



2020

International Trade Outlook for Latin America and the Caribbean

Regional integration is key to recovery after the crisis



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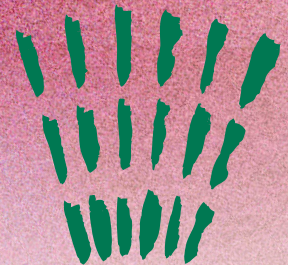
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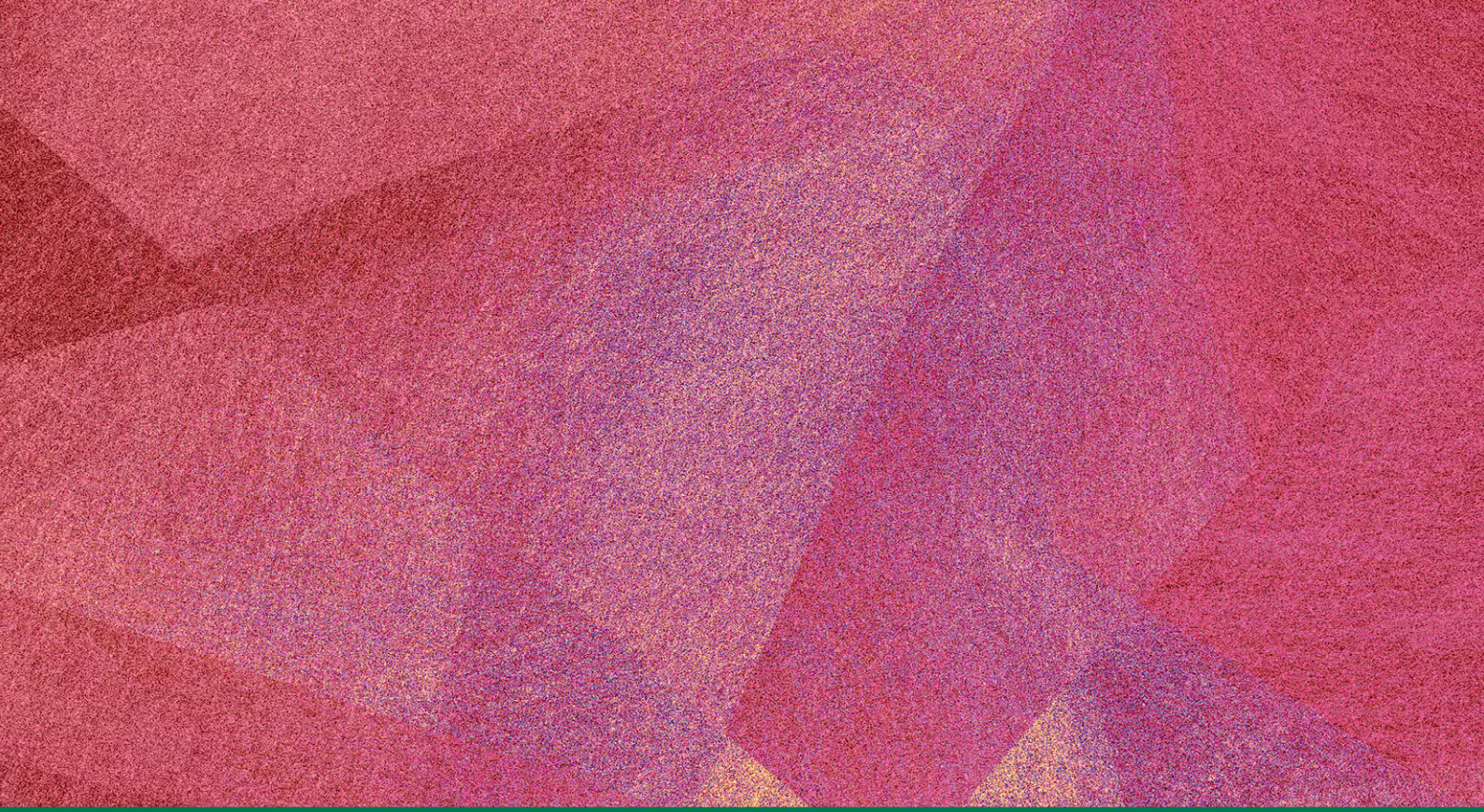
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Introduction

This edition of *International Trade Outlook for Latin America and the Caribbean* covers 2020 and is divided into three chapters. Chapter I reviews the performance of global and regional trade following the outbreak of coronavirus disease (COVID-19) in January 2020. The rapid spread of the virus and the drastic measures taken by governments to reduce the risk of contagion have hit the global economy hard, and in 2020 it will experience its worst recession since the 1930s. In this context, global trade in goods and services contracted heavily in the first half of the year, although an incipient recovery began to take shape in the second half. For the year overall, the volume of world trade in goods is projected to fall by nearly 9%, not as sharp a fall as occurred in 2009 during the global financial crisis (-13%). Although the region's external trade in both goods and services has been hit hard by the pandemic, there has been a recovery in goods exports since June, driven mainly by an upturn in demand in China and the United States. Conversely, imports have yet to show signs of significant upturn, reflecting the severity of the recession in the region. For the year overall, the Economic Commission for Latin America and the Caribbean (ECLAC) projects falls of 13% and 20%, respectively, in the value of regional exports and imports of goods. Intraregional trade, which will be particularly badly affected, is projected to fall by 24% in value terms, with highly adverse impacts on the region's manufacturing exports.

Chapter II analyses the evolution of intraregional trade from a long-term perspective. The share of this category of trade in total exports from Latin America and the Caribbean has tended to fall since 2014, and is projected to dip to 12% in 2020. The analysis shows that integration of the region's value chains is limited and concentrated in a few countries. In addition to low growth in the region, this has to do with the fragmentation of the regional economic space, the lack of solid institutional arrangements, the emergence of China as a trading partner and the centrifugal force exerted by trade agreements with extraregional partners. At the same time, underinvestment in infrastructure has prevented closure of provision, quality and access gaps with regard to transport infrastructure services, hampering growth, integration and competitiveness. The weakening of intraregional trade is very worrying, since for most Latin American and Caribbean countries this is the type of trade most conducive to productive and export diversification. In this context, ECLAC proposes targeting three fronts: convergence in trade facilitation; improvement of regional transport and logistics infrastructure to support a shift in investment towards more resilient, efficient and sustainable works; and cooperation on digital matters. These three areas have clear synergies and offer the potential to support the environmental big push that ECLAC has proposed for the region.

Chapter III examines how international trade, supported by the right policies, can contribute to gender equality. The links between the two may be attributed in part to the intersection between productive and trade specialization, gender-based labour segregation and the sexual division of labour in different countries. Changes in the intensity of trade, in the export and import structure, and in the prices of traded products and services have differentiated distributive effects between men and women, and between different groups of women. This chapter presents new findings on the very different situations existing among export sectors with respect to female employment and its conditions. It shows that the gender wage gap is wider in export-intensive sectors than in less export-intensive ones. The COVID-19 pandemic and the temporary closure of retail commerce has affected female employment in several global value chains, in particular in tourism and the clothing industry. Chapter III also looks at how

the countries of the region have gradually incorporated gender equality into their trade policies, particularly in trade agreements and in the programmes and instruments of trade promotion agencies. At the fourteenth session of the Regional Conference on Women in Latin America and the Caribbean, held in January 2020, the countries of the region agreed to implement policies and mechanisms to promote, strengthen and increase production and international trade, with a gender approach, as a pillar of countries' economic development, and to pursue programmes to foster the creation of quality employment for women and female-led enterprise in international trade, conducting assessments of the impact on human rights of trade and investment policies and agreements from a gender equality perspective.



Summary

- A. The region's trade performance is the worst since the global financial crisis
- B. Deepening regional integration to boost the recovery
- C. Gender inequalities in international trade

A. The region's trade performance is the worst since the global financial crisis

The rapid spread of coronavirus disease (COVID-19) and the drastic measures taken by governments to reduce the risk of contagion hit the global economy hard, and in 2020 it will experience its worst recession since the 1930s. To contain the spread of the virus, countries around the world implemented restrictions at the main points of entry to their territories. These restrictions affected international trade logistics and included additional sanitary measures and more rigorous inspections of both cargo and transport equipment and the logistics personnel operating them, which has increased the time and cost of foreign trade operations.

The fall in the volume of world goods trade intensified until May (when a 17.5% year-on-year contraction was recorded), as more and more countries adopted confinement measures and closed borders. From June onward, however, there was a significant recovery, which coincided with the gradual lifting of these restrictions. The World Trade Organization (WTO) projected a 9.2% fall in the volume of world goods trade for 2020, which would be less than the drop in 2009 during the global financial crisis. However, great uncertainty remains, owing to the fresh outbreaks of COVID-19 in several European countries and the continued increase in cases in the United States. The contraction in world trade has affected advanced economies more severely than emerging ones, although in the latter the effects have been markedly heterogeneous (see table 1). China's comparatively strong performance stands out, as it was able to control the outbreak and reopen its economy relatively quickly.

	Exports	Imports
World	-7.8	-8.0
Advanced economies	-9.7	-8.8
United States	-12.9	-8.2
Japan	-11.8	-6.7
Eurozone	-11.9	-11.1
Emerging economies	-3.9	-6.3
China	-1.9	3.0
Emerging Asian economies (excluding China)	-7.3	-14.2
Eastern Europe and Commonwealth of Independent States (CIS)	1.7	-7.9
Latin America and the Caribbean	-5.7	-14.7
Africa and the Middle East	-5.4	-2.7

Table 1
Selected groupings and countries: year-on-year changes in the volume of world goods trade, January–August 2020 (Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor [online database] <https://www.cpb.nl/en/worldtrademonitor>.

Global trade in services has also been severely affected by the pandemic. The contraction by volume was 4.3% during the first quarter of 2020 and deepened in the second quarter. The main services-exporting countries for which data are available for the latter period recorded a year-on-year fall of 23% in the value of their exports and 28% in the value of their imports. Transport and travel have been the sectors hardest hit. In the first case, world container trade is projected to contract by 7.2% in 2020. In Latin America, the largest declines have been in maritime export routes to North America and, especially, intraregional maritime exports. The reduced trade activity was reflected in the region's port movements, which were down by nearly 5% year on year in the first half of 2020, followed by a slight recovery during the second half.

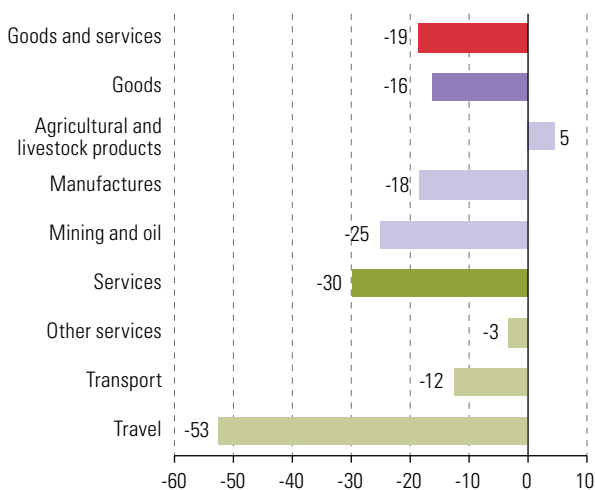
Meanwhile, international tourist arrivals worldwide fell by 65% in the first half of 2020 compared to the same period in 2019, and for the year overall a drop of close to 70% is projected. In this context, the number of passengers carried by airlines worldwide in May and June 2020 shrank by 91% and 87%, respectively, with respect to the prior-year period. In the Latin American countries, the greatest collapse entailing flight cancellations occurred in April and May, when the volume of revenue passenger kilometres (RPK) indicator fell by more than 95% year on year.

In the first half of 2020, regional exports of goods and services fell in value terms by 16% and 30%, respectively (see figure 1). This difference is explained mainly by the halt in tourism from April onward, which resulted in a 53% decrease in income on the region's travel account. Exports of services fell across all categories, while exports of goods were up only in crop-farming and livestock products. Imports of both goods and services recorded double-digit falls across all categories.

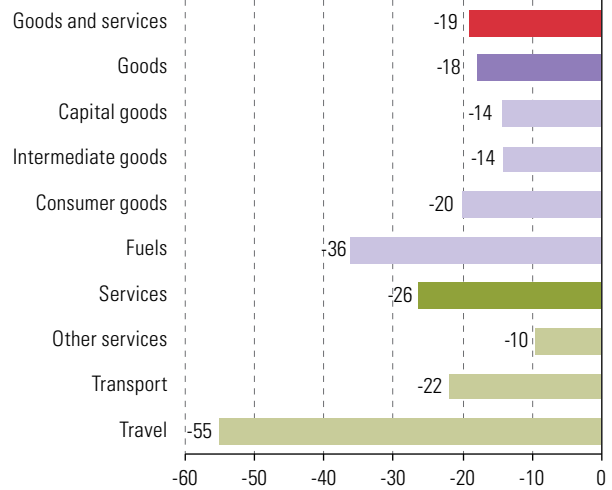
Figure 1

Latin America and the Caribbean: year-on-year variation in the value of trade in goods and services, by major category, January–June 2020
(Percentages)

A. Exports



B. Imports



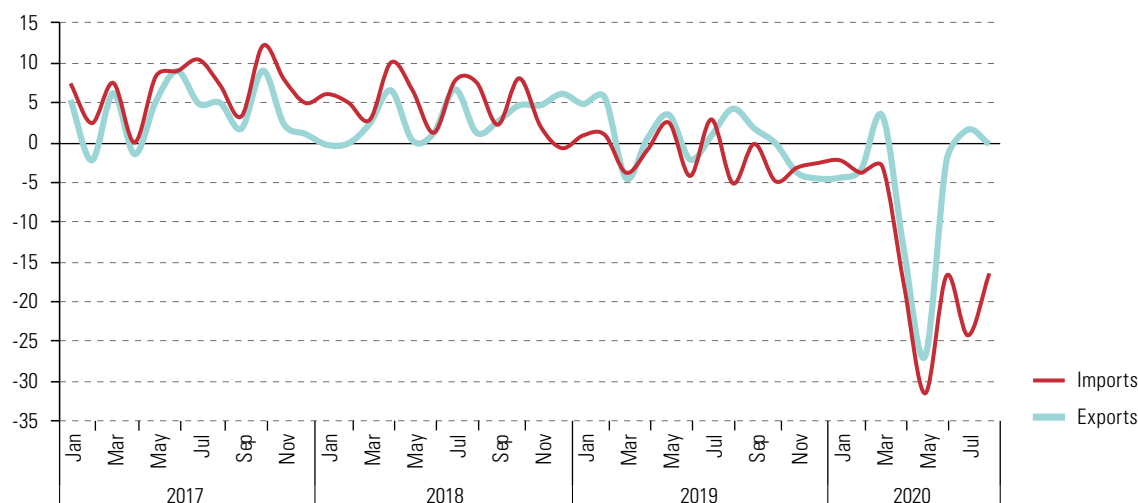
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the countries' central banks, customs services and institutes of statistics.

Between January and July, there were sharp falls in the value of shipments from Latin America and the Caribbean to the United States (-20%), the European Union (-15%) and especially within the region itself (-27%). By contrast, shipments to Asia have shown greater resilience (-5%). In particular, exports to China increased by 1%. The contraction in intraregional trade has been particularly evident in manufacturing. The sector that has been hit hardest is the automotive sector, with a fall of around 55% in the value of intraregional exports in the first half-year, followed by the textiles, clothing and footwear sector (down 37%). Trade in agro-industrial products alone recorded a modest expansion (3%). As a result, the intraregional trade ratio fell to 12%, its lowest value since 1990.

The region's exports and imports of goods both show some recovery from June 2020 on. However, the improvement is stronger in exports, which in August showed a year-on-year fall of 0.2%, in contrast to the 16.5% contraction in imports (see figure 2). This dissimilar performance testifies to the magnitude of the recession occurring across the region.

Figure 2

Latin America: year-on-year variation in the volume of trade in goods, January 2017–August 2020
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor [online database] <https://www.cpb.nl/en/worldtrademonitor>.

For 2020, the Economic Commission for Latin America and the Caribbean (ECLAC) projects falls of 13% and 20%, respectively, in the value of regional exports and imports of goods (see table 2). Import volumes will be down by around 16%, similar to the decline that occurred in 2009 during the global financial crisis. By subregion, Central America will post the best performance. This is largely because trade within the subregion, which represents around 25% of its exports, has fallen less than trade within other subregional integration schemes.

Table 2

Latin America and the Caribbean (selected countries and subregions): projected variation in goods exports and imports, 2020
(Percentages)

	Exports			Imports		
	Price	Volume	Value	Price	Volume	Value
Latin America and the Caribbean	-7	-6	-13	-4	-16	-20
South America	-9	-4	-13	-5	-16	-21
Central America	1	-3	-2	-6	-9	-15
The Caribbean	-10	-6	-16	-6	-21	-28
Mexico	-6	-7	-13	-2	-16	-18

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

The greatest contraction of exports in 2020 is expected in those bound for the region itself (-24%), while shipments to the United States and the European Union are expected to fall by 14% and 13%, respectively. Exports to China are expected to grow by 2%, driven by agricultural and mineral and metal shipments, mainly from South America. Since intraregional exports and those to the United States are mainly composed of manufactures and those to China are mainly commodities, the net effect will be to intensify the reprimarization of the regional export basket. Exports of crop-farming and livestock products are projected to increase slightly (2%), while contractions are

expected in the exports of the manufacturing sector (-14%) and mining and oil (-21%). Imports will post double-digit declines across all categories. In sum, the expected trend in regional foreign trade in 2020 suggests there will be a loss of productive capacity in the industrial sector, linked to the contraction in exports of manufactures and in imports of capital goods and intermediate inputs.

The crisis caused by the COVID-19 pandemic will represent a turning point for many global value chains, either because some of its suppliers have been forced off the market or because of the reshoring of some of their components. Resilience will therefore be one of the main concerns in logistics, and new opportunities will open up for suppliers able to provide diversified, flexible and high-quality services. In a global context of further regionalization of production, less multilateral cooperation and greater protectionism, regional integration must play a vital role in the strategies followed in Latin America and the Caribbean to exit the crisis.

B. Deepening regional integration to boost the recovery

Economic integration has a crucial role to play in the development of Latin America and the Caribbean. The regional market supports progress towards more efficient production scales and the advantages offered by the pursuit of complementarities between the various economies. Intraregional trade also contributes to densifying the productive fabric and helps to reduce dependence on exports of raw materials, because it is intensive in manufacturing and has a greater share of small and medium-sized enterprises (SMEs).

Six decades after the first post-war economic integration initiatives, significant achievements have been made, but challenges also remain. The main achievement is the liberalization of goods trade: the bulk of trade between South American countries is tariff-free, as is that between Central America and Mexico. Another major asset of regional economic integration is the generation of regulatory frameworks on matters such as trade facilitation, public procurement, treatment of foreign investment and e-commerce.

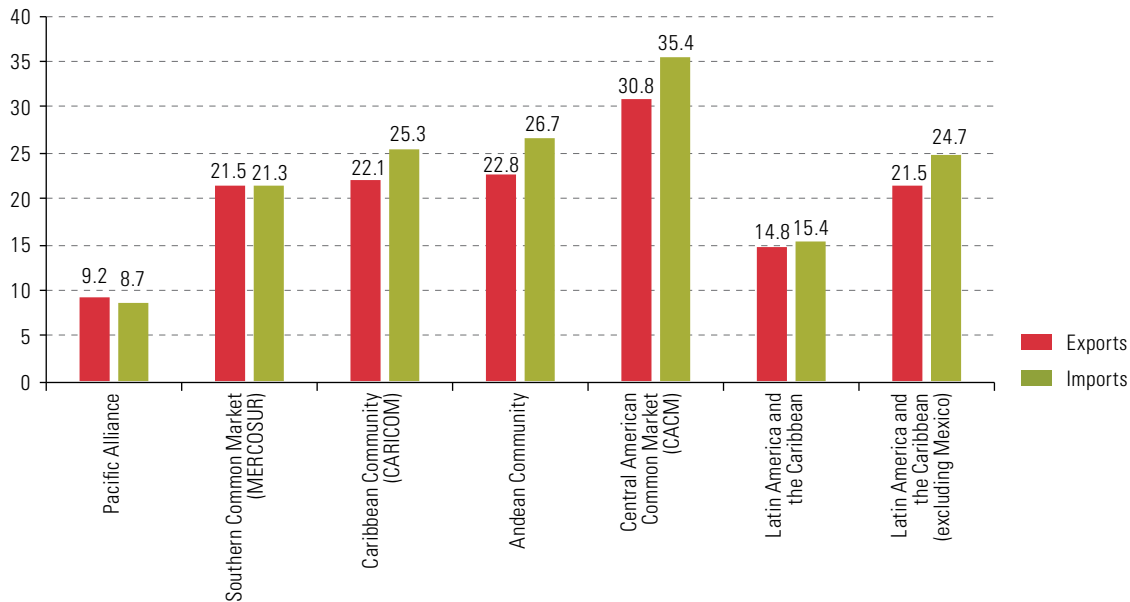
Despite these achievements, however, the share of intraregional trade in total exports from Latin America and the Caribbean has been declining since 2014. In 2019 it reached 14%, the same level as in the early 1990s, and it is projected to fall to 12% in 2020. In addition to the weak performance of the regional economy (the worst in seven decades), this has been the result of the fragmentation of the regional economic space, the lack of solid institutional arrangements, the emergence of China as a trading partner and the centrifugal force exerted by trade agreements with extraregional partners.

The Pacific Alliance and the Central American Common Market (CACM) are the trading blocs with, respectively, the least and most trade links within the region (see figure 3). Intraregional trade has a higher-than-average share in total trade in several manufacturing sectors, including food, beverages and tobacco; wood and paper; textiles and clothing; non-metallic minerals; chemicals and petrochemicals; rubber and plastics; and pharmaceuticals. The automotive industry has the largest share of intraregional trade (17%), followed by machinery and equipment (13%), mining and oil (12%), chemicals and petrochemicals (12%), and food, beverages and tobacco (12%).

The regional market is the leading destination for Latin American exports as measured by the proportion of firms involved. In recent years, the number of firms exporting within the region fluctuated between 31% and 84% of the universe of exporting firms in eight of the region's countries, making it the leading destination for all of them, except Mexico (see figure 4). In those same countries, 94% of the companies exporting to the regional market were micro, small and medium-sized enterprises (MSMEs).

Figure 3

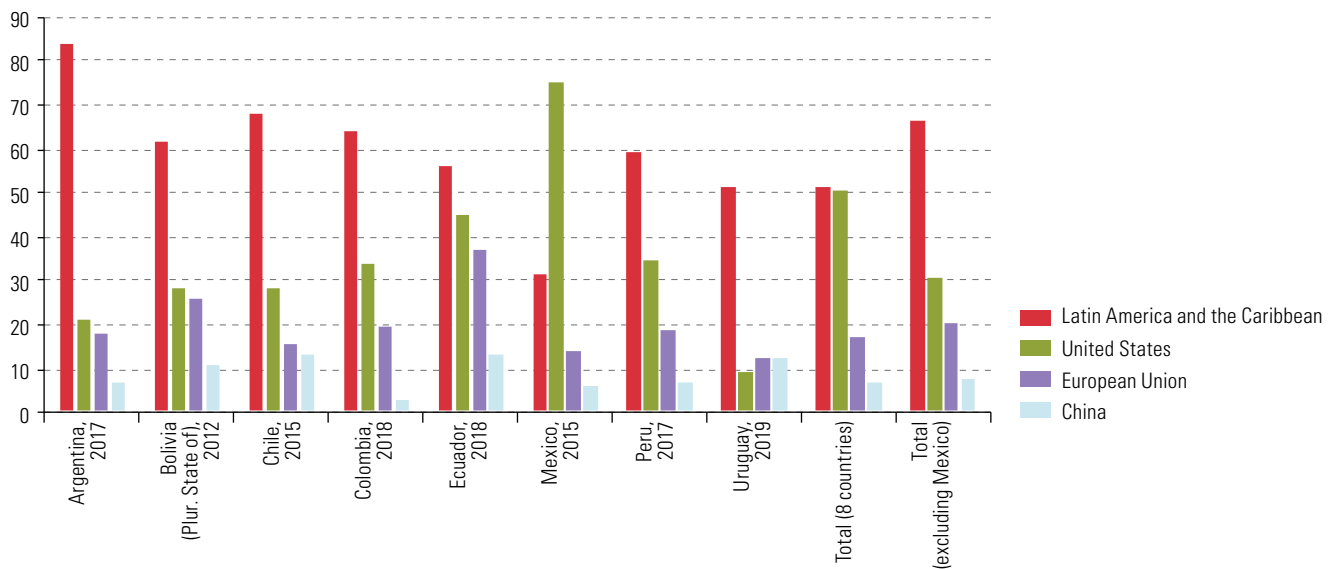
Latin America and the Caribbean: share of the regional market as a destination for trade in goods of the main integration mechanisms, average 2018–2019
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of UN Comtrade Database [online] <https://comtrade.un.org/> and official information from the countries.

Figure 4

Latin America (8 countries): share of firms in exports to selected destinations, latest year available
(Percentages of all exporting firms)

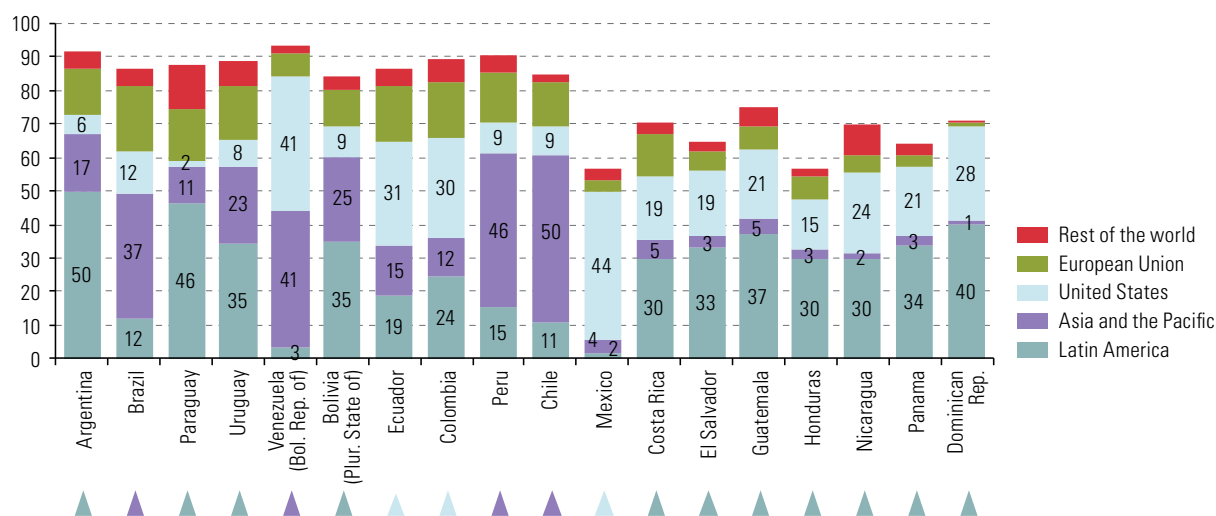


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the National Administrative Department of Statistics (DANE) of Colombia, the Central Bank of Argentina, the National Institute of Statistics and Geography (INEGI) of México, the Ministry of Production Development and Plural Economy of the Plurinational State of Bolivia, the Chilean National Customs Department, the National Customs Department of Ecuador; the National Tax and Customs Administration (SUNAT) of Peru and Uruguay XXI.

The region is the main destination for the national value added exported by Argentina, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, the Plurinational State of Bolivia and Uruguay (see figure 5). The countries that direct the largest share of national value added to the United States include Mexico, Colombia, Ecuador and the Bolivarian Republic of Venezuela. Lastly, Brazil, Chile and Peru send the largest proportion of their national value added to Asia (mainly natural resources). The share of intraregional imported content in the region's total exports averages just 3%, ranging from 1% (Bolivarian Republic of Venezuela) to 12% (Colombia). In Brazil and Mexico, the figure is 3% and 2%, respectively.

Figure 5

Latin America (18 countries): national value added contained in exports, by main destination, 2017^a
(Percentages of gross exports)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of world input-output tables for 2017 [online] <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-americana>.

Note: The coloured triangles indicate the main destination of each country's exports.

^a In the cases of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama, the calculations were based on the regional input-output table for Latin America for 2014.

In order to identify products in which the countries in the region have the best potential to supply regional demand, indices of revealed comparative advantages were calculated by product and by partner. The products that were most dynamic in global trade in the period 2011–2018 were also identified. On the basis of these two indicators, 1,108 products with potential were identified, of which 64% (711 outputs) are intermediate inputs used in various production processes. In 2018–2019, only 15% of regional imports of these products came from within the region itself, a much smaller percentage than that of imports of the same products from China and the United States (24% and 27%, respectively). The sectors with the highest share of intraregional imports are agriculture, hunting and fishing (39%) and food, beverages and tobacco (30%).

Reversing the region's trade de-integration process is an urgent challenge, in which it will be crucial to deepen the links between Mexico and the Southern Common Market (MERCOSUR), and particularly Brazil. The bulk of trade between the region's two largest economies is conducted on a non-preferential basis and the trade interdependence between the two remains at very low levels. The convergence agenda between the Pacific Alliance and MERCOSUR offers a path for fostering closer links between South America and Mexico and, hence, for moving towards an integrated regional space. However, this process needs to be speeded up.

ECLAC proposes three lines of work that would help reinvigorate regional integration, support the recovery and make Latin America and the Caribbean more competitive: convergence in trade facilitation; improvement of regional transport and logistics infrastructure; and cooperation on digital matters.

Streamlining cross-border procedures is crucial for MSMEs to participate in value chains and internationalize their business. The impact of trade facilitation progress is multiplied when it achieves a regional scale. Accordingly, it is important to expedite work on a mutual recognition agreement between national authorized economic operators of the member countries of the Pacific Alliance and MERCOSUR, which could be joined by other countries of the region. Valuable work is under way and should be accelerated in the interoperability of countries' single windows for foreign trade and digital certification of origin.

The COVID-19 crisis offers an opportunity to speed up the digitalization of trade-related procedures. The countries of the region should consider permanently retaining some of the measures implemented in the wake of the pandemic, such as the acceptance of electronic phytosanitary certificates and fewer physical inspections. Moreover, regional biosecurity protocols need to be defined to deal with future pandemics or other disruptive episodes. Such protocols could include agreements on which goods are to be considered essential, as well as the establishment of expedited procedures for their movement across borders.

The connectivity provided by transport services is essential for sustainable growth and competitive trade. Between 2008 and 2017, public investment in infrastructure in the region averaged 1.3% of GDP, while private investment amounted to only 0.3% of GDP. These amounts are insufficient to close provision, quality and access gaps in transport infrastructure services. According to ECLAC estimates, to meet the demand for growth, the region would have to invest an average of 2.2% of GDP annually in new construction and in the maintenance of road and rail infrastructure between 2016 and 2030.

In the region, infrastructure investments tend to be concentrated in the major transport corridors and urban centres, to the detriment of peripheral and rural areas. Rural roads are crucial not only for connectivity, but also because of their impact on the cost structure of the logistics chains operating in rural areas. A change in the investment pattern towards more resilient, efficient and sustainable works would reduce the transaction costs associated with moving inputs and final products, thus allowing production from rural and remote areas to reach markets at competitive prices. It would also facilitate new economic activities, leading to more balanced and sustainable territorial development.

Prioritizing infrastructure resilience—for example, through climate change adaptation strategies—should be one of the guiding principles of new investment cycles in the region, along with minimum standards of efficiency and sustainability. Given the scant fiscal space available, this is an area where the support of regional development banks will be crucial.

Giving new impetus to regional economic integration will require a more closely linked-up approach to digital matters. ECLAC has proposed a work plan in the following areas: digital infrastructure (including 5G high-speed networks) and connectivity to ensure universal access to broadband Internet; data protection and digital security; competition and regulatory policies; and digital taxes. These steps forward would jointly pave the way for the gradual establishment of a common Latin American and Caribbean digital market. Given the intensification of e-commerce owing to the pandemic, the regional trade facilitation agenda should pay particular attention to facilitating this form of trade, especially for MSMEs.

C. Gender inequalities in international trade

The economic, trade and social crisis resulting from the COVID-19 pandemic could lead to a setback in the little progress made in reducing gender inequalities in access to employment and resources. In the two decades before this crisis, progress was made in terms of women's economic autonomy in the region, for example, in women's increased labour participation and the correspondingly lower proportion of women lacking their own income. However, these advances have not been accompanied by greater involvement of men in unpaid domestic and care work. Also, the 2020 crisis is having a disproportionate impact on female workers and entrepreneurs linked to the export sector, especially in tourism, retail and the textile and clothing sector.

In this context, attention is drawn to how international trade, supported by the right policies, can contribute to reducing gender inequality. The links between gender inequality and international trade stem, in part, from the convergence of productive and export specialization, the gender-based segregation of the labour market and the sexual division of labour in the countries of the region. As unpaid workers or as employees in low-quality jobs with little social protection, women can represent a source of low-cost-based competitiveness. In turn, changes in trade intensity, the export and import structures and the prices of the goods and services that are sold all have gender-differentiated distributive effects.

Studies on the impact of trade liberalization and the opening of the economy in terms of gender inequalities show conflicting outcomes. Various studies have presented empirical evidence on how trade liberalization and the growth of global value chains have created employment opportunities for women over the past four decades, especially in developing countries. Some have found that globalization has led to the "feminization of work". Other studies have found that gender-based discrimination is an intrinsic feature of global value chains and that women are primarily engaged as cheap labour in jobs where they are less protected and where working conditions are poor. More recently, the automation of production processes and the incorporation of technological innovations may be reversing the previous trend and leading towards a de-feminization of employment.

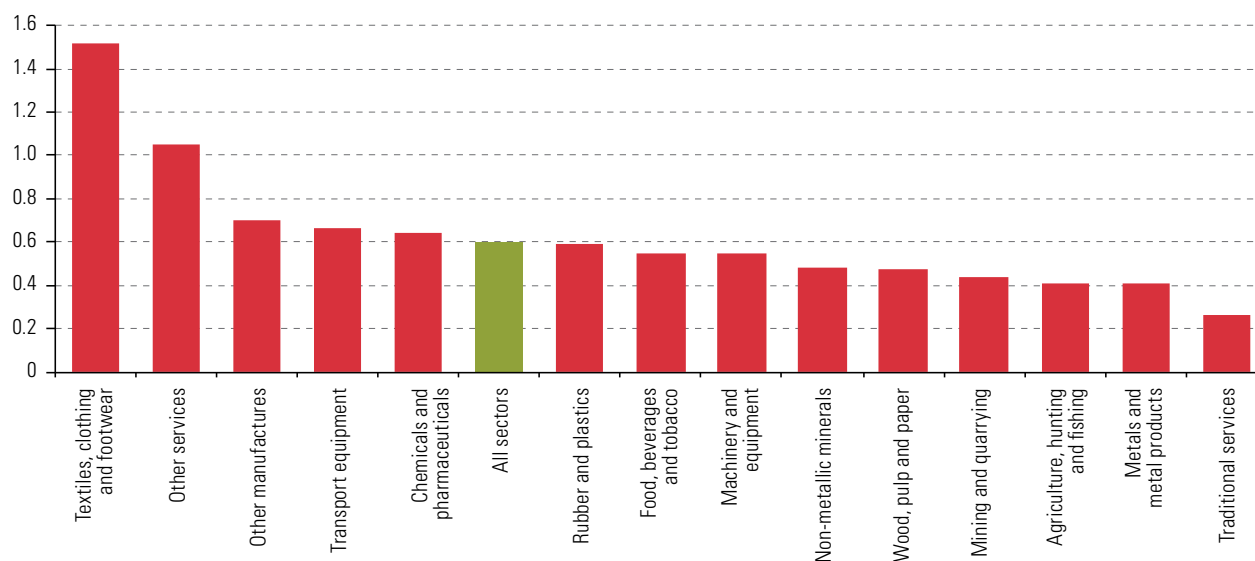
Women lead few export companies. According to data from World Bank Enterprise Surveys, 90% of the manufacturing exporters in developing countries are owned by men; data from small and medium-sized export companies from 97 countries that maintain a presence on Facebook present similar results. Women-run export enterprises employ a higher proportion of women than male-led export enterprises. However, firms of any size that are headed by women sell less than those led by men. Meanwhile, women who own smaller businesses have less access to production resources, training, digital skills and networks of contacts. They also face tighter time constraints owing to their overload of unpaid domestic and care work.

Recent data show significant heterogeneity among export sectors in terms of female employment. The highest concentration of women's employment, as measured by the ratio of female to male employment,¹ occurs in the textiles and clothing and other services sectors (see figure 6). Conversely, the lowest ratios are traditional services (electricity, gas and water, transport and construction), metals and metal products, agriculture, livestock, forestry and fisheries, and mining and quarrying.

¹ A ratio of 1 indicates equal participation by male and female workers (50% each). Values below (above) 1 reflect a lower (higher) participation by women than men.

Figure 6

Latin America (11 countries):^a ratio of female to male employment in export activities, by sector, 2018



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG) and input-output tables for the countries.

^a Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Plurinational State of Bolivia, and Uruguay.

Between 2005 and 2018, the trend in most countries was towards greater equality in the export sector's share of employment by gender. The agriculture, livestock and fishing, food, beverage and tobacco, and other services sectors are the ones that generated the most employment in total export activity in 2018. In the case of women, the leading export activity in employment generation is the category of other services, which includes activities such as accommodation and food services and business services, followed by food, beverages and tobacco, and machinery and equipment.

Gender wage gaps are larger in export-intensive sectors than in less export-intensive ones. It was also found that the average hourly wage gap between women and men in export sectors is greater for high-skilled workers than for medium- and low-skilled workers. Among the more export-intensive sectors, women earned lower wages in 2018 in heavy industries, such as cars and autoparts, and machinery and electrical appliances. However, in the more export-intensive sectors, these gender wage gaps narrowed between 2011 and 2018.

Other studies on gender gaps in employment in sectors and export value chains in Latin America and the Caribbean show mixed results. In the agricultural export sector, women's participation in employment increased sharply following the emergence of non-traditional agricultural sectors (fruit, vegetables and packaged flowers) and heavy male rural-urban migration. Many of the female jobs in this sector are precarious. Women's involvement in the mining industry is very limited, but is increasing. The percentage of female workers in the export manufacturing industry is low in South America, but rising sharply in Mexico and Central America, particularly in the textile and clothing and electronics sectors. In the tourism sector, Latin America, together with Africa, is the region of the world with the largest share of women (59%) in employment. In modern export service sectors, such as call centres, it has become easier for women to access formal employment with better wages. However, their opportunities for promotion to positions of greater responsibility remain limited.

The COVID-19 pandemic and the temporary closure of retail outlets has affected several global value chains. The collapse of international trade has shown how exposed the region is to international shocks and the vulnerabilities of global interdependence. The trend towards the shortening of global value chains has also intensified. These trends adversely affect women in the region, as many of them work in the most precarious segments of those chains and in the worst affected sectors, such as tourism, clothing manufacturing and other services. Some governments have responded by adopting employment protection measures, such as temporary transfers and unemployment benefits for workers. Some have taken steps related to employment in sectors with a high proportion of women.

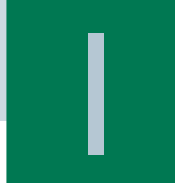
Over the past decade, the gender equality agenda has been increasingly incorporated into trade policy at different levels. This matter is increasingly being addressed at WTO, especially since the adoption in 2017 of the Joint Declaration on Trade and Women's Economic Empowerment. Another positive trend is the growing application of standards and certifications aimed at regulating and improving women's precarious working conditions in various export sectors, especially agriculture.

Gender equality has also become gradually incorporated into trade policies in the Latin American and Caribbean countries. Some countries have been pioneers in this area by including chapters on gender and commitments to international cooperation in this regard in their preferential trade agreements. In turn, the trade promotion agencies of several countries in the region have included the internationalization of female-led firms among their objectives. To this end, they have created gender programmes, departments or offices offering new services to such firms.

With a view to promoting gender equality in trade, at the fourteenth session of the Regional Conference on Women in Latin America and the Caribbean, held in January 2020, ECLAC member States agreed to implement policies and mechanisms to promote, strengthen and increase production and international trade, with a gender approach, as a pillar of countries' economic development. This commitment seeks to promote trade and gender policies that contribute to economic recovery and to closing gender gaps in access to resources, financing, information, technology and markets. This means promoting quality employment for women, as well as ensuring women's access to care services and to gender violence prevention services.

The region's trade performance is the worst since the global financial crisis

- A. The slump in world trade has been easing since June
 - B. The pandemic will accelerate the reconfiguration of global trade and value chains
 - C. Repercussions of the pandemic on transport and logistics
 - D. The 2019 slowdown in the region's external trade intensified with the coming of the pandemic
 - E. Conclusions
- Bibliography

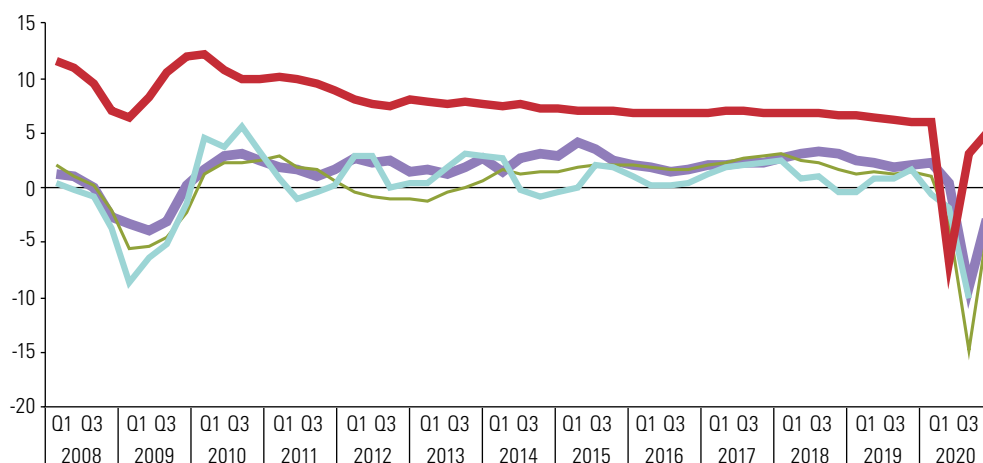


A. The slump in world trade has been easing since June

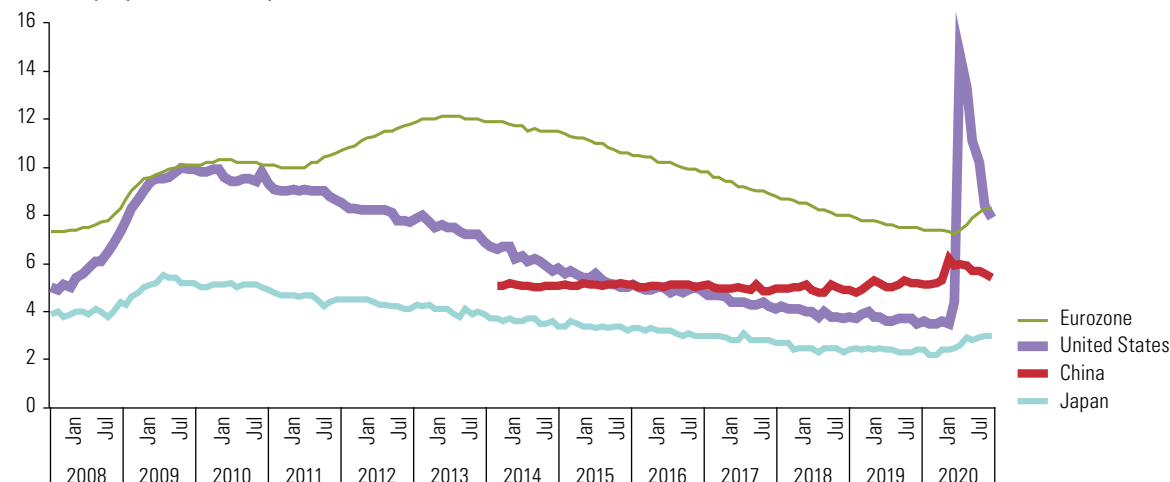
The rapid spread of coronavirus disease (COVID-19) and the drastic measures taken by governments to reduce the risk of contagion hit the global economy hard, especially in the first half of 2020 (see figure I.1A). Physical distancing measures have entailed the temporary suspension or partial functioning of many production activities and disruptions to the cross-border movement of persons and goods. This “induced coma” in economic activity has led in turn to a rise in unemployment, especially in the United States, with a consequent reduction in household demand for goods and services (see figure I.1B). Renewed outbreaks and uncertainty about the roll-out of the new vaccines mean that physical distancing measures are being lifted only gradually and with frequent reversals. In this context, and although the decline in output eased in the third quarter, it is expected that in 2020 the world economy will experience the worst recession since the Great Depression (UNCTAD, 2020a).

