9.1% between 2012–2014 and 2023–2025 (Figure 19). This outcome reflects a reduction in flows to nearly all regions analyzed, except the rest of Asia, where flows nearly doubled from the previous period. However, the decline was concentrated in countries categorized as transit economies identified by the source data.[85] Flows to transit countries contracted by 24.3%, and their share of total US outward FDI fell from 68.0% to 56.6%. If these transit jurisdictions are excluded, US outward FDI flows grew by 23.4%. The same factor drove the reallocation of flows across destinations. The EU recorded the largest gain: inflows expanded seven-fold when transit economies are excluded, whereas the aggregate for the complete set of countries shows a 15.0% contraction, because Ireland, Luxembourg, the Netherlands, and Hungary accounted for US$107.4 billion of the US$112.04 billion in annual flows received by the bloc in 2012–2014. If transit jurisdictions are excluded, US FDI flows grew by 81.5% to the rest of Asia and by 6.8% to LAC, while contracting by 11.2% to China. Because the reduced set grew faster than the region, LAC's share in US outward FDI decreased from 21.3% to 18.4%,[86] while the EU's share rose from 4.6% to 26.2% and the rest of Asia's from 11.2% to 16.4%.

US FDI stock grew in all destination markets.

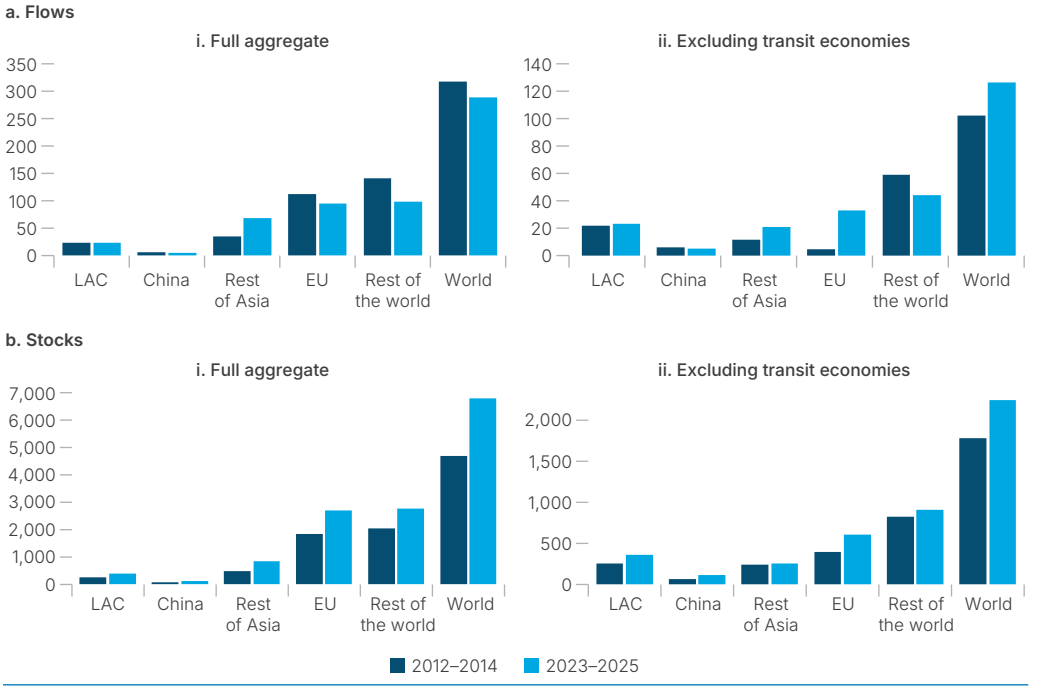
Capital accumulation, in contrast, continued uninterrupted in all destinations. Total US FDI stock abroad grew by 44.9% between 2012–2014 and 2023–2025, or by 26.4% when transit jurisdictions are excluded. Unlike the pattern for flows, transit economies expanded their share of US stock, accounting for 67.0% in 2023–2025, up from 62.2% a decade earlier. In the nontransit sample, China saw the largest relative growth (77.0%), followed by the EU (53.5%) and LAC (43.1%), while stocks in the rest of Asia grew by 5.9% and in the rest of the world grew by 10.4%. Destination shares shifted accordingly: the EU's share of nontransit stock rose from 22.2% to 27.0%, LAC's from 14.1% to 16.0%, and China's from 3.7% to 5.2%, while the rest of Asia fell from 13.7% to 11.5% and the rest of the world contracted from 46.3% to 40.4%. The gap between the two measurement criteria is wider in Asia than in any other destination: using the full country sample, the rest of Asia grew by 71.1% and gained share because Hong Kong SAR and Singapore accounted for US$577.29 billion of US FDI stock in 2023–2025.

Relative to the size of host economies, US FDI stock accounts for a higher share of GDP in LAC than in any other destination analyzed, and the region's lead has grown over the last decade. In 2023–2025, US FDI stock equaled 5.4% of regional GDP in LAC, up from

[85] The BEA identifies 11 of the 20 transit economies, covering 12 jurisdictions; the remaining 8 cannot be separated, making the nontransit figures an upper bound (see Methodological Annex 6, Section 6.4.3).

[86] Measured against the aggregate for the complete list of countries, which contracted, LAC's share rose from 7.4% to 7.9%, showing how choice of denominator can yield different interpretations of the same data.

FIGURE 19 • US OUTWARD FDI, BY DESTINATION REGION
(Billions of US$, annual averages, 2012–2014 and 2023–2025)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from the BEA.
Note: Annual averages for each period. Panel (ii) excludes the 11 transit economies identified by the BEA from each regional grouping and the global total (see Methodological Annex 6, Section 6.4.3).

US FDI stock accounted for a larger share of GDP in LAC than in any other destination.

4.2% in 2012–2014; by comparison, excluding transit economies, the FDI-to-GDP ratio rose from 2.8% to 3.4% in the EU, while declining in China (0.7% to 0.6%) and the rest of Asia (2.1% to 1.8%) (Table 9). These comparisons exclude transit economies from each regional aggregate. Including them pushes FDI intensity to 13.7% in the EU and 5.6% in the rest of Asia. Return on US FDI in LAC reached 10.7% in 2023–2025, outperforming the average for the nontransit sample (8.6%) but lagging behind the rest of Asia (14.7%). Meanwhile, China's returns fell from 14.8% to 7.6%.

The evolution of aggregate US FDI flows to LAC masks divergent subregional trends (Table 10). Annual US FDI flows to LAC countries with available data[87] rose from US$21.65 billion to US$23.11 billion on average, a 6.8% increase driven by three contrasting dynamics. Inflows to Mexico grew by US$2.83 billion (+32.7%) and to Central America and the Dominican Republic by US$3.15 billion (a 12-fold expansion from an initial average of US$286

[87] The BEA publishes data for 21 of the IDB's 26 borrowing member countries, so the Caribbean is not presented as a subregion (see Methodological Annex 6, Section 6.4.2).

TABLE 9 • US OUTWARD FDI STOCK, PROFITABILITY, AND INTENSITY, BY DESTINATION REGION
(Millions of US$ and percentages, annual averages, 2012–2014 and 2023–2025)

	Stock (millions of US$)		% of nontransit stock		Return on investment (%)		Stock/GDP (%)	
Destination	2012–2014	2023–2025	2012–2014	2023–2025	2012–2014	2023–2025	2012–2014	2023–2025
LAC	251,259	359,646	14.1	16.0	9.9	10.7	4.2	5.4
China	65,737	116,340	3.7	5.2	14.8	7.6	0.7	0.6
Rest of Asia	243,322	257,749	13.7	11.5	10.3	14.7	2.1	1.8
EU	394,929	606,243	22.2	27.0	4.6	5.9	2.8	3.4
Rest of the world	823,081	908,620	46.3	40.4	9.5	8.1	—	—
World (excluding transit)	1,778,328	2,248,598	100	100	8.8	8.6	—	—

Source: IDB Productivity, Trade, and Innovation Sector, based on data from the BEA and IMF.
Notes: Annual averages for each period, excluding transit economies. Return is direct investment income divided by stock for the same period, both at historical cost (see Methodological Annex 6, Section 6.4.5).

Mexico and Central America sustained US inflows to LAC while South America's share contracted.

million per year). In comparison, those to South America fell by US$4.51 billion (–35.5%).[88] Subregional distribution reflected these changes: Mexico's share of regional US inflows rose from 39.9% to 49.6%, Central America and the Dominican Republic's increased from 1.3% to 14.9%, and South America's fell from 58.7% to 35.5%.

The overall performance within each subregion is driven by a handful of countries. In Central America,[89] increased US FDI flows to Costa Rica accounted for more than half of the subregional gain, followed by Panama and the Dominican Republic, which each contributed roughly an additional fifth. Honduras and the rest of Central America posted smaller expansions. In South America, the trend reversed and became highly concentrated: six of the eight countries saw declines in US inflows. Argentina accounted for one-third of the subregion's total contraction and Venezuela for another quarter, followed by Peru, Colombia, and the group

Costa Rica explained the growth in Central America, while Argentina and Venezuela are behind the drop in South America.

[88] The exclusion of transit economies determines the sign of the overall aggregate: the inclusion of Barbados—the only Caribbean country for which the BEA publishes data and also a transit jurisdiction—causes regional flows to decrease by 3.3% rather than grow by 6.8%. This is because Barbados went from receiving an average of US$1.98 billion annually to recording net divestment of US$269 million.
[89] Includes the Dominican Republic.

TABLE 10 • UNITED STATES FOREIGN DIRECT INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN, BY SUBREGION AND COUNTRY

(Millions of US$ and growth rate, annual averages, 2012–2014 and 2023–2025)

Flows

Subregion/country	Millions of US$ 2012–2014	Millions of US$ 2023–2025	Growth rate 2023–2025/ 2012–2014
LATIN AMERICA AND THE CARIBBEAN	**21,646**	**23,108**	**6.8%**
MEXICO	**8,644**	**11,469**	**32.7%**
CENTRAL AMERICA AND DOMINICAN REPUBLIC	**286**	**3,435**	**1,099.7%**
Costa Rica	164	1,867	1,038.6%
Honduras	48	123	156.9%
Panama	–65	643	n.a.
Dominican Rep.	44	674	1,421.1%
Rest of Central America	95	127	33.3%
SOUTH AMERICA	**12,716**	**8,204**	**–35.5%**
Argentina	1,556	68	–95.6%
Brazil	5,183	5,246	1.2%
Chile	2,370	2,688	13.4%
Colombia	966	251	–74.0%
Ecuador	77	3	–96.1%
Peru	1,057	318	–69.9%
Venezuela	1,427	242	–83.0%
Rest of South America	81	–612	n.a.
Memo: Barbados (transit)	1,981	–269	n.a.
Memo: LAC with Barbados	23,627	22,839	–3.3%
Stocks			
LATIN AMERICA AND THE CARIBBEAN	**251,259**	**359,646**	**43.1%**
MEXICO	**95,101**	**153,539**	**61.4%**
CENTRAL AMERICA AND DOMINICAN REPUBLIC	**11,841**	**20,781**	**75.5%**
Costa Rica	1,214	7,056	481.4%
Honduras	781	1,531	96.2%
Panama	4,634	7,451	60.8%
Dominican Rep.	1,050	2,974	183.1%
Rest of Central America	4,162	1,769	–57.5%

(continued on next page)

TABLE 10 • UNITED STATES FOREIGN DIRECT INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN, BY SUBREGION AND COUNTRY *(continued)*
(Millions of US$ and growth rate, annual averages, 2012–2014 and 2023–2025)

Stocks

Subregion/country	Millions of US$		Growth rate 2023–2025/ 2012–2014
	2012–2014	2023–2025	
SOUTH AMERICA	**144,317**	**185,326**	**28.4%**
Argentina	13,849	10,852	–21.6%
Brazil	72,043	88,438	22.8%
Chile	28,236	34,748	23.1%
Colombia	7,685	8,161	6.2%
Ecuador	708	570	–19.5%
Peru	6,769	8,075	19.3%
Venezuela	12,284	2,957	–75.9%
Rest of South America	2,744	31,525	1,048.9%
Memo: Barbados (transit)	12,632	31,392	148.5%
Memo: LAC with Barbados	263,891	391,038	48.2%

Source: IDB Productivity, Trade, and Innovation Sector, based on data from the BEA.
Notes: Annual averages for each period. LAC covers the 21 IDB borrowing countries with BEA data; Barbados, a transit economy, is reported separately. The growth rate is reported as "n.a." when it lacks economic interpretation (see Methodological Annex 6, Sections 6.1.4 and 6.4.2).

of smaller economies.[90] Brazil and Chile contrasted with this downward trend, partially offsetting South America's overall drop: Brazil sustained its inflow volumes (up 1.2% over the decade) and remains South America's primary recipient, absorbing 22.7% of US FDI to LAC, while Chile's inflows grew by 13.4%.

Mexico accounted for half the increase in US FDI stock in the region.

US FDI stock expanded in all three subregions, although at different rates and with diverging impacts on the internal distribution of FDI. Total US FDI stock grew by 43.1%.[91] Mexico accounted for more than half of this expansion, with 61.4% growth that raised its regional share from 37.8% to 42.7%. South America's stocks grew by 28.4%, contributing nearly 40% of the net increase, but its regional share contracted from 57.4% to 51.5%. Central America posted the fastest growth rate (75.5%), albeit from a low baseline, accounting for 8.2% of total regional growth, while its share rose from 4.7% to 5.8%.

[90] Includes Bolivia, Guyana, Paraguay, Suriname, and Uruguay, which are not reported separately in the source data.
[91] Unlike flow data, including Barbados in stock data does not change the direction of growth: with Barbados, regional stock grew by 48.2% instead of 43.1%. However, because the country's stock is 4.1 times its GDP, this ratio is not directly comparable to that of other countries.

The most pronounced change in FDI stocks was in small South American countries.

The distribution of this expansion by country does not align with the size of their economies. In South America, gains were concentrated in a group of smaller economies (Bolivia, Guyana, Paraguay, Suriname, and Uruguay), where stock jumped from US$2.74 billion to US$31.53 billion, an 11.5-fold increase. This group generated US$28.78 billion, accounting for 70.2% of growth in South America and 26.6% for LAC as a whole.[92] Brazil accounted for 40% of South America's increase, although its regional share contracted from 28.7% to 24.6%. Chile contributed an additional 16% to subregional growth, while Colombia and Peru grew below the South American average. Conversely, FDI stock contracted by 75.9% in Venezuela and 21.6% in Argentina. In Central America, Costa Rica contributed two-thirds of the subregion's growth, followed by Panama and the Dominican Republic, which accounted for one-third and one-fifth of the overall increase, respectively. These gains outpaced net subregional growth due to contractions in the rest of Central America (Belize, El Salvador, Guatemala, and Nicaragua), with stock falling by 57.5% relative to initial levels.

In LAC, manufacturing accounted for 29.2% of US FDI stock in 2023–2025 and extractive activities[93] for another 16.0%, compared with 12.5% in holding companies, meaning that goods production outweighs corporate holding structures by a factor of more than three. This relationship is inverted in the two destination groupings with the highest stock levels: manufacturing accounts for 12.7% of US stock in the EU and 22.1% in the rest of Asia, while holding companies represent 63.5% and 39.0%, respectively. In both groups, these figures include transit economies, which inflates the weight of holding companies (Figure 20).[94] China is the other destination where production dominates, accounting for the highest manufacturing share of any grouping (40.8%, with just 1.8% in holding companies). The share of extractive activities in LAC (16.0%) is far higher than in any other region analyzed: 2.6% in the rest of Asia, 2.3% in the rest of the world, 1.3% in China, and 0.1% in the EU.[95] Manufacturing remained stable between

US FDI in the region became concentrated in manufacturing and extractive activities.

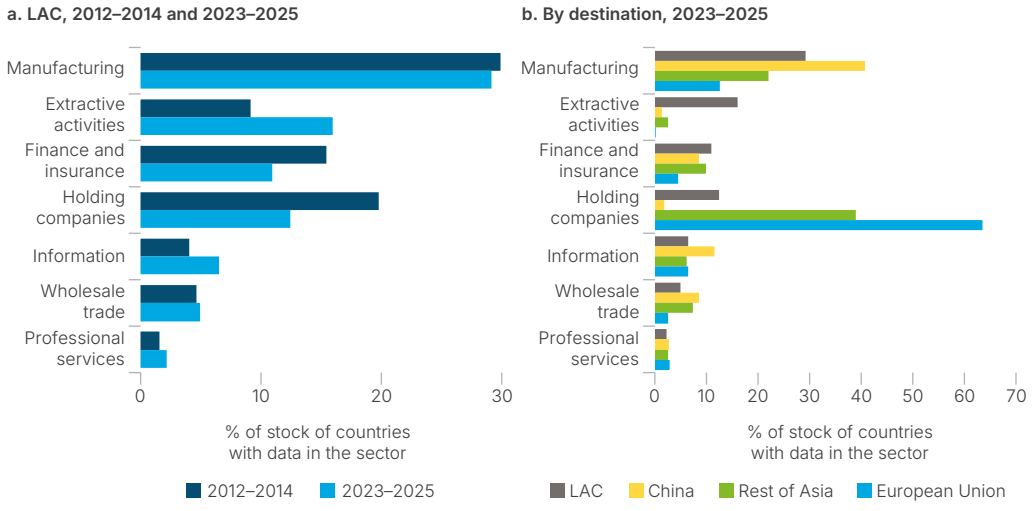
[92] The source data do not break down this residual by country. However, the sectoral breakdown (50.6% extractive activities and 45.3% holding companies in 2023–2025) and Guyana's oil expansion are consistent with Guyana explaining most of the change, although disaggregated data are unavailable.

[93] NAICS Sector 21: mining, quarrying, and oil and gas extraction (see Methodological Annex 6, Section 6.4.4). In 2023–2025, extractive stock in LAC was distributed among the small South American economies (28.1%), Brazil (24.7%), Mexico (16.7%), Chile (14.4%), and Peru (8.4%).

[94] Because holding companies serve as financial vehicles that reflect multinational groups' ownership structures rather than the locations of business activities, this difference suggests that FDI stock in the region is more closely linked to productive operations, though current data do not allow quantification of this link.

[95] Sectoral composition shapes expected impacts on host economies, as FDI spillovers vary across sectors because some activities have more intense and diversified links with the rest of the domestic productive structure (Volpe Martincus and Sztajerowska, 2019).

FIGURE 20 • SECTOR BREAKDOWN OF US OUTWARD FDI STOCK, BY DESTINATION
(Percentage of stock for countries for which sector-specific data are available)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from the BEA.
Note: Each sector is calculated based on countries with available data, so percentages do not sum to 100%. In panel (b), LAC excludes Barbados, while the EU and the rest of Asia include transit economies (see Methodological Annex 6, Section 6.4.4).

the two periods, while the relative weights of natural resources and financial vehicles shifted: extractive activities grew by 1–4 p.p. after adjusting for differences in coverage,[96] holding companies fell from 19.8% to 12.5%, and financial services dropped from 15.4% to 10.9%. Conversely, information services (telecommunications, software, and data centers) increased from 4.1% to 6.5%.[97] Growth in information services was concentrated in a few economies: the sector's share of US stock rose from 1.3% to 16.8% in Chile and from 1.7% to 5.3% in Mexico between 2012–2014 and 2023–2025.[98]

In sum, US outward FDI grew over the last decade once transit hubs are excluded from calculations. LAC expanded its share of cumulative US FDI stock but captured a smaller share of annual inflows. US outflows fell by 9.1% when measured over the full aggregate but rose by 23.4% when transit investment was excluded; stock grew 44.9% and 26.4%, respectively, under the same criterion. LAC's share of nontransit US FDI stock expanded from 14.1% to 16.0%. Once transit jurisdictions are excluded, LAC is the destination with the highest stock-to-GDP ratio (5.4%) and yields a 10.7% return on investment,

[96] In 2012–2014, the BEA suppresses sectoral data for Chile and Peru (see Methodological Annex 6, Section 6.4.4). After correcting for this difference in coverage, the gain over the decade was 1–4 p.p.