Figure I.1
Selected economies: year-on-year changes in GDP and unemployment, January 2008–September 2020
(Percentages)

A. GDP (quarterly)



B. Unemployment (monthly)

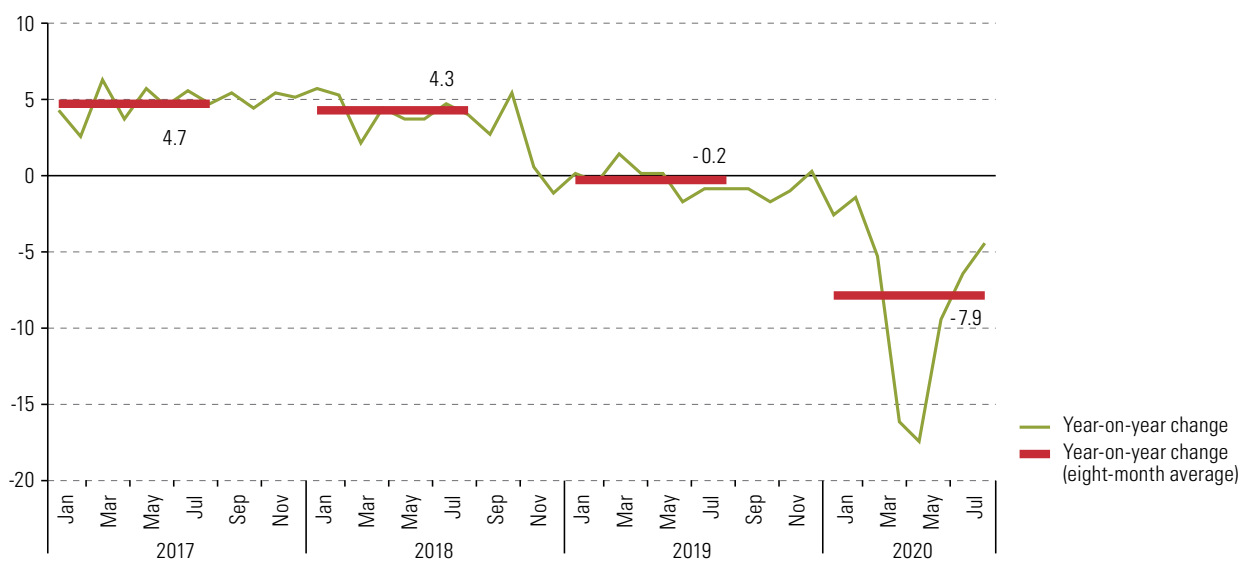


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Organization for Economic Cooperation and Development (OECD) and the National Bureau of Statistics of China.

The fall in the volume of world goods trade intensified until May (when a 17.5% year-on-year contraction was recorded), as more and more countries adopted confinement measures and closed borders. From June onward, however, there was a significant recovery, which coincided with the gradual lifting of these restrictions. Thus, the year-on-year contraction in world trade in August was 4.4%, with an average year-on-year change of -7.9% for the first eight months of the year (see figure I.2). Against this backdrop, in October the World Trade Organization (WTO) projected a 9.2% fall in the volume of world goods trade for the full year (WTO, 2020g), which is less than the drop in 2009 during the global financial crisis (-13%) and also less than the projection made by WTO itself in April, which was in the range of -13% to -32% (WTO, 2020a).

Figure I.2

Year-on-year changes in the volume of world goods trade, January 2017–August 2020
(Percentages)

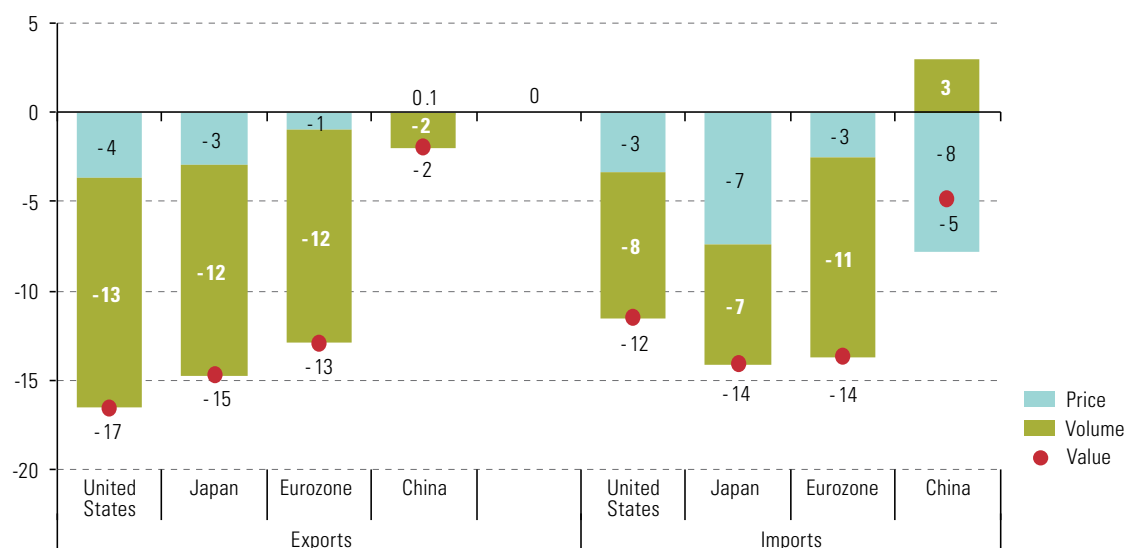


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor [online database] <https://www.cpb.nl/en/worldtrademonitor>.

The contraction in world trade has affected advanced economies more severely than emerging ones, although in the latter the effects have been markedly heterogeneous (see table I.1). Between January and August 2020, the year-on-year change in the volume exported by the advanced countries relative to the same period in 2019 was 9.7%, as against -3.9% for emerging economies. Among the latter, the relative strength of China's foreign trade stands out, thanks to the country's ability to control the COVID-19 outbreak and reopen its economy relatively quickly. Between January and August 2020, the volume of Chinese exports contracted by an average of 1.9%, in contrast to falls of between 12% and 13% for those of the United States, Japan and the eurozone (see figure I.3). The volume of Chinese imports expanded by an average of 3%, while those of all other major economies fell. The dynamism of Chinese imports has contributed to the incipient recovery of Latin American and Caribbean exports (see section I.D).

Figure I.3

Selected economies: year-on-year changes in goods trade by value, price and volume, January–August 2020
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor [online database] <https://www.cpb.nl/en/worldtrademonitor>.

Table I.1

Selected groupings and countries: year-on-year changes in the volume of world goods trade, January–August 2020 and August 2020
(Percentages)

Region, grouping or country	January to August 2020		August 2020	
	Exports	Imports	Exports	Imports
World	-7.8	-8.0	-3.2	-5.6
Advanced economies	-9.7	-8.8	-5.1	-5.8
United States	-12.9	-8.2	-10.6	-2.7
Japan	-11.8	-6.7	-10.1	-12.4
Eurozone	-11.9	-11.1	-5.7	-6.8
Emerging economies	-3.9	-6.3	0.6	-5.1
China	-1.9	3.0	6.6	7.0
Emerging Asia (excluding China)	-7.3	-14.2	-5.2	-14.2
Eastern Europe and Commonwealth of Independent States (CIS)	1.7	-7.9	2.1	-9.9
Latin America and the Caribbean	-5.7	-14.7	-0.2	-16.5
Africa and the Middle East	-5.4	-2.7	-6.2	-3.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor [online database] <https://www.cpb.nl/en/worldtrademonitor>.

The recent evolution of goods imports by the United States, the European Union and China, which together accounted for 43% of world imports in 2019 (excluding trade between European Union members), points to a slight recovery in world demand since June. This is particularly noticeable in the case of China, where imports of oil and minerals, rubber and plastic, machinery and equipment, and medicines showed positive year-on-year changes in the period from January to July 2020 (see table I.2).

Table I.2

Selected economies: year-on-year changes in the value of goods imports, by major economic sector, January–July 2019 and January–July 2020
(Percentages)

Major economic sector	United States		European Union ^a		China ^b		Japan	
	2019	2020	2019	2020	2019	2020	2019	2020
Agriculture, forestry, hunting and fishing	2.2	-1.3	2.6	2.1	7.1	-18.9	-0.5	-5.8
Oil and mining	-14.7	-40.3	-4.9	-28.5	16.3	21.2	-2.6	-29.6
Food, beverages and tobacco	3.0	-0.2	2.9	13.3	0.5	-13.9	0.2	-3.8
Textiles, apparel and footwear	4.3	-14.0	2.5	-14.5	-10.6	-14.3	0.8	-4.3
Wood, pulp and paper	-6.0	-10.8	0.7	-10.7	-1.6	-11.7	0.5	-14.2
Chemicals and petrochemicals	0.4	-22.3	1.3	-20.3	-6.0	-4.4	-6.7	-13.1
Pharmaceuticals	11.0	11.8	5.0	7.0	-0.6	19.0	1.0	10.6
Rubber and plastic	1.5	-9.6	-0.8	-12.7	-0.6	19.0	-0.1	-9.4
Non-metallic minerals	-0.4	-16.5	3.6	-10.5	-8.4	-11.7	-0.8	-13.5
Metals and metal products	-8.4	14.4	-2.6	-14.4	-10.7	-3.8	-6.0	-10.6
Machinery and equipment	3.3	-15.2	3.6	-12.8	-7.2	8.7	-2.2	-8.0
Electrical machinery and appliances	-3.6	-6.0	3.6	-5.3	-8.8	-28.6	1.7	-5.5
Automobiles and automobile parts and components	7.6	-30.6	3.6	-27.5	-51.9	-17.5	-0.5	-28.7
Other manufactures	3.6	-5.3	5.9	-8.0	0.0	0.0	-2.4	-5.0
All products	0.4	-12.0	2.2	-11.6	-4.4	-5.1	-1.6	-11.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United States Trade Department, Eurostat, the International Trade Centre (ITC) and the Chinese Customs Bureau.

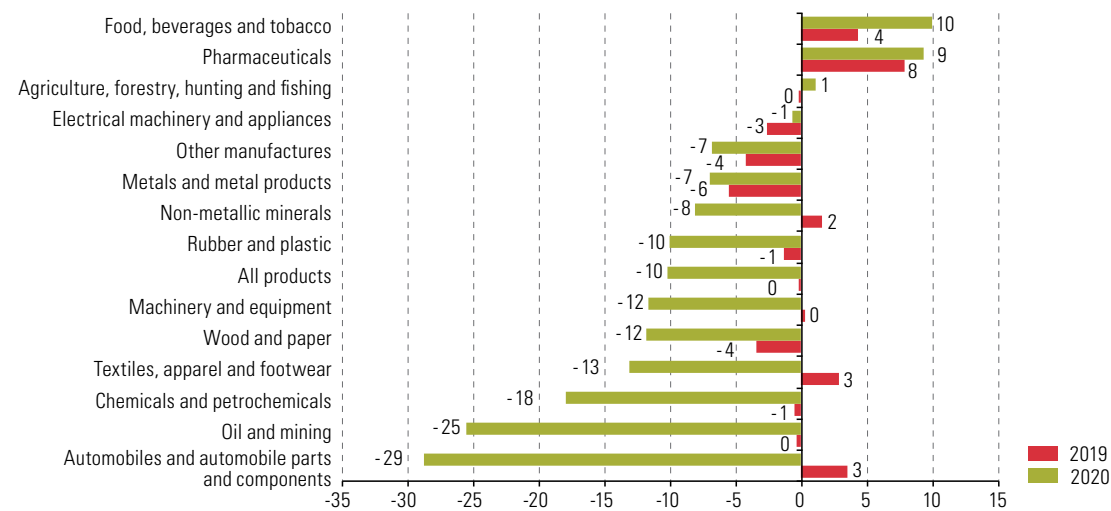
^a Includes preliminary estimates for June and July.

^b The export figures for January and February were broken down by product and major economic sector on the basis of the import structure for December and March, respectively.

In the current crisis, unlike previous ones, the greatest impact has been on trade in manufactures, with larger declines in heavy industry (mainly automobiles, automobile parts, machinery and equipment) than in commodity trade. Indeed, food and medicine imports rose significantly across the world's four largest economies during the first half of 2020 (see figure I.4).

Figure I.4

Selected economies:^a year-on-year changes in goods imports by value, by major economic sector, January–July 2020 relative to the year-earlier period
(Percentages)



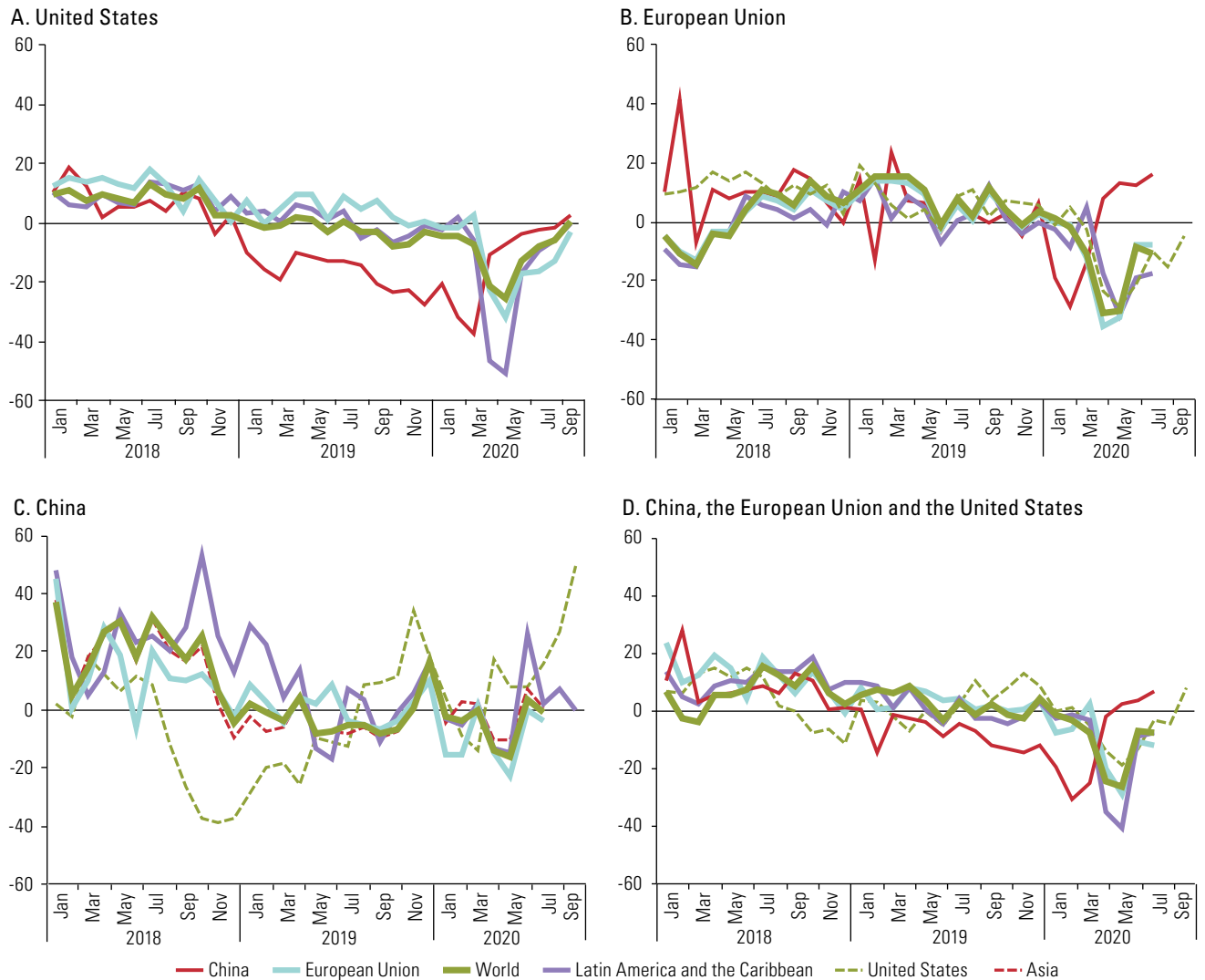
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United States Trade Department, Eurostat, the International Trade Centre (ITC) and the Chinese Customs Bureau.

^a China, the European Union, Japan and the United States.

Latin America and the Caribbean was strongly affected by the drop in import demand from the world's major economies, mainly the United States, between March and May. In May, the year-on-year decline in that country's imports from the region was 51% (see figure I.5), which was reflected particularly strongly in a large drop in Mexico's exports (ECLAC, 2020c). In contrast, China's imports from the region have been rising since March, with an average monthly growth rate of 4% between May and July. China's imports from the whole world, and those of the European Union and the United States from China, began to recover in April after recording their worst figures in January and February. Nevertheless, the imports of the world's major economies fell in the first half of the year at the aggregate level and in most sectors (see figure I.4 and table I.2).

Figure I.5

China, the European Union and the United States: year-on-year changes in the value of goods imports, by origin, January 2018–September 2020
(Percentages)



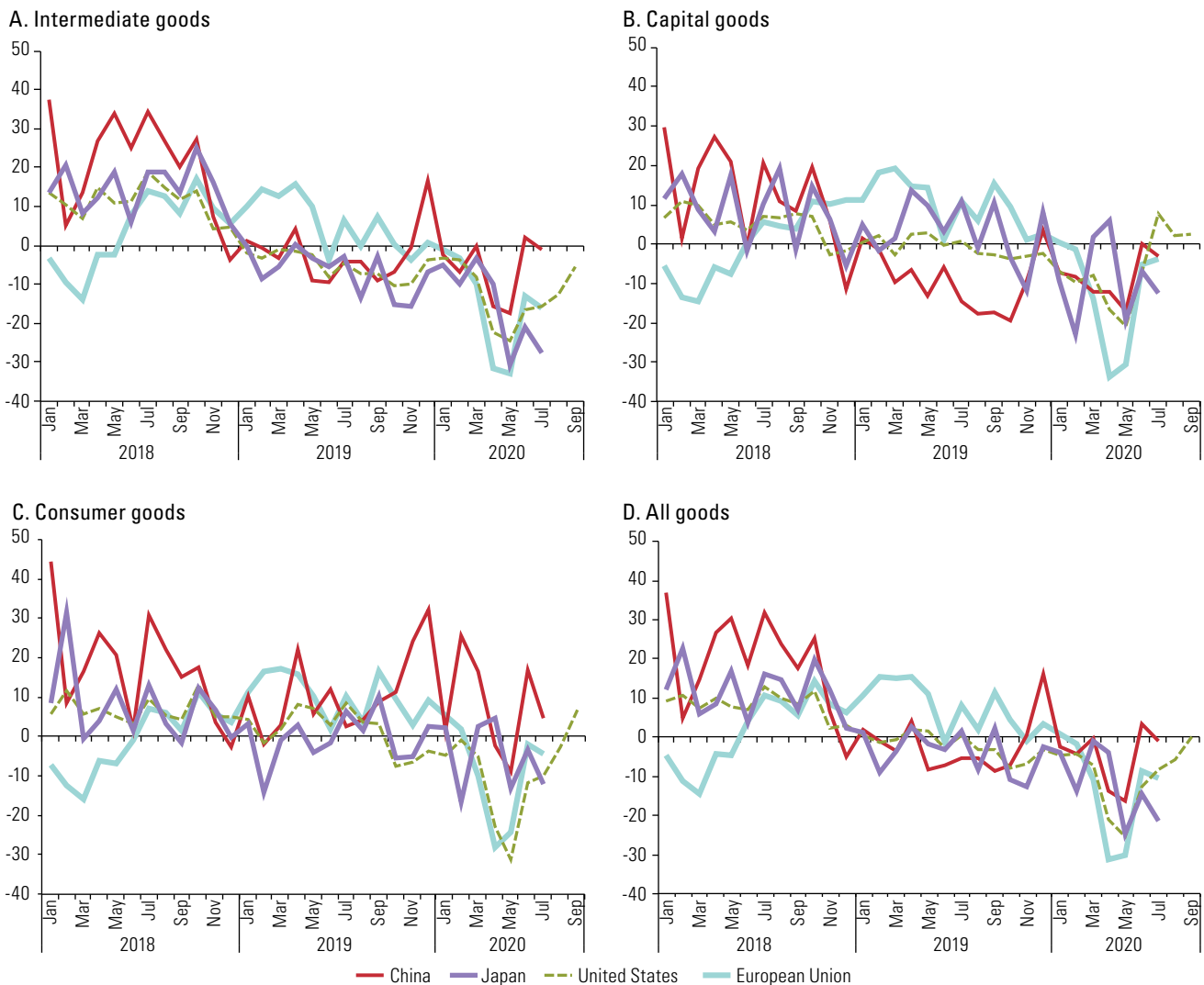
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United States Trade Department, Eurostat, the International Trade Centre (ITC) and the Chinese Customs Bureau.

The COVID-19 crisis exacerbated the contraction of world imports of capital and intermediate goods, which, after declining by between 5% and 10% in 2019, fell by between 20% and 30% in 2020, particularly in the United States and the European Union. This has been accompanied by a collapse in imports of consumer goods (see figure I.6). Since May, however, there has been a trend towards recovery. In the United States, for example, capital goods imports increased by an average of 4% year on year between July and September, compared with a sharp drop in April (-21%). The capital goods imports of China and the European Union also began to perform better in May.

Figure I.6

Selected economies: year-on-year changes in the value of goods imports, by major economic categories, January 2018–September 2020

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United States Trade Department, Eurostat, the International Trade Centre (ITC) and the Chinese Customs Bureau.

Of the products whose imports fell the most between January and July 2020 in the world's four largest economies as a group, fuels and vehicles and vehicle parts experienced the largest declines, a direct result of the widespread restrictions on movement (see table I.3). The goods that showed the largest increases, meanwhile, included food, medicines and other medical products, and some information and communications technology (ICT)-related products (see table I.4). Demand for these last has been boosted by the sharp increase in teleworking and distance learning as a result of the pandemic.

Table I.3

Selected economies:^a the 25 products showing the largest year-on-year declines in imports by value, January–July 2020

(Percentages)

HS code ^b	Description	Year-on-year change (A)	Share of total imports (B)	Contribution (C = A*B)
271012	Light petroleum oils	-44.7	0.7	-0.3
870120	Road tractors for semi-trailers	-41.7	0.3	-0.1
271121	Natural gas in gaseous state	-38.5	0.5	-0.2
870431	Vehicles for transport of goods	-35.5	0.3	-0.1
271019	Medium oils and preparations of petroleum	-33.9	1.4	-0.5
870323	Motor cars (1,500–3,000 cc)	-33.6	2.3	-0.8
270900	Crude petroleum oils	-33.6	5.1	-1.7
870332	Motor cars (1,000–1,500 cc)	-32.3	0.9	-0.3
870324	Motor cars (over 3000 cc)	-30.8	0.6	-0.2
854430	Ignition wiring sets	-30.2	0.3	-0.1
870421	Goods vehicles not exceeding 5 tons	-28.2	0.4	-0.1
870899	Tractor parts and accessories	-27.6	0.7	-0.2
841191	Parts of turbo-jets	-26.5	0.3	-0.1
870829	Parts and accessories of bodies for vehicles	-25.9	0.6	-0.2
870321	Passenger cars (under 1,000 cc)	-25.5	0.3	-0.1
840734	Reciprocating piston engines	-25.5	0.3	-0.1
940190	Seat parts	-24.2	0.3	-0.1
870322	Passenger cars (1,000–1,500 cc)	-24.0	1.0	-0.2
270112	Bituminous coal	-23.8	0.3	-0.1
870840	Gear boxes for tractors	-22.5	0.5	-0.1
271111	Liquefied natural gas	-22.1	0.4	-0.1
901380	Liquid crystal devices	-17.5	0.3	-0.1
880240	Aeroplanes and other aircraft	-16.5	0.7	-0.1
880330	Parts of aeroplanes or helicopters	-15.4	0.5	-0.1
401110	Pneumatic tyres	-15.3	0.3	0.0
	Total 25 products	-30.3	19.0	-5.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United States Trade Department, Eurostat, the International Trade Centre (ITC) and the Chinese Customs Bureau.

^a China, the European Union, Japan and the United States.

^b Harmonized Commodity Description and Coding System.

Table I.4

Selected economies:^a the 25 products showing the largest year-on-year increases in imports by value, January–July 2020
(Percentages)

HS ^b	Description	Year-on-year change (A)	Share of total imports (B)	Contribution (C = A*B)
020714	Meat and edible offal	37.5	0.06	0.02
020230	Boneless cuts of bovine animals	37.2	0.13	0.05
260112	Agglomerated iron ores	29.2	0.08	0.02
300439	Medicaments (excluding antibiotics)	28.1	0.23	0.07
300390	Medicaments containing hormones or steroids	22.9	0.08	0.02
710812	Non-monetary gold (not powder)	21.9	0.59	0.13
300215	Immunological products for retail sale	19.3	0.68	0.13
040690	Cheese	19.9	0.15	0.03
854140	Photosensitive semiconductor devices	19.9	0.25	0.05
854233	Electronic integrated circuits (amplifiers)	19.1	0.12	0.02
854231	Electronic integrated circuits (processors)	17.2	1.94	0.33
040610	Fresh cheese	15.3	0.05	0.01
080610	Fresh grapes	15.1	0.06	0.01
020319	Fresh or chilled meat of swine	13.8	0.09	0.01
100590	Maize	13.1	0.09	0.01
180690	Chocolate and other preparations containing cocoa	12.0	0.08	0.01
120190	Soya beans	8.9	0.41	0.04
740311	Refined copper in the form of cathodes	8.9	0.34	0.03
300490	Medicaments for therapeutic uses	8.3	2.11	0.17
210690	Food preparations	5.4	0.24	0.01
040510	Butter	5.2	0.05	0.00
901890	Medical instruments and appliances	4.1	0.35	0.01
220421	Wine	1.9	0.17	0.00
260111	Non-agglomerated iron ores	4.9	1.14	0.06
851712	Mobile telephones	2.1	1.04	0.02
	Total 25 products	11.5	13.7	1.56

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United States Trade Department, Eurostat, the International Trade Centre (ITC) and the Chinese Customs Bureau.

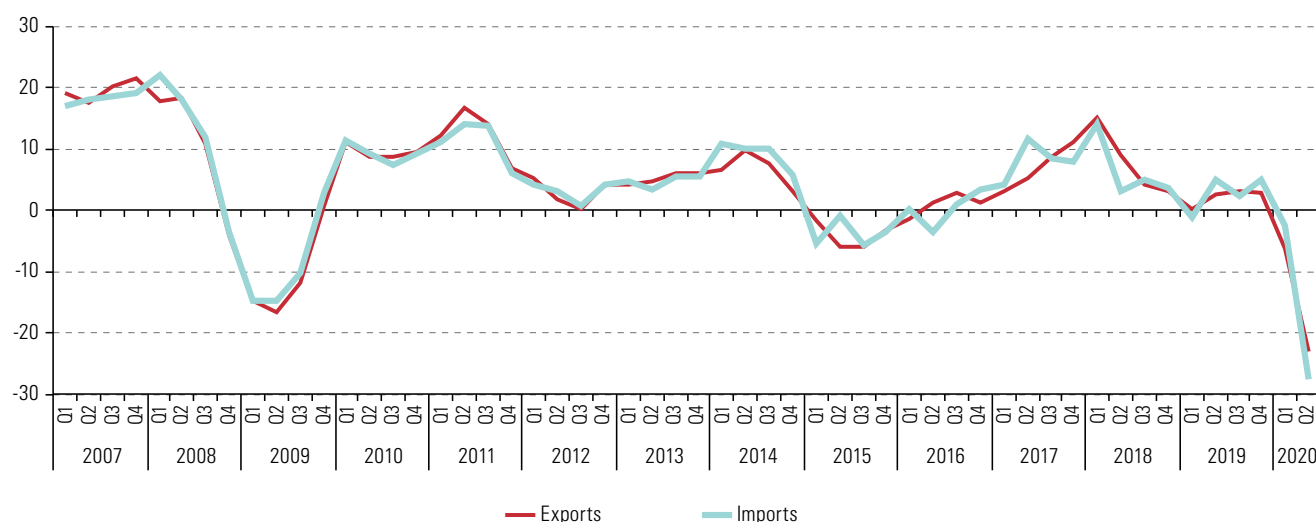
^a China, the European Union, Japan and the United States.

^b Harmonized Commodity Description and Coding System.

Global trade in services has also been severely affected by the pandemic. Its volume fell by 4.3% during the first quarter of 2020 (WTO, 2020f), and this contraction deepened in the second quarter. The main services-exporting countries for which data are available for the latter period (accounting for two thirds of world exports in 2019) recorded a year-on-year fall of 23% in the value of their exports and 28% in the value of their imports (see figure I.7). WTO (2020g) confirms this trend, noting a 23% fall in the volume of world trade in services between its peak in 2019 and its trough in the second quarter of 2020.

Figure I.7

Selected countries:^a year-on-year changes in the value of service exports and imports, first quarter of 2007–second quarter of 2020
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Organization for Economic Cooperation and Development (OECD) and national official sources.

^a Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Denmark, Iceland, India, Indonesia, Israel, Japan, Mexico, New Zealand, Norway, Republic of Korea, Russian Federation, Saudi Arabia, Sweden, Switzerland, United Kingdom and the 19 countries of the eurozone.

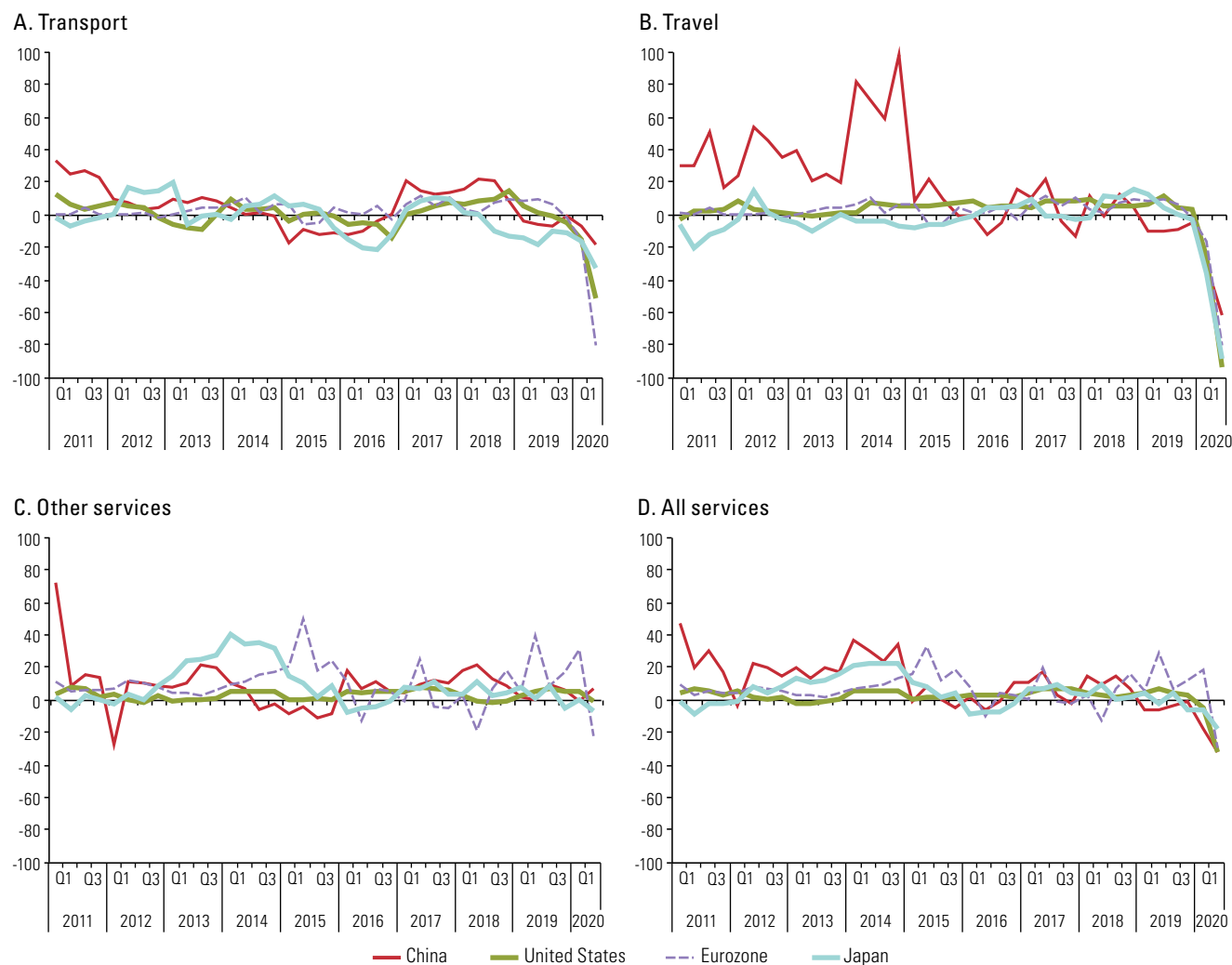
The decline in services trade has mainly occurred in traditional services, such as tourism and transport. Tourism, which accounted for 24% of global services exports in 2019, has been particularly affected by the pandemic. In the first half of 2020, international tourist arrivals worldwide fell by 65% compared to the same period in 2019. This drop is five times as great as that seen in 2009 during the global financial crisis. To take the situation by region, Asia and the Pacific, the first region affected by COVID-19, recorded a 72% decline in arrivals in the first half of 2020. The second most affected region was Europe, with a 66% fall, followed by Africa and the Middle East (57% in both cases) and the Americas (55%). For the full year, projections are for a global fall of close to 70% (UNWTO, 2020).

The drop in tourism has also affected air passenger transport, whose worldwide volume fell by around 90% in April and May 2020, with somewhat smaller declines in June and July. Meanwhile, the volume of world container shipping fell by 7% in the first half of 2020, while that of air freight fell by almost 30% in April. These declines have gradually eased in the months since (see section I.C).

The global trends outlined can be seen at work in the main export markets of Latin America and the Caribbean. Imports of transport and travel services by China, Japan, the United States and the eurozone fell very substantially, especially in the second quarter of 2020 (see figure I.8), and this is reflected in the crisis facing the region's tourism sector. However, imports in the category of other services fell by much less in these economies. This is partly because the category includes modern Internet-based services whose provision does not require physical interaction between the provider and the consumer, demand for which has therefore increased in the context of physical distancing measures.

Figure I.8

Selected economies: year-on-year changes in the value of service imports, by major economic categories, first quarter of 2011–second quarter of 2020
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the European Central Bank and official sources.

B. The pandemic will accelerate the reconfiguration of global trade and value chains

Besides the collapse forecast for 2020, there seems to be an almost total consensus that the pandemic will have longer-term effects on trade, including in particular the reorganization of global value chains. The likely medium-term effects of COVID-19 on world trade and their implications for the region will now be discussed.

The COVID-19 pandemic broke out at a time of weakening world trade, a trend that has been ongoing since the 2008-2009 global financial crisis. Whereas between 1990 and 2007 the volume of world goods trade expanded by an average of 6.2% per year,

between 2012 and 2019 the rate was only 2.3% per year. Likewise, goods and services exports as a share of world GDP peaked at 31% in 2008, at the beginning of the global financial crisis, and has been around 28% since 2015 (ECLAC, 2020b).

The factors behind the slowdown in trade since the global financial crisis are manifold. They include in particular the breakdown of the “pro-globalization consensus” in the advanced countries and the economic and technological competition between the United States and China, which led to strong trade tensions from 2018 onwards. Furthermore, the economic changes that have taken place in China have reduced its dependence on both imports and exports. At the same time, the fourth industrial revolution has made it possible to automate industrial processes and replace trade in physical goods with flows of digital products and services in an ever-increasing number of sectors. Lastly, multilateral trade institutions have been progressively eroded (ECLAC, 2017, 2018 and 2019). COVID-19 is likely to act as a catalyst for several of these trends (Irwin, 2020; Johnson and Gramer, 2020).

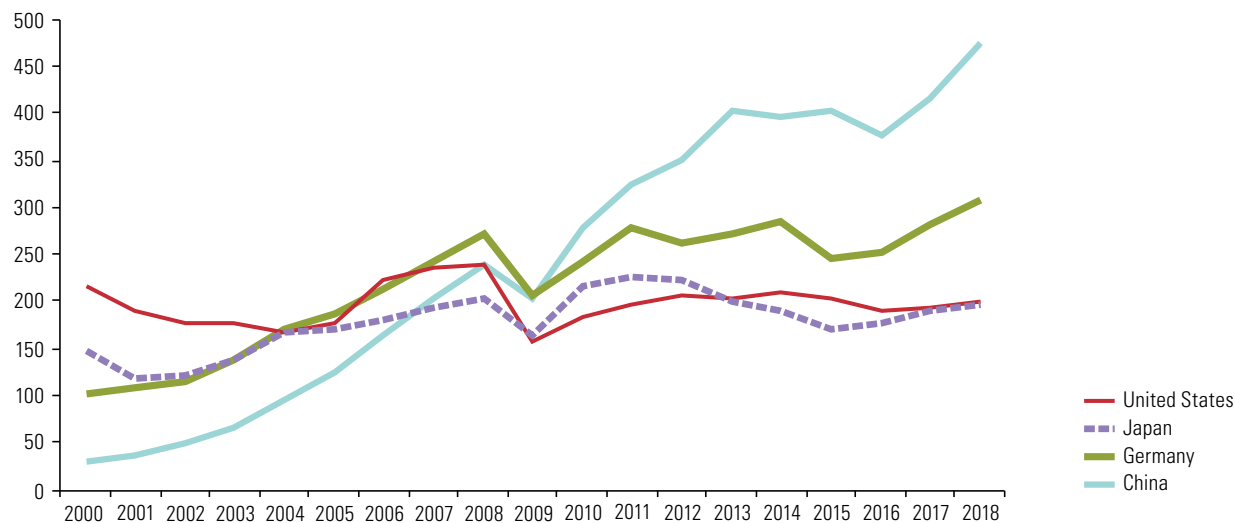
1. The reconfiguration of global value chains

Concern about the excessive length and complexity of some value chains and their dependence on China predated the pandemic; however, it has become much more pronounced since this broke out. Specifically, two main types of risks have been cited: those arising from extreme natural events and those associated with policy changes in the countries involved in a particular value chain.¹ Examples of the first type of risk are the disruptions caused by the tsunami that struck Japan in 2011 (Escaith and others, 2011; Fisher, 2011) and the floods that occurred in Thailand the same year (Chongvilaivan, 2012; Haraguchi and Lall, 2014). The frequency and intensity of extreme weather events have been increasing in recent years, and this trend is expected to continue as a result of climate change, which will have a significant impact on international production networks (Wallemacq and House, 2018; UNCTAD, 2020a; McKinsey Global Institute, 2020). An example of the second type of risk is the vulnerability of companies producing in and exporting from China to increases in tariffs imposed on Chinese products by the United States since 2018.

The appearance of COVID-19, a high-impact natural phenomenon that could not easily be predicted, combines elements of both types of risk. China responded drastically, temporarily closing Hubei province and the country's borders, and the consequent suspension of Chinese exports of critical inputs forced factories in the automotive, electronics, pharmaceutical, medical supplies and other industries in Europe, North America and the rest of Asia which had no alternative suppliers in other countries to shut down for several weeks (Javorcik, 2020). China is the world's leading exporter of parts and components, accounting for 15% of global shipments (see figure I.9), and “Factory Asia” accounts for almost half of world exports of these products. Its rise contrasts with the loss of market share since 2000 of “Factory Europe” and, in particular, “Factory North America” (see figure I.10).

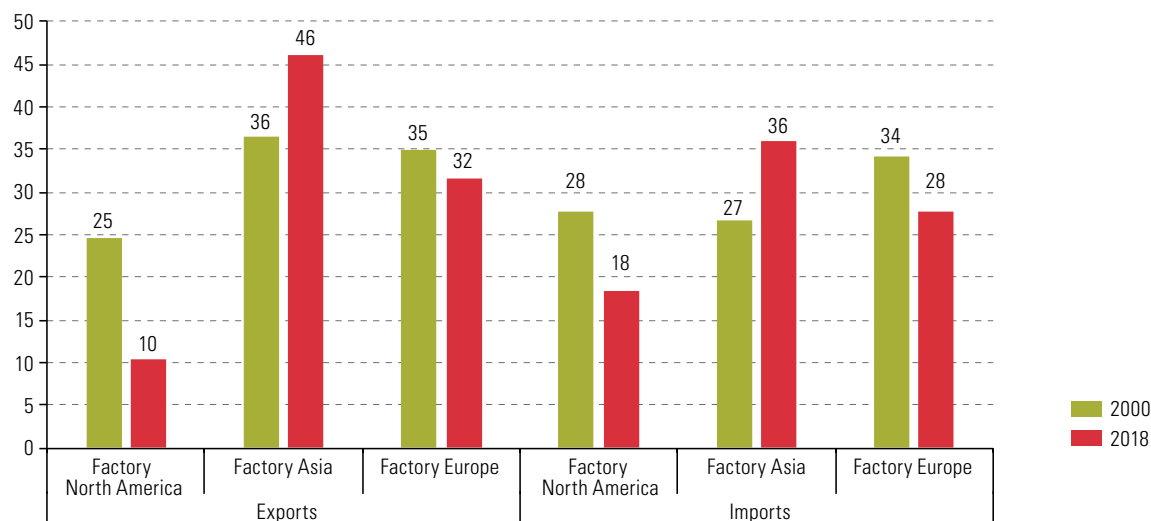
¹ Mention should also be made of risks associated with political instability, armed conflict and intentional acts such as cyberterrorism.

Figure I.9
Selected countries: exports of parts and components, 2000–2018
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, United Nations International Trade Statistics Database (UN Comtrade) [online] <https://comtrade.un.org/>.

Figure I.10
Selected country groupings:^a shares of world trade in parts and components, 2000 and 2018
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, United Nations International Trade Statistics Database (UN Comtrade) [online] <https://comtrade.un.org/>.

^a By “Factory North America” is meant Canada, the Dominican Republic, Mexico, the United States and the six countries of Central America. The term “Factory Asia” includes China, India, Japan, the Republic of Korea, Taiwan Province of China and the 10 members of the Association of Southeast Asian Nations (ASEAN). “Factory Europe” means the 27 members of the European Union and the United Kingdom.