[97] Each sector is calculated based on countries with published data for that activity, so shares do not sum to 100% (see Methodological Annex 6, Section 6.4.4).

[98] This movement coincides with the recent expansion of AI infrastructure, reflected in both trade in AI-enabling technologies and by US firms' announcements of investments in data centers, primarily in Mexico (García and Duran-Fernandez, 2026a and 2026b).

outperforming the total nontransit portfolio average. Conversely, the region's share in annual inflows dipped from 21.3% to 18.4%. The breakdown of FDI by sector also sets LAC apart: manufacturing accounts for 29.2% of regional US stock and holding companies represent 12.5%, compared with 63.5% in the EU. However, the main change over the decade stemmed not from manufacturing, which remained stable, but from a retreat in financial holding vehicles, alongside expansion in information services and extractive activities. Regionally, Mexico absorbed half of regional flows and 53.9% of stock growth. Initial inflows to Central America and the Dominican Republic expanded 12-fold over the decade, driven primarily by Costa Rica. South America lost over one-third of incoming US flows, with Argentina and Venezuela accounting for most of this contraction. South America's stock was sustained by a group of smaller economies, whose rapid expansion is compatible with oil development in Guyana.

The European Union: a global retreat explained by transit economies

EU outward direct investment shifted from net positive average annual flows in 2013–2014 to net divestment in 2023–2024.[99] This trend reversal was driven by a small group of jurisdictions that function as capital transit platforms. If these transit economies are excluded from both source and destination data, EU outward flows expanded by 53.1% over the decade. LAC and China were the only two destinations that continued to attract positive net flows in the most recent period, although flows to LAC were 67.2% lower than during the baseline period. In terms of stock, LAC grew more slowly than any other region, and its share of total extra-EU stock contracted. At the subregional level, Mexico and Central America expanded their shares in EU FDI stock, while South America lost ground due to contractions in Brazil and Venezuela, as did the Caribbean, driven by the drop in the Bahamas. In sector terms, the EU portfolio in LAC features a lower share of financial services and a higher share of manufacturing than the extra-EU average. This difference is driven by investment reported by the six member states that are transit jurisdictions; excluding them, the financial share is comparable, and the manufacturing share is lower.

European investment flows toward the rest of the world[100] reversed trajectory between the two periods (Figure 21.a). Average annual flows went from US$488.19 billion in 2013–2014 to net annual divestment of US$173.69 billion in 2023–2024. While this contraction affected all destination regions, flows remained positive only in LAC (down 67.2% from

[99] Eurostat data (bop_fdi6_flow and bop_fdi6_pos datasets, August 3, 2026, version) converted into US dollars. Timeframes cover 2013–2014 and 2023–2024 due to source data availability. The section presents three measures: total reported investment; investment excluding the six source-side EU transit jurisdictions; and investment further excluding destination-side transit jurisdictions, and reports an alternative allocation methodology for confidential data cells (see Methodological Annex 6, Sections 6.5.1, 6.5.3, and 6.5.6).

[100] Intra-EU investment is excluded from the extra-EU totals analyzed.

The trend reversal in EU flows is explained by transit economies.

2013–2014) and China (down 74.3%).[101] These figures are heavily influenced by transit flows. The six EU member states operating as transit jurisdictions[102] accounted for 78.1% of extra-EU flows in 2013–2014. Without them, 2023–2024 flows remain positive at US$169.85 billion annually.[103] If the 13 destination-side transit jurisdictions are also deducted, EU FDI flows grew by 53.1%, from US$89.31 billion to US$136.76 billion annually, with positive net flows across all destination regions in the latest period.[104] Focusing solely on nontransit FDI, the regional distribution shifts: although flows to LAC increased slightly (+10.2%, from US$29.52 billion to US$32.53 billion), total flows grew faster, reducing LAC's share from 33.1% to 23.8%. Meanwhile, the US share in EU flows rose from 5.3% to 26.7%, and China's share fell from 16.4% to 4.0%. Net European divestment essentially reflects the unwinding of positions recorded through transit jurisdictions rather than a broad-based drop in investment reported by the other member states.

EU stock grew less in LAC than any other region.

EU outward FDI stock continued to increase despite the trend reversal in flows, albeit at a moderate pace (Figure 21.b). Extra-EU FDI stock averaged US$9.9 trillion in 2023–2024, up 21.3% from 2013–2014. Stock grew 87.8% in the rest of Asia, 54.7% in China, and 28.2% in the United States, compared to 9.8% in the rest of the world and 7.2% in LAC—the slowest expansion across all destination regions. LAC's share in total extra-EU stock thus contracted from 9.9% to 8.7%, in contrast to gains in the United States (26.8% to 28.3%), China (2.0% to 2.6%), and the rest of Asia (7.5% to 11.7%).[105] Transit flows strongly influenced both levels and trend dynamics. The six transit EU member states accounted for 66.5% of extra-EU stock in 2013–2014 and 62.5% in 2023–2024. If these economies and the destination-side transit

[101] Part of this decline can be attributed to exchange rate movements: the euro depreciated 18.6% against the dollar between the averages of the two periods, translating to a 59.7% drop in flows to LAC when measured in euros.

[102] On the source side, the six transit member states were excluded. On the destination side, the 13 transit jurisdictions identified by Eurostat were deducted (see Methodological Annex 6, Section 6.5.3). Nontransit investment accounted for 18.3% of flows and 23.1% of extra-EU stock in 2013–2014.

[103] Most of this shift occurred between 2013–2014 and 2017–2019, when annual extra-EU flows fell to US$62.37 billion. Conversely, if the six transit member states are excluded from the source-side data, flows grew 12.9% between 2013–2014 and 2017–2019, and 40.2% in the following period. This pattern is consistent with the dismantling of special-purpose entities (Damgaard, Elkjaer, and Johannesen, 2024; Coppola et al., 2021), although data in this section do not allow the magnitude of these effects to be isolated.

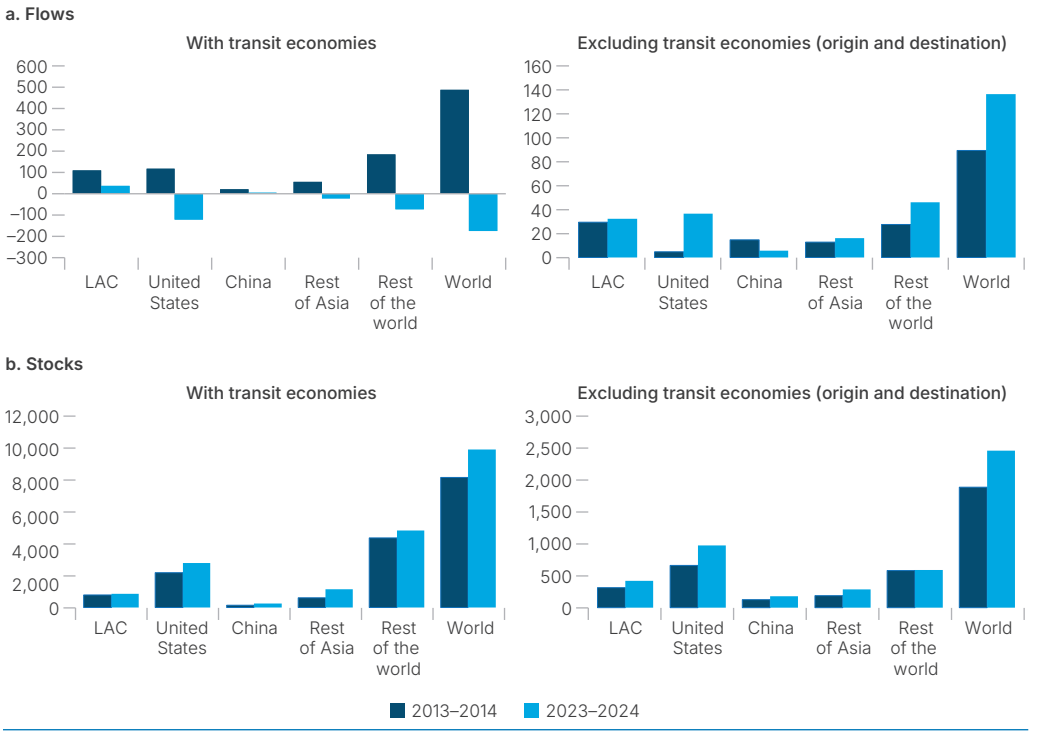
[104] The nontransit metric sums only what is published by the 21 member states and omits confidential cells. Under an alternative criterion that attributes confidential cells to the 21 member states, nontransit flows increase from US$57.78 billion to US$123.02 billion annually, and LAC's share declines from 65.8% to 28.3% (see Methodological Annex 6, Section 6.5.6).

[105] Growth rates reflect exchange rate movements: the euro depreciated 17.3% against the dollar between the year-end rates for the two periods, meaning that in euro terms, extra-EU stock grew 45.7% and stock in LAC increased 29.0%, with no change in destination rankings.

jurisdictions are excluded, outward EU stock grew 30.1% in the aggregate and 32.2% in LAC, on par with the total group but behind the United States (47.7%), the rest of Asia (47.3%), and China (44.3%). Using nontransit data, LAC accounted for 17.2% of European outward stock in 2023–2024, compared with 16.9% in 2013–2014: roughly double its share using the complete dataset, and preserving regional market share.[106] LAC's loss of share in the full aggregate is therefore concentrated in the portion of regional stock that is not reported by the 21 nontransit EU member states, which contracted by 9.2%.

The contraction in EU FDI flows affected all subregions to varying degrees, except the Caribbean, which remained virtually unchanged (Table 11). South America, which absorbed 67.8% of EU inflows to LAC in 2013–2014, accounted for nearly three-quarters of the decline in dollar terms, as its annual flows dropped from US$75.14 billion to US$21.28

FIGURE 21 • OUTWARD EUROPEAN UNION FDI, BY DESTINATION, WITH AND WITHOUT TRANSIT ECONOMIES
(Billions of US$, annual averages, 2013–2014 and 2023–2024)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from Eurostat (bop_fdi6_flow and bop_fdi6_pos).
Note: "World" is the extra-EU total. "Excluding transit economies" excludes the six transit member states on the source side and 13 transit jurisdictions on the destination side. Data are for 2013–2014 and 2023–2024 (see Methodological Annex 6, Sections 6.5.1 and 6.5.3).

[106] In 2023–2024, Austria and Malta did not publish their extra-EU positions by destination (see Methodological Annex 6, Section 6.5.5). Under the alternative criterion, LAC's share moves from 20.3% to 20.0% (Section 6.5.6).

The drop in inflows to the region was concentrated in South America.

billion (–71.7%), reducing its share of total regional flows to 58.5%. Mexico fell by 63.4%, from US$30.57 billion to US$11.19 billion; because it contracted less than the regional aggregate, it gained market share (from 27.6% to 30.8%). In Central America and the Dominican Republic, inflows went from US$551 million to net divestment of US$624 million. Meanwhile, Caribbean flows held steady at around US$4.5 billion annually, and the subregion's share expanded from 4.1% to 12.5% of the regional total.

Brazil accounted for most of the decline in flows to South America.

Within South America, the fall in flows was primarily driven by Brazil, which accounted for 76.4% of the subregion's contraction in dollar terms: the country's annual flows dropped from US$57.81 billion to US$16.66 billion (–71.2%), although it still absorbed 78.3% of subregional flows. Uruguay also contributed to the downturn, falling from US$2.27 billion to net divestment of US$7.58 billion (18.3% of South America's decline), as did Chile, where flows fell 70.3% (12.1% of the total drop). Conversely, Colombia and Peru moved from net divestment to positive inflows of US$2.51 billion and US$2.55 billion, respectively. Chile and Venezuela are two cases where the decline was independent of transit FDI: flows from the 21 nontransit member states to Chile fell by 66.1%, while those to Venezuela went from US$2.65 billion to net divestment of US$632 million. In Central America, annual flows to Honduras jumped from US$125 million to US$2.23 billion (equivalent to 6.2% of its GDP), driven by a single flow recorded by Spain in 2023.[107] In the Caribbean, flows were driven by the Bahamas, where annual inflows rose

TABLE 11 • EUROPEAN UNION FOREIGN DIRECT INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN, BY SUBREGION AND COUNTRY
(Millions of US$ and growth rate, annual averages, 2013–2014 and 2023–2024)

Flows

	Millions of US$		Growth rate
Subregion/country	2013–2014	2023–2024	2023–2024/ 2013–2014
LATIN AMERICA AND THE CARIBBEAN	110,814	36,387	–67.2%
MEXICO	30,571	11,192	–63.4%
CENTRAL AMERICA AND DOMINICAN REPUBLIC	551	–624	n.a.

(continued on next page)

[107] These amounts are single-year transactions reported by individual member states: a US$17.45 billion divestment in Uruguay reported by Hungary in 2023; a US$12.31 billion divestment in the Dominican Republic reported by the Netherlands in 2024; and a US$4.22 billion investment in Honduras reported by Spain in 2023. Results under the alternative criterion are reported in Methodological Annex 6 (Section 6.5.6).

TABLE 11 • EUROPEAN UNION FOREIGN DIRECT INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN, BY SUBREGION AND COUNTRY *(continued)*
(Millions of US$ and growth rate, annual averages, 2013–2014 and 2023–2024)

Flows

	Millions of US$		Growth rate
Subregion/country	**2013–2014**	**2023–2024**	**2023–2024/ 2013–2014**
Costa Rica	123	515	319.5%
El Salvador	–26	895	n.a.
Guatemala	160	52	–67.6%
Honduras	125	2,232	1,687.4%
Nicaragua	–110	30	n.a.
Panama	548	–20	n.a.
Dominican Rep.	–270	–4,328	n.a.
SOUTH AMERICA	**75,143**	**21,276**	**–71.7%**
Argentina	5,660	3,850	–32.0%
Bolivia	109	351	222.7%
Brazil	57,810	16,656	–71.2%
Chile	9,261	2,750	–70.3%
Colombia	–220	2,506	n.a.
Ecuador	16	567	3,338.6%
Paraguay	247	300	21.6%
Peru	–582	2,549	n.a.
Uruguay	2,266	–7,577	n.a.
Venezuela	576	–677	n.a.
CARIBBEAN	4,549	4,543	–0.1%
The Bahamas	2,946	4,403	49.5%
Barbados	1,827	–878	n.a.
Belize	252	–21	n.a.
Guyana	4	115	2,510.8%
Haiti	1	95	14,128.7%
Jamaica	–120	284	n.a.
Suriname	36	686	1,784.1%
Trinidad and Tobago	–397	–139	n.a.

(continued on next page)

TABLE 11 • EUROPEAN UNION FOREIGN DIRECT INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN, BY SUBREGION AND COUNTRY *(continued)*
(Millions of US$ and growth rate, annual averages, 2013–2014 and 2023–2024)

Stocks

	Millions of US$		Growth rate
Subregion/country	2013–2014	2023–2024	2023–2024/ 2013–2014
LATIN AMERICA AND THE CARIBBEAN	**807,105**	**865,569**	**7.2%**
MEXICO	**149,621**	**220,015**	**47.0%**
CENTRAL AMERICA AND DOMINICAN REPUBLIC	**20,569**	**46,472**	**125.9%**
Costa Rica	2,338	10,617	354.2%
El Salvador	1,054	2,786	164.3%
Guatemala	2,076	1,911	–8.0%
Honduras	472	4,198	788.6%
Nicaragua	759	785	3.4%
Panama	9,653	13,782	42.8%
Dominican Rep.	4,216	12,392	193.9%
SOUTH AMERICA	**567,334**	**544,802**	**–4.0%**
Argentina	41,846	53,086	26.9%
Bolivia	3,140	3,658	16.5%
Brazil	392,198	315,693	–19.5%
Chile	44,167	62,401	41.3%
Colombia	21,583	31,553	46.2%
Ecuador	5,830	9,380	60.9%
Paraguay	1,156	1,930	67.0%
Peru	12,195	28,595	134.5%
Uruguay	11,275	29,965	165.8%
Venezuela	33,945	8,541	–74.8%
CARIBBEAN	**69,580**	**54,280**	**–22.0%**
The Bahamas	60,819	38,960	–35.9%
Barbados	5,495	7,182	30.7%
Belize	1,262	1,137	–9.9%
Guyana	–3	1,648	n.a.
Haiti	122	281	130.7%
Jamaica	407	1,949	378.4%
Suriname	200	2,186	994.3%
Trinidad and Tobago	1,278	937	–26.7%

Source: IDB Productivity, Trade, and Innovation Sector, based on data from Eurostat (bop_fdi6_flow and bop_fdi6_pos) and the IMF.
Note: Aggregates comprise the IDB's 26 borrowing member countries and total EU investment. The Bahamas and Barbados are included in the Caribbean (accounting for 9.7% of regional flows and 5.3% of regional stock in 2023–2024). The growth rate is reported as "n.a." when it lacks economic interpretation. Data are for 2013–2014 and 2023–2024 (see Methodological Annex 6, Section 6.5.2).

from US$2.95 billion to US$4.40 billion, while Barbados shifted to net divestment; excluding these two financial hubs, Suriname and Jamaica accounted for most of the increase.

EU FDI stock in the region shifted toward Mexico and Central America.

European FDI stock grew 7.2% in LAC between 2013–2014 and 2023–2024, with opposite trends across subregions (Table 11). Mexico's stock increased by 47.0%, single-handedly accounting for more than total regional growth as its share of the LAC total rose from 18.5% to 25.4%. Central America and the Dominican Republic more than doubled their inward FDI stock (+125.9%), increasing their share in the regional total from 2.5% to 5.4%. In South America, in contrast, stock fell by 4.0%, while its subregional share dipped from 70.3% to 62.9%. In the Caribbean, FDI stock contracted by 22.0% due to declines in the Bahamas. Excluding the Bahamas and Barbados, however, stock across the remaining Caribbean economies more than doubled, climbing from US$3.27 billion to US$8.14 billion. Excluding source-side transit economies confirms a geographic shift toward Mexico and Central America and turns South America's growth rate from negative to positive. Based on nontransit sources, FDI stock grew by 74.9% in Mexico, 106.3% in Central America, and 17.9% in South America,[108] showing that the overall decline in the latter was concentrated in the share of stock not reported by the 21 nontransit economies. Nontransit EU FDI stock in the Caribbean grew by 94.3%.

Brazil and Venezuela explain the downturn in South America.