In light of the effects outlined above, the pandemic is expected to accelerate the reconfiguration of global value chains aimed at making them more resilient or robust, even if this entails higher operating costs (Javorcik, 2020; UNCTAD, 2020a).² From the point of view of the multinational companies that head them, there are several options

² In a supply chain, resilience is the ability to return to normal within an acceptable time frame after an external shock has disrupted its activity, while robustness is the ability to sustain operations during a crisis (Miroudot, 2020).

for this. Some, such as maintaining larger inventories or digitizing certain processes, do not involve geographical displacement. These firms can also diversify their supplier networks in terms of countries and companies without necessarily shortening the geographical length of the chain, for example by moving production from China to Viet Nam. Another option is to favour locations closer to final consumer markets (nearshoring), for example by moving production from China to Mexico in the case of companies targeting the United States market. In some cases, it may even be feasible to reshore certain segments of value chains, i.e., bring them back to the home country of the company heading the chain. It is estimated that in the next five years, the production of goods representing between 16% and 26% of world trade by value could be geographically displaced by one or another of these procedures (McKinsey Global Institute, 2020).

While COVID-19 will accelerate the reconfiguration of global value chains, the specific way in which this occurs will depend on a number of factors. For one thing, it is a process that depends not only on the business decisions of multinational companies, but also on political and social pressures. Indeed, the loudest calls for reshoring have come from the governments of advanced countries, which wish to reduce their dependence on imports of critical products and inputs (especially from China) and ensure higher levels of industrial autonomy in the event of a new pandemic (see box I.1). Moreover, reconfiguration will operate in different ways in different chains, depending on factors such as their labour or capital intensity, the importance of proximity to suppliers or natural resources, and the expected impact on them of technological advances such as automation, digitization and additive manufacturing (UNCTAD, 2020a).

Box I.1

The pandemic is increasing the pressure in advanced countries for companies to relocate

- In the United States, the reshoring of companies, especially from China, has been an explicit objective of the current administration from the outset, and this has been reinforced since the outbreak of coronavirus disease (COVID-19), with calls to adopt an industrial policy that guarantees the country's self-sufficiency in strategic sectors (Lighthizer, 2020; Inside U.S. Trade, 2020a). This objective is shared by the new Administration that will take office in January 2021 (Biden, 2020). It is worth mentioning that the Reshoring Index peaked in 2019 owing to trade tensions with China, while Mexico's share of manufacturing imports increased sharply relative to that of Asian suppliers (Kearney, 2020).
- In April 2020, the Government of Japan announced that it would use US\$ 2.2 billion of its COVID-19 economic stimulus package to help its companies relocate production outside China. In July, the authorities announced an initial list of 87 companies that would be granted this aid, 50 of them to open factories in Japan and 37 to expand their production in various South-East Asian countries. The list includes manufacturers of auto parts and components for civil aviation, hygiene products, fertilizers and medicines, among others.
- In the European Union, more than 200 companies relocated their production between 2016 and 2019, with 32% of relocations involving activities previously carried out in China (European Foundation for the Improvement of Living and Working Conditions, 2019). Following the outbreak of COVID-19, the shortage of personal protective equipment and other medical inputs imported from China has led to calls from various political authorities to reduce dependence on that country (European Union Chamber of Commerce in China, 2020).
- In June, the Government of the Republic of Korea announced tax incentives, financial support and simplified regulations to encourage Korean companies to relocate production from China (Bloomberg News, 2020). On 1 August, Samsung Electronics announced the closure of its last computer factory in China (Reuters, 2020).

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of R. Lighthizer, "The era of offshoring U.S. jobs is over", *The New York Times*, 11 May 2020 [online] <https://www.nytimes.com/2020/05/11/opinion/coronavirus-jobs-offshoring.html>; Inside U.S. Trade, "Lighthizer calls for post-pandemic U.S. industrial policy", 4 June 2020 [online] <https://insidetrade.com/daily-news/lighthizer-calls-post-pandemic-us-industrial-policy?s=em1>; J. Biden, *The Biden plan to rebuild U.S. supply chains and ensure the U.S. does not face future shortages of critical equipment*, July 2020 [online] <https://joebiden.com/supplychains/>; Kearney, "Trade war spurs sharp reversal in 2019 Reshoring Index, foreshadowing COVID-19 test of supply chain resilience", 2020 [online] <https://www.kearney.com/operations-performance-transformation/us-reshoring-index>; European Foundation for the Improvement of Living and Working Conditions (EUROFOUND), "European Reshoring Monitor", 2019 [online] <https://reshoring.eurofound.europa.eu/>; European Union Chamber of Commerce in China, *Business Confidence Survey 2020: Navigating in the Dark*, Roland Berger, 2020; Bloomberg News, "Can the U.S. End China's Control of the Global Supply Chain?", 8 June 2020 [online] <https://www.bloomberg.com/news/articles/2020-06-08/why-the-u-s-can-t-easily-break-china-s-grip-on-supply-chains>; and Reuters, "Samsung Electronics to halt production at its last computer factory in China", 1 August 2020 [online] <https://www.reuters.com/article/us-samsung-elec-china-pc-idUSKBN24X3K4>.

Despite the incentives on offer and pressure from some governments, it is very unlikely that there will be a mass exodus from China of multinational companies linked to global value chains as a result of COVID-19, at least in the short term. The current structure of these chains is the result of years of planning, considerable investment and close relations between the leading companies and their suppliers, all of which is an obstacle to drastic change (McKinsey Global Institute, 2020). In member surveys carried out by the United States and European Union chambers of commerce in China in February 2020, only 4% and 11% of respondents, respectively, said they were considering moving some of their production to other countries (Kennedy and Tan, 2020).

Indeed, China offers major advantages for production, such as its specialized workforce, the size of its supplier networks, the quality of its infrastructure and, above all, access to its vast domestic market. It therefore seems more likely that multinational companies will opt for “China plus one” type diversification strategies, as they have been doing since before the pandemic (Bloomberg News, 2020; Joshi, 2020; Leung and others, 2020), keeping the bulk of their production capacity in China but adding additional capacity to supplement and support it in a second country, generally one in South-East Asia or India.

2. Automation and digitalization

A second existing trend that has been reinforced by the pandemic is the digitalization and automation of trade and production. Physical distancing measures imposed by governments have resulted in a significant increase in traditional e-commerce (acquisition by digital means of goods such as food, clothing or household appliances) and in the demand for digitally supplied services (communication, education, medical and entertainment services, among others) (WTO, 2020c).

Pandemic response measures have also given a strong boost to teleworking and, in the medium term, should reinforce the trend towards automation of production processes, which could have important consequences for the reconfiguration of global value chains. The United Nations Conference on Trade and Development (UNCTAD, 2020b) estimates that the global pool of industrial robots will triple between 2013 and 2022, from 1.3 million to 4 million. The gradual replacement of workers by robots is already well advanced in industries such as carmaking and electronics, but it is also increasing rapidly in service activities, driven by advances in artificial intelligence (UNCTAD, 2020b).

3. Increasing conflict in trade relations and the erosion of multilateral governance

In the area of trade, COVID-19 has exacerbated the weakening of international cooperation and multilateralism that has been observed for some years now. Following the outbreak of the pandemic, at least 80 countries imposed restrictions on the export of medical and health-care products and food, including several of the world’s leading producers (WTO, 2020b). While these measures are permitted by WTO agreements in situations of scarcity, it is assumed that they should be used only in exceptional cases, because of their harmful effects on developing regions that are highly dependent on imports. This is the case, for example, in Latin America and the Caribbean with respect to the medical inputs required to combat the pandemic (ECLAC, 2020d). At the same time, tensions have increased between the United States and China in 2020 (see section I.B.4), but also between the United States and the European Union as well as between the latter and China, in the areas of both trade and foreign investment.

The main source of trade tensions between the United States and the European Union at present are the attempts by several European countries, and by the European Union itself, to establish mechanisms for taxing the major digital platforms. In June 2020, the United States Government initiated an investigation under section 301 of the Trade Act of 1974 into the mechanisms for taxing digital services in place or under consideration in nine countries,³ and in the Union as a whole. The basis of this investigation is alleged discrimination against United States companies such as Apple, Google, Facebook and Netflix. Section 301 empowers the United States Government to unilaterally apply sanctions against countries found to be engaging in trade practices that are unjustifiable and affect the country's commercial interests. Any trade sanctions imposed on the countries under investigation could lead to retaliatory measures by those countries and exacerbate existing tensions between the United States and several of its major partners, in particular the European Union.

Also in June 2020, the United States announced its withdrawal, in principle temporarily, from the talks on the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) that have been ongoing since 2018 under the auspices of the Organization for Economic Cooperation and Development (OECD). This decision was reportedly prompted by the perception that the talks were focusing too much on the taxation of United States digital businesses, with pressure to levy taxes increasing since the advent of COVID-19 because of the need many countries have to generate new sources of revenue in order to finance the additional spending needs arising from the pandemic (Inside U.S. Trade, 2020). In October, OECD announced that it would not be possible to conclude the negotiations by the end of 2020 as expected.

Tensions between the European Union and China have also increased since the advent of COVID-19, owing to a perception in many European countries that they are overdependent on China for essential products such as medical supplies. At the European Union-China Summit held remotely on 22 June 2020, the European Union stressed the need for China to make urgent progress with regard to the behaviour of its State companies, the transparency of its subsidies and forced technology transfers (European Council, 2020). All these concerns are shared by the United States, Japan and other advanced countries. The European Union also hopes that China will open up further so that the negotiations on a bilateral investment treaty, which began in 2014, can be concluded.

In March 2020, the European Commission issued guidelines urging its member States to implement a rigorous assessment of foreign investment in the context of the public health crisis and consequent economic vulnerability. The guidelines aim to protect critical European Union companies and assets from foreign takeovers, particularly in the sectors of public health, pharmaceuticals, medical research, infrastructure and biotechnology. The main target of these measures is considered to be China.

WTO is having to confront this environment of growing conflict between the major economic powers from a position of great weakness. For one thing, since December 2019 its ability to help resolve disputes between its members has been reduced to a minimum because of the cessation of the functions of the organization's appellate body. This has forced a group of WTO members, led by the European Union and China and including several countries in the region,⁴ to create an interim alternative dispute settlement mechanism. Furthermore, the work of the organization has been affected by the postponement, due to COVID-19, of its twelfth Ministerial Conference, originally scheduled for June 2020 in Kazakhstan, and by the early departure of its Director-General,

³ Austria, Brazil, Czechia, India, Indonesia, Italy, Spain, Turkey and the United Kingdom.

⁴ Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Nicaragua and Uruguay.

Roberto Azevêdo. Both events have slowed progress with the organization's reform agenda and with the establishment of new rules on crucial issues such as fishing subsidies and e-commerce. WTO members are currently at an impasse over the selection of a new Director-General.

Efforts to achieve a minimum level of trade cooperation in order to address the effects of the pandemic have been transferred to the Group of 20 (G20). However, the differences between its members replicate those seen at WTO. In this context, and in a scenario of shortening international production chains, it is likely that the efforts of the main players in world trade will be directed towards regional agreements, to the detriment of multilateral ones. Examples are the United States-Mexico-Canada Agreement (USMCA), which entered into force on 1 July 2020; the agreement signed in November 2020 between 15 Factory Asia countries to form the so-called Regional Comprehensive Economic Partnership (RCEP); the African Continental Free Trade Area (AfCFTA); and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

4. Worsening tensions between the United States and China

The arrival of COVID-19 has exacerbated tensions between the United States and China. The signing in January 2020 of a "phase one" agreement between the two countries gave rise to a certain amount of optimism that the continuous increase in trade tensions since 2018 could be reversed or at least curbed. However, the growth prospects of the Chinese economy for 2020 have since deteriorated dramatically, from 6% in January to 1.9% in October (IMF, 2020). This makes it difficult for China to fulfil its commitment to increase the value of its goods imports from the United States by at least 41% in 2020 relative to their 2017 level. In fact, Chinese purchases of United States goods amounted to US\$ 56.1 billion between January and August 2020, equivalent to just 32.5% of the annual target of US\$ 172.7 billion in imports from that country committed to (Bown, 2020).⁵

Furthermore, in May, the United States tightened controls on the sale of high-technology microprocessors to the Chinese telecommunications multinational Huawei. This measure, which has been justified on national security grounds, comes on top of the restrictions imposed in 2019 on the use of the Android operating system and applications produced by Google on mobile phones manufactured by Huawei. The Chinese Government has criticized the new restrictions and indicated that it is considering retaliatory measures. The situation is compounded by United States initiatives to relocate United States companies established in China, the revocation of trade preferences granted to Hong Kong Special Administrative Region of China, frequent clashes between the two countries at WTO, and controversy over the risks posed by the Chinese applications TikTok and WeChat. In short, trade tensions and technological competition between the two countries are far from easing and will persist regardless of the outcome of the recent presidential elections in the United States.

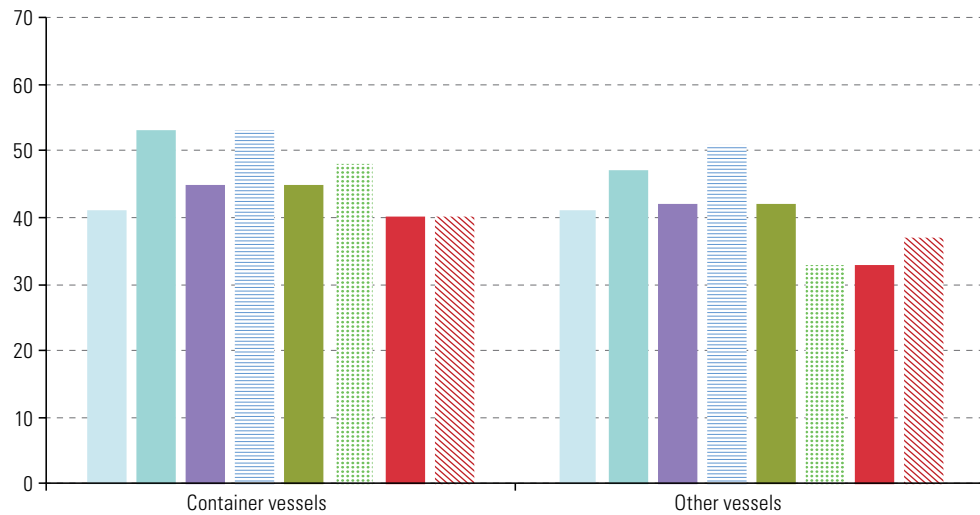
⁵ In addition to the overarching commitment to increasing its imports of goods and services from the United States, China made sectoral commitments. In the agricultural sector, the increase committed to is US\$ 12.5 billion in 2020 compared to 2017. This target is unlikely to be met without diverting imports of products such as meat and soybeans from third party suppliers in Latin America and the Caribbean.

C. Repercussions of the pandemic on transport and logistics

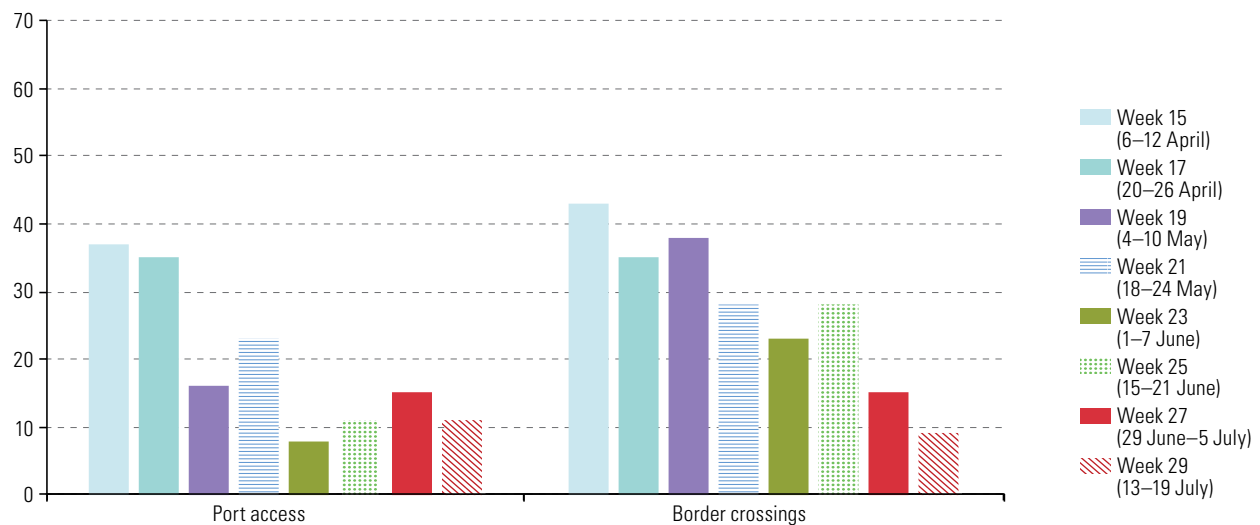
To contain the spread of the virus, countries around the world have implemented restrictive measures at the main points of entry to their territories by water, air and land. The duration, coverage and geographical scope of these restrictions have been extended or reduced depending on the evolution of the pandemic. Figure I.11 provides a summary of the effects of COVID-19 on maritime transport and the port sector when the pandemic was at its height. These effects included delays or cancellations for ships seeking to berth in ports, additional delays for trucks transporting goods from ports to the interior of countries, and delays in border crossings for goods in transit to third countries.

Figure I.11
Operational and commercial effects in ports attributed to coronavirus disease (COVID-19)
(Percentages)

A. Decline in vessel calls because of the cancellation of regular services



B. Extraordinary delays for trucks



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Porteconomics.eu, “Eleventh bi-weekly issue of IAPH-WPSP Port Economic impact barometer confirms overall improvements”, 2020 [online] <https://www.porteconomics.eu/2020/07/23/final-bi-weekly-issue-of-iaph-wpssp-port-economic-impact-barometer-confirms-overall-improvements/>.

In Latin America and the Caribbean, additional controls on transport to contain the spread of COVID-19 during the first quarter of 2020 meant an average additional delay of 2.5 to 4 days in the arrival of import containers at their final destination. These restrictions included additional sanitary measures and more rigorous inspections of both cargo and transport equipment and the logistics personnel who operated them, increasing operating times and costs for foreign trade. In some cases, additional logistical bottlenecks arose because of a lack of personnel, of storage capacity for dry or refrigerated cargo, of equipment, or even of empty containers on certain routes because of trade imbalances that the crisis made more evident. The new regulations also affected the institutional mechanisms in place, revealing the lack of coordination between federal, provincial and local jurisdictions, which impaired the consistency of the measures adopted.

The measures initially taken were designed to address the most urgent concerns, such as containing the virus through new sanitary and phytosanitary regulations and ensuring food security and domestic supplies of essential products. However, in most countries of the region, control and quarantine measures varied according to the mode of transport, with no national (let alone subregional) logistical strategy in place to deal with the emergency. For example, cruise ships were targeted with severe measures in most of the countries. Some were not even allowed to berth in ports and thus were stranded at sea for several weeks without consideration for the situation of the crew and passengers on board. The same happened with crew changes on merchant ships.

On the air transport side, non-essential cargo operations were limited, although there were no major problems with cabin crew. In the case of international land transport, restrictions on traffic resulting from the total closure of borders or reductions in the operating hours of government services at border crossings, as well as restrictions on the time that foreign drivers could stay in each country, were at odds with the status accorded to cargo transport as an essential activity (ILO, 2020). Land border crossing delays particularly affected landlocked countries and outlying geographical areas, hindering the prompt arrival of essential goods and medical equipment needed to cope with the pandemic.

In terms of logistics, COVID-19 will represent a turning point for many global value chains, either because some of their suppliers are no longer in the market or because the manufacture of some of their components has been relocated. Resilience will therefore be one of the main concerns in logistics, and new opportunities will open up for suppliers able to provide diversified, flexible services of the highest quality (*The Economist*, 2020). To take advantage of the potential benefits offered by the nearshoring of some segments of global value chains in which United States companies participate, it is essential to guarantee resilient and efficient logistics services which are capable of reorienting supply chains in the event of new crises or sudden changes in demand, whether they are caused by pandemics or weather events or are the result of social or geopolitical changes.

WTO has called for a second phase of measures to repair broken supply chains and remove export restrictions in order to support economic recovery (WTO, 2020e). Along with these necessary measures, it is essential to carry out regionally coordinated actions that favour logistical integration of both transport and technological infrastructure. These actions should promote paperless trade and logistics processes that reduce physical contact between operators or with the goods themselves, leading to safer, smoother and more competitive trade (see chapter II).

1. Repercussions for international maritime trade

The severe economic effects of the pandemic have had negative consequences for global maritime trade. Whereas the expectation in the last quarter of 2019 was that world container trade would grow by 3.6% in 2020, following the first cases of COVID-19 in China this projection was reduced to 2.5% in January 2020 and then to -4.9% in April and -9.0% in May. The latest projection, published in July, shows a slight recovery, but still with an expected annual fall of 7.2%.⁶ The declining projections are explained by the drop in economic activity, the continuous increase in service cancellations and the labour restrictions imposed by governments to contain the spread of COVID-19.

Globally, North America has been the region most affected in the area of maritime container trade. Its exports as measured in 20-foot equivalent units (TEUs) have declined by 8.9% overall, with even greater drops in intraregional trade and shipments to Latin America and to the Middle East and India (see table I.5). In the case of Latin America, the largest declines have been in maritime exports to North America and, especially, intraregional maritime exports. On other routes, there has generally been marginal growth from the previous year, except for exports to Sub-Saharan Africa (14.7%) and Australasia (4.6%).

Table I.5

Changes in the volume of world container exports and imports, by region, January–June 2020 relative to the prior-year period
(Percentages)

		Exporting region							Total imports
		Far East	Europe	North America	Australasia	Middle East and India	Sub-Saharan Africa	Latin America	
Importing region	Far East	-4.2	-4.6	-3.9	-3.4	8.4	-1.2	2.2	-3.4
	Europe	-12.3	-2.6	-9.1	-11.8	-16.0	-2.3	2.3	-8.8
	North America	-9.0	-7.0	-21.5	-14.8	-17.0	-3.0	-2.3	-8.6
	Australasia	-1.2	-7.0	-7.5	-0.3	-7.6	-19.5	4.6	-2.9
	Middle East and India	-16.3	-7.8	-15.3	-9.3	-3.1	-3.4	0.2	-10.4
	Sub-Saharan Africa	-8.0	-5.9	-10.4	-13.3	-4.8	7.9	14.7	-5.6
	Latin America	-9.9	-11.8	-16.2	-14.2	-18.9	-31.8	-9.8	-12.3
	Total exports	-7.8	-5.4	-8.9	-5.4	-5.8	-1.7	-1.1	-6.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Container Trades Statistics.

The later arrival of COVID-19 in Latin America and the Caribbean meant that the region's trade performance was better than the average for the rest of the world up until January 2020. Thus, during the period from January to June 2020, containerized maritime trade activity on the east coast of South America was 2.4% down on the same period the previous year, while there were decreases of 6.1% and 3.2% on the Caribbean and Pacific coasts of Central America, respectively. In the Caribbean, meanwhile, trade declined by 3.1%, while on the west coast of South America the drop was of 12.2%. In Mexico, the declines were 14.1% in the Gulf and 14.0% on the Pacific coast. In Panama, lastly, the drop in trade was sharper, at -23.1% on the Caribbean coast and -32.0% on the Pacific coast.

⁶ See Clarksons (2020).

The reduction in trade activity by coast can also be analysed at the port level, as shown in table I.6. Although containerized maritime trade dropped by 6.5% at the regional level, there is a small group of ports where trade activity grew, such as Corinto in Nicaragua (0.9%), Santa Marta in Colombia (1.5%), Paranaguá in Brazil (3.8%) and Puerto Castilla in Honduras (9.7%).

Table I.6

Latin America and the Caribbean (selected ports): containerized international maritime trade indicators, 2019 and first half of 2020
(Percentages)

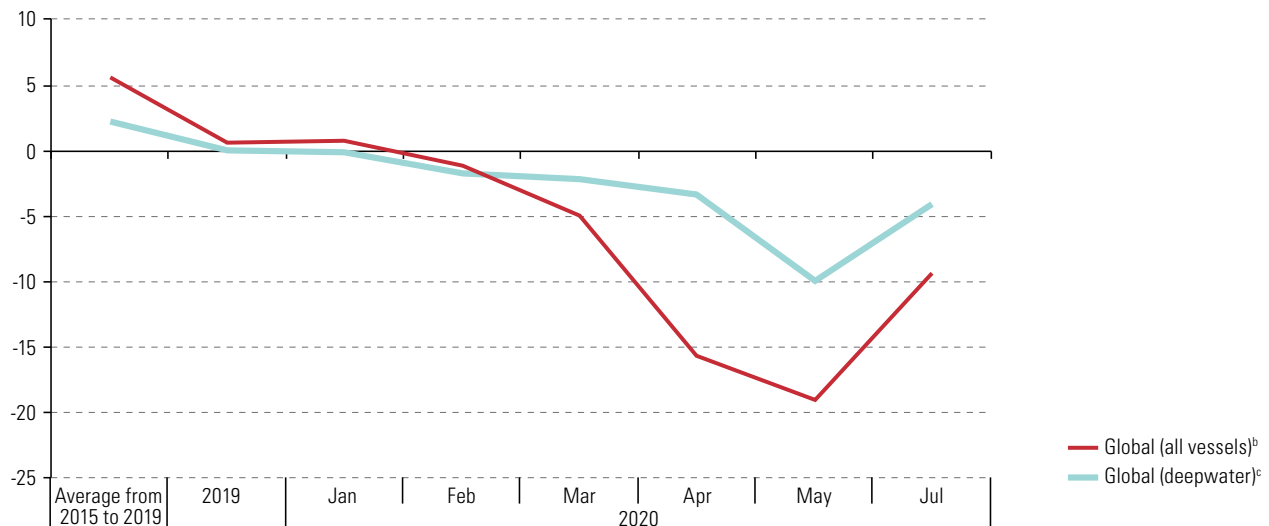
	Port and country	Share of total port activity in the country concerned	Share of total regional activity, 2019	Change in the first half of 2020 from the first half of 2019
Ports where activity declined			Share of regional total: 66.3	Average change: -7.1
Large declines	Puerto Arlen Siu (Nicaragua)	4.3	0.01	-38.6
	Balboa and Rodman (Pacific coast of Panama)	39.5	5.4	-32.0
	Colón, Cristóbal and Manzanillo (Caribbean coast of Panama)	59.6	8.1	-23.1
	Lázaro Cárdenas (Mexico)	18.6	2.4	-20.9
	Barranquilla (Colombia)	3.3	0.3	-20.2
	Puerto Cortés (Honduras)	82.0	1.2	-19.9
	Altamira and Tampico (Mexico)	12.5	1.6	-15.1
	Puerto San Lorenzo (Honduras)	4.0	0.1	-15.1
	Buenaventura (Colombia)	25.5	2.1	-14.0
	Veracruz (Mexico)	16.1	2.1	-13.1
	Iquique (Chile)	16.1	0.5	-13.5
	Callao (Peru)	86.4	4.3	-12.2
	Kingston (Jamaica)	100.0	3.0	-10.1
	Manzanillo (Mexico)	43.2	5.7	-7.1
	Limón-Moín (includes APM Terminals) (Costa Rica)	79.4	2.3	-6.8
	Montevideo (Uruguay)	100.0	1.4	-6.5
	Rio Grande (Brazil)	7.5	1.4	-6.4
	Puerto Acajutla (El Salvador)	100.0	0.5	-5.7
	Santo Tomás de Castilla (Guatemala)	37.2	1.0	-5.4
Zárate (Argentina)	8.0	0.3	-5.3	
Moderate declines	Cartagena (Colombia)	66.6	5.4	-3.1
	Santos (Brazil)	37.6	7.2	-2.4
	Navegantes (Brazil)	11.9	2.3	-2.0
	Guayaquil (Ecuador)	91.4	3.6	-1.8
	Buenos Aires (Argentina)	83.8	2.7	-1.5
	Puerto Caldera (Costa Rica)	20.6	0.6	-0.7
	Puerto Barrios (Guatemala)	30.0	0.8	-0.7
Ports where activity increased			Share of regional total: 2.3	Average change: 2.7
	Puerto Corinto (Nicaragua)	95.8	0.3	0.9
	Santa Marta (Colombia)	2.6	0.2	1.5
	Paranaguá (Brazil)	8.3	1.6	3.8
	Puerto Castilla (Honduras)	14.0	0.2	9.7
All selected ports			Share of regional total: 68.6	Average change: -6.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from port authorities and operators.

To cope with the drop in transport demand, shipping companies have implemented retrenchment measures such as blank sailings (trip cancellations), which mean that, during a specific week, fortnight or month, depending on the frequency of the liner service, a given area does not have a vessel available to unload or load cargo. In this way, the supply of services is reduced and maritime transport freight is maintained or even, on some routes, increased. This arrangement has resulted in a fall in world transport capacity of more than 2 million TEUs, representing 8.8% of the global total.⁷ Figure I.12 shows worldwide blank sailings by type of vessel from 2015 to July 2020.

Figure I.12

Blank sailings^a of deepwater vessels and all types of vessels, 2015–2020
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Drewry, “Container Insight”, various issues [online] <https://www.drewry.co.uk/container-insight-weekly>.

^a Blank sailing is the cancellation of a scheduled call for loading or unloading in an area for a given period in order to manage service provision.

^b All vessels except tugs.

^c Ocean-going cargo vessels, including container ships and oil, gas and bulk carriers.

The number of inactive container ships peaked at 551 during the first week of June 2020, representing 2.72 million TEUs and 11.6% of the world fleet. The main cancellations affected trans-Pacific routes and those in Asia, Northern Europe and the Mediterranean. The number of trips cancelled during the first three weeks of July 2020 was 49% higher than in the same period of 2019.

As regards operators, Ocean Alliance⁸ has so far announced capacity reductions of between 1% and 4% on the route between Asia and Europe, as compared to reductions in the range of 20% to 25% reported by its rival alliances 2M and THE Alliance. On the trans-Pacific route, Ocean Alliance reductions are in the range of 2% to 5%, as compared to reductions of 3% to 10% for 2M and 9% to 15% for THE Alliance. In the case of Latin America and the Caribbean, 20 blank sailings were recorded on the west coast of South America and 4 on the east coast between January and April 2020.

⁷ The same mechanism was used during the 2009 financial crisis, resulting in the cancellation of some 1.5 million TEUs of shipping capacity, equivalent to 11.7% of global capacity at that time.

⁸ Ocean Alliance, 2M and THE Alliance are part of the small group of shipping alliances accounting for 79% of the global market (data for 2020).

2. Repercussions for port activity in Latin America and the Caribbean

Because of the fall in maritime trade, world port activity has also been reduced. The biggest effects have been observed in Asian container ports, most of which showed a substantial reduction in movements during the first half of 2020 compared to the same period the previous year. Shanghai, the world's biggest port in terms of container movements, recorded a drop of 6.9% during the first semester, whilst activity at Dalian, also in China, fell by 31.7%. In Europe, Rotterdam reported a drop of 7.0% in the volume of its port operations, whilst Oakland and Long Beach, two major ports on the west coast of the United States, recorded falls of 9.6% and 6.9%, respectively.

In Latin America and the Caribbean, the most significant effects have been seen in South America and Mexico. A sample of ports representing 77.4% of regional activity in 2019 reveals a drop of nearly 5% in the first half of 2020 relative to the same period in 2019. The difference between the figures for international container trade and those for port movements could be because other port, operational and trans-shipment movements, including the movement of empty containers, could be compensating for the fall in international container trade. However, when the data are broken down by country and by shares of national totals, it can be seen that port activity declined everywhere except Panama, this exception being mainly due to changes in international trans-shipments. The main ports of Chile, the Dominican Republic, Mexico and Peru were the worst affected (see table I.7).

Table I.7

Latin America and the Caribbean (selected ports): port container activity, January to June 2019 and January–June 2020 (Percentages)

	Port and country	Share of port activity in the country	Share of total regional activity, 2019	Port activity, January to June 2020	Change in 2020 from 2019
Large declines (average of -15.0)	Buenaventura (Colombia)	25.5	2.1	946 782	-38.1
	Talcahuano (Chile)	8.2	0.7	145 565	-32.4
	Valparaíso (Chile)	20.0	1.7	356 482	-26.5
	Caucedo (Dominican Republic)	66.7	2.3	...	-22.0
	Lázaro Cárdenas (Mexico)	18.6	2.4	523 589	-20.9
	Puerto Cortés (Honduras)	82.0	1.2	287 384	-16.2
	Altamira and Tampico (Mexico)	12.5	1.6	381 042	-15.1
	Iquique (Chile)	6.1	0.5	106 606	-15.0
	Veracruz (Mexico)	16.1	2.1	494 202	-13.1
	San Antonio (Chile)	38.0	3.2	814 374	-11.5
	Callao (Peru)	86.4	4.3	2 078 686	-8.8
	Puerto Acajutla (El Salvador)	100.0	0.5	114 279	-8.7
	Limón-Moín (includes APM Terminals) (Costa Rica)	79.4	2.3	610 848	-7.5
	Manzanillo (Mexico)	43.2	5.7	1 404 215	-7.1
Puerto Barrios (Guatemala)	30.0	0.8	225 443	-5.4	
Moderate declines (average of -3.8)	Buenos Aires (Argentina)	83.8	2.7	675 348	-4.6
	Itajaí (Brazil)	11.9	2.3	255 200	-4.4
	Santo Tomas de Castilla (Guatemala)	37.2	1.0	274 940	-4.2
	Puerto Caldera (Costa Rica)	20.6	0.6	138 179	-3.8
	Rio Grande (Brazil)	7.5	1.4	311 800	-3.5
	Kingston (Jamaica)	100.0	3.0	768 032	-2.7
	Montevideo (Uruguay)	100.0	1.4	355 283	-0.3
Increased activity (average of 4.7)	Navegantes (Brazil)	11.9	2.3	362 400	2.7
	La Plata, Rosario and Zárate (Argentina)	2.6	0.1	100 075	3.3
	Santos (Brazil)	37.6	7.2	1 875 700	3.4
	Manaus (Brazil)	5.6	1.1	336 200	4.3
	Ecuador (national total)	100.0	3.9	1 183 733	5.2
	Cartagena (Colombia)	66.6	5.4	1 374 192	9.2
	Colón, Cristóbal and Manzanillo (Caribbean coast of Panama)	59.6	8.1	2 175 035	12.7
Balboa and Rodman (Pacific coast of Panama)	39.5	5.4	1 565 497	16.1	

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from port authorities and operators.

3. Repercussions for air passenger transport

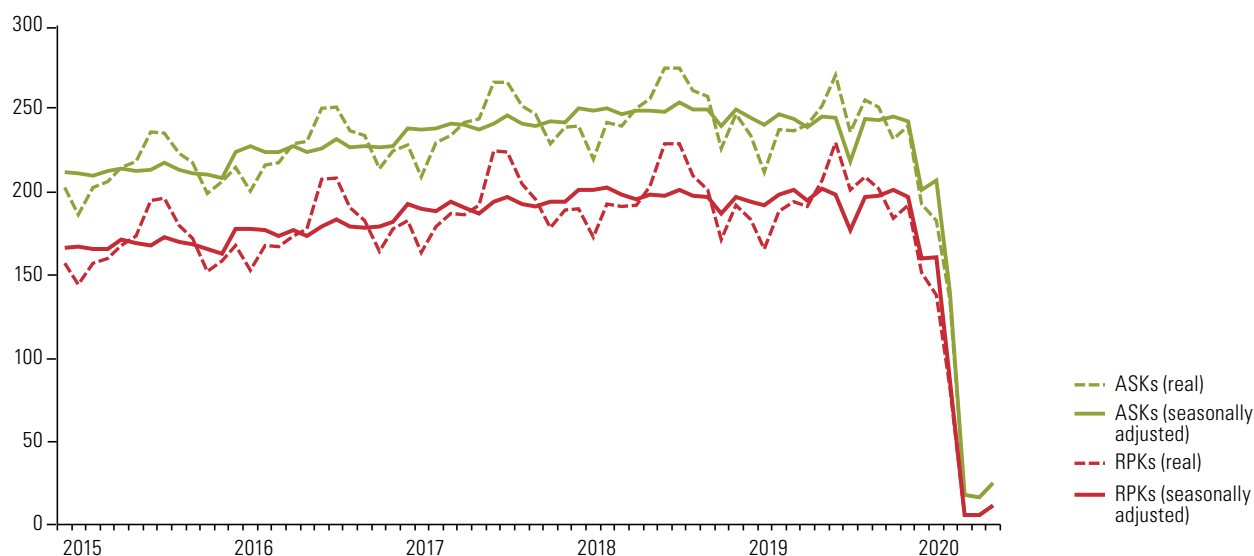
According to data from the International Civil Aviation Organization (ICAO), the number of passengers carried by airlines in March 2020 was down by 53.5% (198 million people) on the same month the previous year. The International Air Transport Association (IATA), for its part, estimates that the volume of revenue passenger kilometres (RPKs) in March 2020 was only 52.9% of the figure for the same month the previous year, breaking a steady growth trend and bringing RPKs to a level equivalent to that of 2006. In April 2020, which appears to have been the most critical point in the current situation, the indicator was 94.3% lower than in April 2019. In May and June 2020, RPKs were down by 91.3% and 86.5% year on year, respectively, followed by a 79.8% decline in July.

Capacity as measured in available seat kilometres (ASKs) was also severely affected by the pandemic and, with it, the ability of airlines to generate revenue from passenger transport. In March, the number of ASKs had fallen by 36.2% compared to March 2019. In April and May, the deepening crisis was reflected in sharper year-on-year falls in capacity worldwide, with declines of 86% and 87%, respectively. In June and July, a trend towards recovery in ASKs began (-80.1% and -70.1%, respectively), driven mainly by Asian markets (see figure I.13).

Figure I.13

Selected countries:^a air passenger transport volume (RPKs)^b and capacity (ASKs)^c.
January 2015–June 2020

(Billions of passengers and seats)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Civil Aviation Organization (ICAO), ICAO Data+, 2020 [online] https://data.icao.int/newDataPlus/Dataplus/App_AirCarrierTraffic.

^a Argentina, Austria, Azerbaijan, Brazil, Chile, Colombia, Costa Rica, Croatia, Czechia, El Salvador, Finland, France, Germany, Iran (Islamic Republic of), Japan, Kazakhstan, Luxembourg, Marshall Islands, Nauru, Netherlands, Poland, Portugal, Qatar, Republic of Moldova, Romania, Russian Federation, Slovenia, Spain, Turkey, Ukraine and United Arab Emirates.

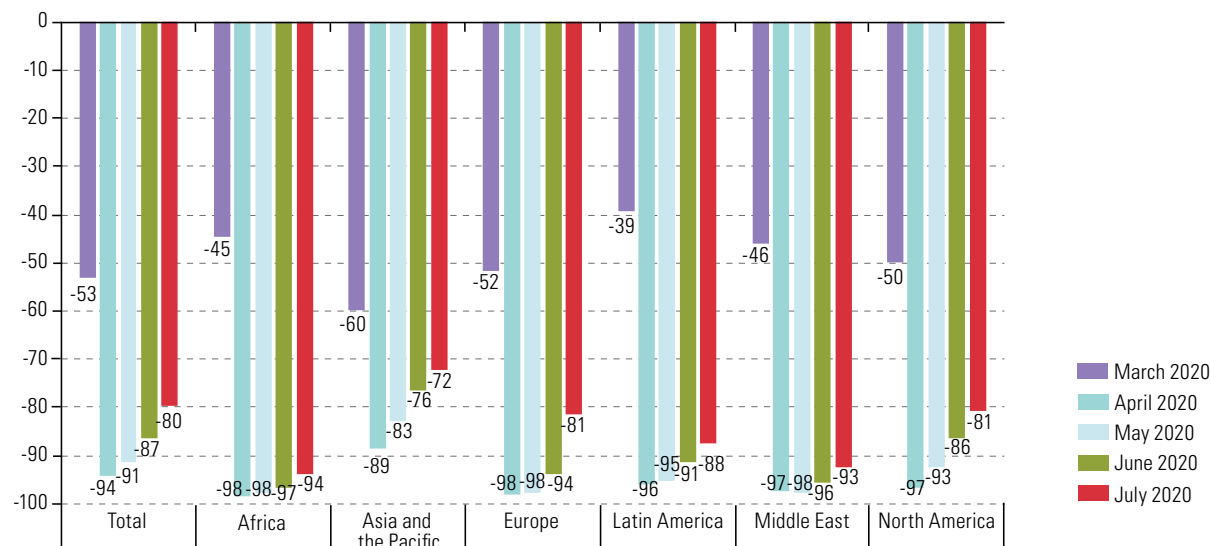
^b Revenue passenger kilometres.

^c Available seat kilometres.

The overall volume of passenger kilometres was down by 94.3% in April 2020 compared with the same month in 2019 (see figure I.14), while passenger carrying capacity was down by 90%. The fall in RPKs occurred across all regions.

Figure I.14

Year-on-year changes in the volume of air passenger transport (RPKs)^a, by region, March–July 2020
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Air Transport Association (IATA), “Air Cargo Market Analysis – March 2020”, 2020 [online] <https://www.iata.org/en/iata-repository/publications/economic-reports/air-cargo-market-analysis--march-2020/>.

^a Revenue passenger kilometres.

In the Latin American countries in the ICAO sample with up-to-date information available (Argentina, Brazil, Chile, Colombia, Costa Rica and El Salvador), the greatest collapse entailing flight cancellations occurred in April and May, when the RPK indicator fell by more than 95% year on year. During these months, almost all passenger arrivals were repatriations of citizens who had been stranded in other destinations when the pandemic broke out.

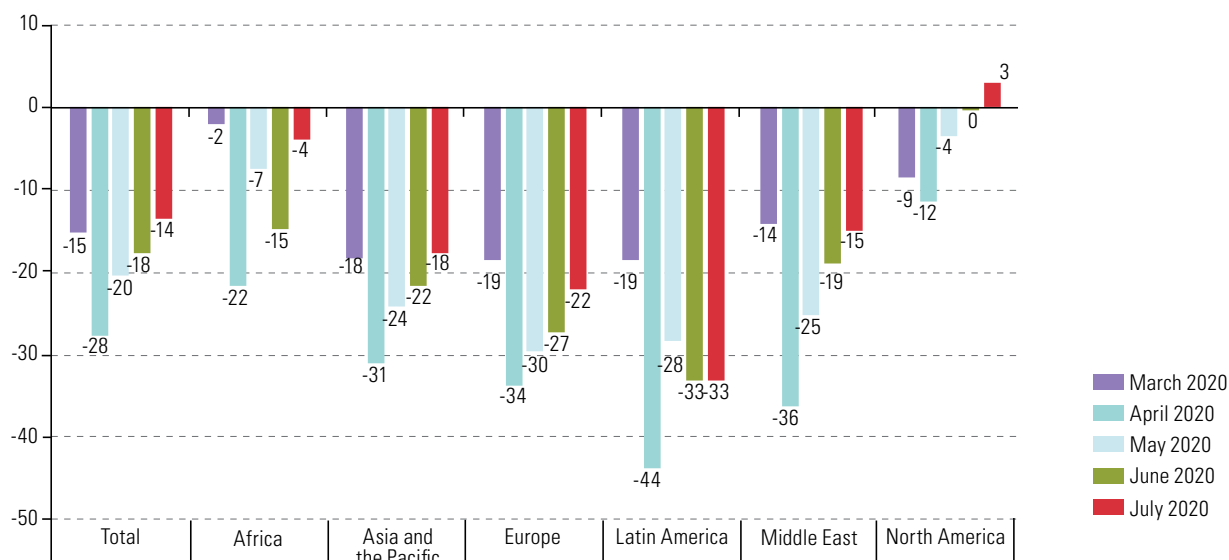
4. Repercussions for air cargo movements

Despite the urgent and ever-increasing demand for medical supplies and other essential products to deal with the pandemic, air freight has also contracted significantly worldwide. This is explained by the reduction in industrial activity and the multiple disruptions to global value chains analysed in previous sections. It should be mentioned that the global volume of air cargo had already been falling since November 2018, as a result of the trade tensions between China and the United States.

In March 2020, the cargo ton kilometre (CTK) indicator was down by 15.2% year on year, and the decline deepened in April, by which time all regions of the world had been affected by COVID-19 and movement restrictions had become the norm. That month, the global CTK indicator experienced its largest year-on-year decline since the start of the series in 1990, falling by 27.7%. The index began to recover in May, with a year-on-year fall of 20.3%, followed by falls of 17.6% and 13.5% in June and July, respectively (see figure I.15).

Figure I.15Year-on-year changes in the volume of air freight (CTKs)^a, by region, March–July 2020

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Air Transport Association (IATA), "Air Cargo Market Analysis – March 2020", 2020 [online] <https://www.iata.org/en/iata-repository/publications/economic-reports/air-cargo-market-analysis---march-2020/>.

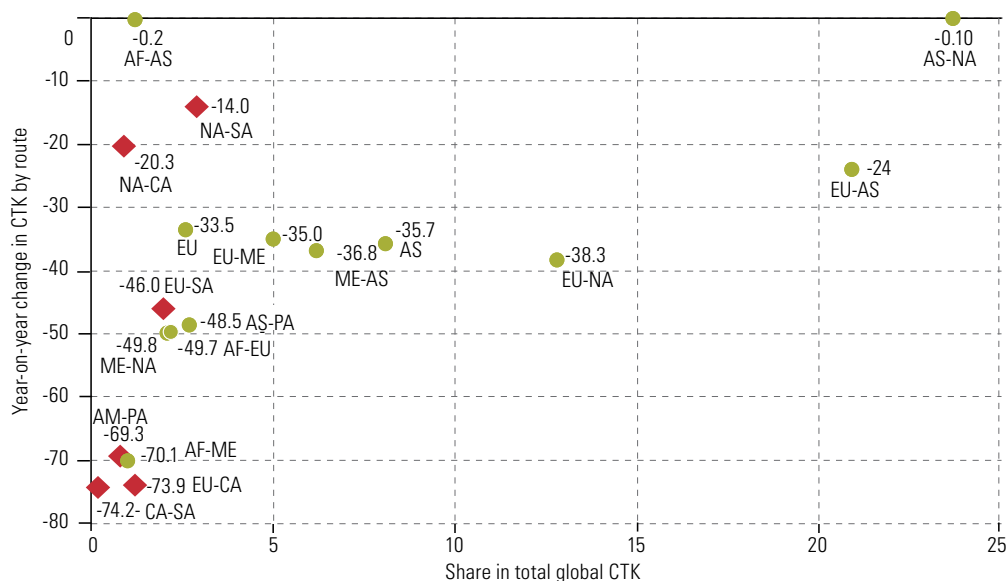
^a Cargo ton kilometres.

In May 2020, Europe was the worst-affected region, but in the whole of the rest of the series the sharpest falls in the CTK indicator have been in Latin America. There is a similar situation with the air cargo transport capacity indicator, which measures capacity in available cargo ton kilometres (ACTKs). This also fell substantially in the first half of 2020. The largest contractions occurred in April, with a slight recovery in May and June. Cargo transport capacity also fell in Latin America and the Caribbean: in April, May, June and July 2020, the ACTK indicator fell by 64.5%, 51.6%, 52.3% and 49.2%, respectively, compared with the same months in 2019. This is explained by the small number of cargo planes operating in the region, where cargo is generally transported in passenger planes. Thus, as passenger provision contracted, so did the supply of cargo space, even though some airlines temporarily converted their passenger planes into cargo planes.

Analysis of the evolution of the volume of cargo transported on the main world routes confirms the above finding. In May 2020, none of the routes evaluated showed a positive change from the previous year (see figure I.16). All routes to and from Latin America experienced contractions relative to the previous year's volumes. Intraregional transport (between South and Central America) suffered the worst year-on-year decline of all routes evaluated in May 2020.

In most regions, capacity changes have followed the pattern observed in the volume indicators, with the largest contractions in April 2020 and a slight recovery from May. It is important to bear in mind that overall air freight capacity is the sum of the capacity of cargo aircraft themselves and the belly capacity of aircraft operating scheduled passenger flights. Figure I.17 shows the change in the ACTK indicator in the first seven months of 2020 for both categories (belly capacity and dedicated freighters). The former recorded sharp year-on-year falls, mainly in April and May (of 75.1% and 66.4%, respectively), as a result of airlines closing down a large part of their passenger activities.

Figure I.16
Year-on-year changes in the CTK^a indicator, by route, May 2020
(Percentages of global CTKs)

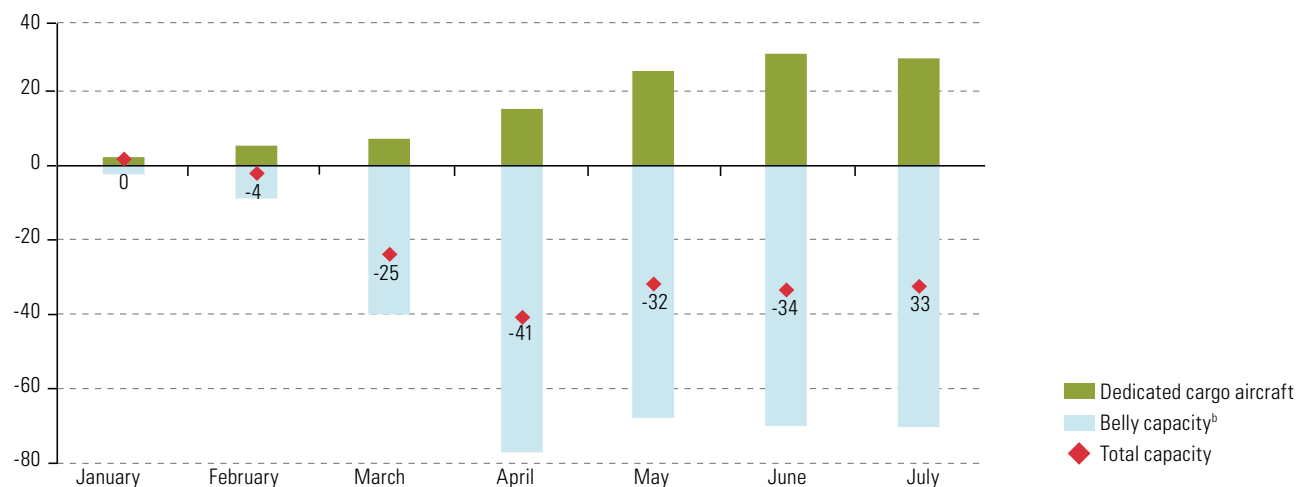


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Air Transport Association (IATA), "Air Cargo Market Analysis – March 2020", 2020 [online] <https://www.iata.org/en/iata-repository/publications/economic-reports/air-cargo-market-analysis---march-2020/>.

Note: AF = Africa, AM = The Americas (includes North America, Central America and South America), AS = Asia, CA = Central America, EU = Europe, NA = North America, ME = Middle East, PA = Pacific, SA = South America.

^a Cargo ton kilometre.

Figure I.17
Year-on-year changes in air cargo capacity (ACTKs)^a, by category, January–July 2020
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Air Transport Association (IATA), "Air Cargo Market Analysis – March 2020", 2020 [online] <https://www.iata.org/en/iata-repository/publications/economic-reports/air-cargo-market-analysis---march-2020/>.

^a Available cargo ton kilometres.

^b Freight capacity in the holds of aircraft operating scheduled passenger flights.

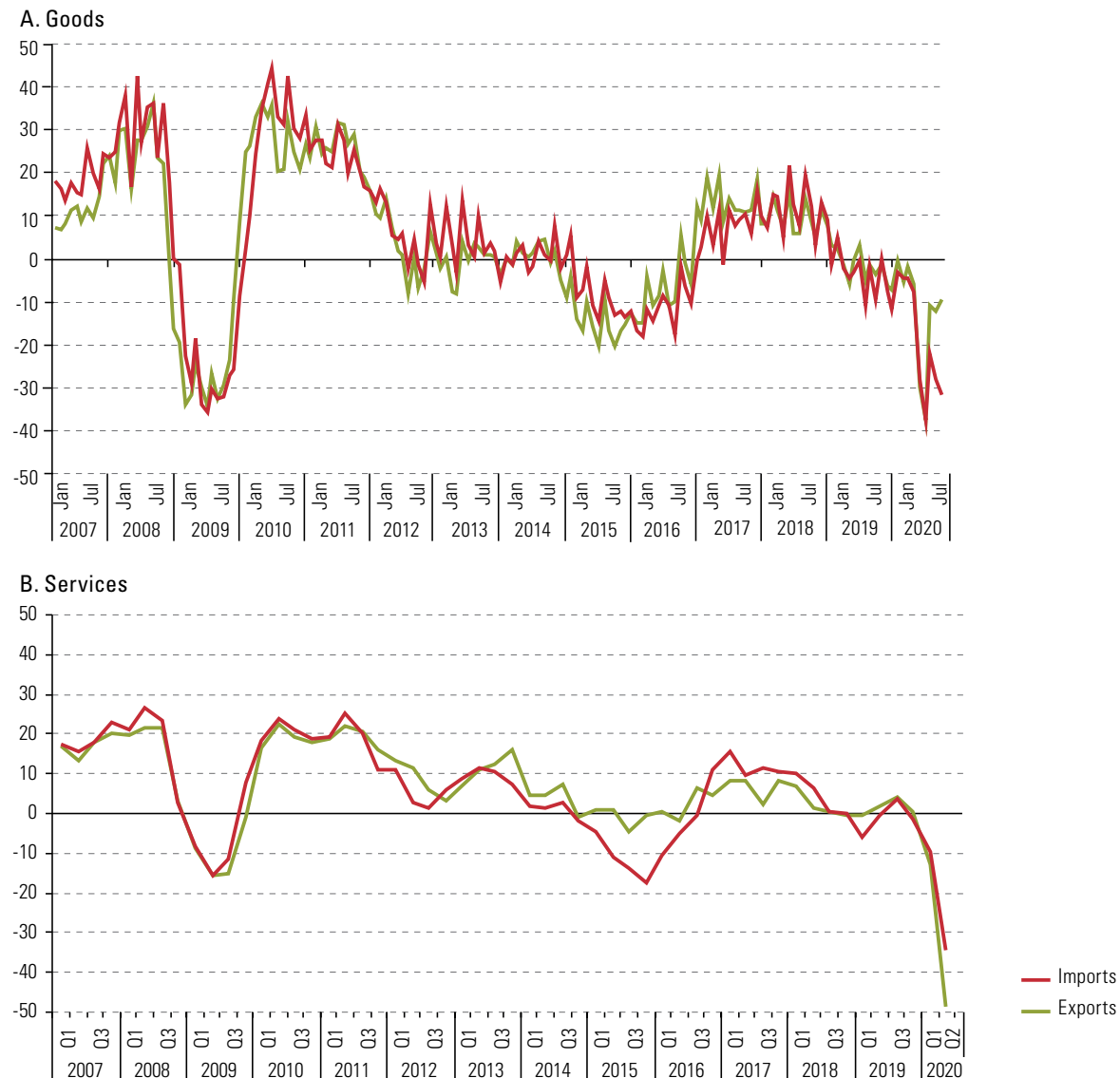
The contraction in belly capacity has been partially offset by an increase in the capacity of dedicated cargo aircraft (up 25.2% year on year in May 2020), as a result of the conversion of passenger aircraft into freighters by some airlines. Thus, the share of international freight capacity accounted for by belly capacity decreased significantly. Once again, Latin America and the Caribbean was the region most strongly affected by the reduction in cargo capacity during the pandemic.

D. The 2019 slowdown in the region's external trade intensified with the coming of the pandemic

The value of the region's goods and services exports fell sharply in the first half of 2020, although shipments of services contracted by almost twice as much as those of goods, with figures of -29.9% and -16.2%, respectively (see figure I.18 and table I.8). This result is mainly explained by the near-cessation of tourism between April and June (especially air travel) and by the negative impact of the pandemic on international goods transport. Travel-related revenue fell by 52.5% in the region as a whole, while imports in the same category contracted by over 55%. Movements of people came to a virtual standstill, and this had a particularly strong impact on the Caribbean economies, which specialize heavily in the tourism sector. These effects persisted into the third quarter of the year, so that the decline in services trade is expected to intensify.

Figure I.18

Latin America and the Caribbean: year-on-year changes in goods and services trade, January 2007–August 2020 (Percentages)



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

Table I.8

Latin America and the Caribbean: year-on-year changes in the value of goods and services exports, by major sectors, first half of 2017–first half of 2020^a
(Percentages)

Major group		January–June 2017	January–June 2018	January–June 2019	January–June 2020
Exports	Goods and services	12.6	9.1	-0.8	-18.5
	Goods	13.4	-9.8	-1.0	-16.2
	Agricultural products	3.4	1.2	3.2	4.6
	Mining and oil	37.7	16.6	-6.7	-25.2
	Manufactures	9.5	9.7	0.0	-18.2
	Services	8.3	4.3	0.6	-29.9
	Transport	8.8	4.6	0.8	-12.4
	Travel	8.2	5.2	3.1	-52.5
	Other services	8.2	2.8	-3.1	-3.4
Imports	Goods and services	8.2	11.9	-2.7	-19.2
	Goods	7.6	12.5	-2.9	-17.9
	Capital goods	-2.9	14.9	-3.9	-14.4
	Intermediate inputs	6.3	9.3	-0.5	-14.0
	Consumer goods	10.1	10.4	-5.9	-20.0
	Fuels	31.3	34.3	-6.7	-36.2
	Services	11.1	7.5	-2.7	-26.3
	Transport	10.9	10.3	-3.8	-22.0
	Travel	15.8	7.3	-9.5	-55.2
	Other services	7.9	5.7	3.5	-9.6

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

^a In the case of trade in goods, all 33 countries in the region are included. In the case of services, Antigua and Barbuda, Cuba, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines are excluded. The services series includes estimates for the first and second quarters of 2020 for the Bahamas, Barbados, Belize, the Bolivarian Republic of Venezuela, Haiti, Jamaica, Suriname and Trinidad and Tobago, and for the second quarter of 2020 for the Dominican Republic and Panama. Countries for which complete information is available accounted for 90% of the region's services trade in 2019.

The main reason for the fall in the region's goods exports was the decline in demand in Europe, the United States and the region itself, partly offset by sustained Chinese demand for agricultural products, food and, to a lesser extent, minerals and metals. The sharp decline in regional demand was the main factor behind the collapse in goods imports, which recorded double-digit declines in all categories in the first half of the year (see table I.8). Of particular concern is the contraction of external purchases of capital goods and intermediate inputs, as both categories are crucial to the dynamism of intraregional trade and investment.

In April and May, the value of the region's merchandise trade fell by about 38% year on year and export volumes by between 20% and 25%. In June and July, however, the upturn in Chinese and United States imports largely stemmed the contraction in the region's exports, which improved significantly. This improvement is less apparent in goods imports, which have been severely affected by simultaneous supply and demand shocks in the context of a projected 7.7% contraction in regional output (ECLAC, 2020e).

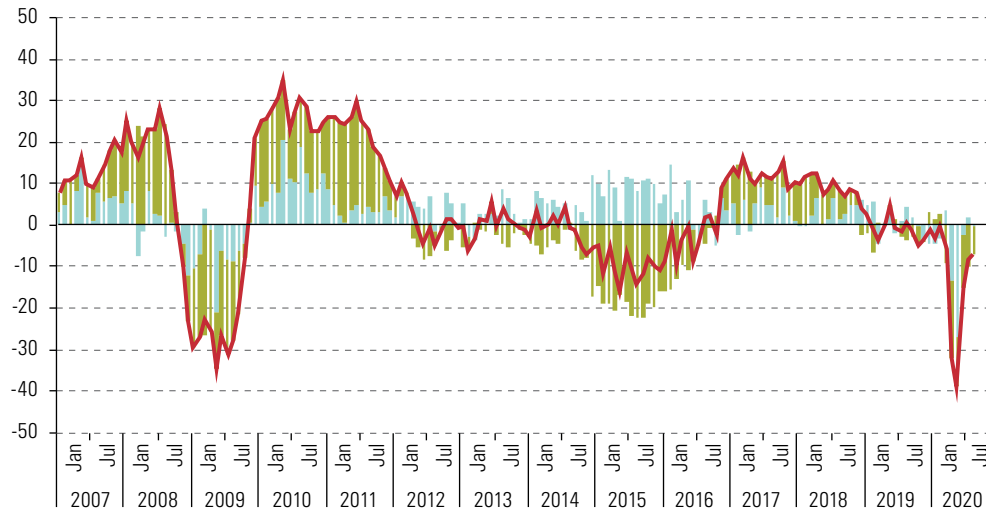
1. The dynamics of goods and services trade by country and integration mechanism

The fall in the value of regional goods exports between January and July (-16.2%) is explained by a reduction of 7% in volume and 9.2% in price, exacerbating the loss of dynamism already observed in 2019. In that year, shipments were affected by the repercussions of the trade tensions between the United States and China and by low mineral and metal prices (see figure I.19). In the case of goods imports, unlike exports, the contraction in value in the first half of 2020 (-17.9%) was due to lower import volumes (-14.3%) more than to lower prices (-3.5%).

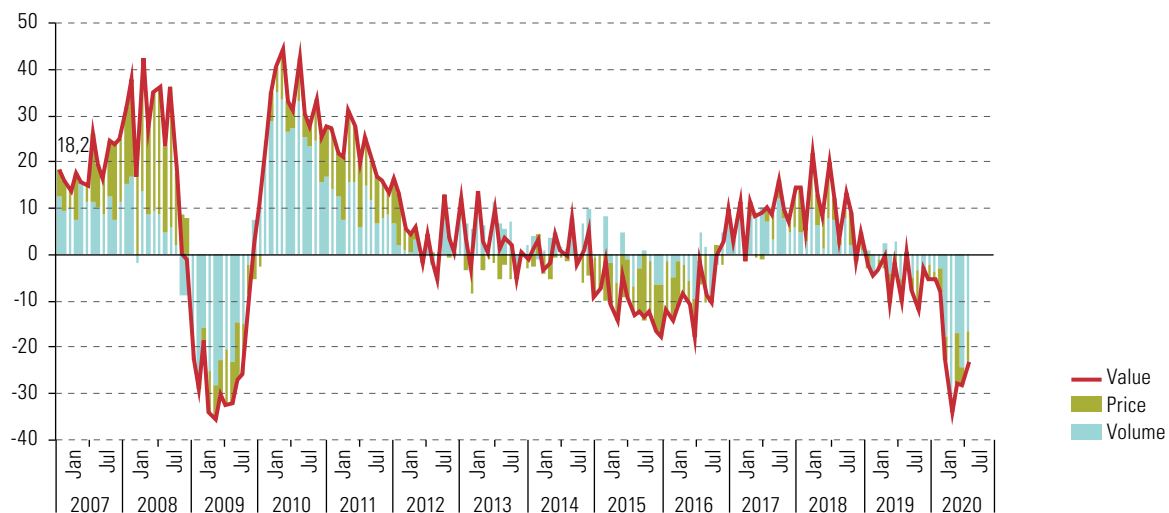
Figure I.19

Latin America and the Caribbean: year-on-year changes in goods exports and imports by volume, price and value, January 2007–August 2020
(Percentages)

A. Exports



B. Imports



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

The biggest falls in exports by value during the first half of the year were in the Andean Community (CAN) (-23.9%) and the Caribbean Community (CARICOM) (-22.3%) (see table I.9), owing to the large share of exports represented by energy and mining products. There were double-digit falls in the prices of all energy products between December 2019 and June 2020, and prices for a number of mining products also declined.

Table I.9

Latin America and the Caribbean (33 countries): year-on-year changes in the value of goods exports and imports, first half of 2019 and first half of 2020
(Percentages)

Region, subregion, grouping or country	Exports		Imports	
	January–June 2019	January–June 2020	January–June 2019	January–June 2020
Latin America and the Caribbean	-1.0	-16.2	-2.9	-17.9
Southern Common Market (MERCOSUR)	-5.5	-12.1	-11.4	-11.1
Argentina	3.2	-11.0	-27.9	-25.8
Brazil	-3.9	-7.1	0.0	-5.2
Paraguay ^a	-15.1	-4.8	-8.1	-16.0
Uruguay	-1.8	-14.5	-9.8	-8.1
Venezuela (Bolivarian Republic of)	-29.9	-63.6	-60.6	-44.7
Andean Community (CAN)	-3.4	-23.9	1.9	-21.0
Bolivia (Plurinational State of)	-7.8	-24.0	5.5	-37.0
Colombia	-1.1	-25.0	3.3	-17.8
Ecuador	3.7	-14.1	3.8	-23.8
Peru	-7.7	-27.7	-1.4	-19.9
Pacific Alliance^b	1.0	-19.0	0.0	-19.5
Chile	-8.2	-7.2	-3.4	-20.2
Mexico	3.7	-19.4	0.2	-19.5
Central American Common Market (CACM)	-1.4	-4.1	-3.3	-15.6
Costa Rica	1.0	-1.7	-2.7	-10.7
El Salvador	-0.5	-25.0	4.0	-19.1
Guatemala	-1.0	-0.7	0.7	-10.3
Honduras	-8.2	0.9	-2.5	-17.7
Nicaragua	-0.9	12.9	-14.9	-7.5
Panama ^c	-7.0	-3.4	-11.9	-26.1
The Caribbean	11.5	-18.9	3.1	-26.9
Cuba	5.1	-27.6	-6.5	-40.5
Dominican Republic	4.0	-11.0	2.0	-23.4
Caribbean Community (CARICOM)	16.1	-22.5	5.8	-26.1
Bahamas	68.1	-32.4	17.3	-40.5
Barbados	6.8	-18.3	1.7	-23.4
Belize	-5.5	-35.5	1.9	-26.1
Guyana	0.8	74.4	30.3	-14.4
Haiti	13.2	-8.2	-4.9	-6.9
Jamaica	7.2	-35.1	55.3	-42.6
Suriname	-0.3	12.3	1.8	-15.5
Trinidad and Tobago	13.9	-34.6	-30.1	-51.1
Organization of Eastern Caribbean States (OECS)	19.1	-10.9	-2.6	-19.4
Antigua and Barbuda	63.6	-3.7	6.4	-26.8
Dominica	...	-21.5	11.5	-44.6
Grenada	2.5	-35.8	1.3	-19.9
Saint Kitts and Nevis	13.6	-23.2	-4.5	-13.8
Saint Lucia	25.2	-24.5	-17.5	-6.4
Saint Vincent and the Grenadines	-7.6	56.3	-6.0	-5.8

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

Note: In the cases of Cuba, Haiti, Jamaica, Panama and Suriname, information from the International Monetary Fund (IMF) Direction of Trade Statistics (DOTS) database was used.

^a Excludes re-exports.

^b All four members (the data for Colombia and Peru are presented under the Andean Community heading).

^c Excludes re-exports from the Colón Free Zone.

Guyana is a special case among the Caribbean economies, as it began exporting oil in the first half of the year (Bank of Guyana, 2020). This made it the country whose exports grew most during the period (74%). The rising price of gold also led to an increase in Suriname's exports (12%). In both cases, the greatest increases in exports were to the United States. Exports from the rest of the economies of the subregion fell by over 18%, with the sole exceptions of Haiti and Antigua and Barbuda (-8.2% and -3.7%, respectively).

Mexico's goods exports were down 19.4% year on year by value between January and June 2020, with manufacturing shipments, which represented 88% of the value exported in that period, contracting by a similar amount (-20%). Only the agricultural sector and extractive activities (other than oil) recorded increases, averaging 10%. The contraction in shipments worsened over the period, with the year-on-year decline reaching 36% in the second quarter, when exports to the United States shrank by 53%. However, shipments to that country recovered strongly during July and August (BEA, 2020).

The value of exports from the Southern Common Market (MERCOSUR) fell by 12.1% between January and June 2020. The biggest falls were in the Bolivarian Republic of Venezuela (64%) and Uruguay (15%). In the former case, the decline was explained by the drop in oil prices and the collapse of oil production. In Uruguay, it was mainly accounted for by the fall in sales of industrial and agricultural manufactures, which are marketed mainly within MERCOSUR. In Argentina and Brazil, the biggest falls were in shipments of manufactures (vehicles, auto parts and chemicals), which were affected by lower intraregional demand, and in those of fuels. On the other hand, both countries saw an increase in the volume of agricultural exports, mainly to China and other Asian countries.

As a group, the Central American countries showed a much smaller decline in exports than the rest of the region in the first half of 2020 (-4.1%). Honduras and, especially, Nicaragua actually increased their shipments. The latter benefited from the rising price of gold and higher export volumes for agricultural commodities (coffee, beef, beans and tobacco, among others). The worst performance in the subregion was in El Salvador (-25%), where shipments by the textile industry, which accounts for a third of the country's exports, fell by more than 40%. The relative resilience of Central American exports is partly explained by the importance of trade within the subregion, which fell by less than that of the other subregional integration mechanisms, as will be seen below.

The value of imports fell in all the countries of the region in the first half of 2020, and in most of them the declines were in double digits, reflecting the severe recession the whole region is going through. Brazil and Uruguay recorded smaller falls than the rest of the South American economies, while the imports of Costa Rica, Guatemala and Nicaragua fell by less than the Central American average. The imports of the Caribbean countries also fell sharply in the first half of the year (-27%). The external purchases of the larger economies (Cuba, the Dominican Republic, Jamaica and Trinidad and Tobago) dropped by between 23% and 51%.

Between January and July, there were sharp falls in the value of shipments from Latin America and the Caribbean to the United States, the European Union and the region itself, which together absorbed 69% of the region's total goods exports in 2019. In contrast, shipments to Asia showed greater resilience. In particular, exports to China increased by 1%, which is consistent with the early reopening of the Chinese economy (see table I.10). By contrast, imports from all major origins showed double-digit declines.

Table I.10

Latin America and the Caribbean: year-on-year changes in the value of goods exports and imports, by trading partner, January–July 2018 to January–July 2020
(Percentages)

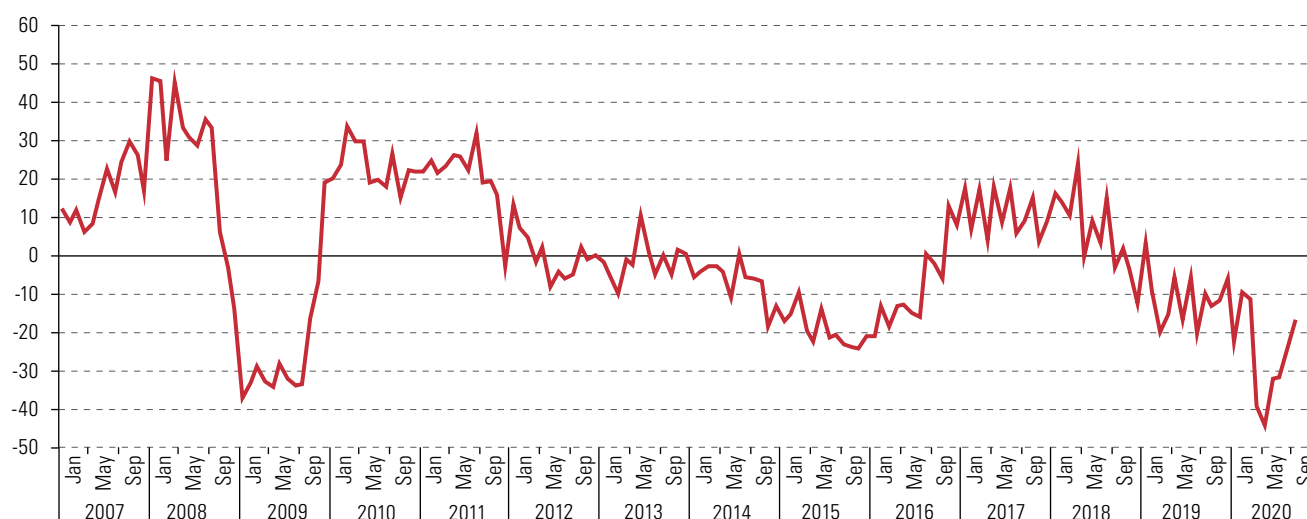
Main trading partners	Exports			Imports		
	January–July 2018	January–July 2019	January–July 2020	January–July 2018	January–July 2019	January–July 2020
World	9.8	-1.2	-16.0	12.5	-2.8	-17.7
United States	6.5	3.4	-19.7	10.8	-2.6	-21.6
European Union	16.8	-5.7	-14.7	19.6	-6.2	-18.5
Asia	13.1	1.6	-5.0	12.3	2.9	-14.3
China	17.8	-1.7	1.0	15.0	3.3	-13.2
Rest of Asia	7.6	6.1	-9.8	9.0	2.3	-15.7
Latin America and the Caribbean	12.0	-10.8	-26.6	10.1	-9.2	-26.6

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

The value of shipments to the region itself fell by more than the average between January and July 2020 (-26.6%), owing to weak demand in a highly recessionary context. In August and September, year-on-year changes in intraregional exports remained negative, although there was an incipient recovery (see figure I.20). The contraction in intraregional trade was particularly great in manufacturing. The automotive sector was the hardest hit, with a fall of some 55% in the value of trade between January and June 2020, followed by the textiles, apparel and footwear sector. Trade in agroindustrial products alone recorded a modest expansion (see figure I.21). Intraregional trade contracted in all the main economic integration mechanisms. Between January and June 2020, the value of trade registered year-on-year falls of between 23% and 31% in almost all of them. The only group that experienced a less severe reduction (-10%) was the Central American Common Market (CACM) (see table I.11).

Figure I.20

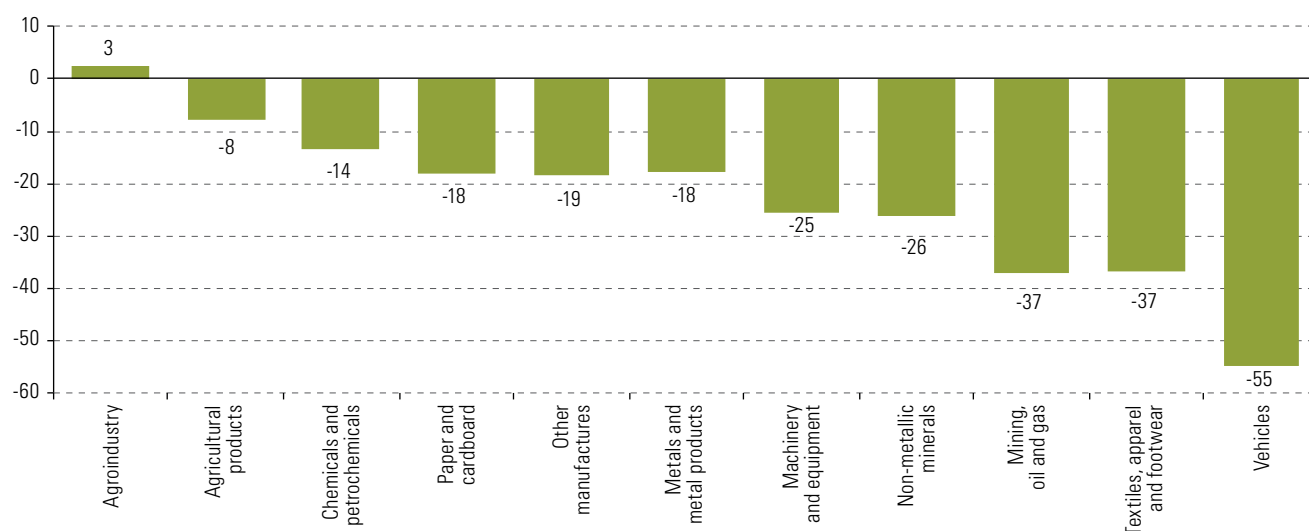
Latin America and the Caribbean: year-on-year changes in the value of intragroup goods exports, January 2007–September 2020
(Percentages)



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

Figure I.21

Latin America and the Caribbean: year-on-year changes in the value of intraregional exports, by sector, January to June 2020 relative to the prior-year period (Percentages)



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

Table I.11

Latin America and the Caribbean: year-on-year changes in intraregional exports and in exports within each grouping, January–June 2019 and January–June 2020 (Percentages)

Region or integration mechanism	Change		Intragroup trade ratio	
	January–June 2019	January–June 2020 ^a	January–June 2019	January–June 2020
Latin America and the Caribbean	-10.8	-26.4	13.7	12.0
Southern Common Market (MERCOSUR)	-21.5	-24.3	11.0	9.5
Andean Community (CAN)	0.4	-31.1	7.3	6.6
Central American Common Market (CACM)	-0.6	-10.0	27.4	25.6
Pacific Alliance	-4.5	-22.5	2.7	2.6
Caribbean Community (CARICOM)	...	-31.0	11.6	8.3

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

Note: The information for CARICOM is based on official data from Barbados, Saint Kitts and Nevis, Saint Vincent and the Grenadines and Trinidad and Tobago. The information for the remaining member countries is based on mirror data from their partners and supplementary information from the International Monetary Fund (IMF) Direction of Trade Statistics (DOTS) database.

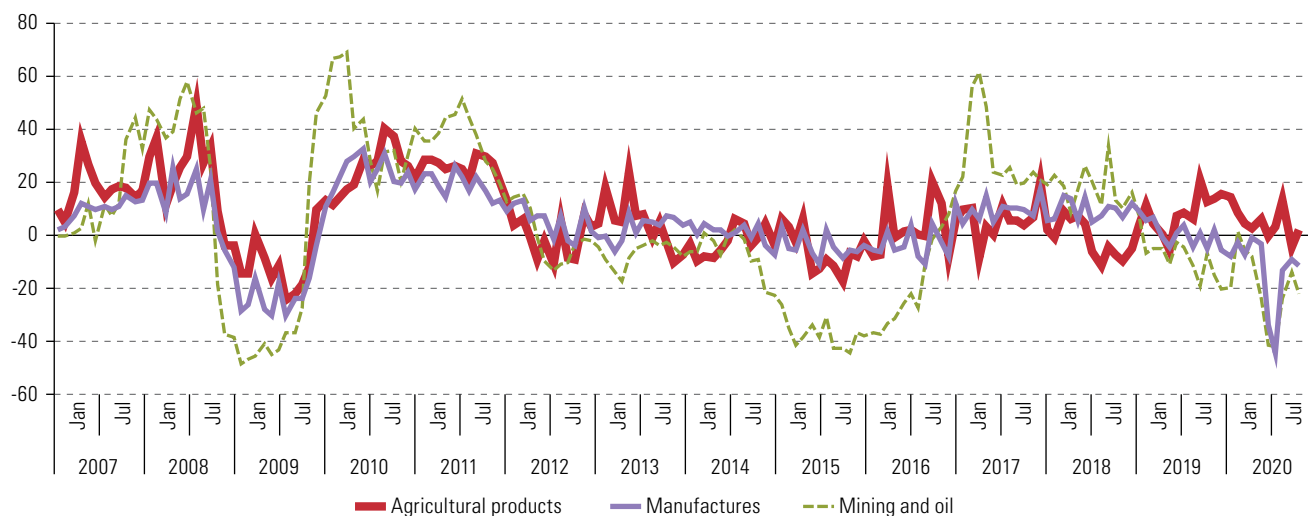
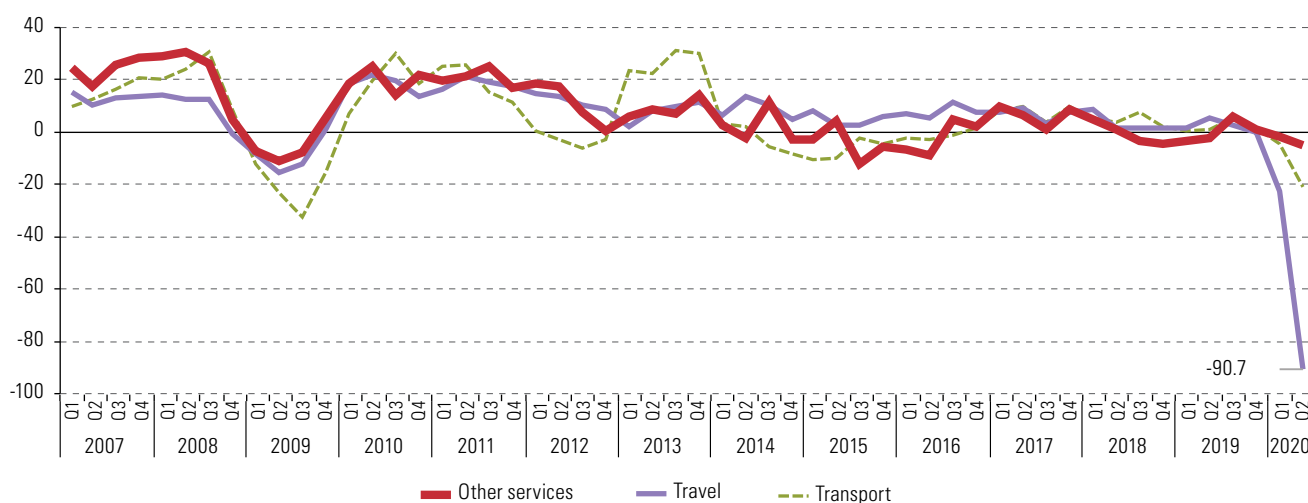
^a Preliminary figures.

2. The dynamics of sectoral exports

Between January and June 2020, the value of regional shipments of mining and oil products and manufactures plummeted by 25% and 18%, respectively, compared to the same period in 2019. In contrast, agricultural exports increased by 4.6% (see table I.8 and figure I.22.A), reflecting the lesser sensitivity of demand for food, an essential commodity, to the contraction of economic activity. Manufacturing exports showed the effects of the contraction in global demand, especially in Europe, the United States and the region itself. The categories most affected were automobiles, textiles, apparel and footwear, and those capital goods that are particularly sensitive to a decline in economic activity. The dynamics of service exports also followed the economic cycle and were aggravated by the deep contraction of exports in the travel category (see figure I.22.B).

Figure I.22

Latin America and the Caribbean: year-on-year changes in the value of goods and services exports, by major sectors and categories, January 2007–August 2020
(Percentages)

A. Goods exports**B. Services exports**

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

Where goods are concerned, the sectors whose shipments were most resilient during the first seven months of 2020 were agricultural products, agroindustry and pharmaceuticals. For example, exports of agricultural products to China⁹ increased by 47% in the period (see figure I.23). The products with the largest increases included beef (60%), pork (369%), shrimp and prawns (64%) and edible chicken offal (53%). Other products for which China's imports from the region rose were iron ore (2%) and refined copper (20%), while copper ore declined. Among the product groups for which imports to China, the European Union and the United States from the region fell the most were fuels, textiles and vehicles, all with declines of more than 20%.

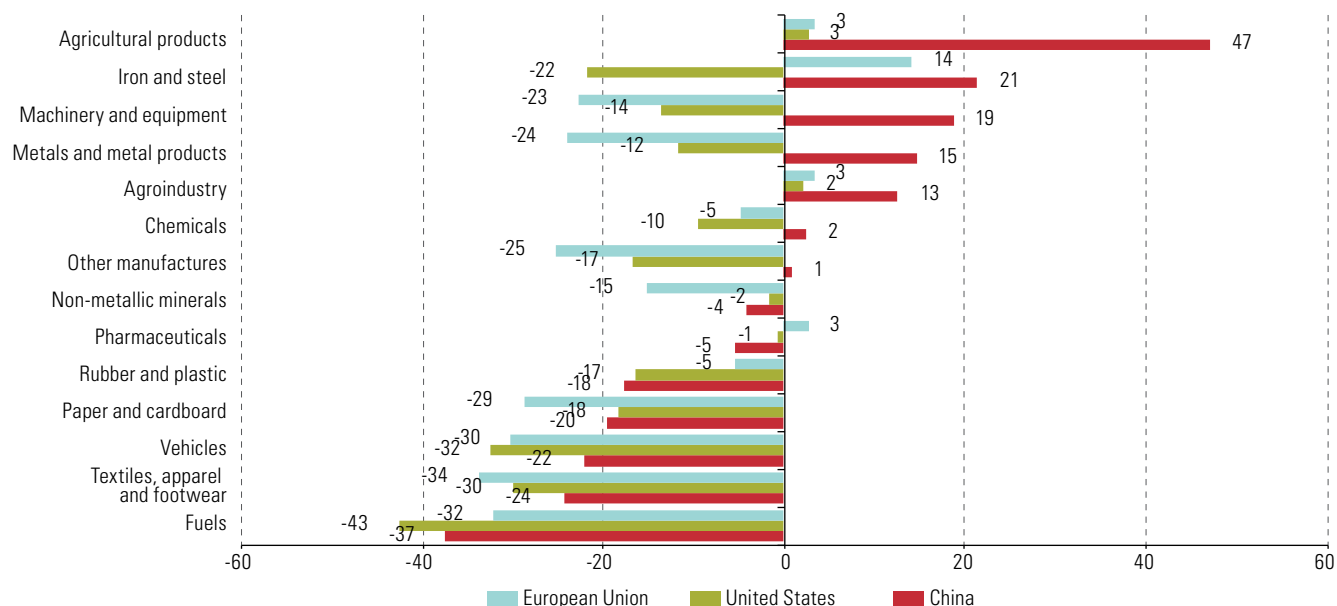
When the information was disaggregated by country, services exports were found to have contracted across the board. The largest falls were in the Dominican Republic and the other Caribbean countries (see table I.12). In some countries of this subregion, the

⁹ These figures are based on information on the imports of China, the European Union and the United States at the six-digit level of the Harmonized Commodity Description and Coding System.

dramatic reduction in tourism services exports will lead to sharp falls in GDP. For example, the Central Bank of Barbados estimated a 27% contraction in output for the second quarter of 2020, with a 99% contraction in travel exports (Central Bank of Barbados, 2020).

Figure I.23

China, the European Union and the United States: year-on-year changes in the value of goods imports from Latin America and the Caribbean, by major sector, January–July 2020 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United States Trade Department, Eurostat, the International Trade Centre (ITC) and the Chinese Customs Bureau.

Region, subregion, grouping or country	Exports		Imports	
	2019	2020	2019	2020
Latin America and the Caribbean	0.6	-29.9	-2.7	-26.3
Latin America	0.1	-27.4	-2.6	-23.6
South America	-5.0	-19.0	-5.0	-19.8
Southern Common Market (MERCOSUR)	-7.5	-8.5	-8.6	-26.0
Argentina	-9.6	-26.3	-26.2	-37.6
Brazil	-6.1	1.1	-1.2	-15.9
Paraguay	-8.1	-21.8	-3.9	-28.5
Uruguay	-10.5	-17.3	1.7	-32.6
Venezuela (Bolivarian Republic of) ^a	0.3	-42.0	-1.6	-64.1
Andean Community (CAN)	4.2	-40.0	3.7	-24.2
Bolivia (Plurinational State of)	-3.1	-35.8	-5.5	-9.1
Colombia	1.6	-35.1	3.4	-26.6
Ecuador	4.9	-43.5	6.9	-5.8
Peru	8.8	-45.4	5.3	-32.3
Chile	-9.5	-29.5	-2.7	0.1
Central America	0.8	-25.5	5.3	-23.5
Costa Rica	5.6	-16.9	7.4	-10.4
Dominican Republic ^b	4.9	-52.1	13.2	-23.6
El Salvador	11.5	-40.2	6.1	-27.6
Guatemala	-1.9	-28.0	6.2	-18.9
Honduras	-10.7	-28.9	6.8	-23.9
Mexico	12.5	-43.1	0.2	-26.3
Nicaragua	-15.3	-44.0	-21.7	-61.2
Panama	-0.3	-25.9	7.5	-29.8
The Caribbean^c	8.3	-63.3	-3.7	-51.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of quarterly balance-of-payments reports published by the central banks of the respective countries.