The decline in South American stock was driven by just two countries, while the remaining eight saw increases. In Brazil, which accounted for 57.9% of South American stock in 2023–2024, stock declined by 19.5%;[109] Venezuela also experienced a contraction (74.8%), in contrast to increases in Uruguay, Chile, Peru, Argentina, and Colombia.[110] In Central America, the expansion was led by Costa Rica (32.0% of the subregional increase) and the Dominican Republic (31.6%), followed by Panama (15.9%) and Honduras (14.4%). In the Caribbean, excluding the Bahamas and Barbados, the gains were driven by Suriname, Guyana, and Jamaica.

The sectoral distribution of European FDI stock in LAC differs from that of other recipient regions, and the aggregate changed only marginally between 2015–2016 and 2023.[111]

[108] Results under the alternative criterion are reported in Methodological Annex 6 (Section 6.5.6). The largest discrepancy occurs in Costa Rica, where 64.4% of 2023–2024 European FDI stock cannot be allocated to a specific member state.

[109] The decline in Brazil is largely attributable to exchange rates and transit FDI: in euro terms, stock contracted by 3.4%, while stock reported by nontransit member states grew 5.4%. The decrease is concentrated in the portion of stock that is not declared by the 21 nontransit members, which fell 32.2%.

[110] Country-level results under the alternative criterion are reported in Methodological Annex 6 (Section 6.5.6).

[111] Data use the sectoral breakdown (NACE Rev. 2) for the EU aggregate. The figures in the text correspond to the aggregate, except those excluding the six transit member states. Comparisons use 2015–2016 versus 2023 due to the 2015 reclassification of holding companies and because 2024 sectoral breakdowns are not yet available. Destination breakdowns are available for only six LAC economies (see Methodological Annex 6, Section 6.5.4). Stability applies to the six-country aggregate as a whole, not to individual economies.

The EU's portfolio in LAC has a lower financial and higher manufacturing share than the extra-EU average.

In the six countries for which sector breakdowns are available—Argentina, Brazil, Chile, Mexico, Uruguay, and Venezuela, which together accounted for 80.9% of regional FDI stock in 2023—financial and insurance activity represented 51.2% of total stock in 2023, compared with 53.1% in 2015–2016, while manufacturing accounted for 18.8%, up from 18.2% in 2015–2016.[112] The financial sector's share is lower than in total extra-EU stock (56.9%), the United States (59.0%), and the rest of Asia (53.8%), exceeding only that of China (28.6%); conversely, the manufacturing share exceeds the extra-EU average (15.3%) and is close to those of the United States (18.0%) and the rest of Asia (20.3%), while remaining well below China (44.9%).[113] These differences stem from the investment reported by the six transit member states, which account for 48.2% of EU FDI in the six LAC recipient countries, 76.1% of which was concentrated in financial and insurance activities. If only the data published by the 21 remaining countries are included, the financial sector's share in the regional total (27.8%) is similar to its share in total extra-EU stock (27.2%), while the manufacturing share in LAC (25.3%) is lower than in the extra-EU total (28.1%).[114] Using the full aggregate, the stability observed in LAC contrasts with the sector shifts seen in other markets. In the United States, the financial sector's share dropped 14.3 p.p., driven by a contraction in holding companies from 63.8% to 50.6%. At the same time, manufacturing's share increased from 13.8% to 18.0% in the United States, compared with a decline of 7.0 p.p. in China and 7.5 p.p. in the rest of Asia. Within LAC, notable developments came in mining and quarrying, which includes oil and gas extraction, in Argentina, where the sector's share of total stock rose from 4.8% to 14.7%. In Chile, electricity and gas declined from 22.6% to 5.1%.[115]

The global contraction in EU outward investment is largely driven by activity in transit economies. Total annual extra-EU flows went from US$488.19 billion to net divestment of US$173.69 billion. However, if transit economies are excluded, flows expanded by 53.1%. LAC and China were the only two recipient destinations to record positive net flows in

[112] Holding companies are classified under financial services: in Brazil, the only LAC economy publishing data at this level of disaggregation, holding companies accounted for 41.2% of European FDI stock and 81.9% of financial sector stock. The increase in manufacturing share was also driven by Brazil, which accounted for 47.3% of total stock across the six economies in 2023 (in Brazil manufacturing share rose from 16.8% to 20.9%); excluding Brazil, the regional manufacturing share decreased from 19.6% to 17.0%.

[113] Excluding Hong Kong SAR and Singapore, the financial sector's share for the rest of Asia stands at 49.9% and manufacturing at 20.7% (see Methodological Annex 6, Section 6.5.4).

[114] Using this measure, the financial sector's share across the six countries went from 25.8% to 27.8% between 2015–2016 and 2023 (see Methodological Annex 6, Section 6.5.4, for other destinations).

[115] Section B of NACE Rev. 2 includes oil and gas extraction. In Argentina, the increase was concentrated between 2020 (0.4%) and 2021 (12.1%). In Chile, the contraction in electricity and gas took place between 2016 and 2017 and between 2020 and 2021, while the share of stock classified under activities that Eurostat does not break down by sector for Chile rose from 2.5% in 2015 to 12.8% in 2023.

2023–2024, although LAC's flows were 67.2% lower than in 2013–2014. Nontransit inflows remained near 2013–2014 levels while global total flows grew, resulting in a decline in the region's relative share. In FDI stock terms, LAC experienced the slowest growth among all recipient destinations and lost market share in the aggregate sample. However, if transit economies are excluded, the region's growth was on par with global levels, and its relative share held steady. The intraregional distribution of FDI shifted in favor of Mexico and Central America, while South America contracted due to declines in Brazil and Venezuela. The EU portfolio in LAC features a lower share of financial services and a higher share of manufacturing than the overall extra-EU average. This difference is driven by investment reported by the six EU transit jurisdictions; without them, the financial sector's share is on par with the global average and the manufacturing share is lower.

China: global growth with a diminishing regional share

Chinese outward FDI expanded significantly over the past decade but was unevenly distributed across recipient regions. Average annual FDI flows from China grew strongly.[116] The vast majority of these capital movements were routed through transit economies, which absorbed 72.6% of Chinese outward flows in the first period and 78.4% in the second, accounting for 86.2% of total growth. If transit economies are excluded, flows increased by 37.2%. Trends in Chinese FDI stock reflect the same phenomenon to an even greater degree: total stock expanded from an annual average of US$691.69 billion in 2012–2014 to US$3.05 trillion in 2023–2024 (a 340.6% increase). However, the relative share of transit economies was higher and grew at a faster rate (rising from 75.2% to 85.6%), resulting in nontransit stock growth of 155.5%. LAC captured a smaller share of this expansion than other regions: if the Bahamas and Barbados are excluded, inflows grew by 28.8% compared to 37.2% for the global nontransit average, while nontransit stock doubled (increasing by 99.9%) compared to a 155.5% global increase, causing LAC's share to shrink in terms of both stock (from 5.7% to 4.4%) and flows (from 7.8% to 7.3%). Within the region, the distribution across recipient economies changed significantly: Mexico's share of total Chinese FDI flows to the region surged from 4.3% to 44.2%, while South America's share dropped from 88.3% to 50.1%.

The divergence between the unfiltered aggregate and the nontransit data is particularly pronounced in the case of China. Chinese annual outward FDI flows averaged US$184.74 billion in 2023–2024, up 73.9% from 2012–2014 (Figure 22.a). The 20 transit economies absorbed US$144.82 billion of that total—78.4% of outflows, up from 72.6% a

[116] Data from the *Statistical Bulletin of China's Outward Foreign Direct Investment* (MOFCOM, NBS, and SAFE, 2017 and 2024 editions) and IMF GDP. The second period is 2023–2024 because the 2025 bulletin will be released in late 2026, and the filtering of transit economies applies to 16 of the 20 jurisdictions (see Methodological Annex 6, Sections 6.6.1 and 6.6.2).

China's outward FDI flows expanded.

decade earlier—and accounted for US$67.66 billion of the total expansion of US$78.49 billion. Excluding these transit jurisdictions, Chinese outward flows grew by 37.2%, rising from US$29.1 billion to US$39.92 billion annually. Based on nontransit flows, the rest of Asia was the only recipient destination to gain substantial market share: inflows grew by 76.7%, and its share rose from 38.3% to 49.3% of the total. Chinese flows to the EU grew by 61.8%, increasing its share from 6.5% to 7.6%;[117] to the United States by 30.9%, with its share dipping from 17.8% to 17.0%; and to LAC by 28.8%, its share down from 7.8% to 7.3%. The rest of the world was the only regional grouping to contract in dollar terms, dropping 13.3% and losing almost 11 p.p. of market share, from 29.6% to 18.7%.

FDI stock was concentrated in the rest of Asia and the United States, and LAC lost market share.

Concentration in transit economies was even more pronounced for stock and grew faster than the total. Chinese outward FDI stock expanded 4.4-fold between 2012–2014 and 2023–2024, with the 20 transit economies increasing their share from 75.2% to 85.6% of the total, an increase of 401.6% compared with 340.6% of the aggregate sample (Figure 22.b). Nontransit stock grew 155.5% overall, and the two destinations that gained the most market share were the United States, where stock grew 238.3% and the share rose from 15.0% to 19.8%, and the rest of Asia, with 215.2% and a share increase from 33.0% to 40.7%. EU stock grew 202.5%, and the bloc's share expanded from 8.9% to 10.6%. LAC's stock doubled, but this growth rate was less than two-thirds of the nontransit rate, causing the region's share to decline from 5.7% to 4.4%.[118] The rest of the world grew by 67.1% and lost nearly 13 p.p., as its share contracted from 37.4% to 24.5%.

Mexico now receives 4 out of every 10 dollars in flows to the region.

Within LAC, Chinese FDI flows grew marginally, while destination markets underwent a near-total redistribution. Inflows to LAC, including the Bahamas and Barbados, were 30.9% higher in 2023–2024 than in 2012–2014 (Table 12).[119] This aggregate growth masks an internal reallocation. Mexico multiplied the FDI it attracts 14-fold, increasing its share of total regional inflows from 4.3% to 44.2%, the largest change recorded in the table. South America contracted by 25.8%, and its share dropped from 88.3% to 50.1%. Central America and the Dominican Republic remained flat (−0.6%), with their share dipping from 2.9% to 2.2%. The Caribbean grew by 1.8%, but its share fell from 4.5% to 3.5%. This outcome stems entirely

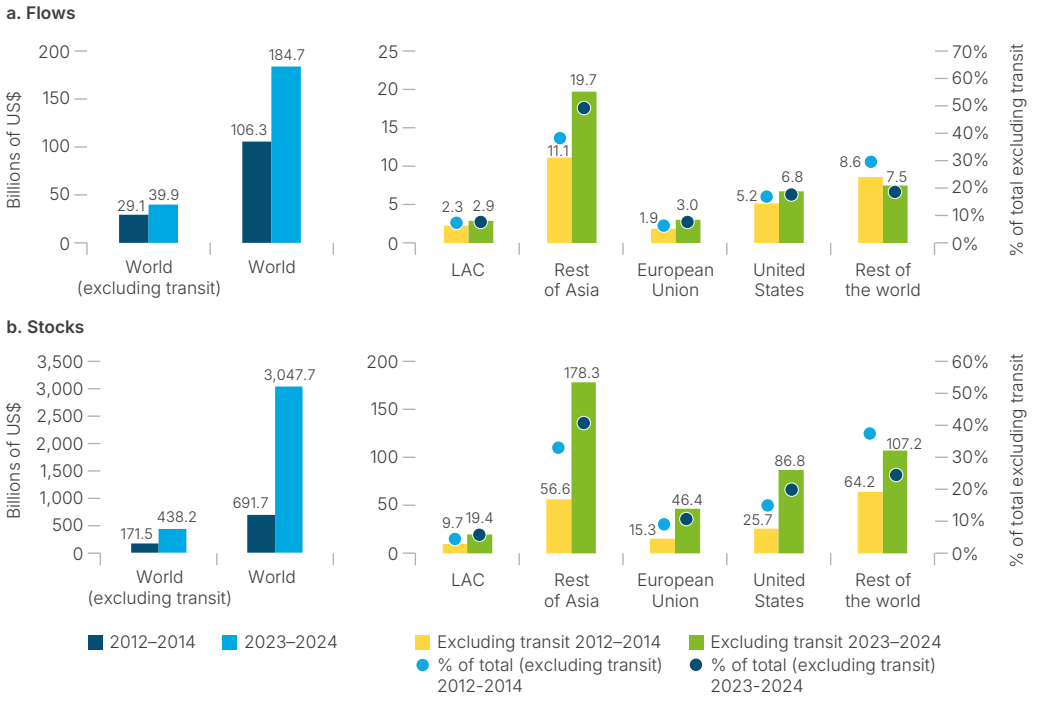
[117] Based on the full sample, flows to the EU grew by 25.8% rather than 61.8%, as six member states are on the list of transit economies.

[118] Measured against total unfiltered stock, the region's share is significantly smaller and declining, from 1.4% to 0.7%, illustrating the dilution effect introduced by transit economies.

[119] Includes the region's transit economies.

FIGURE 22 • CHINA OUTWARD FDI, BY DESTINATION REGION

(Billions of US$ and percentage of total excluding transit economies, annual averages, 2012–2014 and 2023–2024)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from China's Ministry of Commerce (MOFCOM), the National Bureau of Statistics (NBS), and the State Administration of Foreign Exchange (SAFE).
Notes: Annual averages for each period. The second period covers 2023–2024. The regional bars for the five regions reflect nontransit data (see Methodological Annex 6, Section 6.6.2).

TABLE 12 • CHINA FOREIGN DIRECT INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN, BY SUBREGION AND COUNTRY

(Millions of US$ and growth rate, annual averages, 2012–2014 and 2023–2024)

Flows

Subregion/country	Millions of US$ 2012–2014	Millions of US$ 2023–2024	Growth rate 2023–2024/ 2012–2014
LATIN AMERICA AND THE CARIBBEAN	**2,273.6**	**2,975.9**	**30.9%**
MEXICO	**96.9**	**1,315.6**	**1,257.6%**
CENTRAL AMERICA AND DOMINICAN REPUBLIC	**66.0**	**65.6**	**–0.6%**
Costa Rica	0.3	1.3	n.a.
El Salvador	0.0	0.0	n.a.
Guatemala	0.2	0.6	n.a.

(continued on next page)

TABLE 12 • CHINA FOREIGN DIRECT INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN, BY SUBREGION AND COUNTRY *(continued)*
(Millions of US$ and growth rate, annual averages, 2012–2014 and 2023–2024)

Flows

Subregion/country	Millions of US$ 2012–2014	Millions of US$ 2023–2024	Growth rate 2023–2024/ 2012–2014
Honduras	0.0	0.1	n.a.
Nicaragua	1.1	0.4	–61.3%
Panama	64.4	65.1	1.1%
Dominican Rep.	0.0	–1.9	n.a.
SOUTH AMERICA	**2,008.7**	**1,490.7**	**–25.8%**
Argentina	411.5	51.8	–87.4%
Bolivia	27.4	139.3	408.8%
Brazil	411.7	461.6	12.1%
Chile	18.1	224.7	1,141.3%
Colombia	94.9	261.5	175.7%
Ecuador	306.6	94.1	–69.3%
Paraguay	0.5	0.9	n.a.
Peru	36.8	195.9	432.7%
Uruguay	6.8	31.2	361.6%
Venezuela	694.5	29.9	–95.7%
CARIBBEAN	**102.1**	**103.9**	**1.8%**
The Bahamas	0.0	–2.7	n.a.
Barbados	0.0	49.7	n.a.
Belize	0.2	0.0	n.a.
Guyana	46.0	45.3	–1.4%
Haiti	n.r.	n.r.	n.a.
Jamaica	50.6	6.5	–87.2%
Suriname	–7.0	–0.3	n.a.
Trinidad and Tobago	12.2	5.4	–55.9%
Stocks			
LATIN AMERICA AND THE CARIBBEAN	**9,733.4**	**20,188.9**	**107.4%**
MEXICO	**439.9**	**4,181.7**	**850.7%**
CENTRAL AMERICA AND DOMINICAN REPUBLIC	**299.7**	**1,593.4**	**431.7%**

(continued on next page)

TABLE 12 • CHINA FOREIGN DIRECT INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN, BY SUBREGION AND COUNTRY *(continued)*

(Millions of US$ and growth rate, annual averages, 2012–2014 and 2023–2024)

Stocks

Subregion/country	Millions of US$ 2012–2014	Millions of US$ 2023–2024	Growth rate 2023–2024/ 2012–2014
Costa Rica	3.1	7.4	137.0%
El Salvador	0.0	0.0	n.a.
Guatemala	0.3	1.1	n.a.
Honduras	0.0	3.3	n.a.
Nicaragua	1.8	5.8	224.7%
Panama	293.4	1,570.7	435.3%
Dominican Rep.	1.0	5.2	394.1%
SOUTH AMERICA	**8,239.0**	**12,551.9**	**52.3%**
Argentina	1,449.0	2,078.4	43.4%
Bolivia	135.8	341.4	151.5%
Brazil	2,005.3	3,691.9	84.1%
Chile	167.1	1,616.8	867.9%
Colombia	420.7	619.3	47.2%
Ecuador	787.0	499.8	–36.5%
Paraguay	46.7	3.9	–91.7%
Peru	842.9	3,001.0	256.0%
Uruguay	84.8	255.8	201.7%
Venezuela	2,299.8	443.6	–80.7%
CARIBBEAN	**754.8**	**1,862.0**	**146.7%**
The Bahamas	0.6	565.7	n.a.
Barbados	4.1	175.5	4,207.8%
Belize	0.4	151.9	n.a.
Guyana	208.2	222.7	6.9%
Haiti	n.r.	n.r.	n.a.
Jamaica	114.3	574.1	402.1%
Suriname	83.8	61.2	–27.0%
Trinidad and Tobago	343.4	111.0	–67.7%

Source: IDB Productivity, Trade, and Innovation Sector, based on data from the MOFCOM, the NBS, and the SAFE.
Notes: Annual averages for each period; the second period covers 2023–2024. Aggregates comprise the IDB's 26 borrowing member countries. No position is reported for Haiti (n.r.). The Bahamas and Barbados are included in the Caribbean. The growth rate is reported as "n.a." when it lacks economic interpretation (see Methodological Annex 6, Section 6.6.2).

from the two Caribbean transit economies: if the Bahamas and Barbados are excluded, flows to the subregion fell by 44.3%.[120]

The decline in Chinese FDI flows to South America was driven by three countries: Venezuela, Argentina, and Ecuador. Together, these three contractions exceeded the total downturn in South America, as all other countries in the subregion recorded increases in Chinese flows. In Central America and the Dominican Republic, the subregional total was driven by a single country: Panama, which accounted for nearly all Chinese FDI in the subregion. Barbados drove the rise in the Caribbean, offset by a comparable contraction in Jamaica. Barbados was the only country to expand its inflows, while Suriname's divestment eased.

Venezuela, Argentina, and Ecuador explained the drop in South America.

Stock trends reflect the same geographic shift toward Mexico and Central America, with stronger, more broadly distributed growth than flows. Chinese FDI stock in LAC averaged US$20.19 billion annually in 2023–2024, 107.4% more than in 2012–2014 (Table 12). In Mexico, stock expanded by 850.7%, increasing the country's regional share from 4.5% to 20.7%. Stock in Central America and the Dominican Republic grew by 431.7%, and the subregion's share went from 3.1% to 7.9%. Caribbean stock increased by 146.7%, lifting the subregion's share from 7.8% to 9.2%.[121] By contrast, South America, which previously accounted for 84.6% of regional Chinese FDI stock, grew by 52.3%, shrinking to 62.2% of the regional total.