^a Estimates for the whole period.

^b Includes estimates for the second quarter of 2020.

^c The figures exclude Antigua and Barbuda, Cuba, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines. They include estimates for the first and second quarters of 2020 in the cases of the Bahamas, Barbados, Belize, Haiti, Jamaica, Suriname and Trinidad and Tobago.

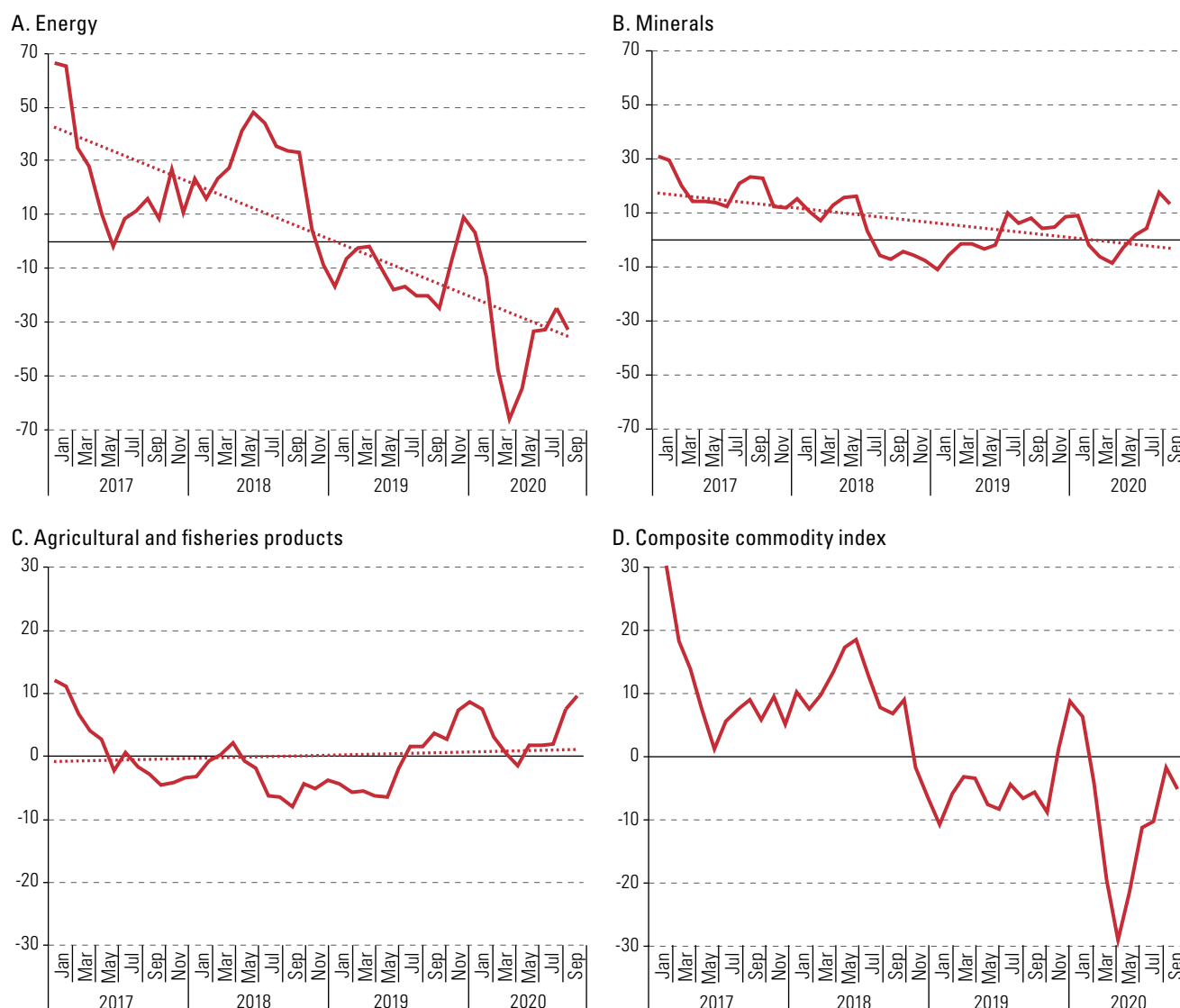
Table I.12

Latin America and the Caribbean: year-on-year changes in the value of service exports and imports, January–June 2019 and January–June 2020 (Percentages)

The commodity price index (commodities accounted for almost 40% of the region's total goods exports by value in 2018 and 2019) fell by 11.3% year on year between January and August 2020, mainly owing to a 34.5% decline for energy sector products (see table I.13). However, prices for these products, especially oil, began to recover in May after falling sharply in March and April (see figure I.24). As of early October, oil futures for both West Texas Intermediate (WTI) and Brent crude were up by an average of 40%, although daily prices remained volatile.

Figure I.24

Latin America and the Caribbean: year-on-year changes in price indices for the main commodity groups, January 2017–September 2020
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Bloomberg, The Economist Intelligence Unit, the Buenos Aires Grain Exchange, the Chilean Copper Commission (COCHILCO) and the Agrarian Research and Policy Office of Chile (ODEPA).

Table I.13

Latin America and the Caribbean: year-on-year changes in the prices of the main export commodities, January–September 2020 and changes projected for 2020 (Percentages)

	Share of total goods exports	Year-on-year change from January to September 2020	Change projected for 2020
All commodities	39.4	-11.3	-11.2
Energy	14.7	-34.5	-34.5
Oil	11.2	-34.7	-34.7
Oil derivatives	2.0	-36.4	-37.0
Natural gas	1.0	-31.4	-30.7
Coal	0.5	-29.6	-28.3
Minerals and metals	9.4	3.1	4.3
Other minerals and metals	2.6	-6.5	-6.0
Copper	2.5	-3.4	-1.5
Gold	2.0	27.4	24.7
Iron	1.3	5.0	12.5
Aluminium	0.5	-9.3	-8.9
Nickel	0.1	-0.5	-5.4
Tin	0.1	-16.5	-10.3
Agricultural and fisheries products	15.3	2.1	1.8
Soybean oil	2.1	3.3	4.3
Bananas	2.4	8.8	9.1
Beef	2.1	5.1	0.2
Soybeans	1.9	3.7	2.2
Coffee	1.3	3.5	3.4
Sugar	1.2	6.0	9.7
Fishmeal	1.0	-5.1	-1.0
Maize	1.0	-10.5	-5.9
Shrimps and crustaceans	0.7	10.2	4.3
Industrial commodities
Potassium/fertilizers	...	-6.0	-9.0
Methanol	...	-26.8	-10.0
Urea	...	-13.0	-7.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Bloomberg, The Economist Intelligence Unit, the Buenos Aires Grain Exchange, the Chilean Copper Commission (COCHILCO) and the Agrarian Research and Policy Office of Chile (ODEPA).

The prices of most minerals fell year on year between January and September, with only those of gold and iron ore increasing. In the former case, this was mainly due to its role as a store of value. In the latter case, the increase, which began in the second half of May, was due to an outbreak of COVID-19 in the Itabarría complex of the Vale do Rio Doce company. Since Brazil supplies 70% of ore transported by sea, the impact was immediate, and the price of this commodity has been on the rise ever since. The importance of gold and iron ore in the region's export basket of mining products meant that the overall minerals and metals price index rose.

Overall, agricultural and fisheries products showed a slight year-on-year increase of 2.1% in the period from January to August 2020. Futures prices for some agricultural products, such as soybeans, maize and wheat, have been rising lately; however, the adverse impact of COVID-19 on demand rather appears to have been shaping a situation of stagnant or falling prices during the last quarter of 2020, with real-term declines that look likely to continue until 2029 (OECD/FAO, 2020). Lastly, for some products exported by Caribbean countries (fertilizers, methanol and industrial chemicals), the projections are for lower prices than in 2019 in all cases.

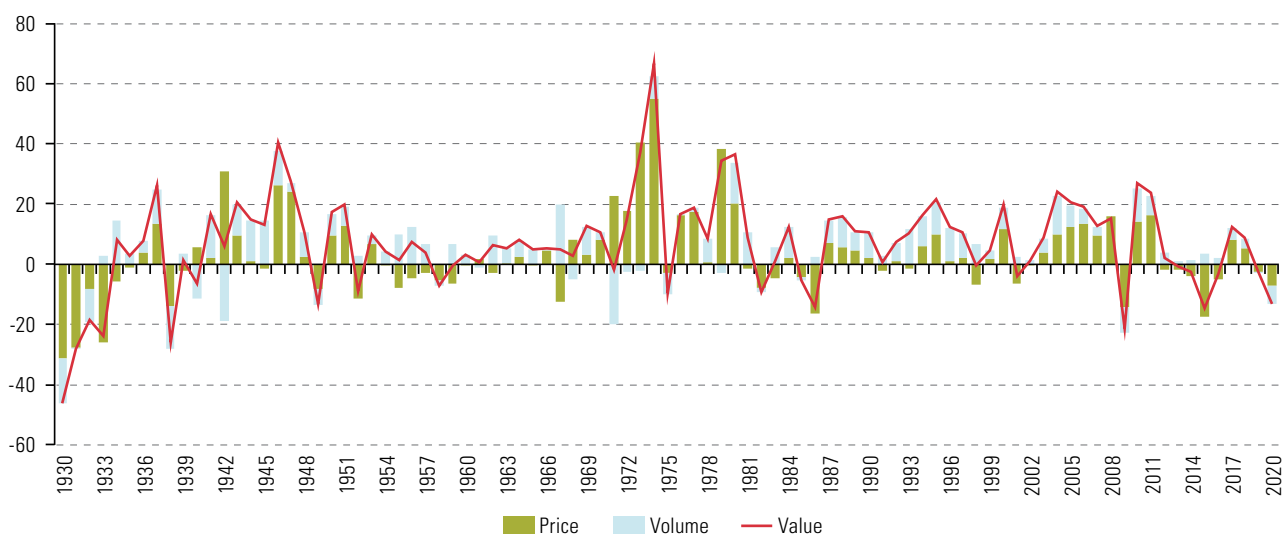
3. Regional trade is projected to fall sharply in 2020

Improved commodity prices and increased demand in the United States, China and Europe created the conditions for an incipient recovery in regional exports during the second half of the year. However, this recovery is subject to considerable uncertainty, owing to the fresh outbreaks that have occurred in several European countries and the continued increase in cases in the United States. In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) projects that the value of goods exports from Latin America and the Caribbean will contract by 13% in 2020, with falls in both prices (-7%) and volumes (-6%) (see figure I.25). This contraction in the value of exports is less than was projected at the beginning of August (-23%), when the upturn in demand in the region's main trading partners was not yet apparent (ECLAC, 2020c).

Figure I.25

Latin America and the Caribbean: changes in goods exports by value, volume and price, 1930–2019 and projections for 2020

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information on the countries' balance of payments (1980-2019), and projections for 2020.

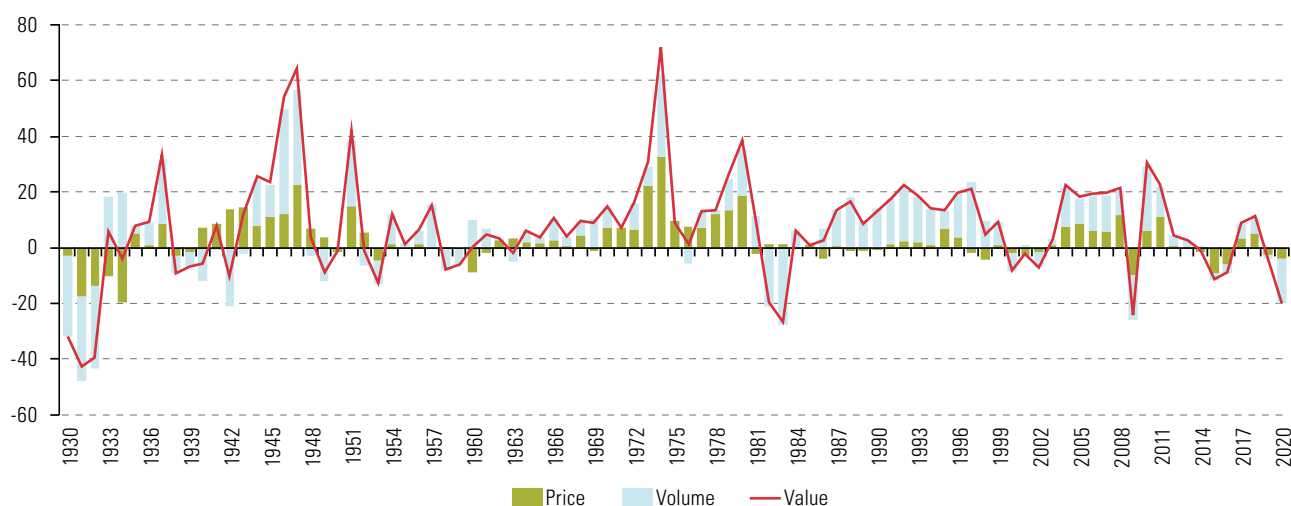
Note: ECLAC series of current exports and price indices were used to compile the series for the period 1930-1979.

In the case of imports, unlike exports, there are as yet no signs of recovery, so the decline in their value is expected to be much greater (-20%) (see figure I.26). However, this estimate is also lower than the decline in imports projected at the beginning of August (-25%). The volume of imports is expected to drop by 16%, a figure similar to that recorded in 2009 during the global financial crisis and to those observed in 1982, at the beginning of the external debt crisis, and in 1942, owing to the shortages resulting from the Second World War.

As in the first half of the year, Central America is likely to experience the smallest falls in exports by value in 2020 (see table I.14 and figure I.27), with some countries in this subregion even showing increases. Shipments from countries whose exports go largely to China, such as Brazil and Chile, could also fall by less than the regional average. In the case of imports, the projected reductions show less dispersion by country and subregion than exports, reflecting the recession going on right across the region. However, as in the case of exports, the smallest decline is expected in Central America and the largest in the Caribbean.

Figure I.26

Latin America and the Caribbean: changes in goods imports by value, volume and price, 1930–2019 and projections for 2020
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information on the countries' balance of payments (1980-2019), and projections for 2020.

Note: ECLAC series of current exports and price indexes were used to compile the series for the period 1930-1979.

Table I.14

Latin America and the Caribbean (selected groupings and countries): projected changes in goods trade by price, value and volume, 2020
(Percentages)

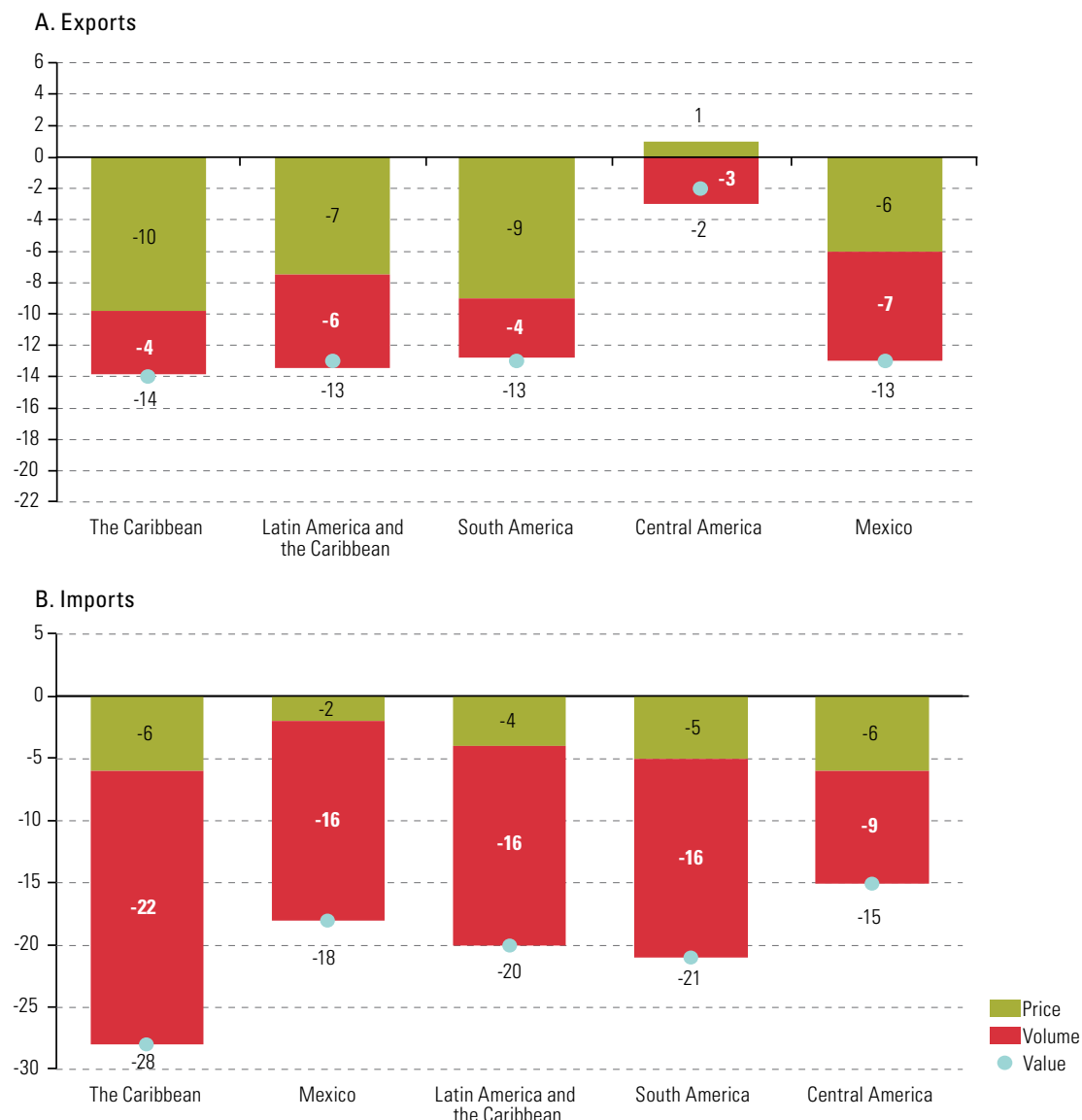
Region, subregion, grouping or country	Exports			Imports		
	Price	Volume	Value	Price	Volume	Value
Latin America and the Caribbean	-7	-6	-13	-4	-16	-20
Latin America	-7	-5	-12	-4	-16	-20
South America	-9	-4	-13	-5	-16	-21
Southern Common Market (MERCOSUR)	-11	-1	-12	-5	-15	-20
Argentina	-6	-8	-14	-4	-21	-25
Brazil	-11	4	-7	-6	-10	-16
Paraguay	-10	2	-12	-2	-19	-21
Uruguay	-2	-9	-11	-4	-9	-13
Venezuela (Bolivarian Republic of)	-25	-33	-58	-3	-40	-43
Andean Community (CAN)	-7	-15	-22	-5	-18	-23
Bolivia (Plurinational State of)	-12	-19	-31	-2	-32	-34
Colombia	-8	-15	-23	-7	-14	-21
Ecuador	-15	3	-12	-7	-17	-24
Peru	-2	-22	-24	-3	-18	-21
Pacific Alliance^a	-5	-8	-13	-2	-16	-18
Chile	-4	-2	-6	-3	-17	-19
Mexico	-6	-7	-13	-2	-16	-18
Central America	1	-3	-2	-6	-9	-15
Costa Rica	-3	4	1	-5	-9	-14
El Salvador	1	-15	-14	-7	-10	-17
Guatemala	1	-2	-1	-6	-7	-13
Honduras	11	-10	1	-6	-12	-18
Nicaragua	7	1	8	-7	-1	-8
Panama (excluding Colón Free Zone)	2	-4	-2	-4	-13	-17
Panama (Colón Free Zone)	3	-22	-19	-7	-29	-36
The Caribbean	-10	-6	-16	-6	-21	-28
Cuba	-3	-27	-30	-5	-35	-40
Dominican Republic	-5	-6	-11	-7	-15	-22
Caribbean Community (CARICOM)	-12	-6	-18	-9	-13	-22

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

^a Weighted averages for the trade flows of Chile, Colombia, Mexico and Peru.

Figure I.27

Latin America and the Caribbean, subregions and Mexico: projected changes in goods trade by volume, price and value, 2020
(Percentages)



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

The greatest contraction of exports in 2020 is expected in those bound for the region itself (-24%), while shipments to the United States and the European Union are expected to fall by 14% and 13%, respectively. In the case of exports to China, a 2% increase is expected, owing to the strength of agricultural and mineral and metal shipments, mainly from South America (see table I.15). Since intraregional exports and those to the United States are mainly composed of manufactures and those to China are mainly commodities, the net effect will be to heighten the renewed dominance of commodities in the regional export basket. Imports from all the region's major suppliers will fall significantly.

In the light of export performance by destination, the sharpest falls are projected for mining and oil exports and manufacturing exports (see table I.16). In the former case, this is partly due to the substantial drop in prices, while in the latter it is essentially due to lower export volumes. Agricultural exports are expected to be the most resilient, with a projected increase in value of 2%. Imports will fall considerably in all categories, although the greatest contraction will be in fuel purchases, owing to the fall in prices.

	Exports	Imports
World	-13	-20
United States	-14	-21
European Union	-13	-20
Asia	-5	-14
China	2	-12
Other countries of Asia	-13	-18
Latin America and the Caribbean	-24	-24

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

Table I.15

Latin America and the Caribbean: projected changes in the value of goods trade, by trading partner, 2020 (Percentages)

	Change projected for 2020
Total exports	-13
Agricultural products	2
Mining and oil	-21
Manufactures	-14
Total imports	-20
Capital goods	-17
Intermediate inputs	-14
Consumer goods	-22
Fuels	-40

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

Table I.16

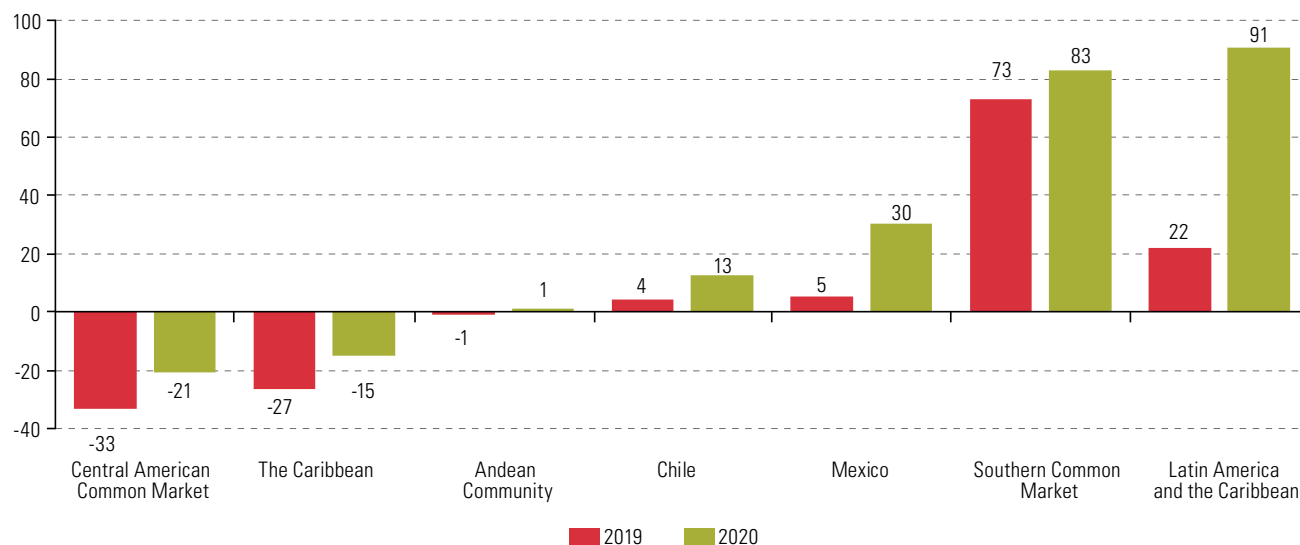
Latin America and the Caribbean: projected changes in the value of goods trade, by sector, 2020 (Percentages)

Since imports will fall by more than exports, the region should end up with a trade surplus of just over US\$ 91 billion in 2020, mainly accounted for by the MERCOSUR countries, Chile and Mexico. For the Andean Community, whose members have been badly hit by the decline in oil and mineral prices, a small surplus of around US\$ 1 billion is projected. Both the Central American and Caribbean countries are expected to reduce their trade deficits by some US\$ 12 billion relative to 2019 (see figure I.28).

Figure I.28

Latin America and the Caribbean (selected groupings and countries): goods trade balances, 2019 and projections for 2020

(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information for 2019.

The sharp fall in demand in the region is expected to lead to a collapse in intraregional trade in all areas except food, beverages and tobacco. Double-digit declines are forecast in almost all cases (see table I.17). This situation will particularly affect manufactured exports, since for almost all the countries the main market is the region itself.

Table I.17

Latin America and the Caribbean: projected changes in intraregional trade, by sector, 2020
(Millions of dollars and percentages)

Sector	Intraregional exports (average for 2018-2019)	Share of total intraregional exports (average for 2018-2019)	Intraregional trade ratio (average for 2018-2019)	Change projected for 2020
Agriculture, hunting and fishing	13 521	8	10	2
Oil and mining	25 998	16	19	-44
Food, beverages and tobacco	19 139	12	18	6
Wood, pulp and paper	5 784	4	20	-18
Textiles, apparel and footwear	6 804	4	22	-34
Chemicals and petrochemicals	16 505	10	41	-16
Medicines	3 282	2	59	-9
Rubber and plastic	4 643	3	35	-18
Non-metallic minerals	2 408	1	33	-34
Metals and metal products	14 383	9	9	-24
Machinery and equipment	16 829	10	8	-33
Automotive	23 418	14	16	-56
Other manufactures	11 820	7	13	-28
Total	164 535	100	15	-24

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, United Nations International Trade Statistics Database (UN Comtrade) [online] <https://comtrade.un.org/>.

E. Conclusions

The information available as of early November suggests that the fall in world trade in 2020 will be smaller than it was during the global financial crisis and also than it was projected to be in the middle of the year. However, this more optimistic scenario is subject to considerable uncertainty. In particular, it is not clear that the recovery that began in June represents a turning point, especially given the appearance of renewed outbreaks of COVID-19 in Europe and the continuous increase in infections in the United States.

In this context, the region's external trade will contract sharply in 2020. Furthermore, its performance to date points to a loss of production capacity in the industrial sector, associated with the sharp contraction of manufacturing exports and of imports of capital goods and intermediate inputs. This will make it harder to move towards a more knowledge-intensive export specialization as the region emerges from the current crisis.

In the medium term, the pandemic is likely to reinforce two interrelated macro-trends that were already emerging before it. The first is towards a reduction in productive, trade and technological interdependence between the world's major economies, in particular between the United States and Europe and between the United States and China. The second is towards world trade that is less open and more pervaded by geopolitical and national security considerations, with a greater frequency of conflicts

and weakened multilateral institutions. The net result will not be a reversal of globalization but a more regionalized world economy organized around three major production hubs: North America, Europe, and East and South-East Asia.

In a global context marked by uncertainty, it is not clear to what extent Latin America and the Caribbean will participate in any restructuring of global value chains in the coming years. On the whole, the countries that seem best placed to benefit from this process are those that are already embedded in various international production networks centred on the United States, such as Costa Rica, the Dominican Republic and Mexico. In particular, these countries could benefit from the arrival of new investments and the expansion of existing ones in the medical supplies sector, given the interest expressed by the United States Government in reducing its dependence on China in this sector. In this context, the economic reconfiguration brought about by the consequences of COVID-19 is likely to heighten the differences between the patterns of participation in international trade of Central America and Mexico, on the one hand, and South America and most of the Caribbean, on the other.

The repercussions of the ever-increasing tensions between China and the United States have already begun to be felt in Latin America and the Caribbean. In recent years, the United States Government has been critical of participation by the region's countries in the Belt and Road Initiative and has advised against awarding contracts to Chinese companies for the development of fifth-generation (5G) mobile networks, which are considered essential for full participation in the fourth industrial revolution. Furthermore, USMCA, which entered into force in July 2020, contains various mechanisms that discourage trade and economic integration between its members and China.¹⁰ A scenario in which heightened tensions between the world's two largest economies were transferred to the region would be very problematic, since the United States and China are also its two largest trading partners. Greater regional coordination is therefore required to avoid this situation, or at least to minimize its effects.

In a global context where further regionalization of production is expected, regional integration needs to play a key role in the strategies followed in Latin America and the Caribbean to exit the crisis. Moving towards the establishment of an integrated market of 650 million people would provide the countries of the region with a substantial insurance policy against supply or demand shocks originating outside it. In particular, it would provide the scale required to strengthen strategic industries such as pharmaceuticals and medical supplies and to develop shared production and research networks across the different countries and subregions. All this would help reduce the region's vulnerability to supply disruptions such as those that occurred during the COVID-19 pandemic. At the same time, in a scenario of reduced multilateral cooperation, greater regional coordination is essential to generate a more symmetrical dialogue with the main actors in the world economy. Chapter II analyses the main assets and shortcomings of regional economic integration, examines in detail the main characteristics of intraregional trade and industrial linkages, and puts forward proposals for revitalizing the integration process.

¹⁰ An unprecedented provision included in USMCA—at the instigation of the United States—allows any of the members to end the agreement if any member enters into a trade agreement with a non-market economy. USMCA also contains stricter rules of origin than its predecessor, the North American Free Trade Agreement (NAFTA), in several sectors (automotive, textiles and chemicals among others). This is intended to ensure greater participation by the United States in North American value chains, to the detriment of extraregional suppliers such as China.

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Deepening regional integration to boost the recovery

Introduction

- A. A preliminary assessment of economic integration in the region
- B. Trend and composition of intraregional trade
- C. The need for a resilient, efficient and sustainable regional infrastructure
- D. Conclusions and recommendations

Bibliography

Annex II.A1



Introduction

Regional integration, particularly in its production dimension, has been at the heart of the development thinking of the Economic Commission for Latin America and the Caribbean (ECLAC) since its inception (see, for example, ECLAC (1959)). Even at that time, overcoming the limitations of national markets (mostly small or medium-sized) was seen as necessary to take advantage of economies of scale and the learning advantages that the regional market could offer. This, in turn, would help Latin American and Caribbean countries evolve towards more sophisticated and technologically advanced forms of production specialization. The idea was to foster industrialization based on production complementarity, which would expand intraregional trade in manufactured products. An additional benefit would be to reduce dependency on commodity exports, which would help overcome the classic external constraint that has hindered regional development (ECLAC, 2014a).

This year, 2020, marks 60 years since the creation of the Latin American Free Trade Association (LAFTA) and the Central American Common Market (CACM) —the region's first post-war economic integration initiatives. Valuable progress has been made in the framework of these and other forums that have emerged during these six decades. Nonetheless, the advances made have mainly followed a subregional logic, which is why they have been insufficient to take full advantage of the potential offered by the regional space, with its nearly 650 million inhabitants. In this connection, suffice it to note that barely 14% of Latin American and Caribbean exports stayed within the region in 2019, and the proportion has been declining steadily since 2014. Integration has also failed to become a driving force in the regional economy or in its participation in world trade. The region is set to post its slowest growth of the last seven decades in 2014–2020; and its share of global goods exports has not surpassed 6% since the mid-1960s, at the dawn of its integration processes.

This chapter has a dual purpose. It firstly highlights the crucial role that intraregional trade continues to play in the diversification of production, the development of manufacturing capacities and the internationalization of small and medium-sized enterprises (SMEs). Secondly, it puts forward a number of proposals to give regional economic integration additional momentum in the light of the global economic transformations currently under way, including those resulting from the coronavirus disease pandemic (COVID-19). The chapter is structured in four main sections. Section A makes an assessment of the achievements and shortcomings of the formal economic integration process, as reflected in the agreements governing intraregional trade and investment flows. Section B analyses the evolution of intraregional trade in the long term and its composition in the last decade, emphasizing the identification of existing and potential production linkages and their contribution to production and export diversification. Section C reviews the challenges facing the region in terms of infrastructure, logistics and mobility; and, lastly, section D presents a number of conclusions and proposals to reinvigorate regional integration.

A. A preliminary assessment of economic integration in the region

1. The political economy of integration

To attempt a reckoning of the positives and negatives of regional economic integration, a useful theoretical framework is that proposed from the political economy perspective by Mattli (1999) and developed further by Malamud (2011). These authors argue that

an integration process requires the presence of three types of conditions: demand, supply and inertia. Demand conditions result from increased economic interdependence between countries. When firms perceive that their cross-border activities (trade and investment) face high transaction costs, they demand that national or supranational authorities reduce them, either through voluntary mechanisms (cooperation or coordination), or else through binding agreements involving varying degrees of sovereignty transfer by national states (regional integration). In contrast, supply conditions refer to the capacity and willingness of nation states to assume the tasks and make the concessions needed to move an integration process forward. Lastly, inertial conditions refer to the existence of institutional arrangements that make sure the integration project continues even when the supply or demand circumstances that gave rise to it no longer exist.

In their early stages, integration projects may stem mainly from demands from the business sector, government initiatives or a combination of the two. In fact though, supply and demand factors are interdependent. Business lobbying to reducing trade barriers between two countries can translate into a public policy response (such as the signing of a trade agreement); but the reverse sequence is also feasible; that is, a government initiative to negotiate an agreement, even without increased demand from the business sectors, can stimulate responses from them in the form of increased trade or investment flows.

In the case of Latin America and the Caribbean, the economic integration initiatives that emerged as from the 1960s quickly became subregional, especially after the initial project to set up a free trade area between South America and Mexico within the LAFTA framework failed. The predominance of subregional initiatives persists to this day, owing to the failure of the mutual convergence projects that were launched in the first decade of this century in the framework of the then South American Community of Nations (SACN) and the Latin American Integration Association (LAIA), the successor of LAFTA. Each subregional integration mechanism has evolved differently, in processes that responded to the characteristics of its member States in terms of size, population, production structure, geographical location, history, institutional capacities and multiple other variables.

Analytically, the key division in the regional economic space is that between Mexico, Central America and the Caribbean, on the one hand, and South America, on the other. “The first group of countries [...] retain strong links to the United States economy, not only through trade but also through flows of foreign direct investment (FDI), migrants, tourists and remittances” (ECLAC, 2014a, p. 14). In particular, the subregion formed by Central America and Mexico and a number of Caribbean countries, such as the Dominican Republic, are an integral part of manufacturing value chains centred on the United States (the “North American factory”). In contrast, South America is less economically dependent on the United States and has growing links with China (which has been its main trading partner since 2015). Another difference with respect to the space formed by Central America and Mexico is that South America has lower levels of intraregional trade and its economies are less integrated in terms of production. This is the result of several factors, such as the commodity export specialization of these countries (mainly destined for markets outside the region), their large areas, their deficient transportation infrastructure and the fragmentation of their economic integration mechanisms.

For these reasons, the interaction between supply, demand and inertial conditions varies between the various subregional integration mechanisms, and also within each one over time. Regional integration has passed through at least three clearly distinguishable phases in the last six decades, reflecting the evolution of political and economic paradigms in the region and in the world at large (see table II.1). The first

phase corresponds to the pioneering initiatives of the 1960s and 1970s, which arose in the context of the then-prevailing strategy of State-led industrialization. The second phase, associated with the concept of open regionalism (ECLAC, 1994), emphasized trade liberalization as part of a dramatic shift in the prevailing development strategy.

Table II.1

Phases of regional economic integration in Latin America and the Caribbean, 1960–2020

Phase	Main institutional milestones	Main emphasis	Main contextual elements
First wave of regionalism (1960–1980)	<ul style="list-style-type: none"> - Latin American Free Trade Association (LAFTA) (1960) - Central American Common Market (CACM) (1960) - Andean Pact (1969) - Caribbean Community (CARICOM) (1973) - Latin American Integration Association (ALADI) (1980) 	<ul style="list-style-type: none"> - Overcome the limitations imposed by the small domestic markets of several countries - Achieving an equitable distribution of production activities to reduce development asymmetries between countries 	<ul style="list-style-type: none"> - State-led industrialization strategy - Creation of the European Economic Community (EEC) - Military dictatorships followed by processes to restore democracy as from the 1980s
Open regionalism, new regionalism (1990–2005)	<ul style="list-style-type: none"> - Relaunch of Central American integration - Creation of the Southern Common Market (MERCOSUR) (1991) - Creation of the Andean Free-Trade Zone (1993) - North American Free Trade Agreement (NAFTA) (1994) - The Andean Pact becomes the Andean Community (CAN) (1996) - Launch and failure of the Free Trade Area of the Americas (FTAA) 	<ul style="list-style-type: none"> - Improve the region's participation in a globalized economy by simultaneously reducing barriers to intraregional trade and to trade with the rest of the world 	<ul style="list-style-type: none"> - End of the east-west division - Adoption of the Washington Consensus in the developing world - Creation of the World Trade Organization (WTO) - Accelerating globalization - First North-South free trade agreements - China's entry into the world economy
Post-liberal regionalism, post-hegemonic regionalism (2005–2015)	<ul style="list-style-type: none"> - Bolivarian Alliance for the Peoples of Our America - People's Trade Agreement (ALBA-TCP) (2004) - The Bolivarian Republic of Venezuela leaves CAN (2006) and joins MERCOSUR (2012) - Latin American Pacific Arc (2006–2010) - Union of South American Nations (UNASUR) (2008) - Community of Latin American and Caribbean States (CELAC) (2010) - Pacific Alliance (2011) 	<ul style="list-style-type: none"> - Increase the region's political and economic autonomy - Expand the integration agenda to include non-commercial political, social and economic issues such as infrastructure and energy 	<ul style="list-style-type: none"> - Changes in political orientation in various countries - China's emergence as a trading partner, investor and source of financing - Commodity supercycle (2003–2013) - Global financial crisis - Failure of the WTO Doha Round - Deceleration of world trade following the global financial crisis
Convergence? (2015 onwards)	<ul style="list-style-type: none"> - Convergence initiative between the Pacific Alliance and MERCOSUR 	<ul style="list-style-type: none"> - Use the regional market as a key instrument to recover economic growth and promote production linkages 	<ul style="list-style-type: none"> - Acceleration of the fourth industrial revolution - Increasing competition between the United States and China - Weakening of multilateralism, increasing protectionism and economic nationalism - Sharp growth slowdown in the region

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

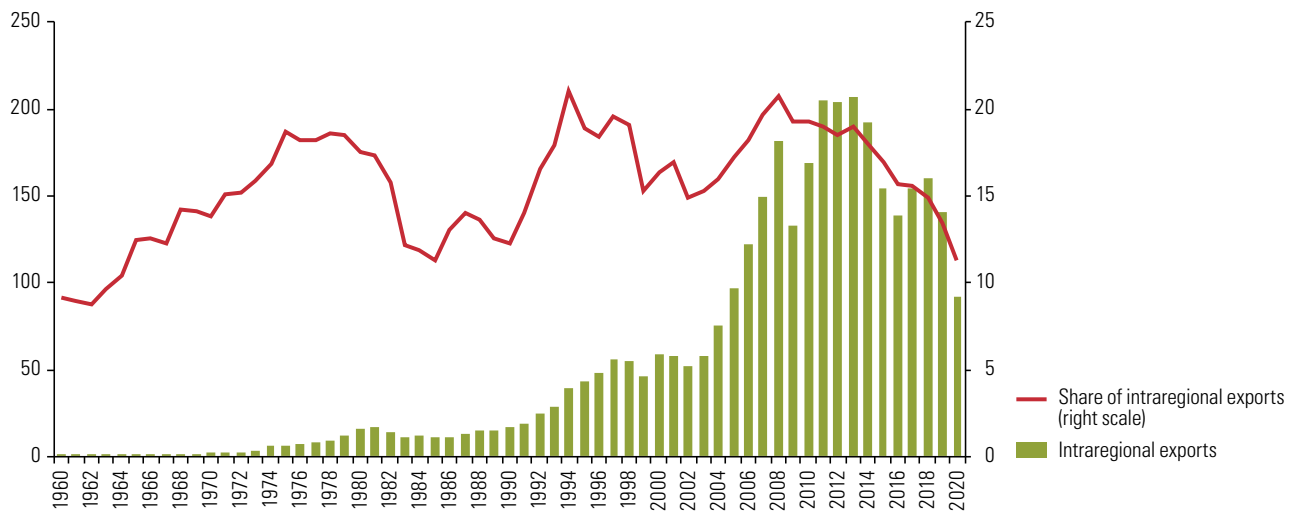
The third phase in the history of regional integration has been described as post-liberal regionalism (Veiga and Rios, 2007). This broke the predominance of the trade dimension in the integration initiatives of the 1990s and reflected the discontent that existed in various countries with the results of liberal-type economic reforms. The rise of this phase largely coincided with the commodity supercycle boom. Once the supercycle ended, the region experienced an abrupt growth slowdown in the second half of the 2010 decade. At the same time, the idea emerged of fostering convergence between its two main economic blocs, the Pacific Alliance and the Southern Common Market (MERCOSUR), although without concrete progress to date.

The foregoing illustrates the frequent shifts that have occurred in the direction of regional economic integration throughout its history. However, two important and closely interrelated elements of continuity can also be discerned. The first is the relatively low level of involvement of the business sectors; and the second is the lack of solid institutional arrangements to make sure the integration initiatives function well once the initial political momentum has ebbed.

The weak demand for integration by the region's business sectors reflects a production structure that has historically been oriented towards exporting raw materials to markets outside the region. The share of the regional market in total goods exports was just 14% at the start of the 1990s, and it was back at the same level at the close of the 2010 decade (see figure II.1). The regional market share reached historical peaks, close to 21%, in the second half of the 1990s (shortly after the creation of MERCOSUR and the relaunch of the Andean and Central American integration processes), and then again between 2006 and 2013, during the rapid growth phase fuelled by the commodity super cycle. However, since 2014 there has been a sharp reduction in the regional market share, coinciding with the region's slowest growth period in seven decades (ECLAC, 2019). As a result of the deep recession the region is currently enduring, the intraregional trade share is projected to drop to 12% in 2020, the lowest level since the mid-1980s.

Figure II.1

Latin America and the Caribbean: intraregional exports, 1960–2020^a
(Billions of dollars and percentages of total goods exports)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>, and *Latin America and the Caribbean in the World Economy*, Santiago, various years.

^a The figures for 2020 are projections.

The declining trend of intraregional trade has been accentuated by the emergence of China as the region's second largest trading partner during this century. While China's burgeoning demand for commodities has reinforced the region's historic primary export pattern, especially in the case of South America, the large-scale arrival of Chinese manufactures has displaced trade within the region in a wide range of industrial sectors and in all subregions (Durán Lima and Pellandra, 2017; Ortiz and Dussel, 2016).

The low level of intraregional trade also stems partly from the institutional weakness of the integration agreements. Historically, the region's countries have been reluctant to cede national jurisdictions in order to move towards some form of joint sovereignty. Evidence of this is that none of the subregional projects that aimed at establishing a common external tariff and trade policy have fully achieved their objectives. Moreover, countries have often responded to internal difficulties by adopting unilateral measures that hinder intraregional trade, such as tariff hikes and non-tariff barriers.

The institutional weakness of the integration mechanisms has been aggravated by frequent shifts in national visions of this process, as a result of changes in the political cycle. The two factors combined have made it difficult to provide the necessary continuity to projects, the construction of which requires a long-term view and a State policy. In short, the lack of a joint regional strategy to exploit geographic proximity, and thus increase production efficiency and competitiveness, imposes a heavy burden on the region's development.

From the political economy standpoint, the virtual hollowing-out of intraregional trade since the middle of the 2010 decade has generated a self-reinforcing dynamic. If the economic opportunities associated with the regional market are perceived as ever less attractive than those of extraregional markets, business actors will tend to prioritize intensifying links with the latter (for example, through the negotiation of new trade agreements). This, in turn, deepens the commodity and extraregional bias of the export basket and makes it increasingly difficult to reverse the declining share of the regional market. The next section discusses the prospects for turning this worrying trend around.


2. The complex road to convergence

Currently, the main achievement of regional economic integration is the high degree of liberalization in goods trade within the different subregional groupings. This is particularly clear in terms of tariffs: the tariff-free share of trade within each trading bloc is very close to 100% in the Andean Community, CACM, CARICOM and the Pacific Alliance.¹ Moreover, the bulk of trade in goods between members of the Andean Community, MERCOSUR and Chile is also tariff-free, as a result of trade agreements signed in the period 1996–2005 (see table II.2). In practice, therefore, a free trade area for goods has been formed in South America, such as that which has formally existed between Central America and Mexico since 2012.

Table II.2

South America (10 countries): bilateral trade subject to tariff preferences, August 2020
(Percentages of total tariff lines)

Contracting parties	Beneficiaries									
	Argentina	Bolivia (Plurinational State of)	Brazil	Colombia	Chile	Ecuador	Paraguay	Peru	Uruguay	Venezuela (Bolivarian Republic of)
Argentina		100.0	99.7	96.7	100.0	97.4	99.7	99.8	99.7	99.9
Bolivia (Plurinational State of)	100.0		100.0	100.0	4.7	100.0	100.0	100.0	100.0	100.0
Brazil	99.7	100.0		99.7	100.0	99.6	93.9	99.8	99.7	100.0
Colombia	96.7	100.0	99.5		100.0	100.0	99.5	100.0	99.4	59.6
Chile	100.0	99.9	100.0	100.0		96.6	100.0	99.9	100.0	96.8
Ecuador	97.4	100.0	99.7	100.0	96.6		98.4	100.0	92.1	100.0
Paraguay	99.7	100.0	93.9	99.5	100.0	97.8		99.8	93.9	99.8
Peru	99.8	100.0	99.8	100.0	99.9	100.0	99.8		87.2	...
Uruguay	99.7	100.0	99.7	99.5	100.0	96.0	93.9	87.2		99.9
Venezuela (Bolivarian Republic of)	99.9	100.0	100.0	57.6	97.0	100.0	99.8	...	99.9	

Tariff reduction ranges:  0% – 25% 25.1% – 50% 50.1% – 75% 75.1% – 100%

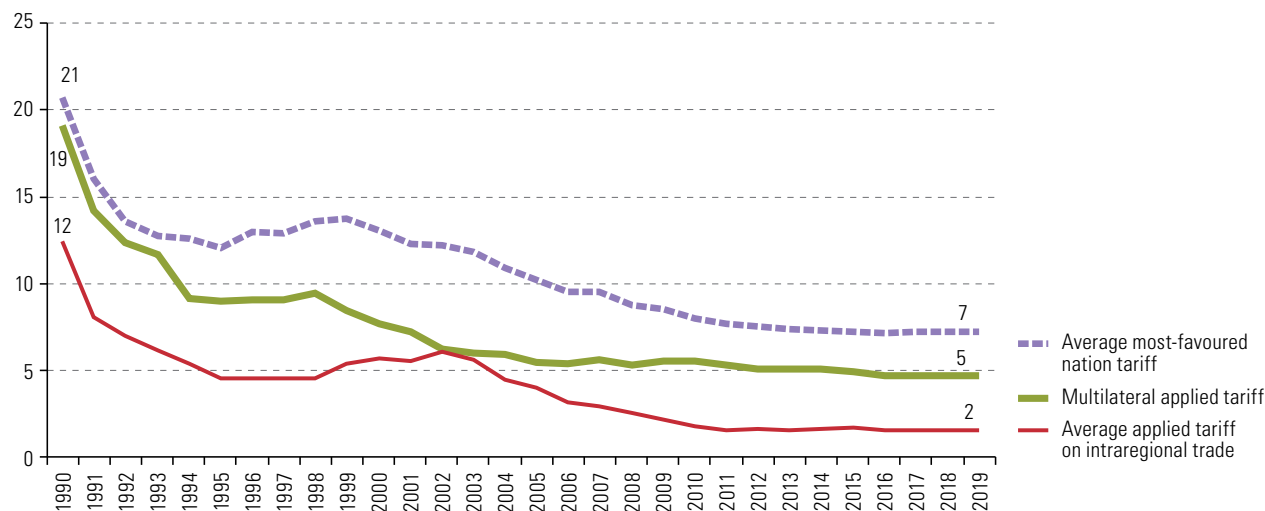
Source: Latin American Integration Association (LAIA).

¹ In MERCOSUR, the free trade regime excludes sugar, as well as part of the automotive sector (which generates the largest transactions within the bloc). In the case of the latter, tariffs are only applied to units traded above the maximum levels set forth in the agreement on managed trade in vehicles and their parts between Argentina and Brazil (extended in 2019 until 2029). Trade within MERCOSUR also has a higher incidence of non-tariff measures, such as non-automatic import licences, than is the case in other integration mechanisms.

The average applied tariff on intraregional trade is around 2% —well below both the region's average most favoured nation (MFN) tariff of 7% and the average multilateral applied tariff, which takes into account the preferences granted to extraregional partners (see figure II.2). Nonetheless, there are still trading relations that face higher tariffs than the regional average, owing to the absence of agreements. This is particularly true of trade between Mexico and MERCOSUR, as well as between MERCOSUR and Central America.

Figure II.2

Latin America and the Caribbean: average most favoured nation tariff, average multilateral applied tariff^a and average applied tariff on intraregional trade, 1990–2019
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Trade Organization (WTO), "Trade and tariff data", 2020 [online] https://www.wto.org/english/res_e/statis_e/statis_e.htm, and M. Dolabella and J. Durán Lima, "Integrating Latin America and the Caribbean: potential effects of removing tariffs and streamlining non-tariff measures", *Project Documents*, Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2020, in press.

^a The multilateral applied tariff considers the proportion of imports covered by agreements in which tariff preferences are applied.

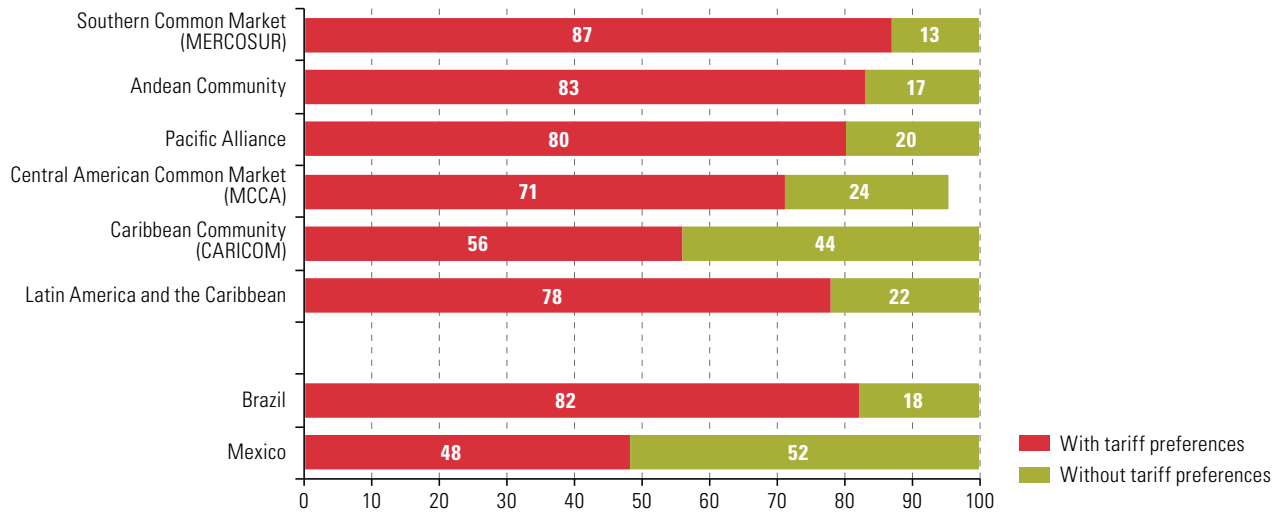
According to August 2020 data, an estimated 78% of intraregional imports from Latin America and the Caribbean are subject to a zero tariff as a result of trade preferences, while the remaining 22% are still subject to the general regime, in other words the MFN tariff. This is the area of tariff convergence in which progress has yet to be made at the regional level (see figure II.3). In the case of the region's two largest economies, Brazil and Mexico, the former still imports more than half of its goods from the region on an MFN basis, mainly from South America and the Caribbean; whereas Brazil grants trade preferences to over 80% of its imports from the region, especially those originating in South America.

Non-tariff measures (NTMs) applicable to intraregional imports still persist;² and, in the vast majority of countries, these have ad valorem equivalents (AVEs) that are higher than the tariffs applied to the import in question. The regional average of these AVEs is 3.8%, almost double the average intraregional tariff (see figure II.4). The highest AVEs due to NTMs are found in agricultural and agricultural products such as meat, dairy and grains; they are also much higher for light manufacturing products (food, beverages and tobacco, oil and mining) than for heavy industry (see table II.3).

² Non-tariff measures (NTMs) encompass a broad set of instruments applicable to foreign trade (safeguards, anti-dumping measures, minimum prices, quotas, automatic or non-automatic licensing, other customs duties, exchange controls), as well as measures pursuing various public policy objectives (such as technical, sanitary, phytosanitary, and environmental standards and regulations). While not all NTMs aim to raise levels of protection against imports, in principle all of them can influence the amounts and composition of trade.

Figure II.3

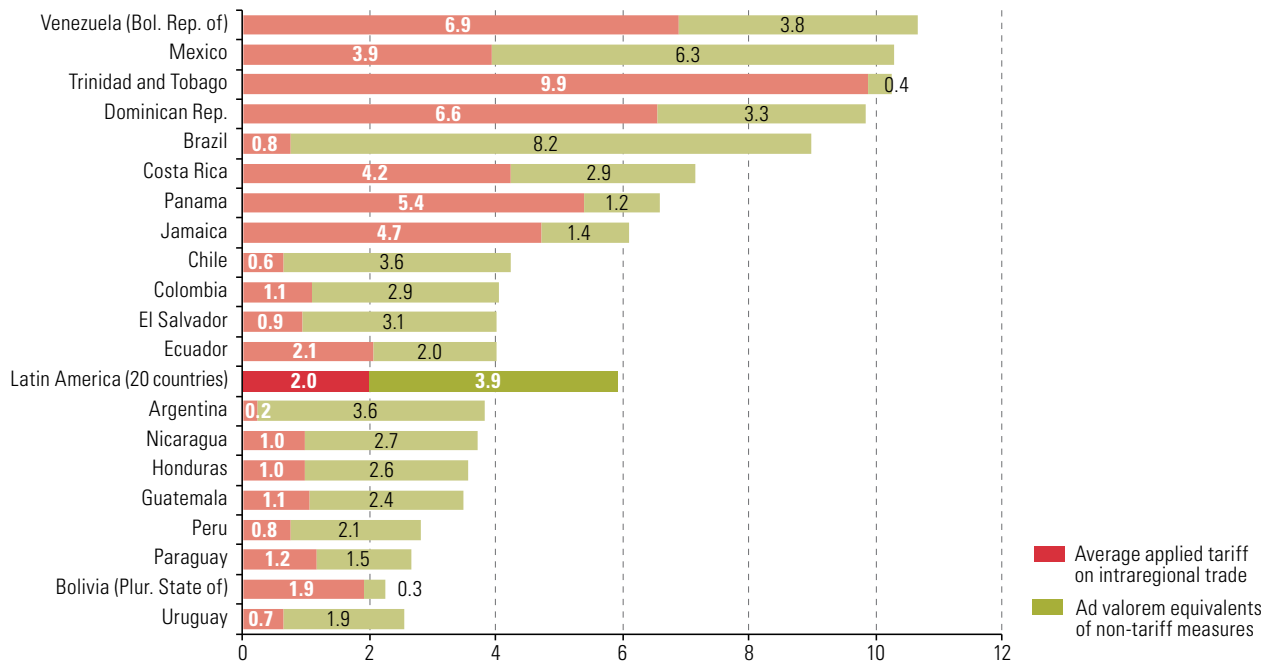
Latin America and the Caribbean (selected countries): intraregional imports with and without tariff preferences, by integration mechanism, 2020
(Percentages of the value of intraregional imports for each grouping and country)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of M. Dolabella and J. Durán Lima, “Integrating Latin America and the Caribbean: potential effects of removing tariffs and streamlining non-tariff measures”, *Project Documents*, Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2020, in press.

Figure II.4

Latin America and the Caribbean (20 countries): average applied tariff on intraregional trade and ad valorem equivalents of non-tariff measures, 2015
(Percentages of the value of intraregional imports)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of M. Dolabella and J. Durán Lima, “Integrating Latin America and the Caribbean: potential effects of removing tariffs and streamlining non-tariff measures”, *Project Documents*, Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2020, in press.

Table II.3

Latin America and the Caribbean: ad valorem equivalents of non-tariff measures, by country and product category, 2015 (Percentages)

	Imposing country (importer)				Targeted country (exporter)			
	Total	Primary products	Light manufacturing	Heavy manufacturing	Total	Primary products	Light manufacturing	Heavy manufacturing
Argentina	3.6	2.8	3.2	3.7	4.8	11.1	5.5	3.1
Brazil	8.2	9.9	7.7	7.9	2.7	5.3	4.3	2.1
Paraguay	1.5	5.2	2.7	0.8	3.2	5.5	2.0	2.2
Uruguay	1.9	4.1	1.1	2.0	5.6	9.5	7.7	2.9
Venezuela (Bolivarian Republic of)	3.8	7.8	5.8	0.4	5.4	2.6	0.9	5.6
Chile	3.6	2.2	5.2	3.2	3.1	7.6	3.1	1.1
Bolivia (Plurinational State of)	0.3	0.5	1.3	0.0	14.3	6.5	1.1	18.1
Colombia	2.9	10.6	2.5	2.6	1.7	0.7	3.2	1.4
Dominican Republic	3.3	8.5	4.6	2.0	0.9	1.9	0.5	1.0
Ecuador	2.0	4.5	1.5	2.0	0.9	0.3	2.3	0.3
Peru	2.1	2.7	3.2	1.6	4.6	11.5	4.3	2.6
Mexico	6.3	12.4	4.7	6.0	3.3	3.4	3.4	3.3
Costa Rica	2.9	6.1	3.6	2.3	3.0	14.2	2.9	2.1
El Salvador	3.1	7.8	3.7	2.1	2.9	8.4	3.8	1.8
Guatemala	2.4	5.8	4.2	1.2	3.2	3.5	4.5	2.1
Honduras	2.6	4.5	3.8	1.3	4.9	6.6	5.0	4.4
Nicaragua	2.7	8.7	3.4	1.7	4.7	5.0	4.1	5.6
Panama	1.2	11.7	4.3	0.4	3.7	4.4	1.7	4.1
Jamaica	1.4	12.2	3.0	0.2	1.9	0.2	3.6	0.1
Trinidad and Tobago	0.4	0.1	0.2	0.6	9.6	17.7	2.0	9.9
Other Caribbean countries	0.3	0.3	0.4	0.3	3.7	12.2	4.8	0.9
Latin America and the Caribbean	3.9	7.1	3.9	3.4	3.9	7.1	3.9	3.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of M. Dolabella and J. Durán Lima, "Integrating Latin America and the Caribbean: potential effects of removing tariffs and streamlining non-tariff measures", *Project Documents*, Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2020, in press.

Along with tariff liberalization, another major asset of regional economic integration is the development of trade and investment regulations. Compared to the situation in the middle of the 2010 decade (ECLAC, 2014a), all groupings have made headway in terms of putting regulatory frameworks in place on issues such as trade facilitation, public procurement, the treatment of foreign investment and e-commerce (see table II.4). Until a few years ago, these issues were addressed almost exclusively in free trade agreements with extraregional partners. However, in some areas such as public procurement, there is still a reluctance to extend the concessions granted to advanced economy partners, such as the United States and the European Union, to other countries in the region (and in some cases to those in the same integration mechanism).

Table II.4

Latin America and the Caribbean: progress on selected issues in the main economic integration mechanisms, August 2020

Topic	Andean Community	Central American Common Market (CACM)	Southern Common Market (MERCOSUR)	Caribbean Community (CARICOM)	Pacific Alliance
Degree of liberalization of goods trade	Very high	Very high	High	Very high	Very high
Regulatory framework for trade in services	Yes	Yes	Yes	Yes	Yes
Regulatory framework for foreign investment	Yes	Yes	Yes ^a	Yes	Yes
Regulatory framework for public procurement	Partial ^b	Yes	Currently entering into force ^c	Currently entering into force ^d	Yes
Regulatory framework for trade facilitation	Yes	Yes	Currently entering into force ^e	Yes	Yes
Harmonization or mutual recognition of technical standards	Yes	Yes	Yes	Yes	Yes
Regulatory framework for e-commerce	No	Yes	Under negotiation	Under negotiation	Yes
Mechanisms to reduce asymmetries	Yes	Yes	Yes	Yes	No

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the respective mechanisms for integration.

^a Protocol on intra-MERCOSUR Investment Cooperation and Facilitation. This is in force between Brazil and Uruguay only.

^b National treatment applies to the procurement of services by government agencies or public entities (Andean Community, "Decision 439: General Framework of Principles and Rules and for Liberalizing the Trade in Services in the Andean Community", 1998 [online] <http://www.sice.oas.org/Trade/Junac/decisiones/dec439e.asp> No commitments on goods have been negotiated.

^c Signed in December 2017, not yet in force.

^d Completed in February 2019, not yet in force

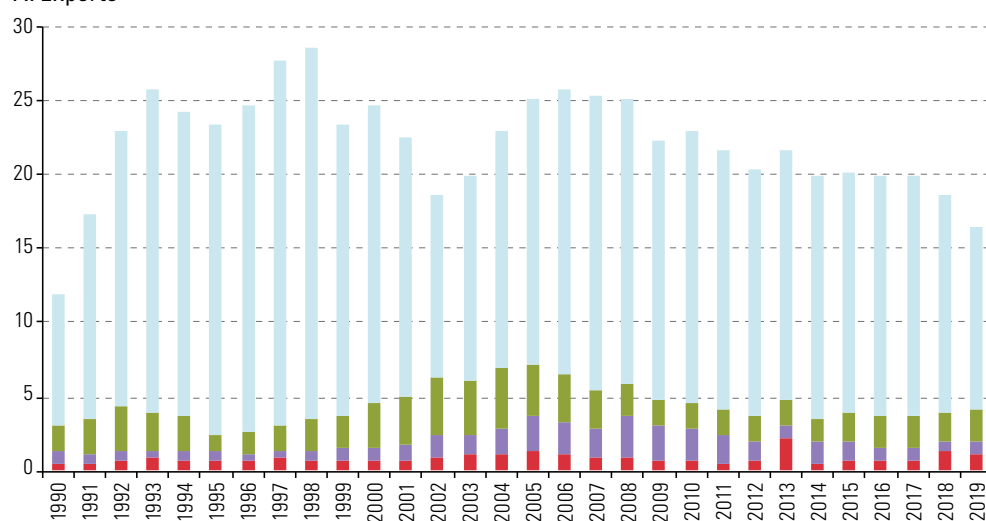
^e Signed in December 2019, not yet in force.

The achievements described above have not been sufficient to avert a worrying process of trade decoupling in the region, which can be discerned clearly in the declining regional share of the foreign trade of its two largest economies, Brazil and Mexico. In the case of Brazil, the region's share as a destination for its total goods exports has almost halved in the last two decades, from 29% in 1998 to 16% in 2019, while its share of Brazilian imports has shrunk from 22% to 15% over the same period (see figure II.5). Both phenomena reflect the reorientation of Brazil's exports towards supplying commodities to China and other Asian markets, combined with the growing market penetration of Chinese manufactures.³ Since 2009 China has been the main destination for Brazil's exports and, since 2012, the main source of its imports.

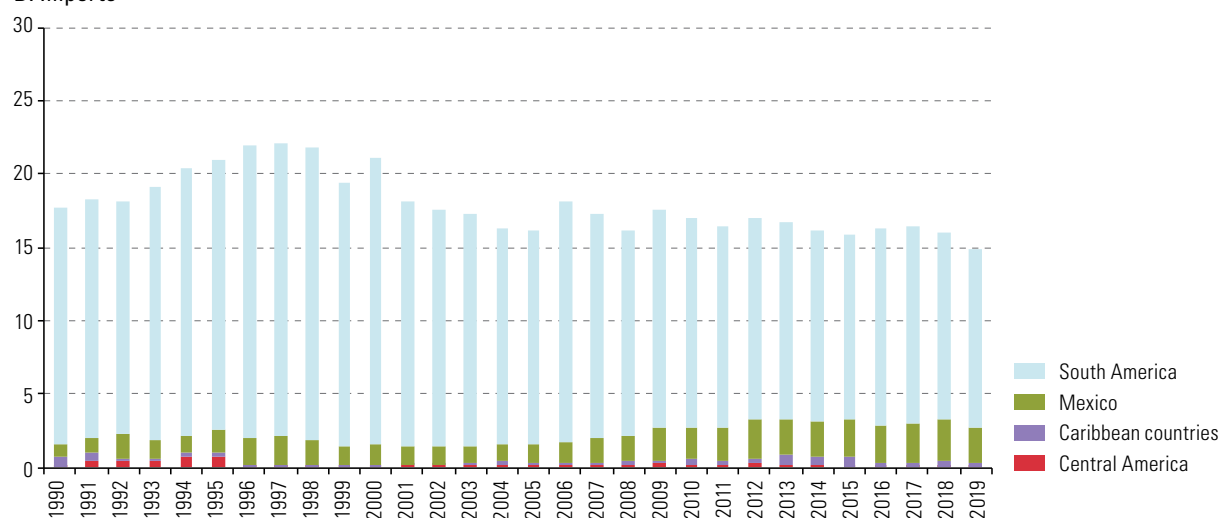
Figure II.5

Brazil: share of South America, the Caribbean, Central America and Mexico in total goods trade, 1990–2019 (Percentages)

A. Exports



B. Imports



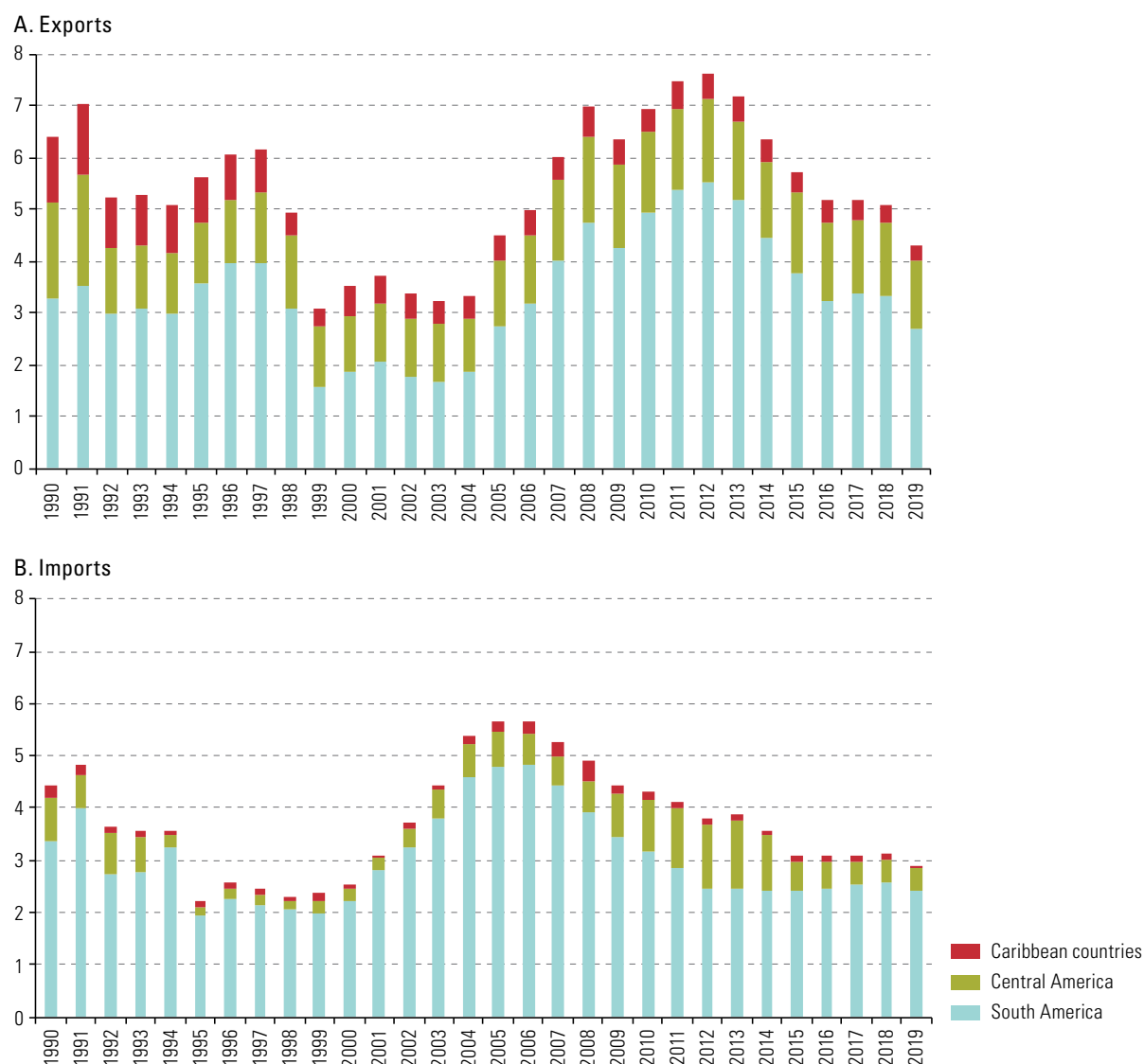
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>.

³ Amar and García Díaz (2018) document the substitution of inputs imported by Brazil from Argentina by similar products of Chinese origin, mainly in the metal-machinery, automotive, chemical and petrochemical sectors.

There has also been a sharp reduction in the region's share of Mexico's foreign trade, from levels that were already very low (see figure II.6). In particular, the Central American share in Mexican imports dropped from around 1% between 2010 and 2014 to just 0.4% since 2017, despite the geographical and cultural proximity between the two parties. The trend towards production and trade decoupling between Mexico and the rest of the region could be further accentuated by the recent entry into force of the United States, Mexico, Canada Agreement (USMCA). This contains stricter rules of origin than its predecessor, the North American Free Trade Agreement (NAFTA), in several sectors (automotive, textile and chemical, among others), thus discouraging the use of inputs not originating in the three member countries.

Figure II.6

Mexico: share of South America, the Caribbean and Central America in total goods trade, 1990–2019
(Percentages)



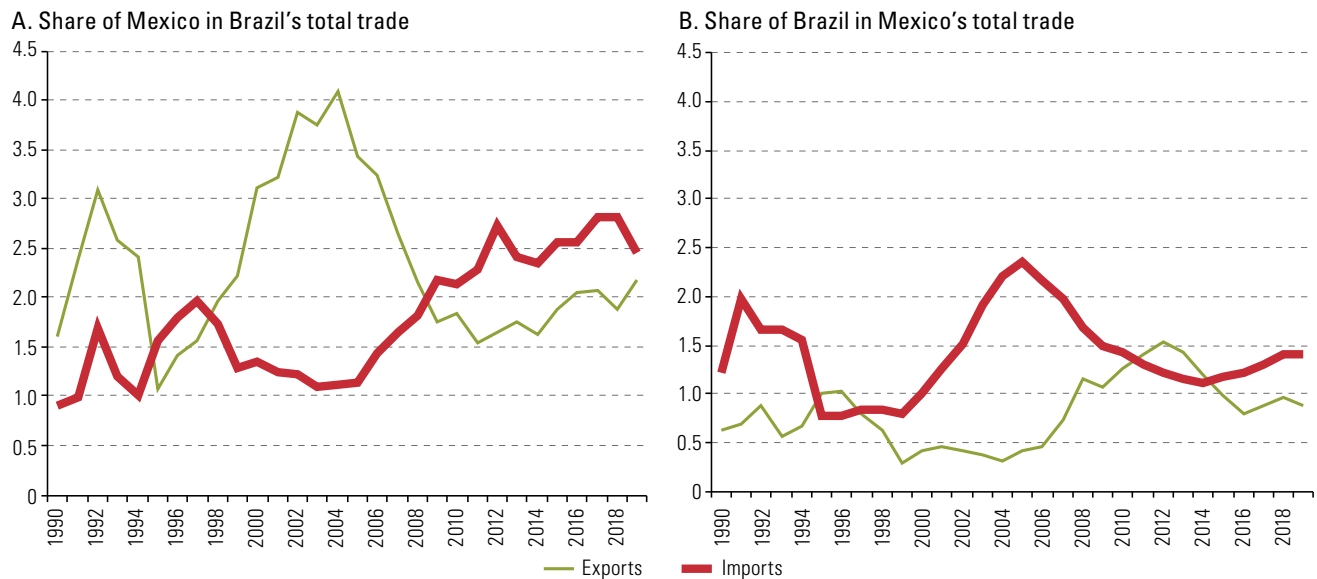
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>.

Reversing the region's trade decoupling process is an urgent challenge for Latin America and the Caribbean, in which it will be crucial to deepen the links between Mexico and MERCOSUR, and particularly Brazil. Despite various attempts, the region's two largest and most sophisticated economies do not have a trade agreement in force between them;⁴ and the bulk of their trade is conducted on a non-preferential basis. According to August 2020 data, Brazil offered tariff preferences to Mexico on just 18.2% of all tariff lines, while the equivalent proportion in the opposite direction was 18.5%.⁵ Given this context, trade interdependence between the two countries remains at very low levels (see figure II.7).

Figure II.7

Brazil and Mexico: reciprocal shares in total goods trade, 1990–2019

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>.

Forming an integrated regional space requires participation by both Brazil and Mexico, since they jointly account for 55% of the region's GDP and 53% of its population. Although the two countries compete in various sectors (especially manufacturing), this also opens up opportunities for production integration and intraindustry trade. Insofar as this type of exchange also incorporates suppliers from other countries in the region, it could become a powerful driving force for intraregional trade, as has been the case with production networks in East and Southeast Asia.

⁴ The exception is the automotive sector, which, since 2003, has been governed by a specific agreement between Mexico and MERCOSUR. After successive renegotiations, there has been free trade in automobiles between Mexico and Brazil since March 2019, while trade between Mexico and Argentina will remain subject to bilateral quotas until 2022.

⁵ Figures provided by the LAIA General Secretariat.

Given the heavy economic and demographic weight of both groupings, the convergence agenda between the Pacific Alliance and MERCOSUR offers, in principle, a promising path for gradually fostering closer links between South America and Mexico and, hence, move towards an integrated regional space.⁶ Thus far, limited progress has been made on implementing the Puerto Vallarta Action Plan between the countries of the Pacific Alliance and MERCOSUR, as agreed to by the members of these two groupings in 2018. Aside from this process, however, the progress that has been made should facilitate convergence between the two blocs in the medium term (see box II.1).

Box II.1

Towards convergence between the Pacific Alliance and MERCOSUR

The first approaches between the Pacific Alliance and the Southern Common Market (MERCOSUR) took place in 2014. In July 2018, the Presidents of the member countries of both groups signed the Puerto Vallarta Action Plan between the countries of the Pacific Alliance and MERCOSUR. This plan provides for various actions in the domains of non-tariff barriers, regional value chains, cumulation of origin, trade facilitation, regulatory cooperation, trade promotion and micro, small and medium-sized enterprises (MSMEs), service trade facilitation, digital agenda, investment facilitation, inclusive trade and gender, among others.

Most of the actions included in the Puerto Vallarta Action Plan represent exploratory initiatives (studies, meetings of experts and exchanges of experiences and good practices); but in some areas more precise objectives are defined. One example is trade facilitation, where the World Trade Organization (WTO) Agreement on Trade Facilitation, which has been in force since February 2017, represents a common floor of obligations from which the two blocs can define more ambitious commitments. Specifically, the Action Plan proposes the objective of signing mutual recognition agreements between the national authorized economic operator (AEO) programmes of the members of both blocs. These agreements would make a significant contribution to strengthening supply-chain security and better control of trade-related health risks—an issue that has become very important since the outbreak of coronavirus disease (COVID-19). Moreover, by simplifying customs procedures applicable to AEO-certified operators and expediting the cross-border movement of goods, a mutual recognition agreement would foster the development of production linkages between the countries of the two blocs and enhance their international competitiveness.

Thus far, all members of the Pacific Alliance and MERCOSUR (except the Bolivarian Republic of Venezuela) have implemented AEO programmes; and both the Pacific Alliance (in 2018) and MERCOSUR (in 2019) have signed mutual recognition agreements between the national programmes of their respective members. In July 2019, the customs authorities of the eight countries also signed a plan of action to conclude a mutual recognition agreement between the two blocs. The restrictions imposed by COVID-19 have meant that the verification visits to each country needed to move this agreement forward are currently suspended, but they are expected to resume as soon as health conditions permit.

Apart from the Puerto Vallarta Action Plan, the last few years have seen progress which should facilitate convergence between the two blocs in the medium term, including the following:

- The signing, between 2015 and 2016, of investment facilitation agreements between Brazil and the four members of the Pacific Alliance, although none is currently in force.
- The signing, between 2016 and 2018, of bilateral free trade agreements between Chile and three MERCOSUR members: Argentina, Brazil and Uruguay. These agreements encompass issues such as public procurement, investment, trade facilitation and e-commerce, which were not addressed in the 1996 Mercosur-Chile Economic Complementation Agreement (ACE-35), but are covered by the Additional Protocol to the Pacific Alliance Framework Agreement. The agreements with Argentina and Uruguay are already in force, and the agreement with Brazil completed its parliamentary process in Chile in August 2020.
- The signing, since 2017, of agreements in MERCOSUR on investment facilitation, public procurement and trade facilitation. Once these instruments enter into force, MERCOSUR will have regulatory development in these three areas comparable to that of the Pacific Alliance, which would facilitate subsequent convergence.

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

⁶ Another “missing link”—understood as the lack of a trade agreement—is between MERCOSUR and Central America. Progress on liberalizing trade between the Caribbean and the rest of the region is also very incipient.

B. Trend and composition of intraregional trade

1. Production integration and trade

An analysis of the sectoral production structure in 18 of the region's countries in 2014 reveals major similarities. While services constitute the largest sector throughout the region (see table II.5), the agriculture and agribusiness sectors also have large shares, especially in the Central American countries and the smaller economies of the Andean Community and MERCOSUR. In contrast, Brazil and Mexico, and to a lesser extent Argentina and Colombia, have stronger and more diversified manufacturing industries. These patterns determine the nature of production complementarities, which in turn are reflected in the size and composition of intraregional trade flows.

Table II.5

Latin America (18 countries): structure of gross production value, 2014
(Percentages)

Large economic sectors	Southern Common Market (MERCOSUR)					Andean Community			Pacific Alliance				Central American Common Market (CACM)					Dominican Republic
	Argentina	Brazil	Paraguay	Uruguay	Venezuela (Bolivarian Republic of)	Bolivia (Plurinational State of)	Ecuador	Colombia	Peru	Chile	Mexico	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	
Agriculture, hunting and fishing	7.4	4.5	12.4	7.7	4.9	9.3	8.8	5.0	5.5	4.8	3.4	6.6	6.0	10.6	10.3	14.7	3.1	4.9
Oil and mining	3.8	3.3	0.5	0.6	11.3	19.1	9.6	7.3	8.4	10.3	8.5	0.4	0.2	1.5	0.8	2.4	1.6	2.0
Food, beverages and tobacco	10.3	6.3	16.4	11.0	10.5	12.7	10.5	6.8	7.9	7.8	9.3	9.5	12.2	12.1	15.2	15.8	5.2	9.8
Textiles, apparel and footwear	1.8	1.6	2.2	1.1	0.6	1.2	1.3	1.8	2.2	0.4	2.4	0.6	7.4	1.9	12.8	5.4	0.1	1.9
Wood, pulp and paper	1.7	1.5	2.3	2.6	1.5	1.7	1.9	1.2	1.7	2.7	1.2	1.4	2.1	1.5	0.9	0.8	0.7	0.2
Chemicals and petrochemicals	5.6	7.2	2.2	4.1	7.0	2.4	3.5	5.8	4.8	3.8	3.6	1.7	1.7	2.2	0.9	3.2	0.6	2.8
Rubber and plastics	1.3	1.1	0.8	0.8	0.9	0.2	0.9	0.8	1.0	0.8	0.2	1.2	1.5	1.2	0.5	0.2	0.2	0.9
Non-metallic minerals	0.8	1.0	1.2	0.6	0.6	2.1	1.1	1.8	1.5	0.8	0.9	0.9	0.9	1.2	1.0	1.0	2.4	1.5
Metals and derived products	2.5	2.6	1.6	1.1	2.1	0.9	2.0	1.4	2.2	1.5	2.4	0.9	1.7	1.2	0.9	0.4	0.4	1.1
Machinery and equipment	1.4	1.4	0.2	0.1	0.2	0.0	0.6	0.7	0.6	0.3	5.3	0.2	0.2	0.3	0.1	0.0	0.0	0.1
Vehicles and their parts	2.3	3.1	0.3	0.5	0.5	0.0	0.7	0.7	0.5	0.2	4.5	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Other manufacturing	0.5	0.7	2.1	0.6	1.1	0.2	1.2	0.7	2.4	0.8	0.4	0.8	1.2	1.1	0.7	0.2	0.3	1.5
Services	60.3	65.9	57.7	69.4	58.8	50.2	57.9	66.0	61.3	65.7	58.0	75.8	64.8	65.2	55.6	55.8	85.5	73.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of world input-output tables for 2014 [online] <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-america>.

Table II.6 reports bilateral indices of the similarity of production structures for a set of 18 countries from which comparable data could be obtained. The results of this exercise are indicative of greater or lesser complementarity between the respective economies. If the index between country pairs is high (as in the case between Argentina and Brazil; between Ecuador, Colombia and Peru; and between Costa Rica, El Salvador and Honduras), the similarity of their production structures could be expected to lead

them to compete for the benefits of external markets. This is without prejudice to the fact that this same similarity can be an important source of intraindustry trade opportunities (that is, opportunities for two countries to trade differentiated products within the same industry). Conversely, lower rates between country pairs are indicative of interindustry complementarity. This type of complementarity can be seen most clearly in energy and agribusiness between the countries of South America and those of Central America. In the latter subregion, Mexico is the country with which complementarities are greatest.

Table II.6

Latin America (18 countries): production structure similarity indices, 2014^a

	Argentina	Brazil	Paraguay	Uruguay	Venezuela (Bolivarian Republic of)	Bolivia (Plurinational State of)	Ecuador	Colombia	Peru	Chile	Mexico	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
Brazil	0.89	1.00															
Paraguay	0.79	0.73	1.00														
Uruguay	0.86	0.82	0.79	1.00													
Venezuela (Bolivarian Republic of)	0.83	0.84	0.76	0.78	1.00												
Bolivia (Plurinational State of)	0.74	0.67	0.74	0.72	0.77	1.00											
Ecuador	0.83	0.79	0.81	0.85	0.88	0.83	1.00										
Colombia	0.81	0.84	0.75	0.78	0.87	0.74	0.87	1.00									
Peru	0.86	0.84	0.75	0.82	0.82	0.76	0.84	0.82	1.00								
Chile	0.80	0.83	0.76	0.80	0.89	0.78	0.87	0.90	0.85	1.00							
Mexico	0.71	0.73	0.62	0.63	0.75	0.69	0.75	0.77	0.71	0.77	1.00						
Costa Rica	0.80	0.80	0.75	0.81	0.79	0.68	0.78	0.81	0.75	0.83	0.69	1.00					
El Salvador	0.80	0.79	0.83	0.79	0.80	0.72	0.79	0.81	0.75	0.83	0.69	0.84	1.00				
Guatemala	0.83	0.77	0.83	0.86	0.73	0.72	0.78	0.71	0.79	0.72	0.60	0.75	0.78	1.00			
Honduras	0.79	0.73	0.84	0.77	0.73	0.73	0.76	0.71	0.70	0.72	0.60	0.76	0.85	0.79	1.00		
Nicaragua	0.75	0.73	0.83	0.76	0.75	0.74	0.79	0.76	0.69	0.75	0.69	0.76	0.80	0.74	0.83	1.00	
Panama	0.68	0.74	0.64	0.73	0.70	0.64	0.71	0.77	0.70	0.77	0.66	0.79	0.74	0.64	0.65	0.65	1.00
Dominican Republic	0.70	0.72	0.70	0.74	0.73	0.69	0.77	0.81	0.71	0.78	0.78	0.79	0.76	0.66	0.67	0.76	0.80

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of world input-output tables for 2014 [online] <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-americas>.

^a The similarity index is calculated as the sum of the minimum values resulting from the overlap of the production structures of each pair of countries. A value of 1 indicates equality and a value closer to 0 is indicative of large differences. Values higher than 0.80 indicate highly similar production structures.

Of the different integration mechanisms, the Pacific Alliance has the lowest intensity of exports to the region: on average, just 9.2% of its exports in 2018 and 2019 were absorbed by the regional market (see table II.7). In contrast, the Central American countries have the highest relative level of intraregional exports, although their main market is the United States. The other integration mechanisms all send between 22% and 23% of their exports to the regional market. In contrast to the pattern of Mexico and Central America, which is more closely linked to the United States, the South American integration mechanisms export relatively more to Asia and the European Union. It should be noted that, excluding Mexico, the share of intraregional trade measured by exports rose from 14.8% to 21.5% in 2018–2019.⁷

⁷ The intraregional share of trade is generally above average in the smaller economies (see annex tables II. A1.1 and II. A1.2).

Table II.7

Latin America and the Caribbean (main integration mechanisms): structure of exports by main partners, average 2018–2019 (Percentages)

	Latin America and the Caribbean	United States	European Union	China	Rest of Asia	Rest of the world	World
Southern Common Market (MERCOSUR)	21.5	13.4	15.8	21.5	13.1	14.7	100.0
Andean Community	22.8	20.7	13.9	18.9	14.2	9.4	100.0
Pacific Alliance	9.2	58.4	7.3	9.2	6.9	9.0	100.0
Central American Common Market (CACM)	30.8	43.9	14.0	1.2	5.3	4.8	100.0
Caribbean Community (CARICOM)	22.1	32.1	17.0	2.6	7.9	18.3	100.0
Latin America and the Caribbean	14.8	42.1	10.7	12.5	9.1	10.9	100.0
Latin America and the Caribbean (excluding Mexico)	21.5	18.5	14.7	19.9	13.4	11.9	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>.

Note: The information for the following countries was completed using mirror statistics of their trading partners: Bahamas, the Bolivarian Republic of Venezuela, Cuba, Dominica, Grenada, Haiti, Honduras, Saint Kitts and Nevis, Saint Lucia, Panama, and Trinidad and Tobago.

A similar pattern is obtained when intraregional trade is measured by imports: CACM displays the highest intraregional trade coefficient, while the Pacific Alliance has the lowest. The United States accounts for a smaller share of the region's imports than of its exports, while the opposite is true for the European Union, China and the rest of Asia (see table II.8).