Stock shifted toward Mexico and Central America.

Unlike capital flows, FDI stock growth was supported by gains in most countries in each subregion. In South America, 7 of the 10 economies expanded their stock. Peru accounted for half of the growth, followed by Brazil (40%), then Chile and Argentina. Venezuela, Ecuador, and, to a lesser extent, Paraguay contributed negatively. In Central America and the Dominican Republic, concentration was extreme: Panama accounted for 98.7% of the subregional increase, despite six of the seven economies registering gains. In the Caribbean, the expansion was split between the Bahamas, which contributed half of total growth, and Jamaica, with an additional 40%. Barbados and Belize also recorded modest gains, whereas Trinidad and Tobago and Suriname experienced declines.

Peru, Brazil, and Chile explained the growth in South American stock.

The sector composition diverges depending on whether the analysis focuses on the global aggregate or on operations completed

[120] Excluding transit economies does not change the overall trend for the regional aggregate, however: growth shifts only slightly from 30.9% to 28.8%.

[121] Excluding the Bahamas and Barbados alters the magnitude of growth but not the relative ranking: without these transit jurisdictions, Caribbean stock grew 49.4% instead of 146.7%, while total regional stock expanded by 99.9% rather than 107.4%. The two transit economies account for 39.8% of Chinese FDI stock in the subregion and 3.7% of total regional stock in 2023–2024.

The sectoral composition differs between the global and regional portfolios.

within the region, and the two metrics are not mutually comparable.[122] Within global stock, leasing and business services—the category under which the source classifies shareholding—remains the largest sector in both periods, rising from 33.4% to 35.2%, followed by wholesale and retail trade, which rose from 12.5% to 13.2%. The two sectors that fell the most were financial services, which dropped from 16.9% to 10.7%, and extractive activities, which fell from 14.7% to 7.3%. The largest gains were in information, software, and IT services, which rose from 1.2% to 8.7%, and manufacturing, which increased from 6.2% to 10.2%. For operations completed in LAC, the sector ranking is different: manufacturing rose from 39.3% to 47.4% of total operations, the primary sector from 20.2% to 26.3%, and electricity generation from 7.9% to 13.1%, whereas services contracted from 25.8% to 6.6%. Measured in value terms, the sector breakdown highlights the importance of natural resources, which accounted for 42.3% of total value in the most recent period, compared with 28.1% for manufacturing, with shares in value depending on a few large-scale operations. Together, these data suggest that Chinese FDI reaching LAC has a more productive sectoral profile than the average of China's outward portfolio, although this comparison relies on different sources and accounting units and should be interpreted as indicative.

Chinese outward FDI expanded substantially, particularly toward the rest of Asia and the United States. LAC mirrored this expansion in volume, but its growth rate lagged: while the region doubled its stock and increased its flows, it lost market share in both. Within the region, the most notable shift is Mexico's increased relative weight: it rose from absorbing 4.3% to 44.2% of Chinese inflows and from 4.5% to 20.7% of regional stock. Conversely, South America became a less significant destination. The subregion's dynamics were determined by a small number of countries: Venezuela, Argentina, and Ecuador accounted for the decline in South American inflows, while Peru, Brazil, and Chile drove the subregion's stock growth; in Central America, Panama concentrated virtually all Chinese FDI flows and stock. In sector terms, China's global portfolio rested on intermediation and technology services, whereas the only distinct sector shift among operations recorded in the region was a contraction in services.

Regulatory architecture as an asset for attracting foreign investment

The first three chapters of this report document the resilience of the region's trade flows, consistent with trends confirmed by previous editions of the *Trade and Integration Monitor*, and the preceding sections of this chapter examine the expansion of FDI and shifts in its

[122] The two metrics use different sources and are not comparable in level terms: global metrics come from China's official statistical bulletin, while regional metrics come from the "Monitor of Chinese OFDI in Latin America and the Caribbean" (Dussel Peters, 2026) (see Methodological Annex 6, Section 6.6.3).

allocation by location and sector. From a policy perspective, the key question is whether these trends can be leveraged; that is, whether a country can take action to make them mutually reinforcing. Descriptive statistics alone are insufficient for policy conclusions, as countries that gain FDI vary in size, location, resource endowments, and historical factors that do not depend on policy decisions. In contrast, policy decisions directly influence the signing of trade agreements (both those with and without an investment chapter), bilateral investment treaties, double taxation treaties, and public reforms and investment. These shape the quality of the domestic regulatory architecture and the government efficiency needed to improve the investment climate. This section evaluates how international commitments are associated with bilateral investment and how this relationship varies with the efficiency of the recipient economy's institutional and regulatory environment. To this end, a gravity equation is estimated using the UNCTAD bilateral FDI panel dataset for 1985 through 2022, excluding country pairs in which either economy ranks among the top 10 capital transit jurisdictions,[123] incorporating all four instrument types into a single regression so that each coefficient is evaluated holding the remaining three constant.[124]

Three of the four instruments show a robust association with a higher probability of an active bilateral investment relationship between the two economies. The magnitude of association is greatest for double taxation treaties, associated with a 6.06 p.p. higher probability of an investment relationship existing. Double taxation treaties are the only instrument that is statistically distinct from the other two; the analysis cannot rank bilateral investment treaties (3.25 p.p.) against trade agreements with an investment chapter (2.21 p.p.) (Table 13).[125] Trade agreements without an investment chapter are the only instrument to fail robustness testing; consequently, the analysis does not support conclusions regarding

The probability of an active investment relationship is associated with the recipient country's commitments toward the investor.

[123] These are the top 10 transit economies listed in Damgaard, Elkjaer, and Johannesen (2019). Selecting these over the full list of 20 does not alter the conclusions (see Methodological Annex 6, Section 6.7.2).

[124] The regression includes directed pair fixed effects, origin-by-year fixed effects, and destination-by-year fixed effects (Anderson and van Wincoop, 2003; Head and Mayer, 2014; Yotov et al., 2016; Weidner and Zylkin, 2021; see Methodological Annex 6, Sections 6.7.1 and 6.7.3). Results reflect associations rather than causal effects. The existing literature shows heterogeneous findings: mixed evidence for bilateral investment treaties (Hallward-Driemeier, 2003; Neumayer and Spess, 2005; Busse, Königer, and Nunnenkamp, 2010; Egger and Merlo, 2012; Colen, Persyn, and Guariso, 2016; Bhagwat, Brogaard, and Julio, 2021) and null, heterogeneous, or withholding-tax-dependent impacts for double taxation treaties (Blonigen and Davies, 2004; Egger et al., 2006; Blonigen, Oldenski, and Sly, 2014; Petkova, Stasio, and Zagler, 2020). For trade agreements, the content of the investment provisions matters (Berger et al., 2013). Most prior studies analyze investment values, making their magnitudes not comparable with those in this chapter.

[125] The result for double taxation treaties may partly stem from fiscal optimization or reporting mechanisms, as tax information exchange leads previously unreported bilateral stock to be declared. The estimation faces limitations regarding entry-into-force dates, content coding, and database coverage (see Methodological Annex 6, Section 6.7.1). Tests of differences between instruments are presented in Methodological Annex 6, Section 6.7.5.

TABLE 13 • INTERNATIONAL AGREEMENTS AND BILATERAL DIRECT INVESTMENT, BY INSTRUMENT AND MARGIN
(Gravity estimates with directed pair, origin-by-year, and destination-by-year fixed effects, percentage points of probability and percentage of FDI stock, 1985–2022)

Instrument	Probability of an active investment relationship (p.p.)	95% CI	Stock (%)	95% CI
Trade agreement without investment chapter	**+1.36**	0.13 to 2.59	−2.9	−16.8 to 13.4
Trade agreement with investment chapter	**+2.21**	0.91 to 3.51	+2.1	−11.1 to 17.4
Bilateral investment treaty	**+3.25**	1.84 to 4.67	−1.6	−16.7 to 16.3
Double taxation treaty	**+6.06**	4.69 to 7.43	−6.1	−18.9 to 8.7

Source: IDB Productivity, Trade, and Innovation Sector, based on data from UNCTAD (bilateral FDI and IIA Navigator), DESTA, Larch (regional trade agreements), Tax Notes, and ICTD.
Notes: Bold coefficients are statistically distinguishable from zero at the 5% level. Probability of an active investment relationship: linear probability model, US$10,000 threshold. Stock: PPML. Directed-pair, origin-by-year, and destination-by-year fixed effects, with standard errors clustered at the pair level; 1985–2022 panel excluding the top 10 transit economies, with 542,798 observations and 25,838 pairs for probability, and 231,864 observations and 10,579 pairs for stock (see Methodological Annex 6, Sections 6.7.2, 6.7.3, and 6.7.5).

it.[126] What is associated with an active bilateral investment relationship, therefore, is not trade openness alone, but the presence of a bilateral investment treaty or tax treaty, which trade agreements augment when implemented jointly, whether or not the latter contain an investment chapter (Table 14).[127]

In the sample excluding these 10 transit jurisdictions, none of the four instruments is associated with the value of bilateral FDI stock, as none of the coefficients is statistically distinguishable from zero (Table 13).[128] Nor do the data yield a conclusion regarding investment values in pre-existing relationships, estimated separately as the intensive margin:[129] the sign depends on the choice of estimator.[130] Consequently, the analysis focuses on the extensive margin: international agreements are associated

There is no evidence of a relationship between policy instruments and investment values within pre-existing relationships.

[126] The statistical significance of this agreement depends on the sample and on the threshold used to define an active relationship (see Methodological Annex 6, Section 6.7.4).

[127] The threshold defining the existence of an active investment relationship—a reported position exceeding US$10,000—was established prior to these results. Methodological Annex 6 (Section 6.7.4) describes the effects of modifying this threshold.

[128] Only when the full panel is used, including transit jurisdictions, do bilateral investment treaties show a statistically significant coefficient regarding value (29.4%; see Methodological Annex 6, Section 6.7.5).

[129] The extensive margin evaluates whether an investment relationship exists; the intensive margin measures growth in existing relationships. The total stock column in Table 13 combines both dimensions (see Methodological Annex 6, Section 6.7.3).

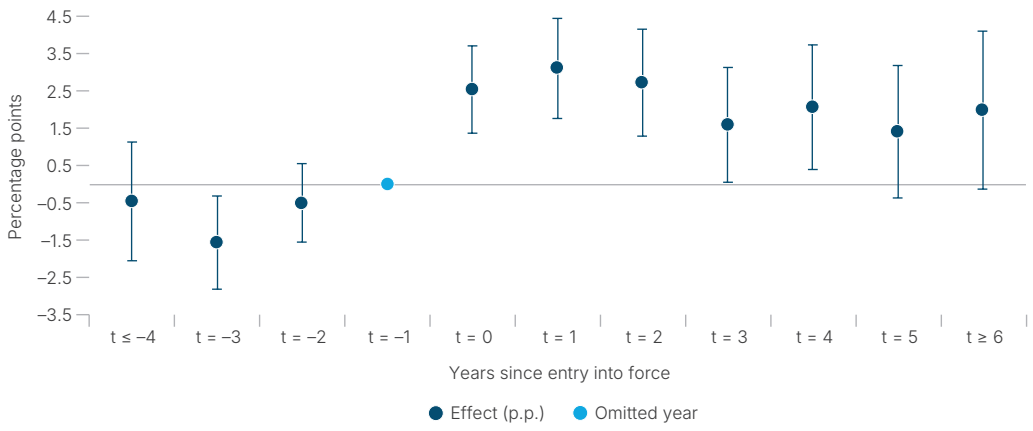
[130] Estimated in logarithms, the coefficient is positive and significant; however, PPML estimation yields estimates statistically indistinguishable from zero. This discrepancy reflects weighting differences rather than measurement error (see Methodological Annex 6, Section 6.7.3).

with whether an active investment relationship exists, not with how much it grows once established.

To trace this association over time, the event study focuses on trade agreements with an investment chapter, as these are the only type of the four policy instruments evaluated for which years before entry into force show no joint statistical significance at the 5% level.[131] Trade agreements with an investment chapter are associated with an average 2.2 p.p. increase in the probability of an active investment relationship, averaged over the six years following entry into force, with gains concentrated in the first three years (Figure 23). Three estimators—the conventional estimator and two estimators robust to staggered adoption—align in sign and are significant at the 1% level, with estimates ranging from 1.8 to 3.4 p.p.[132] Caution is required when attributing the increase in probability solely to the agreement: while the timing of the increase is compatible with entry into force, potential investor anticipation cannot be entirely ruled out.[133]

The probability of an active investment relationship increases starting from the year of entry into force.

FIGURE 23 • PROBABILITY OF AN ACTIVE INVESTMENT RELATIONSHIP AROUND ENTRY INTO FORCE OF TRADE AGREEMENTS WITH AN INVESTMENT CHAPTER
(Event study, percentage points of probability per year since entry into force, 1985–2022)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from UNCTAD (bilateral direct investment) and DESTA.
Notes: Sun and Abraham (2021) estimation using the specification and sample from Table 13; year −1 is the omitted category. Average effect over the six years following entry into force: 2.2 p.p. (0.97 to 3.45). Joint hypothesis test for three prior years: p=0.073. Bands denote 95% confidence intervals (see Methodological Annex 6, Section 6.7.6).

[131] For the remaining three instruments, hypothesis tests reject the null hypothesis at the 1% level, indicating that their association cannot be dated to entry into force and that agreements may be signed with partners from whom investment is already anticipated (see Methodological Annex 6, Section 6.7.6).

[132] The conventional estimator yields 1.8 p.p., the Sun and Abraham (2021) estimator yields 2.2 p.p., and the Borusyak, Jaravel, and Spiess (2024) imputation estimator yields 3.4 p.p. This chapter reports the Sun and Abraham (2021) estimator, which corrects the weighting of the conventional estimator (see Methodological Annex 6, Section 6.7.6).

[133] Across all three estimators, the coefficients for the years before entry into force are not jointly significant at the 5% level, but they are significant at the 10% level with the Sun and Abraham estimator. The absence of anticipation is not

Policy instruments do not operate in isolation. Neither trade agreements with an investment chapter nor trade agreements without an investment chapter are associated on their own with a higher probability of an active investment relationship (+0.99 p.p. for the former, 95% CI: −0.42 to 2.40; +0.26 p.p. for the latter, 95% CI: −1.05 to 1.56), with neither estimate statistically distinguishable from zero. In contrast, the nine policy combinations that include a bilateral investment treaty or a double taxation treaty are associated with probability increases of between 4.27 and 10.90 p.p., and all nine are significant at the 1% level (Table 14). Adding a trade agreement with an investment chapter is associated with

TABLE 14 • PROBABILITY OF AN ACTIVE INVESTMENT RELATIONSHIP, BY COMBINATION OF POLICY INSTRUMENTS IN FORCE
(Estimates across 11 mutually exclusive cells; percentage points of probability, 1985–2022)

Trade agreement in force	Other instruments in force	Probability of an active investment relationship (p.p.)	95% CI	Pairs
Trade agreement with investment chapter	None	+0.99	−0.42 to 2.40	1,961
Trade agreement without investment chapter	None	+0.26	−1.05 to 1.56	3,546
No trade agreement	Bilateral investment treaty	**+4.27**	2.36 to 6.18	1,162
No trade agreement	Double taxation treaty	**+6.07**	4.38 to 7.76	1,943
No trade agreement	Bilateral investment treaty and double taxation treaty	**+6.83**	4.51 to 9.15	1,323
Trade agreement with investment chapter	Bilateral investment treaty	**+10.32**	6.99 to 13.64	391
Trade agreement without investment chapter	Bilateral investment treaty	**+7.28**	4.00 to 10.55	420
Trade agreement with investment chapter	Double taxation treaty	**+9.25**	6.82 to 11.68	1,151
Trade agreement without investment chapter	Double taxation treaty	**+10.32**	7.91 to 12.72	1,230
Trade agreement with investment chapter	Bilateral investment treaty and double taxation treaty	**+10.90**	7.52 to 14.28	586
Trade agreement without investment chapter	Bilateral investment treaty and double taxation treaty	**+9.99**	6.81 to 13.16	683

Source: IDB Productivity, Trade, and Innovation Sector, based on data from UNCTAD (bilateral FDI), DESTA, Tax Notes, and ICTD.
Notes: Bold coefficients are statistically distinguishable from zero at the 5% level. Each row represents one of 11 mutually exclusive cells based on the combination of instruments in force; the reference category comprises pairs without any instrument in force. Specification and sample match Table 13 (see Methodological Annex 6, Section 6.7.7).

established: the test result depends on the estimator, the threshold, and the specification, and the test would not detect a pre-trend smaller than 1.5 p.p. per year (see Methodological Annex 6, Section 6.7.6).

A trade agreement alone is insufficient: it delivers results only when a country pair already has a bilateral investment treaty or double taxation treaty.

an additional probability increase of 6.05 p.p. (95% CI: 2.59 to 9.51) if the country pair already has a bilateral investment treaty; an increase of 3.18 p.p. (95% CI: 0.85 to 5.51) if the pair already has a tax agreement; and an increase of 4.07 p.p. (95% CI: 0.63 to 7.51) if the pair already has both. This exercise fails to detect an inherent value for investment chapters. Within each combination of the other two instruments, trade agreements with an investment chapter are statistically indistinguishable from those without one, and joint testing across the four comparisons does not reject the null hypothesis. Furthermore, for a country pair with an existing trade agreement and one of the two investment treaty types, adding the remaining agreement type changes the estimated association by between −0.33 and +2.71 p.p., although none of these differences is statistically distinguishable from zero. Comparisons across cells yield three main findings. Having two instruments is associated with a higher probability of an active investment relationship than having one. Having three instruments is not associated with a significantly higher probability than having two. Finally, adding a trade agreement to a combination of instruments that lacks one changes the probability in at least one case, regardless of whether the agreement includes an investment chapter.[134] The combination of instruments matters more than quantity: trade agreements contribute when paired with a bilateral investment treaty or double taxation treaty. With increases of 10.90 p.p. and 9.99 p.p., the two combinations that include all three instruments do not exceed the top-performing two-instrument combinations (both yielding 10.32 p.p. increases).

From a policy perspective, the association between agreements and FDI varies according to the destination country's institutional framework. Classifying destinations into terciles based on regulatory and institutional quality shows that all four instruments are associated with the existence of investment relationships in destinations with weak or intermediate frameworks, whereas only double taxation treaties are associated in the tercile of destinations with strong frameworks (Table 15). For all four instruments, tests reject the null hypothesis of equal effects across the three terciles, confirming that the association of each agreement type varies with the destination's regulatory quality. The most marked contrast concerns bilateral investment treaties: 8.04 p.p. for weak frameworks, compared to

The association between agreements and investment is stronger in destination countries with weaker institutional frameworks and incipient bilateral ties.

[134] Differences are identified partly by pairs transitioning across cells and partly by comparing trajectories (see Methodological Annex 6, Section 6.7.7). These findings address questions in the literature about complementarities between trade and investment provisions (Berger et al., 2013).

TABLE 15 • PROBABILITY OF AN ACTIVE INVESTMENT RELATIONSHIP, BY INSTRUMENT AND TERCILE OF DESTINATION COUNTRY REGULATORY ENVIRONMENT AND INSTITUTIONAL QUALITY
(Percentage points of probability, with 95% confidence intervals, 1985–2022)

Instrument	Weak regulatory environment	Intermediate regulatory environment	Strong regulatory environment	Equality across terciles
Trade agreement without investment chapter	+0.53 [−2.00; 3.06]	**+3.51** [1.62; 5.39]	−0.18 [−1.94; 1.59]	***p*=0.0098**
Trade agreement with investment chapter	**+4.40** [1.57; 7.23]	**+5.25** [2.69; 7.80]	−0.21 [−1.83; 1.40]	***p*=0.0003**
Bilateral investment treaty	**+8.04** [5.35; 10.74]	+1.34 [−1.38; 4.06]	+0.75 [−1.17; 2.66]	***p*=0.0000**
Double taxation treaty	**+6.62** [3.60; 9.63]	**+8.68** [6.30; 11.06]	**+3.89** [1.93; 5.84]	***p*=0.0074**

Source: IDB Productivity, Trade, and Innovation Sector, based on data from UNCTAD, DESTA, and the World Bank (Worldwide Governance Indicators).
Notes: Effects reported in p.p., with 95% confidence intervals in brackets. Bold figures indicate coefficients that are statistically distinguishable from zero and equality tests that reject the null hypothesis at the 5% level. Destination frameworks are measured using the government efficiency index from Daude and Stein (2007) in 1996–2000, categorized into terciles. Specification and sample match Table 13 (see Methodological Annex 6, Section 6.7.8).

1.34 for intermediate ones and 0.75 for strong ones; the latter two values are statistically indistinguishable from zero. The association for international agreements is therefore greater when the destination country's institutional framework is not strong—for three of the four, the highest coefficient is in the intermediate tercile. This pattern is consistent with agreements standing in for guarantees that the destination does not provide on its own. The state of ties before the agreement aligns results in the same direction: trade agreements with an investment chapter are associated with a 10.52 p.p. increase where bilateral ties are still incipient. Association was strongest in this group, the only one robust across alternative measures of maturity.[135]

The empirical findings yield five core insights that are relevant to policy design. First, international agreements—double taxation treaties, bilateral investment treaties, and, under an additive regression specification, trade agreements with an investment chapter—are associated with a higher probability of an active bilateral investment relationship. Second, none of these instruments is associated with investment values within existing relationships: the sole significant effect on stock emerges only when transit jurisdictions excluded from

[135] Relationship maturity is measured in three ways; under all three, the association for the incipient group is positive and statistically significant, whereas the association for the mature group is not robust. The chapter therefore draws no conclusions regarding mature ties (see Methodological Annex 6, Section 6.7.9).

the primary sample are included. Third, for trade agreements with an investment chapter, the probability of an active investment relationship increases after entry into force. Fourth, associations are stronger in destinations without robust regulatory environments; in destinations with strong frameworks, associations appear only for double taxation treaties. Fifth, trade agreements alone are not associated with a higher probability of an active investment relationship; they contribute when a country pair already has a bilateral investment treaty or a double taxation treaty.[136]

This chapter has evaluated LAC's position on the global investment map using five complementary statistical sources—UNCTAD aggregate series, the INTEGRA data reported by the region's countries, and official statistics from the United States, the EU, and China—both including and excluding economies that operate as capital transit jurisdictions. In the full panel sample, global flows stagnated, and European flows shifted into net divestment; excluding transit jurisdictions, both metrics expanded. Both developments reflect a shift away from investment routed through financial hubs rather than a widespread drop in investment.

Taken together, the sources yield a consistent picture of LAC. Among the regions analyzed in this publication, LAC remains the top recipient of FDI relative to the size of its economy. However, it now receives 4.5% less investment than a decade ago, and its share in global FDI stock has shrunk. From the investor perspective, LAC increased its share of US outward FDI stock, maintained its share of European stock after adjusting for transit capital, and lost share in Chinese investment. Within the region, Mexico gained share in all three investor economies, consistent with the relocation of manufacturing value chains.[137] Central America and the Dominican Republic expanded, with gains concentrated in a small number of recipient countries. In contrast, investment in South America contracted, with Venezuela registering declines across all three statistical sources. The most persistent gap remains the low volume of outward investment generated by LAC itself.

The empirical findings highlight a key policy takeaway: the association between international commitments and investment is strongest where recipient regulatory and institutional frameworks are less robust. The specialized literature demonstrates that domestic regulatory quality remains a first-order determinant of investment location. The two agendas are therefore not mutually exclusive: external commitments offer guarantees to

[136] Nevertheless, both bilateral investment treaties and double taxation treaties entail inherent trade-offs that lie outside the scope of this analysis but warrant careful consideration. Bilateral investment treaties create contingent liabilities via investor-state dispute settlement mechanisms and may constrain domestic regulatory space, and several borrowing countries have terminated treaties or withdrawn from the ICSID Convention, so considering these instruments requires weighing those costs alongside the ongoing reform agenda (Poulsen, 2015; Bonnitcha, Poulsen, and Waibel, 2017; UNCTAD, 2018). Similarly, double taxation treaties involve foregone tax revenues alongside risks of misuse (that is, tax avoidance), and LAC economies have taken different policy stances in international tax cooperation forums (Beer and Loeprick, 2021; Hearson, 2021).

[137] Recent literature examines how far this pattern reflects a broader restructuring of global value chains (Alfaro and Chor, 2023; Freund et al., 2024; Fajgelbaum et al., 2024).

investors while domestic institutions are consolidated. This strengthening increases the country's attractiveness as an investment destination.

At a time when LAC stands out for its dynamic trade performance, strategic location, and endowment of critical assets for future global value chains, aligning trade and investment attraction policies with domestic regulatory reforms is therefore critical.

Conclusions

Amid a global context marked by new geopolitical tensions and disruptions to global supply chains, global trade in goods displayed remarkable resilience. After expanding 6.5% in 2025, driven largely by trade in artificial intelligence–related goods, growth accelerated to 14.5% year-on-year in the first half of 2026. However, the drivers of growth shifted: while volume increases dominated in 2025, the primary driver in the first half of 2026 was rising prices, particularly for energy and metals. At the same time, trade uncertainty evolved: comparing media coverage indicators with implemented trade measures suggests a shift from an era marked by expectations of trade policy changes to one defined by the materialization and persistence of new market-access conditions. The latest projections confirm trade's resilience, with volumes expected to keep expanding through the rest of 2026. Nevertheless, price momentum is expected to ease as commodity prices normalize, although higher energy costs and supply chain disruptions could affect real flows.

Commodity prices reversed the downward trend that began in 2022. The energy shock stemming from geopolitical tensions boosted oil prices, while metals led price increases: gold reached new highs as a safe-haven asset, and copper and lithium benefited from the energy transition and supply constraints. In contrast, agricultural prices followed divergent trajectories, with gains in soybeans alongside declines in sugar and coffee. At the same time, rising fertilizer costs pose a medium-term risk to food security and LAC's agricultural producers, who benefit from higher export prices but also face higher production costs. Because supply was rerouted through alternative sources, the primary risk is price pressure rather than availability. On balance, Latin America's terms of trade continued to improve, although gains were concentrated in South America. Terms of trade worsened in Mexico and Central America as import prices rose faster than export prices.

Against this backdrop, the region's goods exports grew faster than the global average, accelerating from 7.7% in 2025 to 19.5% in the first half of 2026. In contrast to global trends, volume was the primary driver in the region, with Mexico playing a leading role due to its exports of AI infrastructure equipment to the United States. Meanwhile, higher mining and energy prices buoyed exports from South America and the Caribbean, although growth in the latter remained concentrated in Guyana. By contrast, services exports grew by 8.0%, lagging behind the region's goods exports and global services trade. KBS and travel drove this performance, while transport was affected by logistics disruptions. Predictive models

anticipate this expansion will continue, with export growth expected to hold through the rest of the year, despite a context in which risks are tilted to the downside. On the one hand, these projections partly reflect extraordinary factors, and revised expectations about the profitability of AI may curb investment and trade in that sector. On the other hand, volatile energy and food prices could add further strain, along with unstable trade policies.

Nonetheless, export growth was primarily driven by extraregional demand. LAC gained market share in the US and European markets and maintained a historically high share in China, reaching a record high in US imports even as the country's total imports from the rest of the world contracted. Intraregional trade also picked up pace but declined as a share of total trade. The synthetic indicator of economic integration retreated in 2025 because trade and physical dimensions weakened and no new agreements entered into force between LAC countries. Under these circumstances, the provisional application of the MERCOSUR–EU Agreement offers the region an opportunity to expand market access. Alongside the recent signing and modernization of other agreements between LAC countries and Europe, it creates avenues to advance toward greater convergence in the region's trade architecture.

In this short-term context, the region's trade resilience raises an important medium-term question: how far can the recent favorable trade performance documented in this series of reports be leveraged to attract larger volumes of higher-quality FDI? Decisions to export and locate production overseas share common drivers and lead to increasingly interdependent outcomes, as subsidiaries of multinationals and their local supplier networks account for a substantial share of regional trade. Foreign investment, in turn, influences productivity gains, job quality, and export diversification through supplier linkages, labor mobility, and technology transfer. Trade resilience does not automatically translate into larger investment flows, so identifying complementarities between trade and investment attraction policies is a top priority in LAC's agenda.

As is documented in this report, the apparent stagnation of global FDI flows is concentrated in economies that function as capital transit platforms; excluding these countries, flows expanded over the last decade. Among the regions analyzed in this publication, LAC remains the top recipient of foreign investment flows relative to the size of its economy, yet inward flows in 2023–2025 were lower than a decade earlier. The region's FDI stock grew more slowly than the global average, causing its share of global investment to decline. Meanwhile, LAC's own outward investment remains marginal and is dominated by a select group of highly dynamic *multilatinas*.

From the investor perspective, the region increased its share of US outward FDI stock, maintained its share of European stock if transit capital is discounted, and lost share in Chinese outward investment. In terms of flows, however, LAC lost market share in all three investor economies, as outward FDI from each grew faster in other regions. Within the region, Mexico—and to a lesser extent Central America and the Dominican Republic—gained share in the FDI stock of all three investor economies, consistent with

the relocation of manufacturing value chains. By contrast, South America lost market share across all three investors.

The sectoral structure of investment varies across the three investor economies. Goods production dominates US stock in the region, with manufacturing and extractive activities together representing a larger share than in any other destination in the US portfolio. Holding companies, which dominate investment in the EU and the rest of Asia, account for a smaller share. Financial and insurance activities are the primary sector for European stock, although this profile reflects investment reported by transit jurisdictions. If transit investment is excluded, the financial sector's share is on par with average EU extrabloc investment. Finally, China's transactions in the region are concentrated in manufacturing, the primary sector, and electricity generation. Over the last decade, the sectoral composition of investment shifted only marginally. Within the US portfolio, holding vehicles declined relative to information services and, to a lesser extent, extractive activities. The European portfolio remained largely stable, while the only discernible change in Chinese operations was the contraction in services.

The global restructuring of production driven by AI and the energy transition offers genuine opportunities, but these benefits currently apply mainly to countries and sectors where these changes are already underway. For Mexico and Central America, the challenge is moving into higher value-added segments within supply chains and extending this opportunity to more countries in the subregion before it consolidates solely among a few front-runners. In South America, the primary challenge is to attract investment in natural resources, critical minerals, energy grids, and digital infrastructure such as data centers. This must deepen integration into global value chains tied to ongoing technological transformations, without replicating extractive models marked by weak local linkages.

The empirical evidence presented in this report indicates that the existence of an investment relationship between two economies is associated more with the regulatory architecture defining a host country's commitments to investors than with trade openness alone. The international instruments that constitute regulatory architecture—investment chapters in trade agreements, bilateral investment treaties, and double taxation treaties—are associated with a higher probability of investment relationships, especially when combined. Moreover, this relationship is strongest when domestic institutional frameworks are less robust, which is consistent with these international instruments serving as substitutes for guarantees that host countries do not provide on their own, a common scenario in developing countries.

Combined with the academic literature, these results have important public policy implications. The finding that international commitments correlate more strongly with investment relationships in weaker institutional environments may indicate that they can offer transitional guarantees while domestic institutions are strengthened. For international

trade and investment agreements to translate into significant, stable investment flows with spillover effects on the local productive sector, they must be paired with complementary domestic regulatory reforms and investments. Reforms should consolidate an open, transparent, predictable, and nondiscriminatory regulatory architecture aligned with international treaty commitments and OECD principles, grounded in the rule of law, control of corruption, effective public administration, and regulatory quality. Meanwhile, public investment must efficiently finance essential public goods to help close gaps in infrastructure, connectivity, and human capital that constrain the competitiveness of the private sector and its capacity to integrate into global value chains.

International commitments and strengthening domestic regulatory architecture are not mutually exclusive: an ambitious external agenda cannot replace internal support. At the institutional level, governments must pursue clear, long-term goals to resolve coordination failures between productive development and investment promotion agencies while lowering information and transaction costs for businesses.

The design of specific policies falls outside the scope of this report, and the suitability of each instrument depends on each country's context and priorities. However, the evidence presented here, alongside the academic literature, outlines broad objectives so that the export momentum of recent years and the expansion and deepening of trade agreements can be leveraged to attract more and higher-quality investment:

- **Consolidate open, predictable, and nondiscriminatory regulatory frameworks** by embedding trade expansion and investment attraction objectives within domestic productive development policies that send clear, stable signals to investors. Remaining FDI restrictions should be reviewed using criteria of necessity and proportionality, particularly for services that serve as inputs for the wider economy. In addition, national security screening mechanisms must remain transparent, targeted, and proportionate.
- **Strategically align international trade and investment commitments** by coordinating trade agreements with investment protection instruments and tax treaties. Priority should be given to partners with whom investment relationships are still at an early stage, while existing instruments are modernized. Governments should carefully assess the underlying fiscal, legal, and regulatory costs in all cases.
- **Promote investment through more effective institutions and policies**, streamlining and digitalizing procedures for setting up and operating businesses, in line with multilateral investment facilitation initiatives. Investment promotion agencies should have adequate resources and overseas representation networks, and target their interventions based on rigorous impact evaluations. They should also coordinate their efforts closely with trade agreement authorities and export promotion agencies.
- **Maximize foreign investment spillovers** by supporting supplier-linkage programs that are compatible with international disciplines and built around information sharing,

quality certification, and financing. Efforts should focus on strengthening local firms' capacity to absorb technology and develop human capital.

- **Deepen regional investment integration** by supporting the internationalization of *multilatinas*. This requires addressing regulatory barriers and constraints in credit and market access. Governments should embed investment and facilitation disciplines within subregional integration mechanisms.
- **Strengthen the evidence base** through timely investment statistics broken down by partner and sector, attributing flows to the ultimate investor wherever feasible. Governments should also establish multinational enterprise registries that integrate with available administrative datasets. These measures seek to ensure public policies attract larger volumes of higher-quality investment while also enabling evaluations of policy outcomes.

These are only some of the challenges facing LAC in a global environment marked by geoeconomic fragmentation, volatile prices, changes to trade and investment rules, and the rise of new technologies and industries. The region's export resilience in recent years is not enough to guarantee more dynamic global integration in the future. Capitalizing on this momentum requires integrating trade and investment attraction agendas and supporting them with complementary domestic reforms and policy interventions that turn the regulatory architecture into an asset that attracts international investors. Only through this alignment can market access, the credibility of international agreements, and local capacity building work together to attract larger flows of higher-quality FDI to the region.

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Methodological Annex 1:
Estimation of the Value of Global and Regional Trade

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

CPB World Trade Monitor

The CPB compiles monthly trade flow series for each country, drawing on selected online sources. Once collected, the data are standardized in terms of frequency and currency (US dollars), enabling the construction of consistent series of values, prices, and volumes. Different techniques are used to estimate missing observations at the country level for the most recent months. Regional aggregates are then constructed using these country data, 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 used when available; otherwise, seasonal adjustments are applied to other available data. The series base year is 2021.

Estimates of Latin American exports

The seasonally adjusted export series covers 18 Latin American countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the 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 because up-to-date monthly data are unavailable.

Methodological Annex 2:
Price, Volume, and Terms of Trade Indices

This annex summarizes the methodology used to estimate the export and import price indices, volume indices, and terms of trade used in aggregate form in Chapters 1 and 2.

Monthly series

The decompositions of variations in the price and volume of Latin American exports in the first half of 2026 shown in Figure 3 (Chapter 1) and Figures 9 and 10 (Chapter 2) come from a monthly aggregate volume index that includes 15 countries: Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, 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 (Secretariat of Foreign Trade), 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 (BLS). The series for Paraguay was calculated using export volume data for the country's main products as reported by the Central Bank of Paraguay and aggregated according to the 2010 export structure. For Mexico, the export value series was deflated using the All Commodities from Mexico import price index published by the BLS. For Costa Rica, Guatemala, Honduras, Nicaragua, and the Dominican Republic, export value series were deflated using US import price indices by HS chapter published by the BLS, using the mirror approach detailed in Methodologies 2 and 4. The mirror criterion assumes that US import prices by chapter, which reflect all country origins, are representative of each country's export prices to all destination markets. This assumption is particularly restrictive for Central America. Venezuela's export volumes were calculated using OPEC data on Merey-type oil prices. The national series were geometrically aggregated based on countries' shares of total exports valued in US dollars in 2023. For imports, the price and volume indices published by the official sources in the list above were used, except for Venezuela. The indices were aggregated using the relative weight of the respective imports in 2023.

Annual series

The price indices are Laspeyres estimates for imports and exports. The methodologies used to calculate these indices are explained in detail in Giordano, Campos, and Michalczewsky (2023) and have been adapted here in response to the quality and availability of disaggregated data, as described below.

Methodology 1: South American trade flows and Central American imports

This methodology 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. For exports and imports of Bolivia, Brazil, Colombia, Ecuador, El Salvador, Paraguay, Peru, and Uruguay, and for imports of Costa Rica and Guatemala, Laspeyres price indices were calculated at the HS 6-digit subheading level, using 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 2026, and on COMTRADE data for Venezuela's imports, which were obtained based on the value of exports to Venezuela reported by other countries. Due to data constraints, the Central Bank of Chile and National Institute of Statistics and Censuses (INDEC) price indices were used for Chile and Argentina, respectively.

Methodology 2: Exports from Central American countries and Mexico

The second methodology used deflators developed by the BLS, which were applied to exports from Mexico and two Central American countries, Costa Rica and Guatemala. Because of data issues, particularly in the microdata on physical volumes of manufactured goods, estimates at constant prices were made at the HS chapter (2-digit) level, using BLS price indices for US imports. The disaggregation includes 29 chapters of the HS: 2, 3, 7, 8, 9, 16, 22, 27, 28, 29, 30, 38, 39, 40, 62, 64, 73, 74, 76, 82, 83, 84, 85, 87, 88, 90, 94, 95, and 96. These calculations were based on data for current values reported to INTEGRA by national sources through September 2026. For Mexico, the export values series was deflated using the All Commodities from Mexico import price index published by the BLS.