Table II.8

Latin America and the Caribbean (main integration mechanisms): structure of imports by main partners, average 2018–2019 (Percentages)

	Latin America and the Caribbean	United States	European Union	China	Rest of Asia	Rest of the world	World
Southern Common Market (MERCOSUR)	21.3	16.7	18.6	20.1	12.6	10.8	100.0
Andean Community	26.7	21.9	13.1	21.3	11.0	6.0	100.0
Pacific Alliance	8.7	39.8	12.1	19.4	15.1	5.0	100.0
Central American Common Market (CACM)	35.4	31.8	7.5	10.7	7.9	6.7	100.0
Caribbean Community (CARICOM)	25.3	35.6	9.9	6.3	15.0	7.8	100.0
Latin America and the Caribbean	15.4	32.5	13.5	18.3	13.6	6.7	100.0
Latin America and the Caribbean (excluding Mexico)	24.7	22.1	15.1	18.4	11.4	8.3	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>.

Note: The information for the following countries was completed using mirror statistics of their trading partners: Bahamas, the Bolivarian Republic of Venezuela, Cuba, Dominica, Grenada, Haiti, Honduras, Saint Kitts and Nevis, Saint Lucia, Panama, and Trinidad and Tobago.

The intraregional exports of MERCOSUR and the Central American Common Market mostly stay within these same groupings (see table II.9), which accounted for an average of 53% and 77% of their shipments to the region as a whole, respectively, in 2018–2019. In contrast, in the Pacific Alliance, the Andean Community and CARICOM, trade within each grouping accounts for less than half of the value of their intraregional shipments. In the case of imports, MERCOSUR is the only grouping where intragroup trade represents more than half of intraregional purchases (see table II.10). MERCOSUR is a major supplier to the Andean Community and the Pacific Alliance; and the latter is a leading supplier to both CACM and CARICOM.

Table II.9

Latin America and the Caribbean (main integration mechanisms): intraregional exports by destination, average 2018–2019 (Percentages)

	Southern Common Market (MERCOSUR)	Andean Community	Pacific Alliance	Central American Common Market (CACM)	Caribbean Community (CARICOM)	Other destinations ^a	Latin America and the Caribbean ^b
Southern Common Market (MERCOSUR)	11.4	3.4	7.0	1.1	0.2	0.5	21.5
Andean Community	6.1	7.2	9.2	4.8	0.1	0.5	26.3
Pacific Alliance	2.6	2.7	2.8	2.0	0.4	0.3	8.8
Central American Common Market (CACM)	0.7	3.1	4.4	23.8	1.3	1.2	30.8
Caribbean Community (CARICOM)	2.8	2.8	6.4	1.0	9.6	0.1	22.0
Latin America and the Caribbean	5.3	3.0	4.5	2.7	0.6	0.3	14.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>, and official information from the countries.

^a Includes Cuba and the Dominican Republic.

^b The figures shown in the Latin America and Caribbean column are not equal to the sum of all the other columns, mainly because Colombia and Peru are members of both the Pacific Alliance and the Andean Community.

Table II.10

Latin America and the Caribbean (main integration mechanisms): intraregional imports by origin, average 2018–2019 (Percentages)

	Southern Common Market (MERCOSUR)	Andean Community	Pacific Alliance	Central American Common Market (CACM)	Caribbean Community (CARICOM)	Other destinations ^a	Latin America and the Caribbean ^b
Southern Common Market (MERCOSUR)	13.5	2.8	5.8	0.1	0.0	0.0	21.3
Andean Community	10.0	7.6	12.8	1.3	0.0	0.1	26.7
Pacific Alliance	4.2	1.9	2.8	0.4	0.2	0.0	8.7
Central American Common Market (CACM)	4.5	7.1	13.7	14.3	0.3	0.1	35.4
Caribbean Community (CARICOM)	4.6	7.0	10.0	2.3	10.0	0.4	25.3
Latin America and the Caribbean	6.9	3.0	5.3	1.6	0.5	0.1	15.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>, and official information from the countries.

^a Includes Cuba and the Dominican Republic.

^b The figures shown in the Latin America and Caribbean column are not equal to the sum of all the other columns, mainly because Colombia and Peru are members of both the Pacific Alliance and the Andean Community.

The breakdown of intraregional trade by major economic sector and by main integration blocs, shows the greater relative importance of certain low-tech manufacturing sectors (mainly food, beverages and tobacco, wood and paper, textiles and apparel, and non-metallic minerals) and a number of medium-tech sectors (chemicals and petrochemicals, rubber and plastics, and pharmaceuticals). In all of these groups, the coefficient of trade within each bloc is above average, in some cases above 30% (see table II.11).

The automotive industry has the largest share in intraregional trade, followed by the machinery and equipment; oil and mining; chemicals and petrochemicals; and food, beverage and tobacco sectors (see figure II.8). This pattern is explained mainly by trade between blocs, rather than within each one. For example, Argentina, Brazil and Mexico supply both vehicles and machinery and equipment to the other countries and blocs. Similarly, the Andean Community sells mining, energy and agribusiness products to MERCOSUR, CACM and CARICOM. The sectoral composition of intraregional trade is heavily biased by shipments from the larger economies, mainly Brazil and Mexico.

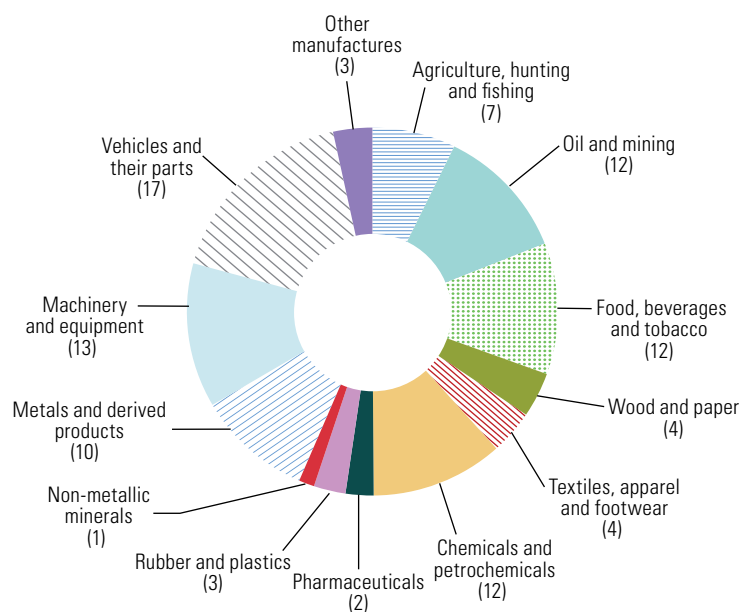
Table II.11

Latin America and the Caribbean: coefficients of trade within each integration bloc, by major economic sector, average 2018–2019
(Percentages of total exports and imports of each sector)

Economic sectors	Latin America and the Caribbean		Southern Common Market (MERCOSUR)		Andean Community		Pacific Alliance		Central American Common Market (CACM)	
	X	M	X	M	X	M	X	M	X	M
Agriculture, hunting and fishing	10	27	7	55	1	5	3	5	5	27
Oil and mining	19	17	3	3	5	14	4	5	13	17
Food, beverages and tobacco	18	32	8	40	16	25	5	11	26	32
Wood and paper	20	30	6	33	33	12	9	9	61	30
Textiles, apparel and footwear	22	16	19	10	15	6	6	2	18	16
Chemicals and petrochemicals	41	21	24	9	30	8	13	6	63	21
Pharmaceuticals	59	18	26	4	42	5	16	5	72	18
Rubber and plastics	35	21	42	21	42	11	6	3	50	21
Non-metallic minerals	33	24	18	18	17	10	8	7	59	24
Metals and metal products	9	17	6	22	3	7	2	5	40	17
Machinery and equipment	8	7	19	6	29	2	2	2	7	7
Vehicles and their parts	16	17	41	46	37	3	2	4	4	17
Other manufactures	13	9	21	16	1	4	2	1	10	9
All sectors	15	15	11	14	7	8	3	3	24	14

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>, and official information from the countries.

Note: X = exports; M = imports.

**Figure II.8**

Latin America and the Caribbean: structure of intraregional trade measured by imports, average 2018–2019
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>, and official information from the countries.

In addition to the intraregional trade coefficient, the potential of the economic sectors that make up intraregional trade can be measured by each sector's intraregional flows as a share of total trade flows. The structure of trade within each group is then analysed in light of the expansion of global demand in 2011–2018, and also by the share of intermediate goods within each sector.

A salient feature of the structure of intraregional trade is the large share of the oil and mining sector in the Andean Community and the Caribbean Community (see table II.12). In both cases, this reflects the abundant endowment of these natural resources in

some of their economies. This makes the economies in question better able to enter global value chains as suppliers of energy (mainly gas, oil and coal) and some minerals (bauxite, copper, zinc and tin, among others). However, the oil and mining sector actually performed the worst in world trade in the 2010 decade (see table II.13).

Table II.12

Latin America and the Caribbean (selected integration mechanisms): distribution of imports within each grouping, by sector, average 2018–2019
(Percentages)

Economic sectors	Southern Common Market (MERCOSUR)	Andean Community	Pacific Alliance	Central American Common Market (CACM)	Caribbean Community (CARICOM)
Agriculture, hunting and fishing	12	3	5	5	6
Oil and mining	2	24	13	2	39
Food, beverages and tobacco	9	24	11	27	19
Wood and paper	3	4	6	7	4
Textiles, apparel and footwear	2	4	3	21	1
Chemicals and petrochemicals	9	15	15	10	10
Pharmaceuticals	1	3	2	5	2
Rubber and plastics	3	4	3	7	1
Non-metallic minerals	1	2	2	2	4
Metals and metal products	9	7	11	8	5
Machinery and equipment	10	5	18	4	3
Vehicles and their parts	37	4	10	0	5
Other manufactures	2	1	2	3	1
All sectors	100	100	100	100	100

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>, and official information from the countries.

Table II.13

Dynamism of global demand for intermediate inputs, by major economic sector, 2001–2018

Large economic sectors	Annual growth rate of world imports, 2001–2018 (percentages)	Number of intermediate goods	Share of intermediate goods in total products (percentages)	Sector's share in world imports of intermediate goods (2018) (percentages)	Type of sector ^a
Agriculture, hunting and fishing	1.1	169 of 436	39	2	Dynamic
Oil and mining	-3.8	108 of 108	100	19	Declining
Food, beverages and tobacco	1.1	172 of 641	27	2	Dynamic
Textiles, apparel and footwear	1.3	572 of 903	63	2	Dynamic
Wood and paper	0.1	345 of 345	100	3	Stagnant
Chemicals and petrochemicals	0.4	927 of 994	93	16	Stagnant
Pharmaceuticals	3.2	109 of 135	81	3	Dynamic
Rubber and plastics	1.0	219 of 228	96	7	Dynamic
Non-metallic minerals	1.6	178 of 183	97	1	Dynamic
Metals and derived products	0.6	551 of 600	91	12	Stagnant
Machinery and equipment	2.5	428 of 1 113	38	19	Dynamic
Vehicles and their parts	3.2	72 of 153	47	5	Dynamic
Other manufactures	-1.4	97 of 223	43	8	Stagnant
All products	0.8	3 838 of 5 927	65	100	

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>, and official information from every country which has reported its trade figures.

Note: Data for 2019 are not included owing to a lack of information from China and other economies.

^a Dynamic = above-average growth; Stagnant = above-zero, but below-average growth; Declining = negative growth rate.

Five sectors account for the largest shares of trade within the same grouping of the region's different integration mechanisms: food, beverages and tobacco; chemicals and petrochemicals; metals and derived products; rubber and plastics; and wood and paper. In CACM, the Andean Community and CARICOM, the food, beverage and tobacco

sector accounts for between 19% and 27% of imports within each grouping, while in the Pacific Alliance and MERCOSUR the sector represents 11% and 9%, respectively. In 2011–2018, imports in this sector grew by more per year than the average of global imports (1.1% versus 0.8%). Regional food exports (including both agribusiness and the agriculture, hunting and fishing sector) have also shown great resilience during the COVID-19 crisis, growing by 5.8% in value terms in the first half of 2020 relative to the year-earlier period (ECLAC/FAO, 2020).

Intragroup trade in the chemicals and petrochemicals and metal and derived products sectors is intensive in the semi-finished raw materials used to manufacture new products, either for domestic consumption or for export. A wide range of industries require intermediate inputs from these two sectors, including food, beverages and tobacco and the rest of the manufacturing industry. The two sectors account for 28% of global imports of intermediate goods (see table II.13).

The rubber and plastics and wood and paper sectors share the fact that they are largely complementary sectors among all the member countries of each subregional grouping. A large number of small and medium-sized export firms coalesce around these sectors, which serve both the domestic economies and the regional market. All the sectors analysed in this section have a large proportion of intermediate goods that are required by the entire range of industries, which makes them candidates for participation in both regional and global value chains.

A key feature of the regional market is its status as the leading destination for Latin American exports as measured by the proportion of firms participating. The number of firms exporting to that market fluctuates between 31% and 84% of the universe of exporting firms in eight of the region's countries, which makes the region the leading destination for all of them, except Mexico (see table II.14). These figures far surpass the number of firms exporting to China, the European Union and the United States (with the exception of Mexico). Similarly, the composition of the business fabric linked to intraregional trade has a greater presence of MSMEs. In the same eight countries, 94% of firms that exported to the regional market were MSMEs—unlike exports to China and the European Union, in which large firms have a much larger share (see figure II.9).

Table II.14

Latin America (8 countries):^a export firms, by main destination market, last year available in each country (Numbers and percentages)

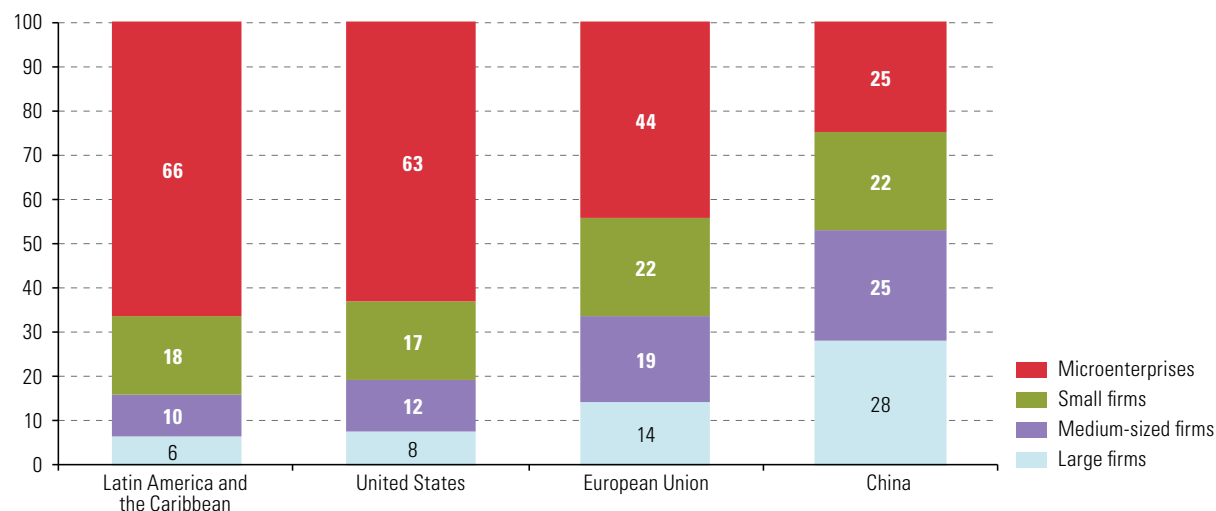
Country	Latin America and the Caribbean		United States		China		European Union		World
	Number of firms	Percentage of total	Number of firms	Percentage of total	Number of firms	Percentage of total	Number of firms	Percentage of total	
Argentina (2017)	7 649	83.5	1 941	21.2	617	6.7	1 638	17.9	9 164
Bolivia (Plurinational State of) (2012)	1 096	61.5	501	28.1	191	10.7	466	26.2	1 782
Chile (2015)	5 437	67.7	2 276	28.3	1 084	13.5	1 233	15.4	8 032
Colombia (2018)	7 593	63.8	4 028	33.8	376	3.2	2 330	19.6	11 908
Ecuador (2018)	2 390	55.8	1 927	45.0	552	12.9	1 595	37.2	4 284
Mexico (2015)	10 884	31.3	26 087	74.9	2 139	6.1	4 824	13.9	34 826
Peru (2017)	4 654	59.2	2 724	34.7	529	6.7	1 465	18.6	7 856
Uruguay (2019)	387	51.4	72	9.6	96	12.7	91	12.1	753
Total 8 countries	40 090	51.0	39 556	50.3	5584	7.1	13 642	17.4	78 605
Total (excluding Mexico)	29 206	66.7	13 469	30.8	3445	7.9	8 818	20.1	43 779

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of National Administrative Department of Statistics (DANE) of Colombia; Central Bank of the Argentine Republic; National Institute of Statistics and Geography (INEGI) of Mexico; Ministry of Production Development and Plural Economy of the Plurinational State of Bolivia; Chilean National Customs Department; National Customs Service of Ecuador; National Tax and Customs Administration of Peru, and Uruguay XXI.

^a The eight countries account for 66% of the number of Latin American and Caribbean export firms and 70% of their exports.

Figure II.9

Latin America (8 countries):^a composition of export agents, by size and destination market, last year available in each country (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of National Administrative Department of Statistics (DANE) of Colombia; Central Bank of the Argentine Republic; National Institute of Statistics and Geography (INEGI) of Mexico; Ministry of Production Development and Plural Economy of the Plurinational State of Bolivia; Chilean National Customs Department; National Customs Service of Ecuador; National Tax and Customs Administration of Peru; and Uruguay XXI.

Note: Firms were classified by size using each country's official definitions, based on total annual sales volume.

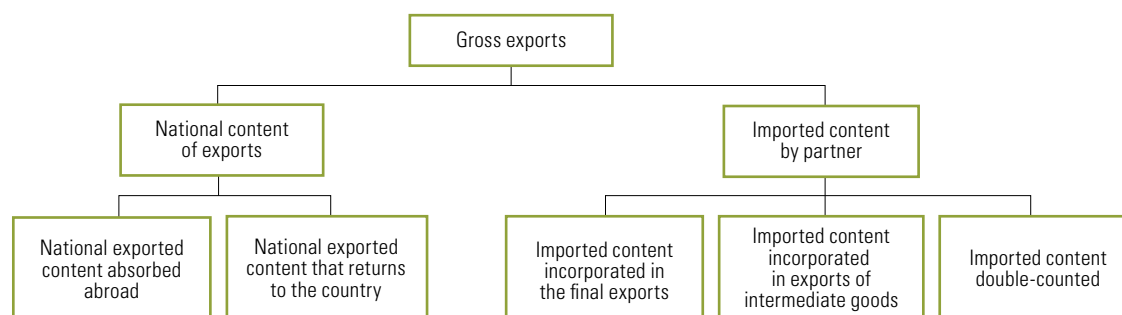
^a Argentina (2017), Bolivia (Plurinational State of) (2012), Chile (2015), Colombia (2018), Ecuador (2018), Mexico (2015), Peru (2017) and Uruguay (2019).

2. Value chains and production integration

The methodology used to analyse production integration is based on the multi-country input-output table developed by ECLAC for Latin America, together with the global matrix for 2017, which includes 71 economies.⁸ This tool makes it possible to visualize interdependencies between countries, since it captures the amount of intermediate inputs required for production in a country, both by its domestic economic sectors and by other countries, whether inside the region or outside. This reveals the intensity of intra- and extraregional value added incorporated in a country's total production. For this reason, the input-output methodology is a powerful tool for analysing value-chains at the regional, country and sector levels. Diagram II.1 illustrates in detail the possible breakdown of gross exports, which is then developed at the level of partners and product groups.

Diagram II.1

Structure of gross exports by national value added and imported inputs incorporated



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J. Durán Lima and others, "Análisis económicos a partir de matrices de insumo producto nacionales, regionales y globales", Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2020, forthcoming.

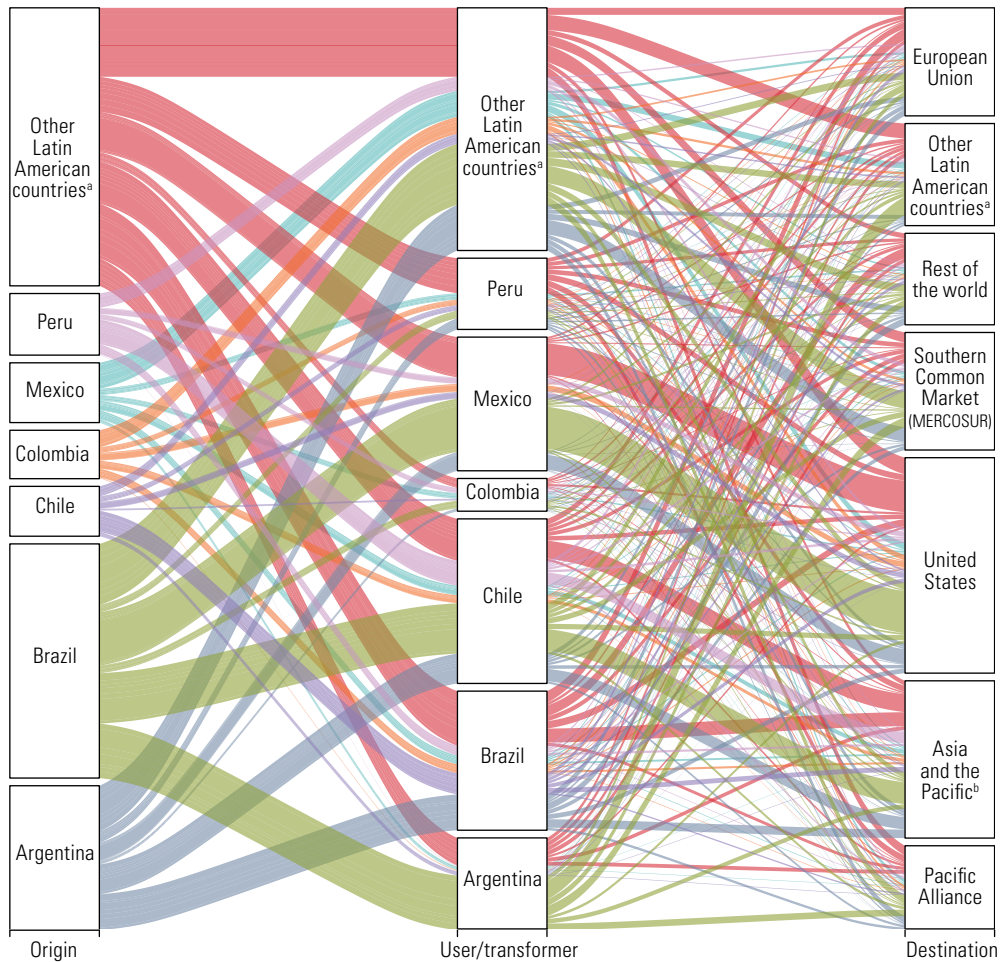
⁸ The multi-country input-output table used can be consulted [online] at <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-america>. For technical details, see ECLAC/ESPAP/BAsD (2019), Durán Lima (2019) and ECLAC (2016c).

The analyses based on the multi-country input-output table will be complemented with microdata from customs and production at the firm level, where available. This reveals the size of the economic actors involved in the production process in the country producing the intermediate or final good, as well as in the country providing the intermediate inputs. This feature is very important for measuring the weight of trade involving small and medium-sized exporters.

Figure II.10 shows the traceability of flows of value added exported from a group of countries in the region. The first column shows the origin of each country's value added that is exported to other countries in the region (second column), where they are transformed into new products that incorporate these inputs. The new products are then exported to other destinations (third column). The first two columns include the Latin American countries with the highest intensity of intraregional trade; and the last column includes some of their main destinations (United States, Asia and the Pacific, European Union, MERCOSUR, Pacific Alliance, other Latin American countries and the rest of the world).

Figure II.10

Latin America (18 countries): traceability of flows exported value added, 2017



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of world input-output tables for 2017 [online] <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-america>.

^a "Other Latin American countries" includes the Bolivarian Republic of Venezuela, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, the Plurinational State of Bolivia and Uruguay.

^b "Asia and the Pacific" includes Australia, Brunei Darussalam, Cambodia, China, Indonesia, Japan, Lao People's Democratic Republic, Malaysia, Mongolia, Myanmar, New Zealand, Philippines, Republic of Korea, Singapore, Thailand and Viet Nam.

The wavy lines connecting the columns give an idea of the traceability of trade flows, measured by exports. For example, an analysis of the second column shows that Chile imports products more intensively from Argentina, Brazil and Peru than from Mexico and other countries in the region. It can also be seen that its exportable production is directed to various destinations, particularly Asia and the Pacific, MERCOSUR and the United States. In the case of Mexico, the strongest connections in terms of imports of intermediate inputs are with Brazil. The main destination of its exported value added is the United States, as evidenced by the thicker green line.

In aggregate terms, the information represented in figure II.10 reveals a “hard core” in regional production integration, consisting of six countries: the four members of the Pacific Alliance (Colombia, Chile, Mexico and Peru) and the two largest MERCOSUR economies (Brazil and Argentina). These account for much of the region’s flows of exported value added; it can therefore be said that this is where the bulk of intraindustry relations and interdependencies within Latin America reside.⁹ These countries also have a well-diversified export structure oriented towards Asia and the Pacific, the United States and Europe. The figure also shows that the region’s other countries have significant interdependencies with the aforementioned six countries, from which their production is re-exported to the rest of the world.

An analysis of the relationship between Latin America and the different destinations of its exported value added by economic sector, and especially between South America and the Asia and Pacific region, shows that the primary sectors are the main origin of Latin American value chains. In the region, primary products with little processing and natural-resource-based semi-finished products are reprocessed and finished in the rest of the world. Services are also relevant at the start of value chains as suppliers of intermediate inputs, and they are in demand across all export sectors.

An analysis of the traceability of intraregional trade by large sectors and the final destinations of the value added, shows that there is a large proportion of trade that includes value added from other manufacturing¹⁰ and services. In terms of the origin of value added exported by the goods processing sector, primary products (agriculture, livestock, hunting and fishing, and minerals) predominate over natural-resource-based manufactures (processed metals, wood and furniture, and textiles and clothing). Most processed primary products and natural resource-based manufactures are sent mainly to Asia and the Pacific or to the rest of the world. Intraregional trade is different, with other manufactures accounting for the bulk of exported value added (see figure II.11).

The breakdown of exported national value added by main partner shows that countries that mainly export to markets within the region include Argentina, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, the Plurinational State of Bolivia and Uruguay (see figure II.12). In all cases, each country has a particularly strong relationship with the integration mechanism of which it is a member. For example, Argentina, Paraguay and Uruguay show greater production integration with MERCOSUR; and in the cases of Costa Rica, Nicaragua, Panama and El Salvador, the strongest trade relationship is with their CACM partners.

⁹ Amar and Torchinsky Landau (2019) perform a similar analysis to that presented here.

¹⁰ This sector includes products from the chemical and petrochemical industries, rubber and plastics, metals and derived products, electrical and non-electrical machinery, vehicles and other transport equipment, among others.

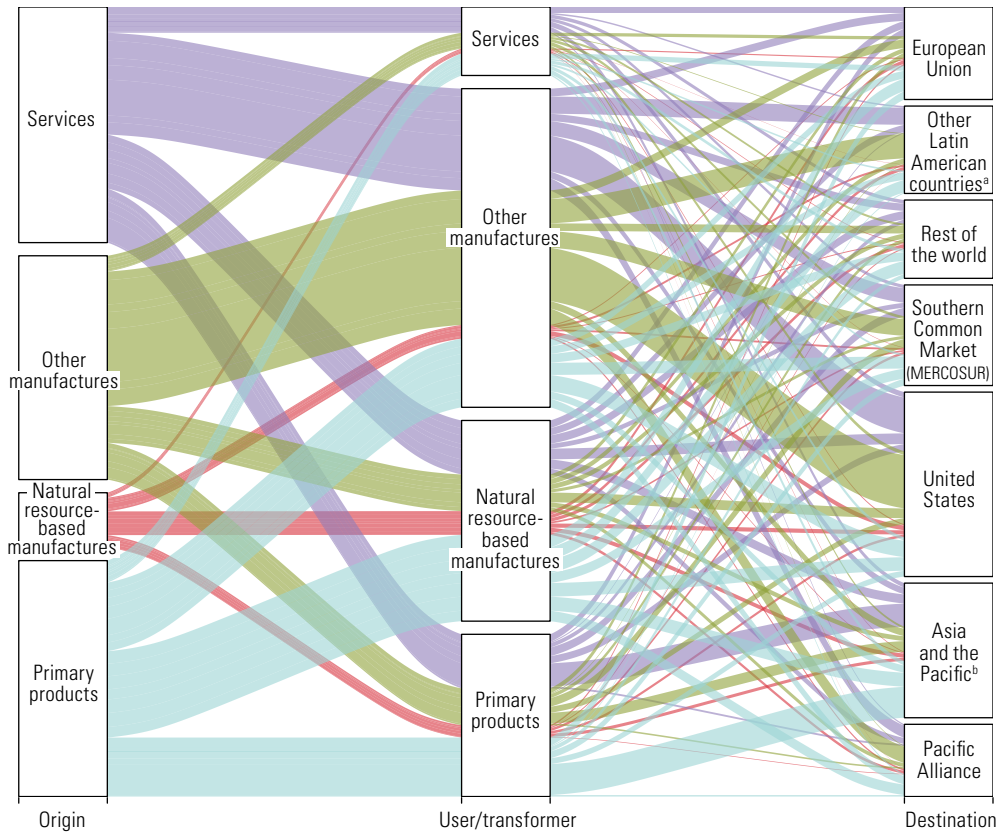


Figure II.11
Latin America: flows of value added exported to selected destinations, by sector of origin and re-export sector, 2017

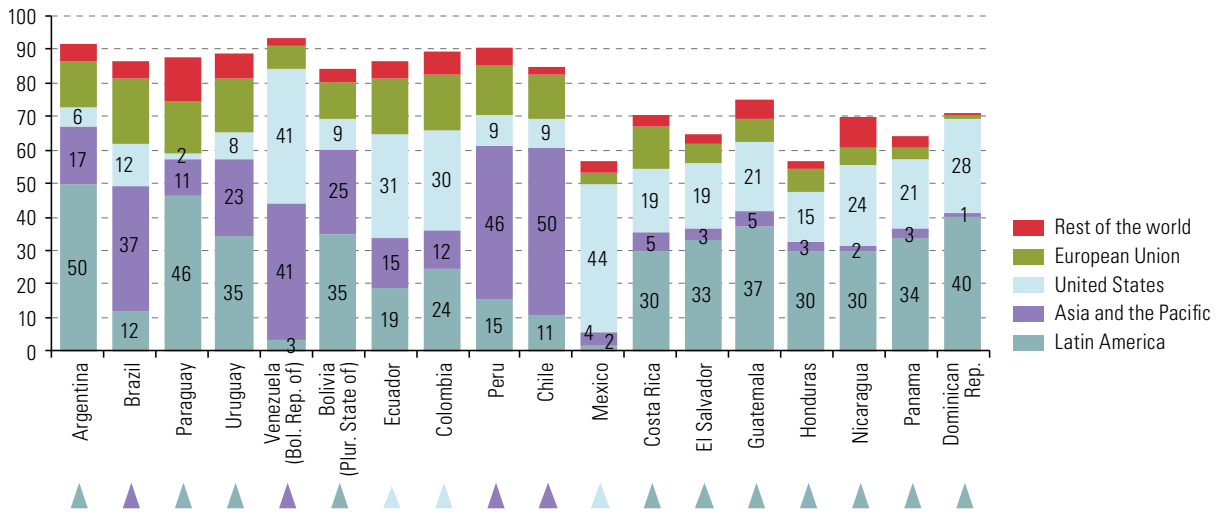
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of world input-output tables for 2017 [online] <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-america>.

^a “Other Latin American countries” includes the Bolivarian Republic of Venezuela, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, the Plurinational State of Bolivia and Uruguay.

^b “Asia and the Pacific” includes Australia, Brunei Darussalam, Cambodia, China, Indonesia, Japan, Lao People’s Democratic Republic, Malaysia, Mongolia, Myanmar, New Zealand, Philippines, Republic of Korea, Singapore, Thailand and Viet Nam.

Figure II.12

Latin America (18 countries): national value added contained in exports, by main destination, 2017^a
(Percentages of gross exports)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of world input-output tables for 2017 [online] <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-america>.

Note: The coloured triangles indicate the main destination of each country’s exports.

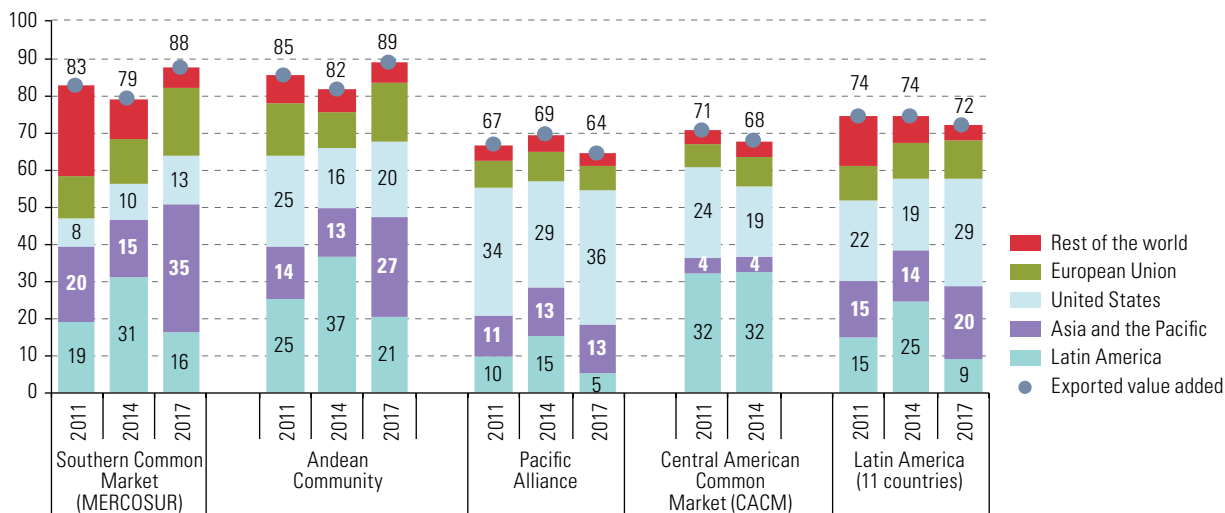
^a In the cases of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama, the calculations were based on the regional input-output table for Latin America for 2014.

Among the countries in the region, Mexico directs the largest proportion of its national value added to the United States, exporting to that country 44 percentage points of the 57% of value added that it exports. Other countries that have the United States as their main destination for exported national value added are the Bolivarian Republic of Venezuela, Colombia and Ecuador.¹¹ In the case of the six Central American countries and the Dominican Republic, the United States provide the second largest destination for their exported value added. Lastly, a third group of countries (Brazil, Chile and Peru) send the largest share of their exported national value added to Asia.

The main Latin American subregions exhibit differentiated patterns of production linkage with Asia and the Pacific, which absorbs a much larger share of South American exports than those of Central America (see figure II.13). It should be noted that the share of value added originating in Latin America in the region's total exports almost doubled between 2011 and 2014, after which it plummeted until 2017. In the latter period, intraregional trade declined by much more in value added than in gross terms. The trend of the share of intraregional trade in value added terms between 2011 and 2017 behaves as procyclically as the gross trade flows.¹²

Figure II.13

Latin America (11 countries):^a national value added contained in exports, by selected integration mechanisms, by main destination, 2011, 2014 and 2017
(Percentages of gross exports)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of world input-output tables for 2011, 2014 and 2017 [online] <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-americas>.

^a The countries included are: Argentina, the Bolivarian Republic of Venezuela, Brazil, Colombia, Chile, Ecuador, Mexico, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

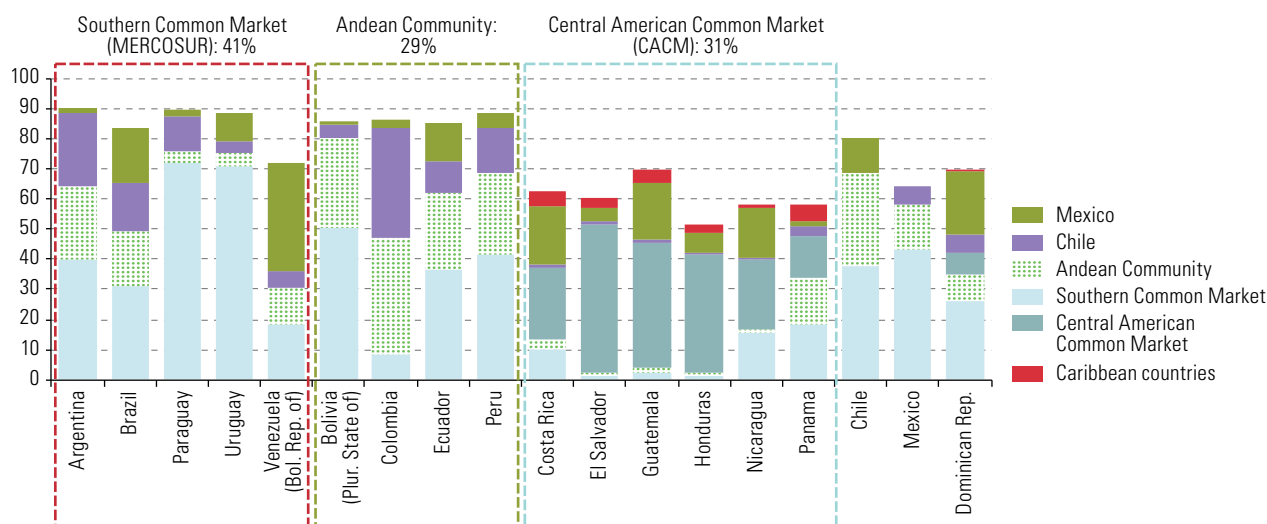
An analysis of exported value added, considering only Latin America as a final destination, shows that, of the 77% of national value added exported to the region by MERCOSUR countries, 41 percentage points stayed in MERCOSUR itself (see figure II.14). There is a similar pattern in the cases of the Andean Community and the Central American Common Market, where 29 percentage points and 31 percentage points of intraregional value added, respectively, was exported to countries within the corresponding subregion. In the case of Central America, there is greater production integration among the three northern countries (El Salvador, Guatemala and Honduras), since the national value added exported by each country to the subregional market exceeds the regional average. In the case of Chile, the national value added exported to other countries in the region is mainly destined for MERCOSUR and the Andean Community.

¹¹ In the case of the latter, the United States' share is equal to that of Asia and the Pacific (41%).

¹² The average annual GDP growth of the 11 economies considered in the analysis for 2011–2014 was 2.3%, while for 2014–2017 it was -0.2% (ECLAC, 2020b).

Figure II.14

Latin America (18 countries): national value added contained in exports to Latin America, by subregion or country of destination, 2017^a
(Percentages of gross exports)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of world input-output tables for 2017 [online] <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-america>.

Note: The percentages indicated on each of the groupings correspond to the national value added exported to countries in the same grouping, as a proportion of the total value added exported to Latin America as a whole.

^a In the case of the Central American Common Market, the data refer to 2014.

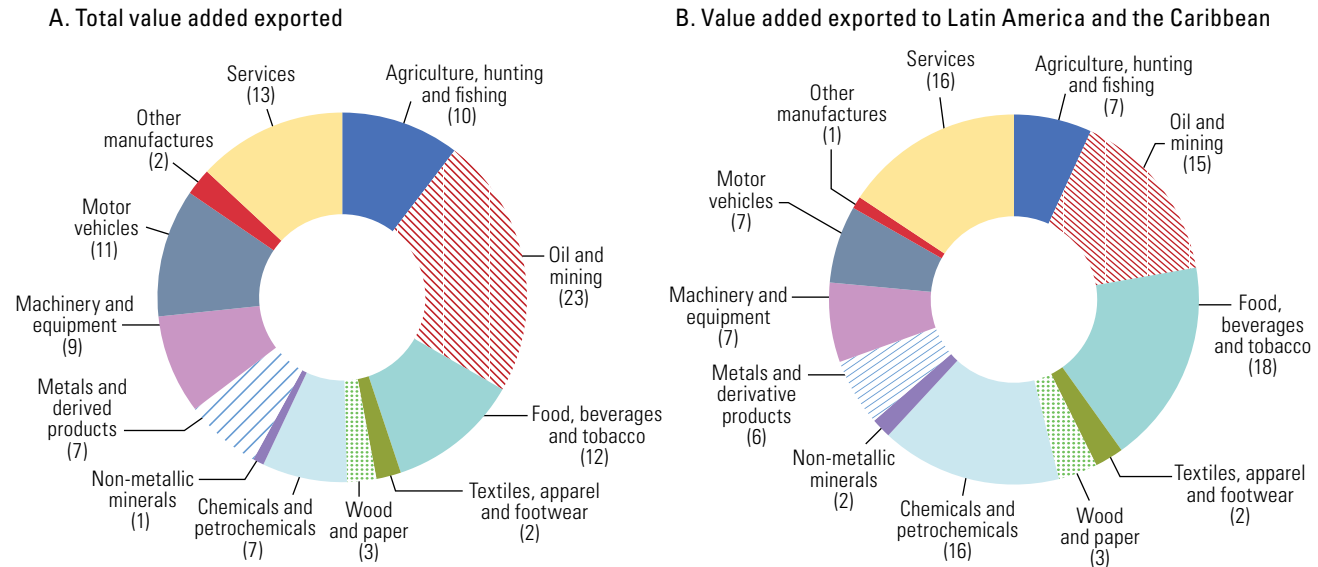
The oil and mining and services sectors jointly account for just over 36% of the total value added exported by Latin America.¹³ Among the other sectors, the food, beverage and tobacco sector generated 12% of exported regional value added, followed by the vehicle sector (11%), agriculture, hunting and fishing (10%), machinery and equipment (9%) and chemicals and petrochemicals (7%) (see figure II.15A). A comparison of the structure of total value added exported with that of value added exported to the region reveals a smaller share of primary sectors: agriculture, hunting and fishing account for 7% of the total, and oil and mining for 15%. In contrast, the shares of services (16%) and manufacturing both increase. The latter include food, beverage and tobacco (18%); chemicals and petrochemicals (16%); and the automotive and machinery and equipment industries (each with 7%) (see figure II.15B).

The foregoing analysis confirms a prominent feature of intraregional trade: the higher manufacturing content than in exports to outside the region. On average, industrialized products accounted for 73% of intraregional flows in 2018–2019, but only 63% in the case of extraregional exports (see figure II.16). This same pattern is reproduced in all the integration mechanisms, with a larger share of manufactures in exports within each grouping—especially among the Central American countries, where the figure rises to nearly 90%. In the same period, the manufacturing content of exports to third markets is much smaller, especially in the cases of the Andean Community and MERCOSUR.

¹³ The large share of oil and mining mainly reflects its status as largest sector in the production structure of South American countries. Oil and gas are the main export products of the Bolivarian Republic of Venezuela, Colombia, Ecuador and the Plurinational State of Bolivia, while mining accounts for over 50% of the total gross exports of Chile and Peru.