Methodology 3: Venezuelan Exports

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

Methodology 4: Exports and imports of the Dominican Republic, Honduras, and Nicaragua

For the Dominican Republic, Honduras, and Nicaragua, price indices were calculated at the HS chapter (2-digit) level using the mirror criterion. Because these countries do not publish foreign trade price indices at the required level of disaggregation, exports were deflated using US import price indices and imports using US export price indices, both published by the BLS. The trade values used for weighting were obtained from national customs records for the Dominican Republic and from World Integrated Trade Solution (WITS) mirror data for Honduras and Nicaragua, since the latter two do not publish disaggregated product-level trade data covering STRs. In these cases, exports were proxied by the imports from each country reported by trading partners, and imports by the exports to those destinations reported by partners.

As the BLS does not publish price indices for all HS chapters, a three-tier imputation hierarchy was applied: chapter-level indices were used first; if unavailable, HS section-level indices were used; and as a last resort, the total US import price index for imports from LAC was used to calculate LAC exports, while the total US export price index for exports to LAC was used to calculate LAC imports. This process ensures that all chapters with recorded trade flows are covered by at least one price index. Monthly BLS indices were averaged to yield annual series that can be compared with trade values.

Additional notes

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

The aggregate indicators for LAC and the country groups shown in Figure 3 (Chapter 1) and Figures 9 and 10 (Chapter 2) were calculated as weighted averages of the price and volume indices for each country's trade flows. In annual series, weights were based on the relative export or import shares of each member country in a given year. In monthly series, which are the basis for the estimates for the first half of 2026 for both exports and imports, 2023 shares were used.

Data for the last two years are typically subject to revision by the respective sources and may not coincide with figures subsequently updated and published by these sources. The estimates in this publication should thus be considered preliminary.

Methodological Annex 3:
Goods and Services Export Statistics

The data for 2024 to 2026 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, while 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 from IMF mirror data (exports to Venezuela recorded by trade partners). For Peru, data on shipped exports published by the National Superintendency of Customs and Tax Administration (SUNAT) were used. The data for Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua include special trade regimes. The data for Panama refer only to exports and imports from the national customs territory. At the time of publication, data for Caribbean countries were available through April for Jamaica and through March for the Bahamas and Suriname. No data were available for Haiti.

Table 3

Services exports are defined as per the sixth edition of the *IMF Balance of Payments Manual*. For all years, the series exclude construction services, government services, manufacturing services, and maintenance and repair services. All data are from the IMF, except for the Bahamas, Guatemala, Nicaragua, and Peru, which draw on UNCTAD data. The value of services exports for the first quarter of 2026 is an estimate that excludes countries lacking available data at the time of publication.

Methodological Annex 4:
Data Treatment for 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 Latin America or LAC to avoid double counting.

Central America and the Dominican Republic (CADR): Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama, as well as the Dominican Republic, given that it belongs to the Central American Integration System (SICA) and has trade agreements with the other members. Although Belize is a member of SICA, it is not included because the only Central American countries with which it has trade agreements are Guatemala and Costa Rica.

Caribbean Community (CARICOM): Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, 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. The analysis does not include Bolivia, which formally joined the bloc in August 2024.

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

Latin America: excludes the Caribbean.

Mesoamerica: Mexico and Central America (including the Dominican Republic).

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: Eurostat; Guatemala: Bank of Guatemala; Guyana: Bureau of Statistics; Honduras: Central Bank of Honduras; Jamaica: Statistical Institute of Jamaica; Mexico: Bank of Mexico; Nicaragua: Ministry of Development, Industry, and Commerce and Central Bank of Nicaragua; Panama: National Institute of Statistics and Censuses; Paraguay: Central Bank of Paraguay; Peru: Central Reserve Bank of Peru and SUNAT; Suriname: Central Bank of Suriname; United States: US International Trade Commission; 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, productive, physical, and institutional. Each dimension is made up of indicators that measure different aspects of integration by country on an annual basis. The methodology and databases used for these calculations are detailed in Giordano et al. (2021a). The following paragraphs describe the modifications to this methodology and explain any differences from the previous edition.

For the physical dimension of integration, this edition reinstates the bilateral maritime transport connectivity index used in Giordano et al. (2021a), which is based on UNCTAD's Liner Shipping Bilateral Connectivity Index for the first quarter of each year. This edition uses bilateral records instead of the aggregate index used in the previous edition.

LAC's regional integration blocs—the Pacific Alliance, Andean Community, CARICOM, Central America and the Dominican Republic, and MERCOSUR—are measured against the regional total rather than just their member states, such that the indicator reflects each bloc's degree of integration with LAC as a whole.

For the institutional dimension, the share of countries with active trade agreements includes only free trade agreements and customs unions, according to the January 2026 edition of the Larch Regional Trade Agreements Database, supplemented by a manual review of agreements that entered into force in 2025. Partial scope agreements were not included.

Finally, each subindicator is normalized using the minimums and maximums procedure over the set of country and year observations available for that subindicator. Both the dimension indices and the aggregate index are calculated as simple averages.

Methodological Annex 6:
Sources and Coverage of Foreign Direct Investment Data

This annex documents the sources, coverage, and calculation criteria for the foreign direct investment (FDI) statistics presented in Chapter 4. The chapter combines five data sources: UNCTAD aggregates and series reported by Latin America and the Caribbean (LAC) countries to INTEGRA, which measure FDI from the perspective of the recipient country; and statistics from the United States, the European Union (EU), and China, which measure it from the perspective of the country of origin. Section 6.1 sets out the common criteria; sections 6.2 to 6.6 describe each source only where it diverges from these criteria; and 6.7 describes the econometric exercise in detail. Each section of this annex is divided into numbered subsections, as referenced in the chapter footnotes.

6.1. General methodology

6.1.1. *Comparative regions*

The comparative regions are defined consistently throughout the chapter according to the list of countries in Table A6.1. Each source publishes its own regional groups and does not always allow that list to be replicated exactly. Differences between groupings are detailed in each section.

LAC is broken down into four subregions, following the same definition as in previous chapters of the Monitor: Mexico; Central America and the Dominican Republic (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama); South America (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela); and the Caribbean (the Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago). Actual coverage of each subregion depends on which countries each source reports.

6.1.2. *Transit economies*

A substantial portion of recorded FDI does not correspond to productive activity in the reporting economy, but to positions that route through entities with no real economic

TABLE A6.1 • COMPARATIVE REGIONS

Region	Composition
Latin America and the Caribbean	The IDB's 26 borrowing member countries: Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay, and Venezuela.
United States	United States.
European Union	The 27 current member states, held constant over the entire sample period.
China	Mainland China. The Hong Kong and Macao SARs are recorded under the rest of Asia.
Rest of Asia	Asia per United Nations classification, excluding mainland China and Cyprus, which is assigned to the EU. Includes the Hong Kong and Macao SARs. Excludes Oceania.
Rest of the world	Economies not included in the preceding regions. This is a heterogeneous set that includes financial hubs and is not interpreted as an economic region.
World	The total published by each source.
World excluding transit economies	The published total minus transit economies reported separately by the source.

activity—holding companies and special-purpose entities (SPEs)—domiciled in financial hubs. To isolate this component, the chapter presents its results with and without the 20 economies with the largest inward "phantom" FDI stock in 2017 according to Damgaard, Elkjaer, and Johannesen (2019), defined as the portion of the recorded position that does not correspond to productive assets in the reporting economy. In descending order, they are: Luxembourg, the Netherlands, Hong Kong SAR, the British Virgin Islands, Bermuda, Singapore, the Cayman Islands, Switzerland, Ireland, Mauritius, the United Kingdom, Cyprus, Malta, Hungary, Curaçao, Barbados, the Bahamas, Jersey, Gibraltar, and Puerto Rico.

Transit economies are deducted from both the world aggregate and the region to which they belong: 6 are EU member states (Cyprus, Hungary, Ireland, Luxembourg, Malta, and the Netherlands), 2 are IDB borrowing countries (the Bahamas and Barbados), 2 form part of the rest of Asia (Hong Kong SAR and Singapore), and the remaining 10 form part of the rest of the world. No source reports all 20 separately, so filtering is applied to those published by each. Filtered data (nontransit economies) do not reallocate investment to its final destination, as primary sources do not track this. In tables with country-level data on LAC, the Bahamas and Barbados are included in the Caribbean and the regional aggregate, and the note to each table reports their weight; in filtered data (nontransit economies), they are excluded. Two exceptions apply: Box 8 analyzes origin as declared by the source, without excluding transit economies (Section 6.3.3), and the US section excludes Barbados from the regional aggregate (Section 6.4.2).

6.1.3. *Temporal coverage and choice of sample periods*

The analysis compares two three-year periods, 2012–2014 and 2023–2025, and uses 2017–2019 as an intermediate period in some footnotes. Sections 6.2 through 6.6 indicate cases where source availability requires using other years. Three-year averages are used because FDI is highly volatile: a large-scale merger or acquisition, corporate restructuring of a multinational, or capital movements in transit can alter records for a single year without productive investment changing.

The specific three-year windows were selected to reflect phases in the global investment cycle while excluding transition years so that no average combines different phases: 2012–2014 is the post–global financial crisis plateau, with commodity prices at their peak; 2017–2019, captures structural adjustments following the 2017 US tax reform, initial US–China trade disputes, and the tightening of anti–tax avoidance rules in Europe; and 2023–2025, the postpandemic phase, marked by industrial policy resurgence, tariff escalation, and economic security considerations in investment decisions. The excluded periods are 2015–2016, marked by corporate restructurings without new productive investment—excluding these restructurings, global FDI growth in 2015 would have been approximately 15% instead of 38% (UNCTAD, 2016)—and 2020–2022, the Covid-19 contraction and rebound.

6.1.4. *Units of measurement and calculation rules*

All values are expressed in current US dollars, without adjusting for inflation, so some of the nominal growth between periods reflects price changes. The EU publishes its figures in euros; currency conversion is detailed in Section 6.5.

Ratios over product. These use destination economy gross domestic product (GDP) in current US dollars from the *IMF World Economic Outlook* of April 2026. Each region's ratio is the sum of FDI divided by the sum of GDP for the same constituent economies. The UNCTAD section instead uses the percentages published by UNCTAD itself (Section 6.2).

Negative values. Flows are net transactions—new equity capital, reinvested earnings, and intercompany debt, net of divestments and repayments of intercompany loans—so that a negative flow indicates net divestment in the period.

Averages and aggregates. Values for each period are simple annual averages. Regional aggregates sum the annual values of constituent economies and are averaged thereafter; shares, ratios, and growth rates are calculated on those averages rather than as the average of annual indicators. The world total corresponds to figures published by each source rather than the sum of individual economies; the rest of the world is calculated as a residual.

Growth rate. This is the percentage change between the averages of the two periods. It is reported as "n.a." when the initial value is zero or negative, or when the final value is negative, because the ratio cannot be meaningfully interpreted under these conditions.

6.1.5. *Cross-source comparability*

Figures across sections are not comparable in levels. UNCTAD measures FDI from the perspective of the recipient country, whereas the United States, the EU, and China measure it from the perspective of the country of origin. Primary sources differ regarding valuation criteria (balance of payments, historical cost, or book value), universe of firms, country coverage, and sample periods. All sources record investment by immediate counterparty rather than final investor or destination. Comparisons across sections therefore evaluate the direction and order of magnitude of changes rather than absolute levels.

6.2. UNCTAD

UNCTAD series were used to construct the global and regional inward FDI indicators in Chapter 4 (Figure 18, Table 8, and Box 7).

6.2.1. *Source and definition of FDI*

Data come from the UNCTADstat FDI database (downloaded August 28, 2026) and cover inward and outward flows and stocks for 1990–2025, expressed in millions of current US dollars and as a percentage of GDP. Flows are reported according to the directional principle, net of divestments, intercompany loan repayments, and reverse investment. Individual economy FDI-to-GDP ratios are UNCTAD figures; regional ratios are calculated by summing the economies with published ratios in each group and then dividing by the sum of their GDPs. FDI comprises three components: equity capital, reinvested earnings, and debt between enterprises in the same group. Data are compiled according to the sixth edition of the *Balance of Payments Manual* (BPM6; IMF, 2009) and the fourth edition of the *OECD Benchmark Definition of Foreign Direct Investment* (OECD, 2008).

6.2.2. *Coverage and aggregates*

The sample universe comprises the 212 individual economies in the database. UNCTAD does not publish FDI-to-GDP ratios for six territories (French Guiana, Guadeloupe, Martinique, Mayotte, Réunion, and Saint Helena) so regional ratios are calculated across 206 economies. The sample also excludes historical political entities that the database retains in years before their dissolution. Consequently, the regional grouping comprises 26 economies in

LAC, 27 in the EU, 49 in the rest of Asia, and 108 in the rest of the world, alongside the United States and China. The world total corresponds to UNCTAD's published World row, both in values and as a percentage of GDP, rather than a sum of constituent economies; the rest of the world is calculated as a residual, ensuring regional shares sum to 100%. Baseline sample periods apply; full annual time series enable the 2017–2019 intermediate period to be reported in footnotes.

The Bahamas and Barbados, which are included in the list of transit jurisdictions, are included in both the Caribbean and regional totals in Table 8. Their impact on the regional aggregate is limited—they account for 1.0% of flows and 1.3% of stock in 2023–2025—but significant at the subregional level: excluding the two countries reduces Caribbean stock from 90.8% to 72.6% of GDP and increases flows from 8.3% to 8.5%. In 2012–2014, these two economies accounted for 85.0% of subregional FDI flows, compared with 16.8% in 2023–2025.

6.2.3. *Transit economies*

The database contains 17 of the 20 transit economies; Jersey, Gibraltar, and Puerto Rico are missing. The world excluding transit economies deducts the 11 transit economies included in UNCTAD's World row (Luxembourg, the Netherlands, Hong Kong SAR, Singapore, Switzerland, Ireland, Mauritius, the United Kingdom, Cyprus, Malta, and Hungary); the other 6 transit jurisdictions (the British Virgin Islands, Bermuda, the Cayman Islands, Curaçao, Barbados, and the Bahamas) are already omitted from UNCTAD's total and so do not need to be deducted again. Regional aggregates report both metrics, including and excluding transit economies. In the complete total, the 11 transit economies remain included within their respective regional groupings.

6.2.4. *Limitations*

- **Asymmetries in the world aggregate.** UNCTAD's World row does not include 23 economies from the database—predominantly financial hubs and Caribbean offshore territories—and the sum of individual economies exceeds the world total by 3.3% to 5.0% in the final period. Because regional aggregates are constructed by summation, LAC includes the Bahamas and Barbados, neither of which is included in the UNCTAD World row, so LAC's share in total FDI is overestimated by 1.0% for inflows and 1.3% for inward stocks over 2023–2025; conversely, the rest of the world (calculated as a residual) is smaller than the sum of its constituent economies. This choice ensures that the world values in Chapter 4 match those in the *World Investment Report*.
- **Outward FDI.** Inward FDI series are complete for all 26 LAC economies across all sample periods, but outward FDI series exhibit reporting gaps: Ecuador and Haiti

report no outward series in any period, whereas Belize, Bolivia, Guyana, Paraguay, and Suriname lack observations in certain years. Because regional aggregates sum countries' reported data for a given year, variations in outward FDI series partly reflect changes in sample coverage.

- **EU.** Aggregate records for the EU are heavily influenced by special-purpose entities domiciled in the six transit member states, which have generated large negative values since 2020.

6.3. INTEGRA

Series from INTEGRA, the IDB trade and investment database, were used to compile Box 8.

6.3.1. *Sources and calculation of shares*

Annual inward FDI flow series reported by official national agencies to INTEGRA, downloaded in September 2026, broken down by country of origin (partner) and destination sector: 140,354 records for 15 economies, in current US dollars. Each country is analyzed using a single balance of payments manual: BPM6, except Honduras and Panama, which use BPM5.

Partner and sector shares are calculated as ratios of sums over the sample periods, not as an average of annual shares. Because the numerator and denominator sum the sample period years, a partner or sector can record a negative share if it divested when others invested. Shares are calculated based on total reported flows, without excluding partner countries.

In the table in Box 8, "Europe" groups all other European partner economies, and "Rest" contains other partners and the share that has not been attributed to a specific origin. The final column reports the proportion of the flow contributed by the 20 transit economies, which overlaps with the Europe and Rest columns and is not added to them.

6.3.2. *Coverage*

The sample comprises 15 countries with sectoral breakdowns—Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, and Paraguay—and 14 with partner breakdowns, as Jamaica does not report origin. It excludes the other 11 borrowing countries (the Bahamas, Barbados, Belize, Bolivia, Guyana, Haiti, Peru, Suriname, Trinidad and Tobago, Uruguay, and Venezuela), which include several of LAC's main hydrocarbon and mineral producers; this matters when interpreting flows to the extractive sector. Box 8 does not construct regional or subregional aggregates; its results describe the sample, not the region as a whole. The periods covered are 2012–2014 and 2023–2025; for Chile, Panama, and Paraguay

the final period is 2023–2024, and Argentina lacks a breakdown for 2012–2014, so its first observation is 2017–2019.

6.3.3. *Transit economies and origin attribution*

Unlike the rest of the chapter, Box 8 does not exclude the 20 transit economies because it focuses on the origin as declared by the source.

The balance of payments methodology attributes investment to the immediate counterparty jurisdiction rather than the ultimate investing economy (OECD, 2008). Consequently, China's low reported share should not be interpreted as an absence of Chinese investment in the sample: the country's FDI usually enters recipient markets through affiliates domiciled in Hong Kong SAR, the Cayman Islands, the British Virgin Islands, Luxembourg, or the Netherlands—all of which are among the 20 transit jurisdictions (Damgaard, Elkjaer, and Johannesen, 2019; Congressional Research Service, 2024). Additionally, a substantial share of China's presence takes the form of construction contracts and, mainly in the previous decade, took the form of development bank financing. Neither activity is recorded as direct investment because they do not entail asset ownership in destination countries (Inter-American Dialogue and Boston University Global Development Policy Center, 2024).

6.3.4. *Limitations*

- **Cross-country sectoral comparability.** The level of detail in the sectoral breakdown ranges from 9 to 69 categories across countries, limiting cross-country comparability of sectoral aggregates. In some countries, a generic services category captures a substantial share of inflows, preventing the identification of specific activities.
- **Unallocated share.** Some changes in flows by origin actually reflect reductions in the unallocated share: from 34.3% to 15.5% of inflows in the Dominican Republic, and from 32.0% to 12.0% in Costa Rica between 2012–2014 and 2023–2025, such that a portion of the gain recorded by identified partners actually constitutes improved statistical allocation. In Nicaragua, the decline is more modest, from 32.4% to 26.6%. In Chile, unallocated flows accounted for 15.0% of the total in 2023–2024, with an additional 10.7% unallocated to a specific sector, suggesting that reported shares are underestimated by a corresponding margin. The direction and relative magnitude of all three trends are unchanged if transit economies are excluded from the sample.
- **Sectoral recording conventions.** The growing weight of financial services in recipient-country statistics does not conflict with declining holding company shares reported by the US Bureau of Economic Analysis (BEA), as the two sources rely on different statistical conventions. Destination-country statistics assign such flows to the immediate resident entity receiving the funds, classifying flows entering via a local

holding company under the financial sector. In contrast, origin-country data classify them according to the foreign affiliate's main activity abroad, as reported by the direct investor. The divergence therefore stems from differences in reporting methodology rather than inconsistencies between sources. However, the two series are not directly comparable, and reconciling them quantitatively is beyond the scope of the box.

6.4. United States

US Bureau of Economic Analysis (BEA) statistics on US direct investment abroad were used to compile the second section of Chapter 4 (Figures 19 and 20, and Tables 9 and 10).

6.4.1. *Source and valuation*

Data come from the BEA's US Direct Investment Abroad, disaggregated by country and industry (NAICS classification), and were downloaded in July 2026. Three series were used: direct investment position abroad at historical cost (stock), financial transactions without current-cost adjustment (flows), and income without current-cost adjustment. All three series are valued using the same criteria, ensuring internal consistency across ratios—notably the rate of return, calculated as income over stock for the same period. The sample covers foreign affiliates with at least 10% US equity ownership, which is the threshold for direct investment.

Values are reported in current US dollars. FDI stock at historical cost excludes asset revaluations, so its GDP ratios are not comparable with those from sources that value at market prices. The two periods are 2012–2014 and 2023–2025, and none of the units included in the groups exhibits suppressed data for those periods, eliminating the need to shorten sample periods or impute data. Because valuation methodologies and coverage universes differ, figures are not directly comparable in level to the UNCTAD inward FDI data (section 6.1.5).

6.4.2. *Coverage*

Latin America and the Caribbean. The BEA reports data for 22 of the 26 IDB borrowing member countries; 21 are included in the regional aggregate and Barbados is reported separately. It reports 12 countries separately—Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, Honduras, Mexico, Panama, Peru, and Venezuela—and groups 9 others into two residual categories of known composition without country-level breakdowns: "Rest of Central America" (Belize, El Salvador, Guatemala, and Nicaragua) and "Rest of South America" (Bolivia, Guyana, Paraguay, Suriname, and Uruguay). Data for the Bahamas, Jamaica, and Trinidad and Tobago are suppressed in all years, and Haiti lacks a dedicated row. Barbados, the sole Caribbean economy with published data, is a

transit economy and, unlike in other sections of Chapter 4, is excluded from the regional aggregate and reported separately, as including it would invert the sign of total regional flow growth. Consequently, three subregions are reported: Mexico; Central America and the Dominican Republic; and South America. The Caribbean is omitted. The two residual categories are included in full in the regional aggregate. Barbados's stock is more than four times its GDP, meaning this ratio cannot be compared to those of the other economies.

Other regions. China includes all of mainland China. The rest of Asia corresponds to the BEA "Asia and Pacific" aggregate minus Australia and New Zealand (grouped under Oceania) and China. The EU is the BEA "European Union" aggregate, whose composition reflects the bloc's member countries each year, minus the United Kingdom, which BEA includes through 2019. The rest of the world is calculated as a residual and absorbs any discrepancies due to rounding or coverage.

6.4.3. *Transit economies*

The BEA reports 11 of the 20 transit economies separately, which are deducted: Luxembourg, the Netherlands, Hong Kong SAR, Bermuda, Singapore, Switzerland, Ireland, the United Kingdom, Hungary, Barbados, and the "United Kingdom Islands, Caribbean" aggregate, such that these 11 lines cover 12 of the 20 transit jurisdictions. The latter category includes the British Virgin Islands and the Cayman Islands, which are on the list of transit economies, alongside Montserrat and the Turks and Caicos Islands, which are not on the list and are not reported separately; the line item is deducted in full. Within each region, Ireland, Luxembourg, the Netherlands, and Hungary are deducted from the EU; Hong Kong SAR and Singapore from the rest of Asia; Barbados from LAC; and the United Kingdom, Switzerland, Bermuda, and the UK Caribbean islands from the rest of the world. In Figures 19 and 20, panel ii subtracts these 11 line items from each group and the total.

6.4.4. *Sector analysis*

The stock breakdown by sector uses the BEA industry classification (NAICS). Sectoral shares are calculated for each sector using only countries with published data for that activity; therefore, the percentages do not total 100%. Coverage varies by sector and time period: in 2012–2014, the BEA suppressed sector-level data for Chile and Peru, reducing extractive sector coverage to 81.5% of regional stock, compared with 98.7% in 2023–2025. The comparison across regions (Figure 20, panel b) does not deduct transit economies within each region, so that the composition of the EU and the rest of Asia partly reflects the corporate holding structures domiciled in those financial hubs. The extractive sector is NAICS sector 21 ("mining, quarrying, and oil and gas extraction"), which covers hydrocarbon

extraction and support activities for mining and oil operations; refining is classified under manufacturing. In Figure 20, panel b, LAC excludes Barbados.

6.4.5. *Profitability and intensity*

In Table 9, each regional grouping excludes transit economies, and shares are calculated relative to total nontransit global stock. Return on investment is defined as direct investment income over FDI stock for the same period, both measured at historical cost. Stock-to-GDP ratios compare numerator and denominator over the same economies. For the rest of Asia, ratios are calculated for economies identified separately in the source data, which account for more than 98% of the group's FDI stock. They are omitted for the rest of the world and the global total because stock-to-GDP matching is not possible in these cases.

6.4.6. *Limitations*

- **Preliminary data.** Observations for 2023 to 2025 have not yet passed the BEA's final confidentiality review and may be revised.
- **Nontransit data.** Of the 20 transit economies, 8 are not identifiable: Mauritius, Cyprus, Malta, Curaçao, the Bahamas, Jersey, Gibraltar, and Puerto Rico. They remain within three residual categories (rest of Europe, rest of the Western Hemisphere, and rest of Africa), which account for 2.5% of world FDI stock in 2023–2025 and also include nontransit economies. Figures excluding transit economies therefore provide an upper bound on the nontransit aggregate.
- **Source aggregates.** The EU and rest of Asia are constructed using BEA aggregates, whose composition does not exactly match Table A6.1: the BEA EU aggregate for 2012 did not yet include Croatia, which joined in 2013 and is not separable.

6.5. EU

Eurostat statistics on EU direct investment abroad were used for the analysis in the third section of Chapter 4 (Figure 21 and Table 11). The EU is analyzed as a single country of origin, so total figures reflect investment outside the bloc.

6.5.1. *Source, currency conversion, and sample periods*

Data come from Eurostat datasets bop_fdi6_flow (flows) and bop_fdi6_pos (position), using the August 3, 2026, version, compiled according to the BPM6 directional principle and broken down by destination country (immediate counterparty), covering total activities

and resident entities. The sector breakdown uses the economic activity classification (NACE Rev. 2) in bop_fdi6_pos. Exchange rates are from Eurostat (ert_bil_eur_m).

Euro values are converted to US dollars on a year-by-year basis—using the 12-month average exchange rate for flows and the year-end exchange rate for FDI stocks—and subsequently averaged. The variations in US dollars partly reflect currency effects, and the footnotes to Chapter 4 also report growth rates in euros, calculated directly on euro averages. Because each year is converted using its own exchange rate, these euro growth rates cannot be reproduced by dividing the US-dollar growth rate by the exchange-rate fluctuation. Sectoral shares are calculated in euros, based on the sum of the years in each period. In the six LAC countries, they match shares calculated in US dollars to the first decimal place. Stock includes price and exchange-rate revaluations of recipient-country currencies, which the source does not report separately.

6.5.2. *Coverage*

The total ("World") represents extra-EU investment (EXT_EU27_2020). Intra-EU investment is excluded from the analysis, so the EU itself does not appear among destination jurisdictions. China corresponds to code CN_X_HK (mainland China), and the rest of Asia corresponds to aggregate ASI minus China, which, in Eurostat's geographic definition, includes Western Asia, the Hong Kong and Macao SARs, and Singapore. The source reports data for all 26 LAC countries, which are grouped into the four subregions listed in Section 6.1. The sample periods are 2013–2014 and 2023–2024 because BPM6 series begin in 2013, with 2024 as the latest published year; 2017–2019 is used as the intermediate period. Table 11 includes the Bahamas and Barbados in both the Caribbean and regional aggregates, accounting for 9.7% of regional flows and 5.3% of regional stock in 2023–2024.

6.5.3. *Transit economies and filtering methodology*

On the origin side, Eurostat does not publish an EU aggregate excluding Cyprus, Hungary, Ireland, Luxembourg, Malta, and the Netherlands; nontransit investment was calculated as the sum of bilateral data reported by the remaining 21 member states. On the destination side, the remaining 13 non-EU transit jurisdictions identified by Eurostat were deducted; in LAC, the nontransit list comprised 24 countries.

The section thus uses three metrics: the complete aggregate, which sums all total reported EU outward investment; investment excluding the six EU transit jurisdictions on the origin side; and the metric that also excludes the 13 non-EU transit jurisdictions identified by Eurostat: Hong Kong SAR, the British Virgin Islands, Bermuda, Singapore, the Cayman Islands, Switzerland, Mauritius, the United Kingdom, Curaçao, Barbados, the Bahamas, Jersey, and Gibraltar (in LAC, the Bahamas and Barbados; in the rest of Asia, Hong Kong SAR

and Singapore; the remaining jurisdictions form part of the rest of the world). This exclusion is broad: it leaves out all investment reported by these six transit member states, including investment tied to productive activity, and the data records immediate counterparties rather than the ultimate destination of the investment. Nontransit investment accounted for 18.3% of flows and 23.1% of extra-EU stock in 2013–2014.

6.5.4. *Sector analysis*

Sectoral comparisons use 2015–2016 versus 2023 because holding companies were reclassified between 2014 and 2015, and because sectoral breakdowns for 2024 have not yet been published. In Brazil, this reclassification raised the financial industry's share from 12.3% to 51.8% in a single year. The text uses the EU aggregate, which includes the six transit member states; the origin-side nontransit breakdown, reported in a footnote in Chapter 4, sums data reported by the remaining 21 member states by sector and destination. Destination breakdowns are available for six countries—Argentina, Brazil, Chile, Mexico, Uruguay, and Venezuela—which account for 80.9% of regional stock in 2023 (79.2% in 2015–2016). The results reflect those six countries rather than LAC as a whole. For five of these countries (all except Brazil), the database does not report some sections separately. Because sector shares are calculated over total stock, this does not distort calculated shares for financial activities or manufacturing.

The reclassification of holding companies raised the financial industry's extra-EU share from 36.3% to 60.3% between 2014 and 2015. Eurostat recommends classifying investment by the direct investment enterprise's activity; when the reporting country cannot do so, it uses the direct investor's activity as a proxy (Eurostat, 2025). The aggregate's stability reflects the six-country group as a whole rather than individual performance: between 2015–2016 and 2023, the financial sector share increased by 11.4 p.p. in Chile and 20.0 p.p. in Venezuela, while falling by 7.2 p.p. in Mexico, and the manufacturing share increased by 12.9 p.p. in Uruguay. Between 2015 and 2023, the financial sector's share in the aggregate fluctuated between 51.2% (2023) and 58.5% (2020), while the manufacturing share ranged between 17.3% (2021) and 20.1% (2019). In Chile, electricity and gas contracted between 2016 and 2017 (falling from 23.6% to 10.9%) and between 2020 and 2021 (from 11.0% to 4.0%).

Comparison with other destinations. The rest of Asia total includes Hong Kong SAR and Singapore, transit jurisdictions that accounted for 31.5% of EU stock in the group in 2023. Excluding these two economies, the financial sector's share stands at 49.9% in the rest of Asia (versus 43.2% in 2015–2016), lower than that of the six LAC economies, while manufacturing represents 20.7% (down from 33.4%). Eurostat does not publish sector breakdowns for the Bahamas, Barbados, the Cayman Islands, the British Virgin Islands, or Bermuda, so total extra-EU figures cannot be calculated without transit destinations.

Origin-side metrics excluding transit economies. Between 2015–2016 and 2023, the financial sector share went from 25.8% to 27.8% in the six LAC countries, from 27.6% to 27.2% in the extra-EU total, from 41.1% to 36.5% in the United States, from 14.8% to 15.3% in China, and from 17.9% to 18.1% in the rest of Asia. The manufacturing sector share went from 29.3% to 25.3% in the six LAC countries, from 24.9% to 28.1% in the extra-EU total, from 30.6% to 27.4% in the United States, from 56.7% to 51.6% in China, and from 39.8% to 31.9% in the rest of Asia. These figures do not impute values for confidential cells, which account for 0.6% to 9.2% of stock reported by the 21 member states depending on destination and sample period, nor do they deduct destination-side transit jurisdictions, which are part of total extra-EU and rest of Asia aggregates.

6.5.5. *Limitations*

- **Confidential cells.** Member states may declare selected bilateral positions confidential; Eurostat includes them in the aggregate EU total but does not report them at the country level. Because the nontransit metric sums data reported across the 21 member states, it omits these suppressed cells both within individual destination totals and within the deductions for transit jurisdictions. As a result, the nontransit metric is neither an upper nor a lower bound for nontransit investment. In some destination economies, the portion not allocated to any member state is substantial: 64.4% of 2023–2024 stock in Costa Rica, 22.3% in Colombia, and 27.4% of 2013–2014 flows in Mexico. The footnotes also report results using an alternative criterion that assigns the entire residual between the EU aggregate and the figures reported by the 6 transit economies to the remaining 21 countries. The main text uses the simple sum of published data because it relies exclusively on verifiable data. In 2023–2024, Austria and Malta did not publish their extra-EU positions by destination for confidentiality reasons, causing the member state total to fall 3.0% short of the EU aggregate.
- **Complete aggregate and nontransit metric.** The complete figures including transit draw on the official EU aggregate, which includes confidential cells; the nontransit figures are the simple sum of data reported by the 21 nontransit member states. The two metrics are nonadditive: the difference between them does not equal the reported totals for the six transit member states because it also includes the suppressed confidential cells for the remaining 21 jurisdictions. For this reason, the text explicitly refers to this difference as "the portion not reported by the remaining 21 member states".

6.5.6. *Results using the alternative criterion*

The alternative criterion assigns the entire difference between the EU aggregate and the data reported by the 6 transit members to the 21 nontransit member states, for both

extra-EU FDI and the amounts deducted for transit jurisdictions. The text uses the sum of reported data because it relies solely on reported data; the alternative method assumes all confidential information belongs to the 21 nontransit member states, yielding a negative flow to the rest of the world (–US$15.24 billion) in 2013–2014.

Flows. Using this approach, nontransit annual flows jump from US$57.78 billion to US$123.02 billion (+112.9%) and remain positive in all destinations in 2023–2024. The US share rises from 14.9% to 39.9%, LAC's share declines from 65.8% to 28.3%, and China's share drops from 24.8% to 4.5%, with flows falling 8.4% to LAC and 33.7% to the rest of Asia. This divergence is driven by US$31.11 billion in annual flows in 2013–2014 to transit jurisdictions—primarily Gibraltar, Bermuda, and Jersey—that no individual member state reports. By country, flows from the 21 nontransit states fell by 14.2% in Brazil and 62.9% in Chile, dropped from US$2.57 billion to net divestment of US$862 million in Venezuela, and totaled US$1.40 billion in Uruguay and US$443 million in the Dominican Republic in 2023–2024.

Stock. Using the alternative criterion, nontransit stock grew 37.4% overall, 34.9% in LAC, 58.8% in the United States, 50.4% in China, and 44.4% in the rest of Asia. LAC's share dipped marginally from 20.3% to 20.0%, remaining stable despite being slightly higher than when calculated using the primary criterion, and stock reported by the six transit member states in LAC contracted by 3.4%. By subregion, nontransit stock grew 59.0% in Mexico, 156.4% in Central America, 20.8% in South America, and 102.4% in the Caribbean without the Bahamas and Barbados. The gap between the two criteria in Central America stems from Costa Rica, where 64.4% of 2023–2024 European FDI stock cannot be allocated to a specific member state. By country, stock originating in the 21 nontransit member states grew by 4.3% in Brazil, fell by 84.0% in Venezuela, and increased 3.4-fold in Uruguay. Likewise, stock in Brazil reported by the six transit member states dropped 31.9%.

6.6. China

Ministry of Commerce (MOFCOM) statistics on Chinese direct investment abroad were used to construct the indicators in the fourth section of Chapter 4 (Figure 22 and Table 12).

6.6.1. *Source*

Statistical Bulletin of China's Outward Foreign Direct Investment published by the Ministry of Commerce (MOFCOM), the National Bureau of Statistics of China (NBS), and the State Administration of Foreign Exchange (SAFE; 2017 and 2024 editions), downloaded in August 2026: flows and stock by destination country and stock by sector. The 2017 edition covers 2009–2017 and the 2024 edition covers 2016–2024; series splicing was verified across the two overlapping years and is exact, yielding a homogeneous time series for 2012–2024.

Stock is measured at book value using the compiler's criteria and is not strictly comparable with measurements in other sections.

6.6.2. *Coverage and transit economies*

The source reports data for 25 of the 26 LAC borrowing member countries; there is no published position for Haiti. Because the official 2025 bulletin will be published in late 2026, the periods analyzed are 2012–2014 and 2023–2024.

In the bulletin, 16 of the 20 transit economies appear as destinations, with Curaçao, Jersey, Gibraltar, and Puerto Rico absent. Each region is reported using the full metric and the nontransit metric; transit economies belonging to a given regional grouping are also deducted from that region. The Bahamas and Barbados are excluded from LAC in Figure 22, which uses the metric without transit economies, but are included in Table 12, which details country-level figures for the region. The shares in Figure 22 are always calculated relative to the total for the corresponding metric.

In Table 12, the Bahamas and Barbados account for 1.6% of regional flows and 3.7% of regional stock in 2023–2024, and 45.3% of subregional flows and 39.8% of subregional stock. If both economies are excluded, Caribbean flows contracted by 44.3% between periods rather than growing by 1.8%, while stock expanded by 49.4% instead of 146.7%. Because some positions are very small, the growth rate is also reported as "n.a." whenever initial values fall below US$1 million.

6.6.3. *Sector analysis*

The global breakdown is stocks by sector of economic activity, as published in the official bulletin using its own classification system for 2012–2014 and 2023–2024. The source does not cross-tabulate sector data by destination country, precluding regional breakdowns or calculations of sectoral allocations of Chinese stock in LAC.

The regional breakdown is drawn from the "Monitor of Chinese OFDI in Latin America and the Caribbean" (Dussel Peters, 2026), consulted in July 2026, a registry of individual transactions classified using a proprietary mapping to NAICS and aggregated into five macrosectors, comparing 2012–2014 to 2023–2025. These figures are not comparable in levels with those of the official statistical bulletin. The primary metric for the regional breakdown is transaction numbers; the breakdown by value depends on a small number of large-scale transactions and is presented as indicative.

6.6.4. *Limitations*

- **Immediate counterparty.** Filtering transit economies mitigates recording by immediate counterparty but does not fully resolve this: some investment reaching LAC may be recorded under an intermediate jurisdiction not among the 20 transit economies.

The nontransit metric should therefore be interpreted as a lower bound of Chinese investment directed toward identifiable productive destinations.

- **Transit economy coverage.** Because 4 of the 20 transit economies are not listed in the official bulletin, the weight of transit investment may be underestimated, and the world aggregate excluding transit economies overstated.

6.7. Empirical analysis

Data from international organizations and national databases were used to construct the panel dataset, specify the econometric models, and run robustness checks for the empirical exercise in the fifth section of Chapter 4 (Tables 13, 14, and 15, and Figure 23).

6.7.1. *Data sources and panel construction*

The dependent variable is drawn from UNCTAD's bilateral position panel compiled under the directional principle: each observation represents an ordered origin-destination country pair in a given year between 1985 and 2022. The exercise uses all available annual observations. Trade agreements and the existence of an investment chapter are sourced from DESTA (Dür, Baccini, and Elsig, 2014) and Egger and Larch's (2008) RTA database; bilateral investment treaties from UNCTAD's IIA Navigator; double taxation treaty dates from Tax Notes; and treaty content from the International Centre for Tax and Development (ICTD). Destination-country regulatory and institutional quality is measured using Daude and Stein's (2007) government efficiency index, which averages four dimensions of the *World Bank's Worldwide Governance Indicators* (Kaufmann, Kraay, and Mastruzzi, 2010) for 1996–2000.

Each policy instrument is coded as an indicator variable equal to one when the treaty is in force for a given country pair and year. Three dataset construction decisions influence the estimation results. First, the entry into force date of tax treaties is imputed as the date of signing plus two years in 3,020 of the 4,077 country pairs with a treaty (74.1%); where entry into force dates are observable, the lag between the date of signing and entry into force has a median of two years and a mean of 3.04. Second, tax treaty content covers 3,097 of the 6,817 pairs with a treaty in force at some point (45.4%), with coverage declining as destination-country income rises (69.3% in the lower tercile, 55.4% in the middle tercile, and 33.3% in the upper tercile). This variable captures the treaty text currently in force rather than the version in force each year; in 654 pairs (34.3%), the treaty was amended by protocol or through the OECD Multilateral Instrument. Third, the threshold defining the existence of an active investment relationship—a reported position exceeding US$10,000—was established before and independently of these results.

Panel data density increases across the sample period: the proportion of observations without a recorded position falls from 85.9% in 1985–1989 to 59.8% in 2020–2022.

6.7.2. *Samples and transit economies*

The full panel comprises 616,723 observations and 29,116 directed pairs; the main estimation sample, excluding pairs with either origin or destination in the top 10 transit economies, contains 543,302 observations and 26,335 pairs; and the sample excluding all 20 transit economies contains 496,586 observations and 23,872 pairs. After observations unidentified by the fixed effects were discarded, the extensive margin was estimated over 616,199 observations and 28,600 pair clusters in the full panel, and over 496,101 observations and 23,394 pair clusters excluding the 20 transit economies (the main sample is reported in Table 13); the value of the position in the full panel is estimated over 356,260 observations and 15,907 pair clusters.

Transit economies. This section retains the top 10 transit economies rather than the 20 used in the rest of the chapter—Luxembourg, the Netherlands, Hong Kong SAR, the British Virgin Islands, Bermuda, Singapore, the Cayman Islands, Switzerland, Ireland, and Mauritius—because they account for virtually all transit investment: expanding the exclusion list to 20 reduces the sample by 2,463 pair clusters. The choice of exclusion list does not alter the conclusions. A trade agreement with an investment chapter yields 2.21 p.p. excluding the 10 transit economies, 2.28 p.p. excluding all 20, and 1.94 p.p. without excluding any economy; a bilateral investment treaty yields 3.25, 3.55, and 2.82 p.p., respectively; and a double taxation treaty yields 6.06, 6.44, and 5.48 p.p., respectively. All three estimates are statistically significant at the 1% level across the three samples. A trade agreement without an investment chapter is the only instrument whose coefficient depends on the exclusion list used. The exclusion is applied to the immediate counterparty recorded by the source rather than the ultimate investor.

6.7.3. *Model specification and estimators*

The econometric specification includes three-way fixed effects—directed pair, origin-by-year, and destination-by-year—following the standard structural gravity practice for evaluating bilateral policies (Anderson and van Wincoop, 2003; Head and Mayer, 2014; Yotov et al., 2016). Origin-by-year and destination-by-year fixed effects absorb the size of each economy each year and its access to all other markets (multilateral resistance), while directed-pair fixed effects absorb time-invariant pair-specific factors: distance, shared language, common border, and historical ties. Standard errors are clustered at the directed-pair level.

The extensive margin is estimated via equation (1) and the value via equation (2).

$$y_{ijt} = \Sigma_k \beta_k P^k_{ijt} + \mu_{ij} + \lambda_{it} + \rho_{jt} + \varepsilon_{ijt} \quad (1)$$

$$E[S_{ijt} \mid \cdot] = \exp(\Sigma_k \beta_k P^k_{ijt} + \mu_{ij} + \lambda_{it} + \rho_{jt}) \quad (2)$$

where *i* denotes origin, *j* destination, and *t* year; y_{ijt} is an indicator that takes the value of 1 when the stock of *i* in *j* in year *t* exceeds US$10,000; S_{ijt} is the value of that position, including zeros; P^{k}_{ijt} are the four treaty-in-force indicator variables (k = 1, ..., 4: trade agreements with an investment chapter, trade agreements without an investment chapter, bilateral investment treaties, and double taxation treaties); μ_{ij} denotes directed-pair fixed effects; λ_{it} origin-by-year fixed effects; ρ_{jt} destination-by-year fixed effects; and ε_{ijt} is the error term. Coefficients β_k in equation (1) are interpreted as percentage points of probability and those in equation (2) as percentage changes, computed as $100 \cdot (\exp(\beta_k) - 1)$. Standard errors are clustered by directed pair *ij*.

The remaining three specifications are variants of equation (1) that replace the four treaty-in-force indicator variables while maintaining identical fixed effects structures: using time indicators relative to entry into force in the event study; using 11 mutually exclusive cells in Table 14; and using interactions between each instrument and the destination-country regulatory and institutional framework tercile in Table 15.

The extensive margin is estimated via a linear probability model that incorporates these three sets of fixed effects (Correia, 2017). The value is estimated via PPML, the appropriate estimator when the dependent variable exhibits a high frequency of zeros and a variance that increases with the mean (Santos Silva and Tenreyro, 2006; Correia, Guimarães, and Zylkin, 2020). Applying the incidental parameter bias correction of Weidner and Zylkin (2021) increases standard errors in the main sample used in Chapter 4 by 13.2% to 16.7% without altering any conclusions.

Margins. A bilateral investment relationship can grow in two different ways. The extensive margin captures whether an active relationship exists: specifically, this is the probability of one country recording an investment position exceeding US$10,000 in another country, showing which country pairs have an active relationship. The intensive margin measures investment volume where a relationship is already established; it is estimated only from country pairs reporting active positions, reflecting whether existing relationships are growing. The stock column in Table 13 is estimated across all observations, including zeros, and thus combines pairs where positions start to be recorded with growth in existing ones.

This intensive margin, estimated in logarithms over positive observations, yields a positive, statistically significant coefficient; however, when estimated using PPML over the same observations, as Santos Silva and Tenreyro (2006) recommend, the estimate is statistically indistinguishable from zero. This discrepancy reflects weighting differences rather than measurement error: logarithmic estimations assign heavy weight to small country pairs, whereas PPML weights observations in proportion to position values.

6.7.4. *Existing relationship threshold*

For position values, the choice of threshold does not alter the results. Without a threshold, all four coefficients and eight confidence interval bounds in Table 13 are identical to the

reported decimal place, because the PPML estimator weights observations by fitted means and the 61,897 observations dropped by the threshold are negligible positive positions (the 23,024 positions below US$100 account for 0.0000001% of total sample stock). Conversely, for the extensive margin, the threshold matters: with a zero threshold, the association with a trade agreement containing an investment chapter is entirely cross-sectional and disappears under within-pair estimation (0.60 p.p., with a confidence interval of −0.88 to 2.09). Applying the recording threshold retains 2.21 p.p. of the 11.65 p.p. yielded by cross-pair comparison, estimated using the same sample and in the same run as the within-pair comparison. Estimating stock without a threshold increases sample size only to 293,761 observations and 13,472 pairs.

A trade agreement without an investment chapter is the only one of the four instruments whose statistical significance depends on the sample and threshold used. Using the primary sample and relationship threshold described in the chapter's main text, the estimate is 1.36 p.p., statistically significant at the 5% level but barely so (p=0.030, with a confidence interval of 0.13 to 2.59). Statistical significance is lost using different sample specifications: 1.23 p.p. when the 20 transit economies are excluded and 1.06 p.p. for the full panel (both with p-values near 0.07). Raising the threshold for an active investment relationship weakens the coefficient to the point of reversing its sign: 1.52 p.p. with no threshold, 1.36 p.p. at US$10,000, 1.15 p.p. at US$100,000 (no longer significant), and −0.51 p.p. at US$1,000,000.

6.7.5. *Individual policy instruments (Table 13)*

Regarding the probability of a relationship existing, double taxation treaties are statistically distinct from trade agreements with an investment chapter (p<0.0001) and bilateral investment treaties (p=0.0075); bilateral investment treaties and trade agreements with investment chapters are not statistically different from each other (p=0.2861).

Table A6.2 presents estimates for the full panel; these are not included in the text of Chapter 4. They support the statement that the only statistically significant coefficient on

TABLE A6.2 • EFFECT ON BILATERAL STOCK IN THE FULL PANEL

Instrument	Coeff. (%)	95% CI	*p*-value	Pairs
Trade agreement without investment chapter	+2.322	−11.478 to 18.275	0.7561	2,894
Trade agreement with investment chapter	+7.240	−6.448 to 22.931	0.3157	2,688
Bilateral investment treaty	+29.404	7.573 to 55.664	0.0062	2,450
Double taxation treaty	+1.418	−10.128 to 14.448	0.8194	3,302

Source: Productivity, Trade, and Innovation Sector.
Notes: PPML estimation over position values using Table 13 specification across 356,260 observations and 15,907 pair clusters for the 1985–2022 panel without excluding transit jurisdictions. Excluding the top 10 transit jurisdictions changes the bilateral investment treaty coefficient to −1.57% (p=0.8525).

position values arises from the transit jurisdictions excluded from the main sample. In the full panel, the coefficient for bilateral investment treaties is 29.4%, with a confidence interval of 7.6 to 55.7 (p=0.006), reflecting the influence of transit jurisdictions: using the subsample restricted to transit pairs, the coefficient rises to 73.3%, with a confidence interval of 13.6 to 164.4% (p=0.011).

6.7.6. *Event study (Figure 23)*

The event study specification replaces the treaty-in-force indicator with time indicators relative to entry into force (spanning three years before and six years after), estimated over the Table 13 specification and sample, with the remaining three policy instruments included as control variables. Table A6.3 shows why the chapter text focuses on trade agreements with an investment chapter: these are the only type of the four policy instruments whose pre-treatment coefficients are not jointly significant at 5%.

TABLE A6.3 • EVENT STUDY, BY INSTRUMENT

Instrument	Average post-treatment effect	Pre-treatment test
Trade agreement with investment chapter	+1.73 p.p. (p=0.0057)	F=1.803; p=0.1442
Trade agreement without investment chapter	–1.89 p.p. (p=0.0310)	F=8.959; p=0.0000
Bilateral investment treaty	+0.69 p.p. (p=0.2696)	F=5.189; p=0.0014
Double taxation treaty	+1.84 p.p. (p=0.0026)	F=10.565; p=0.0000

Source: Productivity, Trade, and Innovation Sector.
Notes: Linear probability model estimated over the Table 13 sample and specification. For trade agreements with an investment chapter, the joint test fails to reject the null hypothesis at the 5% level using alternative samples: p=0.1507 in the full panel and p=0.1345 in the sample excluding all 20 transit economies. For the remaining three instruments, the test rejects the null hypothesis at the 1% level across all three sample specifications.

Because adoption timing varies across country pairs, the conventional estimator can weight comparisons incorrectly (Goodman-Bacon, 2021; de Chaisemartin and D'Haultfœuille, 2020). The divergence between the conventional estimator (+1.8 p.p. across observations common to all three estimators, or +1.73 p.p. for the full sample, as reported in Table A6.3) and the Sun and Abraham (2021) estimator (+2.2 p.p.) stems from how each weights cohorts. In the case of the Borusyak, Jaravel, and Spiess (2024) imputation estimator (+3.4 p.p.), the divergence arises from the choice of a baseline: the first two compare relative to the year before entry into force, whereas the imputation estimator does so against the entire period before this point and pairs that never entered an agreement. On observations common to all three estimators, the year before entry into force is 1.52 p.p. above the pooled baseline (p=0.044); if the same baseline is used, the result using the Sun and Abraham estimator goes from 2.01 p.p. to 3.32 p.p., reducing the discrepancy with the imputation estimator to 0.12 p.p.

For the remaining three instruments, the test for the years before entry into force rejects the null at 1%, so correlations cannot be dated to entry into force. For bilateral investment treaties and double taxation treaties, agreements may be signed with partners from whom investment is already anticipated, meaning that coefficients must be interpreted strictly as correlations that do not allow the direction of this relationship to be inferred.

For trade agreements with an investment chapter, the absence of anticipation effects is subject to four qualifications. First, some individual pre-treatment coefficients are statistically significant even though the joint test does not reject the null hypothesis. The test yields p=0.073 using the Sun and Abraham estimator, p=0.119 using the conventional estimator on a subsample common to the three estimators, p=0.195 using the imputation estimator, and p=0.144 using the conventional estimator on the full chapter sample. Second, the joint test holds under the definition of an existing investment relationship used in the chapter, but not under alternative definitions: using a zero threshold, p=0.050 (right on the 5% cutoff), but the test rejects the null hypothesis using the full panel (p=0.023) and the sample that excludes the 20 transit economies (p=0.0497); using a US$100,000 threshold, results yield p=0.067, whereas with a US$1 million threshold, the test rejects the null (p=0.001).

Third, failing to reject the null hypothesis is not the same as ruling out anticipation: the coefficient for the third year before entry into force is individually significant across all three samples and all four thresholds (–1.38 p.p., with a confidence interval of –2.61 to –0.16 using the chapter's baseline sample and threshold), with standard errors for the three leads (0.52, 0.63, and 0.75 p.p.), placing the minimum detectable effect between 1.5 and 2.1 p.p. A prior trend smaller than 1.5 p.p. per year would not have been detected. Fourth, the absence of joint prior trends depends on origin-by-year and destination-by-year fixed effects: using only directed-pair and calendar-year fixed effects, the test rejects the null hypothesis (p=0.0005), and the three pre-treatment coefficients are individually significant.

6.7.7. *Policy instrument combinations (Table 14)*

Table 14 classifies each country pair-year observation into one of 11 mutually exclusive policy cells based on combinations of active policy instruments, distinguishing trade agreements with an investment chapter from those without. The reference cell comprises country pairs lacking all three policy instruments (trade agreements, bilateral investment treaties, and double taxation treaties), so each coefficient is evaluated relative to country pairs with no agreement or treaty. The cell differences cited in the text are linear combinations of the same regression, and each has its own confidence interval. Differences are not within-pair estimates; they are identified partly by pairs transitioning across cells and partly by comparing trajectories. Each cell is identified by at least 100 pair clusters; specification, sample selection, and sample period are those of Table 13 (542,798 observations across 25,838 pair clusters).

The test for parameter equality between trade agreements with and without an investment chapter, combined with each of the other two instruments (Table 14), fails to reject the null hypothesis using alternative samples: p=0.3619 in the full panel and p=0.5184 in the sample excluding all 20 transit economies.

6.7.8. *Destination-country institutional framework (Table 15)*

Destination-country institutional frameworks are measured using Daude and Stein's (2007) government efficiency index—rule of law, control of corruption, government effectiveness, and regulatory quality—averaged over 1996–2000 and fixed at the start of the period so it does not respond to the signing of subsequent agreements, categorized into terciles across the 201 destinations with available data via linear interpolation, with cutoff points at −0.5933 and 0.4706. The classification includes a fourth category for 41 destinations lacking governance indicators, which are omitted from the table: these observations remain in the regression via a dedicated dummy, so the number of observations matches Table 13. All four instruments are estimated within a single regression, each split by tercile, which is equivalent to a pooled model with main effects and interactions. The tercile main effects are absorbed by destination-by-year fixed effects. Each cell is identified by between 697 and 1,698 pairs.

For agreements that entered into force before 2000, destinations are classified after treatment; estimations cover all agreements for 1985–2022 rather than restricting coverage to post-2000 entries. Restricting estimation to country pairs without active instruments in 2000 (thus ensuring that destinations are classified before treatment) does not change results for trade agreements with an investment chapter: +4.51 p.p. in destinations with weak frameworks, +3.69 p.p. in those with intermediate frameworks, and −0.59 p.p. in those with strong frameworks, with the test of equality yielding p=0.0041 across 394,800 observations and 20,577 country pairs. Bilateral investment treaties follow the same pattern, with +7.75 p.p. in destinations with weak frameworks and an equality test of p=0.0220. Double taxation treaties preserve the overall shape, but the equality test yields p=0.0912, and the coefficient in the strong tercile is no longer statistically distinguishable from zero. Evaluating all four instruments at once, the test that institutional frameworks add no value rejects the null hypothesis (p=0.0000). All four equality tests also reject the null hypothesis in the full panel and the sample excluding the expanded list of transit jurisdictions, with double taxation treaties rejecting at the 5% level in the latter.

6.7.9. *Maturity of the investment relationship*

The maturity of the bilateral relationship is measured in three ways. Measured by years elapsed since the first recorded position, trade agreements with an investment chapter

are associated with a 4.77 p.p. increase where no prior relationship existed, compared to 10.52 p.p. where a relationship was incipient and –10.56 p.p. where a relationship was mature. Under two alternative maturity metrics—the number of years with active positions in the preceding decade and pre-treatment position size—incipient relationships yield 5.15 and 7.33 p.p., respectively, while the mature relationships yield –3.67 and +0.38 p.p., with the latter statistically indistinguishable from zero. Chapter 4 therefore reports findings for incipient investment relationships without making claims regarding mature relationships.

6.7.10. *Limitations*

- **Association, not causation.** The coefficients reveal factors associated with the existence of an investment relationship, not its underlying drivers. Identification relies partly on within-pair variation over time and partly on comparisons across pairs with different trajectories. The exercise does not include an experimental counterfactual or an external instrument for the decision to sign an agreement.
- **Intensive margin and value.** The exercise does not support conclusions about the value of existing relationships, as the sign depends on the estimator chosen. In estimations of position values including zero-value observations, null results for trade agreements with an investment chapter on position value reflect a lack of identification and not evidence of no association: joint tests on position values for the three pre-treatment years reject the null across all three samples (p=0.0001 in the baseline sample used in the chapter).
- **Data and reporting.** The institutional framework index is measured over 1996–2000, so for agreements that entered into force before 2000, destinations are classified after treatment. Part of the increase in recorded relationships may reflect changes in reporting mechanisms rather than investment itself: tax information exchange clauses in double taxation treaties often serve as the mechanism through which previously unreported bilateral stock is declared. The coefficient for double taxation treaties may thus partly reflect this improvement. The increase may also partly reflect tax optimization strategies rather than productive investment.

The *Trade and Integration Monitor 2026* analyzes recent trends in trade flows in Latin America and the Caribbean in an international landscape marked by new geopolitical shocks and heightened uncertainty around trade policies. Against this backdrop, the region's exports showed remarkable resilience, growing faster than the global average. The report examines how Latin America and the Caribbean can leverage this resilience to attract foreign direct investment, and the role played by international commitments to investors and domestic regulatory architecture.