Figure II.15

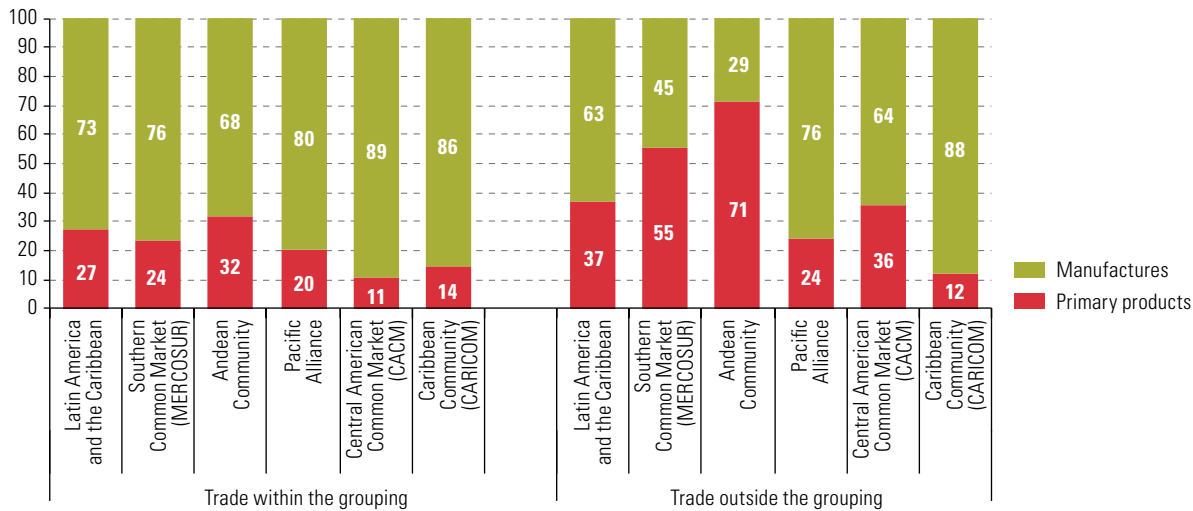
Latin America: sectoral structure of exported value added contained in total and intraregional exports, 2017
(Percentages of the total)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of world input-output tables for 2017 [online] <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-americana>.

Figure II.16

Latin America and the Caribbean (main integration mechanisms): sectoral structure of goods exports, 2018–2019
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>.

Durán Lima and Zaclicever (2013) found a greater preponderance of intraindustry relations in trade between Latin American countries than in their trade with the United States, Asia and the European Union. The only countries that diverged from this pattern were Mexico and Costa Rica, which in 2011–2012 had a significant intraindustry trade with the United States, especially in the automotive and electronics industries, and also the medical machinery and devices industries. Zaclicever (2017) analysed the participation of six countries (Argentina, Brazil, Chile, Costa Rica, Mexico and Peru) in regional and global value chains, using the input-output table of the trade-in-value added database of the Organization for Economic Cooperation and Development (OECD). The study found that the forward linkages of the

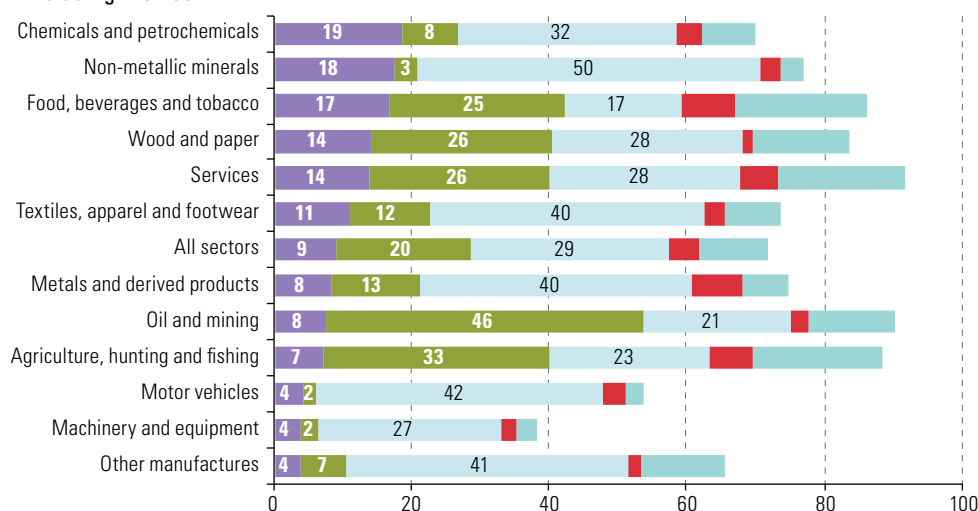
countries analysed strengthened between 1995 and 2011, alongside an increase in share of intermediate inputs incorporated in their exports —mainly to Asia and the Pacific in the case of the South American countries, and to the United States in the case of Costa Rica and Mexico. While the former participated in primary product value chains (agriculture and mining products), Costa Rica and Mexico integrated more into chains linked to medium- and high-tech manufacturing (Zaclicever, 2017).

A breakdown of the value added exported by Latin America in 2017, by sector and main destination, shows that, on average, the manufacturing and service sectors participate more in intraregional circuits than in exports outside the region. Exports from the food, beverages and tobacco; wood and paper; and textiles, apparel and footwear sectors are the clearest examples (see figure II.17A). In the same exercise, but with Mexico excluded, it can be seen that the value added for the regional market is more than double the content of exports to the United States, the European Union and other extraregional destinations; and it is particularly high in all manufacturing sectors. The share of Asia and the Pacific (mainly China) as a destination for primary products has also increased (see figure II.17B).

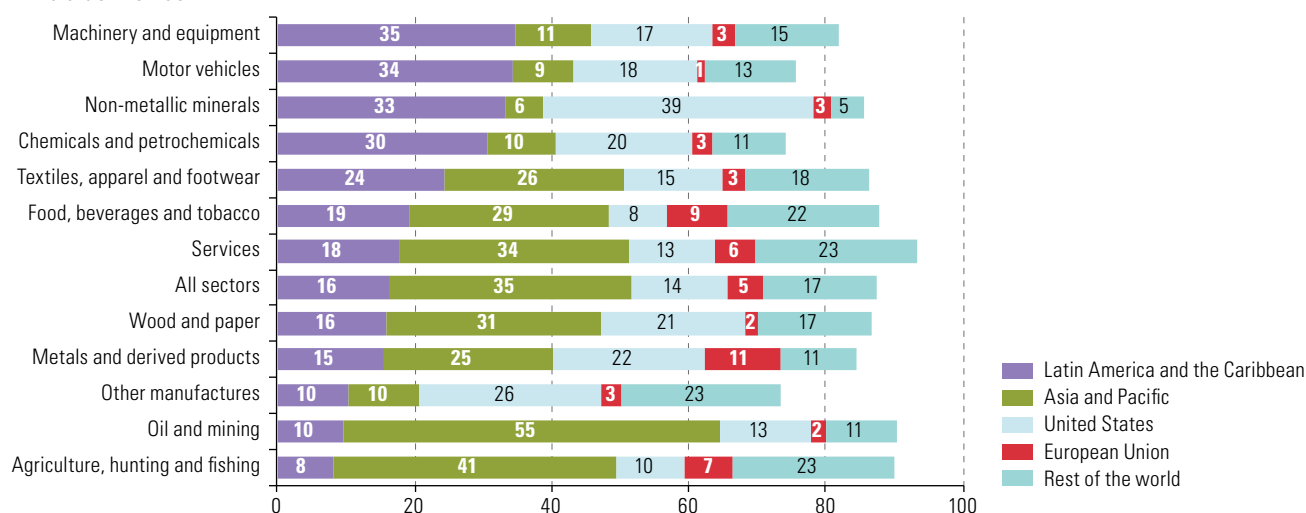
Figure II.17

Latin America (11 countries):^a structure of value added contained in total exports, by sector and main destination, 2017 (Percentages)

A. Including Mexico



B. Excluido México



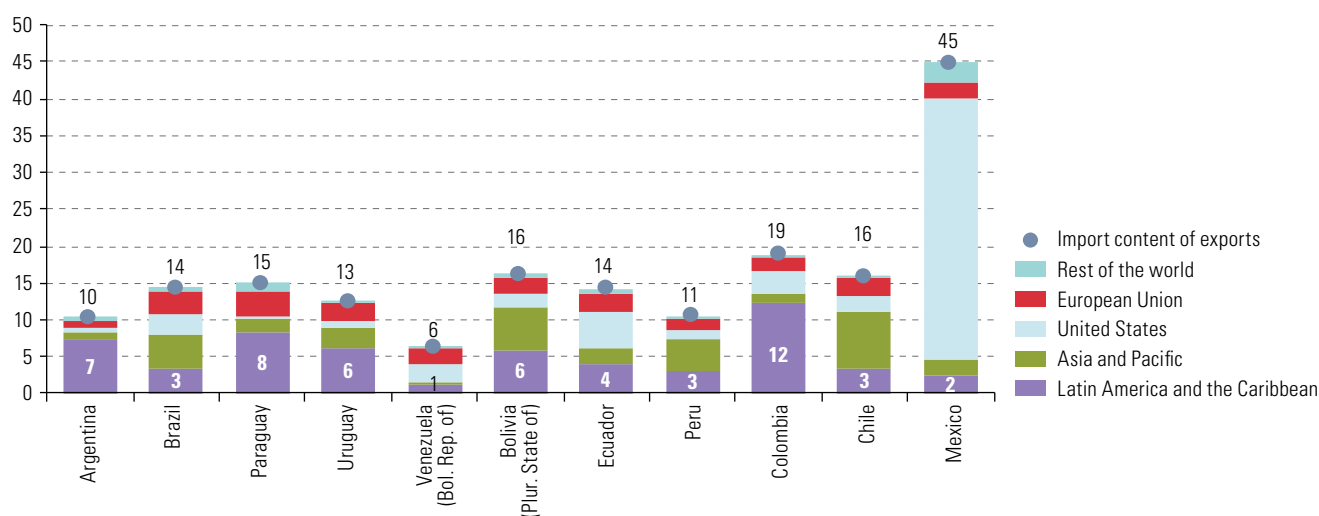
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of world input-output tables for 2017 [online] <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-america>.

^a Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

The import content of exported products fluctuates between 6% in the Bolivian Republic of Venezuela and 45% in Mexico. In the latter country, the fact that its production is closely integrated with that of the United States explains 35 percentage points of that total. The share of intraregional imports in total exports averages only 3% and fluctuates between 1% and 12% (see figure II.18). The largest shares are found in Colombia and Paraguay (12% and 8%, respectively), followed by Argentina (7%) and the Plurinational State of Bolivia and Uruguay (6% each). Mexico and the Bolivian Republic of Venezuela are the countries least integrated with the region according to this metric. In relative terms, inputs from Asia and the Pacific outweigh those sourced from within the region, in the cases of Brazil, Chile, Peru and the Plurinational State of Bolivia.

Figure II.18

Latin America (11 countries): structure of the import content of total exports, by origin, 2017
(Percentages)

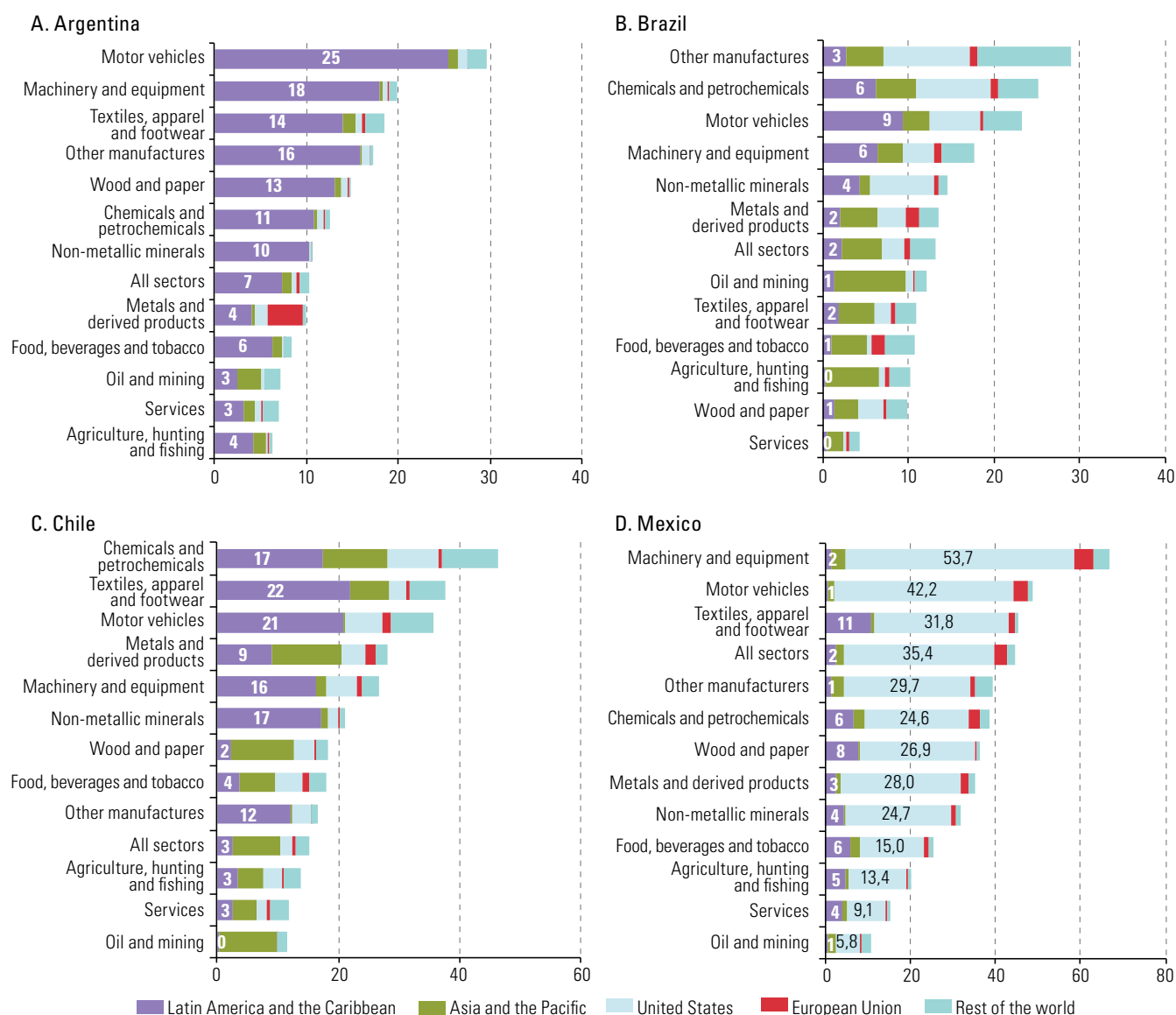


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of world input-output tables for 2017 [online] <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-america>.

At the aggregate level, there are no major differences in the shares of Latin America and Asia and the Pacific in the import content of the region's exports, which in both cases averages around 3%. However, there is great heterogeneity between countries and sectors. For example, Mexico is highly integrated with the United States, but very weakly integrated with the region (see figure II.19). The sectors with the highest coefficient of vertical integration with the rest of the region are textiles and apparel (11%), and wood and paper (8%). In general, Mexico displays greater vertical integration with Latin America than with Asia and the Pacific, although in low- and medium-intensity manufacturing sectors. Conversely, in heavy manufacturing (automobiles and machinery and equipment), it is more closely integrated with Asia and the Pacific.

Figure II.19

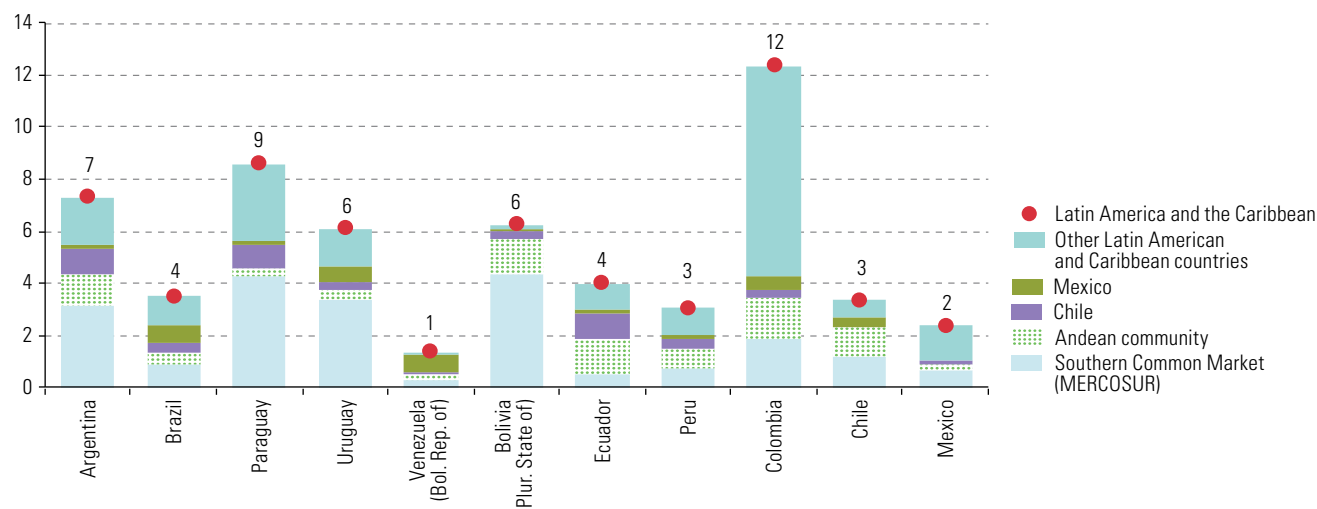
Latin America (selected countries): import content of exports, by major economic sector and main origin, 2017
(Percentages of total exports)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of world input-output tables for 2017 [online] <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-americana>.

Brazil, which is less vertically integrated than Mexico, is also not highly integrated with the rest of the region. It sources more of its intermediate inputs from Asia and the Pacific than from elsewhere in the region, except in the heavy manufacturing, motor vehicle, and machinery and equipment sectors. In contrast, Argentina and Chile are more integrated with the region than with the rest of the world. In general, a large proportion of inputs imported from elsewhere in the region come from the bloc to which each country belongs. This is the case of Argentina, Paraguay and Uruguay (where they are largely sourced from MERCOSUR) and Ecuador and Peru (from the Andean Community) (see figure II.20).

Figure II.20
Latin America (11 countries): origin of regional imported inputs incorporated in total exports, 2017
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of world input-output tables for 2017 [online] <https://www.cepal.org/es/eventos/matrices-globales-insumo-producto-herramientas-facilitar-estudio-la-integracion-america>.

3. Potential for intraregional trade

In the complex situation through which the region is passing, it is essential to estimate the potential for intraregional trade, which is currently very depressed, to determine the role that regional integration might play in the recovery. Data on gross bilateral flows in 2018–2019 identified sectors and products for which the regional market is important, using each partner's total exports and imports as analytical variables, along with the bilateral flows and imports from third countries that compete with regional supply. This information was used to calculate indices of revealed comparative advantage¹⁴ in terms of products¹⁵ and partners in intraregional trade. In addition, the products with the strongest growth in global trade in 2011–2018 were identified. These two indicators (products with revealed comparative advantage and growth in global trade) were used to prepare a list of products with potential for intraregional trade. The analysis was based on data for 25 countries in the region,¹⁶ and also considered whether there was competition in similar products from China, Europe or the United States. Table II.15 provides a consolidated summary of the number of regional products with potential.

¹⁴ To calculate the indices of revealed comparative advantage (*IVCR*), the original index proposed by Balassa (1963 and 1965) was modified to compare each country's export structure with the import structure by regional partner, in both cases using as a benchmark the total exported to the world by the supplier country and the total imported by the demander country. Formally:

$$IVCR_{ik} = \frac{X_{ik}}{XT_i} / \frac{M_{ik}}{MT_j}$$

where i = country; k = product; X = exports; M = imports; XT total exports; and MT total imports. The resulting index was normalized between -1 and 1 for analytical simplicity. Positive values indicate a comparative advantage at the product level. In order to identify the specific industry to which each product belongs, they were attributed to the same sectors that make up the input-output tables used in this section. The difference between the indicator proposed here and that of Balassa (1963 and 1965) is that the main objective of the indicator being proposed is to identify bilateral competitiveness, rather than export competitiveness in global markets.

¹⁵ At the six-digit level of the Harmonized Commodity Description and Coding System.

¹⁶ Antigua and Barbuda, Argentina, Barbados, Belize, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Uruguay. Excludes the Bahamas, Cuba, Dominica, Grenada, Haiti, Saint Kitts and Nevis, and Saint Lucia, owing to a lack of information on their exports. In the case of Panama and Trinidad and Tobago, the figures referred to 2015 and 2016, respectively.

Table II.15

Latin America and the Caribbean: number of products with intraregional export potential, 2019
(Percentages of total tariff lines)

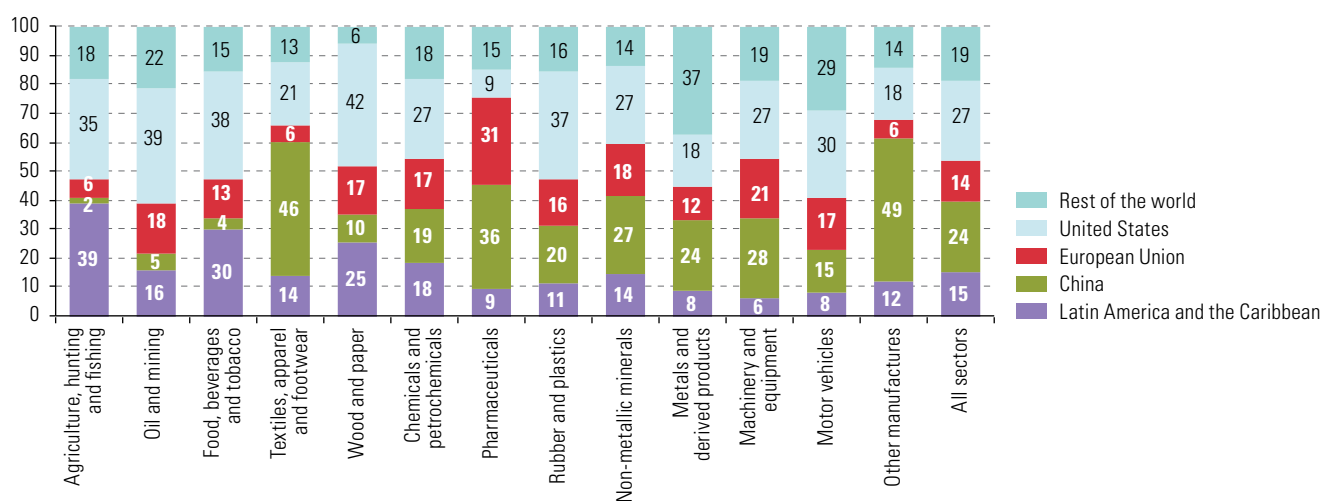
Major sectors	Number of products with potential (A)	Intermediate goods (B)	Percentage of intermediate goods (C = B/A*100)	Total number of tariff lines (D)	Percentage of tariff lines with potential (E = A/D*100)
Agriculture, hunting and fishing	92	36	39.1	398	23.1
Oil and mining	25	25	100.0	99	25.3
Food, beverages and tobacco	143	59	41.3	592	24.2
Textiles, apparel and footwear	226	124	54.9	855	26.4
Wood and paper	52	52	100.0	272	19.1
Chemicals and petrochemicals	130	122	93.8	739	17.6
Pharmaceuticals	14	13	92.9	109	12.8
Rubber and plastics	44	43	97.7	226	19.5
Non-metallic minerals	58	57	98.3	173	33.5
Metals and derived products	99	86	86.9	575	17.2
Machinery and equipment	151	58	38.4	1 044	14.5
Motor vehicles	19	11	57.9	148	12.8
Other manufactures	55	25	45.5	212	25.9
Total number of tariff lines	1 108	711	64.2	5 442	20.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>.

A total of 1,108 products with potential were identified, representing roughly one fifth of the total product universe. Sixty-four per cent, or 711, of these products are intermediate inputs used in various production processes. In 2018–2019, only 15% of regional imports of the products with potential identified in table II.15 were obtained from the region itself. Both China and the United States were much more important as source countries for these imports (see figure II.21). The sectors with the largest shares of intraregional imports are agriculture, hunting and fishing (39%) and food, beverages and tobacco (30%).

Figure II.21

Latin America and the Caribbean: distribution of imports of goods with export potential, by origin and sector, average 2018–2019
(Percentages of total imports)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>.

The following paragraphs make a brief analysis of two of the region's key industries: food, beverages and tobacco; and chemicals and petrochemicals. It illustrates their potential in two markets (Brazil and Mexico) for which the previous analysis showed low levels of intraregional production integration. The aim is to determine whether there are specific products for which there is some type of production complementarity within the region. It was also found that the main sources of external competition are China, the European Union and the United States.

Tables II.A1.4 and II.A1.5 of the annex show the potential export space for the region's countries in intermediate agribusiness products in the Brazilian and Mexican markets, respectively. This potential is not being fully exploited, since, despite the existence of supply in the region, 70% of regional food, beverage and tobacco imports are sourced from outside the region. A similar situation can be seen in the chemicals and petrochemicals sector, where 82% of imports are sourced externally (mainly from China, the United States and countries in the Middle East and the European Union). Although there are complementarities between Argentina and Brazil, on the one hand, and Mexico, on the other, these are not being fully exploited. Although other countries in the region supply specific products, this is very limited and is confined to products that require little processing, such as soaps, vegetable juice extracts, disinfectants, colorants, paints, and essential oils. In all the intermediate goods identified as having high potential for export from the region, there is strong competition from products of Chinese, European and United States origin in the imports from Brazil and Mexico (see annex tables II.A1.6 and II.A1.7).

C. The need for a resilient, efficient and sustainable regional infrastructure

1. Redesigning the investment strategy

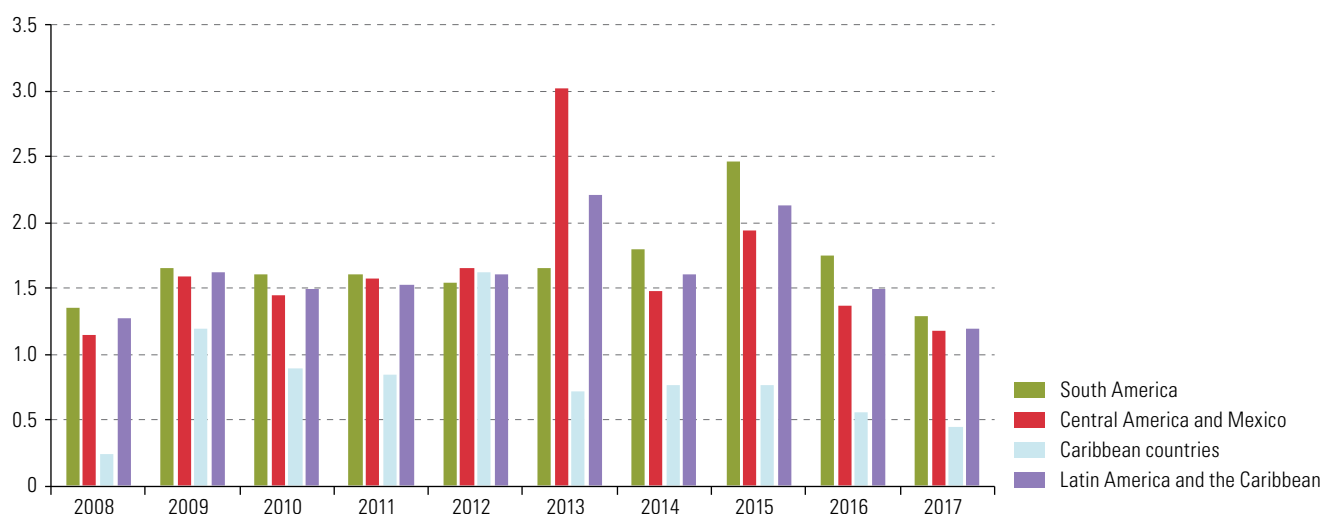
The connectivity provided by transport services is one of the factors that are essential for sustainable growth and competitive trade. The type of infrastructure chosen and the way it is designed and regulated affect the way the services provided over it operate and determine the prices, transport times and quality of the products that are supplied (Pérez and Sánchez, 2019).

In 2008–2017, public investment in infrastructure in Latin American and Caribbean countries represented an average of 1.3% of GDP. This includes road networks, railways, ports and airports. Investment grew between 2008 and 2013, but has trended down since, despite an uptick in 2015. The average amount of public investment by subregion, relative to GDP, was as follows: 1.3% in South America, 1.4% in Central America and Mexico (a figure strongly influenced by the Panama Canal expansion works during the period) and 0.8% in the Caribbean. Private participation in infrastructure projects in the same period represented an average of 0.3% of GDP and was mainly concentrated in South America, where it accounted for 0.4% of GDP, followed by Central America (0.2% of GDP) and the Caribbean (0.03% of GDP). Figure II.22 shows the total investment (both public and private) in transport infrastructure made by each subregion between 2008 and 2017.

The amount invested in the region's countries is insufficient to close the gaps that exist in terms of the provision, quality and access to transport infrastructure services. According to ECLAC estimates, to meet the demand for growth, the region would have to invest an average of 2.2% of GDP annually in new construction and in the maintenance of road and rail infrastructure (including metro systems) between 2016 and 2030, not counting additional needs for ports, waterways and airports (Sánchez and others, 2017).

Figure II.22

Latin America and the Caribbean: public and private investment in transport infrastructure, simple averages, by subregion, 2008–2017
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Economic Commission for Latin America and the Caribbean (ECLAC)/Development Bank of Latin America (CAF)/Inter-American Development Bank (IDB), “INFRALATAM”, 2020 [online database] <http://infralatam.info/>; World Bank, “Private Participation in Infrastructure (PPI) Database”, 2020 [online] <https://ppi.worldbank.org/en/ppi>; National Chamber of Cargo Auto Transport, “Estadísticas”, 2020 [online] <https://canacar.com.mx/servicios/estadistica/>, and National Confederation of Industry, “Estatísticas”, 2020 [online] <http://www.portaldaindustria.com.br/cni/estatisticas/>.

Note: The public investment data for South America include Argentina, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay, except for 2015 and 2016, when Chile is not included. In 2017, only the following five countries are included: Brazil, Colombia, Guyana, the Plurinational State of Bolivia and Uruguay. The private investment data include Argentina, Brazil, Chile (between 2008 and 2014 only), Colombia, Ecuador, Peru and Uruguay. The public investment data for Central America and Mexico include Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama. Private investment data include Costa Rica, Guatemala, Honduras, Mexico and Panama (between 2008 and 2015). The public investment data for Caribbean countries include the Dominican Republic and Trinidad and Tobago, except in 2008, when they refer to Trinidad and Tobago alone. The private investment data refer to the Dominican Republic only.

In the region, infrastructure investments tend to be concentrated in the large transport corridors and urban centres, to the detriment of peripheral and rural areas. For this reason, there are still territories in Latin America where the only access routes are narrow and steep or uneven footpaths that are impassable to motorized transport, or areas where rivers are the only access routes, both for people and cargo (Pérez, 2020). Worldwide, it is estimated that nearly 900 million inhabitants of rural areas lack adequate access to the formal transport system (Robert, KC and Rastogi, 2006); and physical isolation is one of the factors behind the level of poverty commonly observed among these rural dwellers. This situation also prevails in Latin America, where the incidence of poverty, and especially extreme poverty, is much higher in rural areas. In 2018, the extreme poverty rate in rural areas was more than double the urban rate (20% compared to 8.4%, respectively). Poverty affected 45.2% of the rural population, compared to 26.3% in urban areas (ECLAC, 2019).

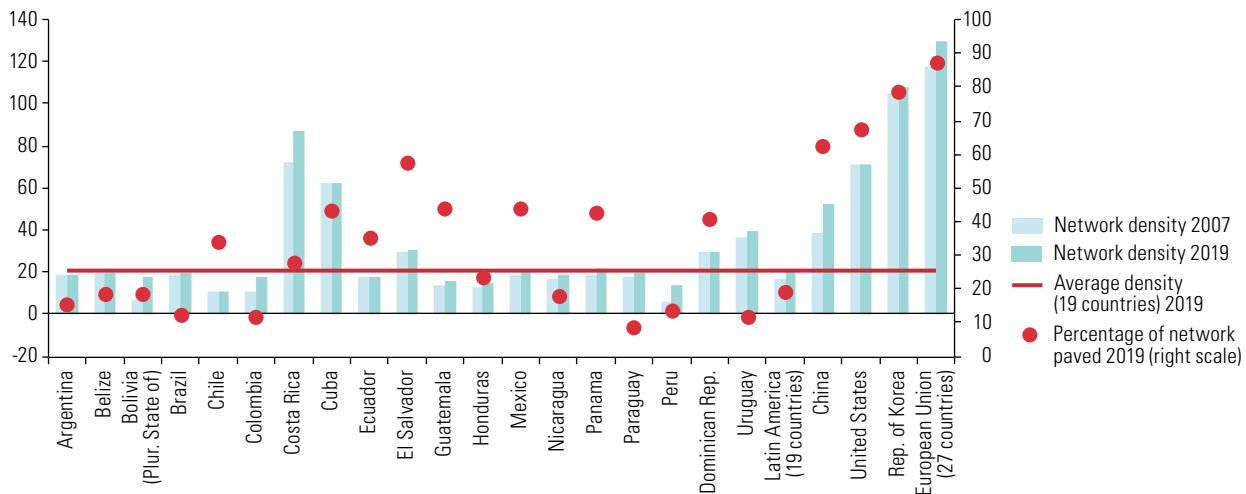
Rural roads are crucial to connectivity between territories, a factor that strongly affects the cost structure of agribusiness logistics chains and of other goods produced there (Pérez, 2020); and it is estimated that more than 89% of the region’s exports are transported along such roads. Despite the importance of rural roads for social and territorial development, in addition to the important role they play in the productivity and competitiveness of foreign trade, the region’s countries invest very little in the construction and maintenance of internal infrastructure, such as secondary roads, bridges and tunnels.

The investment made in road infrastructure between 2007 and 2019 increased the extension of roads relative to the area of territory by 8%, which allowed Latin America to go from an average of 18 km of roads for every 100 km² in 2015 to nearly 21 km per 100 km² in 2019 (according to data from 19 countries). Investment in road maintenance is low. For example, between 1999 and 2018 Chile spent an average of 0.28% of GDP on road maintenance and Mexico 0.08%, while the rest of the OECD countries spent an average of 0.27% of GDP. The cases of New Zealand (0.62% of GDP) and Canada (0.54% of GDP) are noteworthy, as these countries have geographic and extension similarities with Chile and Mexico, respectively. As a result of these factors, not only is the density of the network low relative to the size of the territory, but land-based logistics chains are also concentrated in a few paved corridors, which generates congestion and cost overruns and makes logistics services vulnerable, owing to the lack of resilience of the road network (see figure II.23).

Figure II.23

Latin America (19 countries) and other selected economies: road network density and percentage of paved roads, 2007 and 2019

(Kilometres of roads per 100 km² and percentages of the national total)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries.

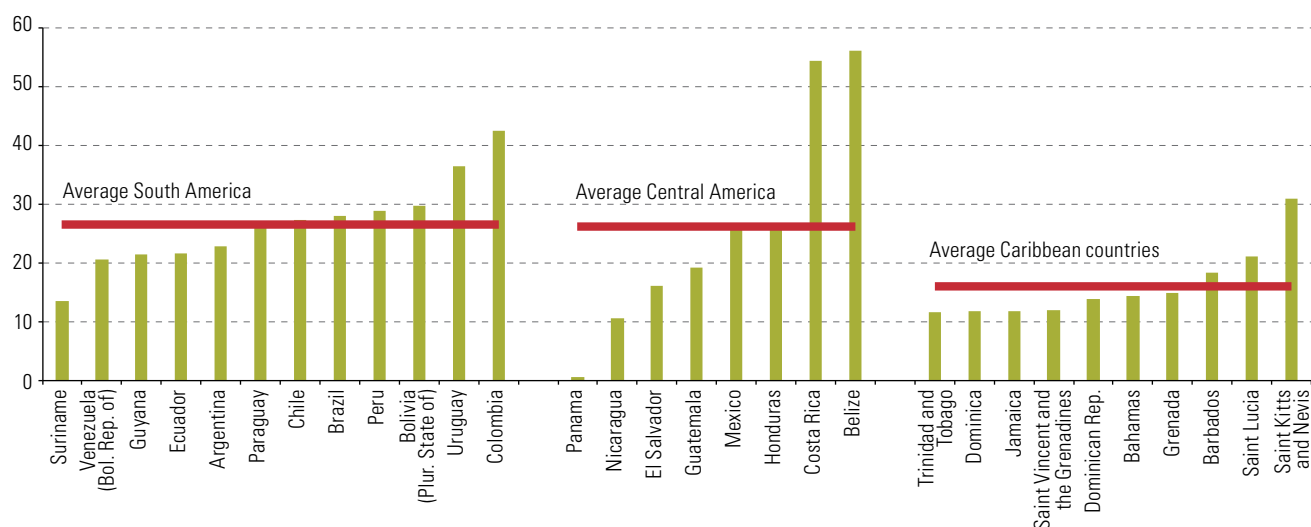
Unpaved roads are more vulnerable to various disruptive events and climate change processes, in particular more intense rainfall (Arent and others, 2014). Consequently, the current configuration of road networks entails an increasing risk of interruptions in the provision of basic services and inputs to populations which, in general, are already socially and economically vulnerable. Together with the low density of the road network, inefficiencies in the operation of existing infrastructure impose constraints on the growth and competitiveness of the region's economies.

Owing to the lack of infrastructure in sufficient quantity and quality, land-based supply chains involve long distances over which trucks are not energy-efficient or commercially efficient, thus requiring longer timeframes and higher-cost trade logistics. This erodes the region's competitiveness, as evidenced by the results of the World Economic Forum's 2019 global competitiveness report. The report shows that most of the region's countries have a low competitiveness index in terms of both the supply and quality of road, rail, port and airport infrastructure.

According to World Bank data (2020), the region has the world's second highest percentage of firms that consider transport to be an obstacle to their operations (23%, compared to 26.3% in Sub-Saharan Africa). In South-East Asia, the figure is 14.4%, in Europe and Central Asia 12.3%, and in the OECD countries just 9.6%. Within the region, there is a high degree of heterogeneity between subregions and countries, depending on the coverage and quality of the available transport infrastructure (see figure II.24).

Figure II.24

Latin America and the Caribbean (30 countries): firms identifying transport as an obstacle to their operations, 2010^a (Percentages of the firms surveyed)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, “Enterprise Surveys: what businesses experience”, 2020 [online database] <https://www.enterprisesurveys.org/en/enterprisesurveys>.

^a The surveys were conducted in 2010, except in the following countries: Argentina (2017), Bolivia (Plurinational State of) (2017), Brazil (2009), Colombia (2017), Dominican Republic (2016), Ecuador (2017), El Salvador (2016), Guatemala (2017), Honduras (2016), Nicaragua (2016), Paraguay (2017), Peru (2017), Suriname (2018) and Uruguay (2017).

A shift in the pattern of investments towards more resilient, efficient and sustainable infrastructure works would enable improvements to be made in terms of both provision and quality. This would reduce the transaction costs involved in moving inputs and final products, thereby enabling production from rural and remote areas to reach markets at competitive prices. It would also facilitate the development of new economic activities, whether for export or otherwise, such as special-interest tourism, which would contribute to more balanced and sustainable territorial development (Pérez, 2020). Logistics strategies cannot be ignored in this paradigm shift; they must be included, by promoting the use of more efficient and competitive modes of transport operating in physical infrastructures adapted to climate change. These objectives will be even more important in the post-COVID-19 recovery phase, in which the aim is to choose an exit strategy that fosters greater efficiency and resilience.

Steps need to be taken to complete and improve the quality of the road network between different areas in the countries, and to undertake other enabling works, both in terms of roads (bridges, tunnels and channelling of watercourses), and in terms of piers and small runways for airfields in remote areas and other civil works capable of improving the capacity, coverage and resilience of the network. These actions are needed to achieve the universal accessibility envisaged in the Sustainable Development Goals and also to develop more sustainable trade. Similarly, prioritizing the resilience of infrastructure (understood from the standpoint of the users of such services and

implemented, for example, through climate change adaptation strategies), in conjunction with minimum standards of efficiency and sustainability, should be one of the guiding principles for new investment cycles in the region. Infrastructure planning with a long-term and territorially balanced perspective will make it possible to efficiently support the transformation of production and adapt more effectively to economic changes and the new social and environmental concerns that arise with development (Pérez, 2017).

2. Promoting interoperability

Promoting service interoperability through regulations and innovations fostering the use of combined means of transport that are more efficient and have fewer negative externalities is an essential element for taking advantage of the fourth industrial revolution, in which information is a firm's main asset, and States must accordingly ensure its security and proper use. In this context, the digital transformation goes hand-in-hand with the interoperability of logistics systems, making them more efficient and improving decision-making based on the large volumes of information that new technologies make possible. As discussed in chapter I, the COVID-19 outbreak has been a catalyst for digital transformation and the adoption of innovative technologies and processes that were, until before the pandemic, in the testing phase with a view to adoption in the medium or long term (Zelada, 2020).

In the last two decades, the countries of Latin America and the Caribbean have sought to reduce their logistics costs and the time spent on customs procedures, through major efforts to advance the digitalization of trade logistics processes. These initiatives focus largely on two types of systems: single window facilities for foreign trade (VUCEs) and port community systems (PCSs). In the Caribbean, in particular, many customs offices use the Automated Customs Access, Control and Management System (ASYCUDA). This computerized customs management system, developed by the United Nations Conference on Trade and Development (UNCTAD), handles the majority of foreign trade procedures, such as manifests and customs declarations, among others.

Single windows for foreign trade are technological platforms that seek to make all of the procedures pertaining to the import, export and transit of goods available in a single portal or access point. This often calls for major changes in foreign trade regulations, not only to simplify the processes, but also to enable the use of electronic media without weakening the controls, security and functional conception of the agencies involved (UN-CEFACT, 2004). A PCS, in contrast, is a technological platform that allows for secure exchange of data between public and private actors in order to improve the competitiveness of port logistics. This involves optimization of processes, the management of information shared in real time between the participants, and the automation of certain tasks without having to re-enter data in the systems connected to port operations, road hauliers and final users (Pérez and Valdés, 2020).

Table II.16 lists the progress made in ASYCUDA, VUCEs and PCSs in Latin America and the Caribbean. Although the list is not necessarily exhaustive, it gives an idea of the efforts that countries in the region are making to digitalize their foreign trade logistics.

Table II.16

Latin America and the Caribbean: trade logistics digitalization systems, 2020

Country	Platform, starting year, key features and available interoperability
Antigua and Barbuda	ASYCUDA, in operation since 2016
Argentina	VUCE currently being restructured as the Central de Información de VUCE (CIVUCE). PCS only in the port of Buenos Aires and interoperable with its port logistics community.
Bahamas	PCS in operation at the port of Nassau.
Barbados	ASYCUDA in operation since 2019 Port community system in operation since 2016 at the Port of Bridgetown.
Belize	ASYCUDA in operation since 2010.
Bolivia (Plurinational State of)	A physical window is under development and will be later migrated to an electronic one. The initial phase will be in La Paz and then extended to Cochabamba, Santa Cruz, Chuquisaca and Tarija.
Brazil	In 1993 the computerized integrated system of foreign trade (SISCOMEX) was initiated as an electronic interface between exporters and government agencies. In 1997 it was expanded for import operations. In 2014 the Unique Foreign Trade Portal Programme was initiated for import, export and transit. A port community system is being developed in the ports of Santos, Rio de Janeiro, Suape and Paranaguá, which will later be expanded nationwide.
Chile	VUCE in operation since 2009, handles 90% of transactions. For imports, VUCE is interoperable with the Ministry of Health, the Agricultural and Livestock Service (SAG) and the Chilean Public Health Institute. Since 2015, the port community system is available in the ports of Valparaíso and San Antonio (in implementation in the other ports).
Colombia	VUCE in operation since 2006, incorporates digital signature and online electronic payment.
Costa Rica	In 2006 the Single Window System for Foreign Trade was regulated; in 2013 the VUCE came into operation; currently the VUCE 2.0 is in operation, with interoperability for 16 national institutions.
Cuba	VUCE in development.
Dominica	ASYCUDA in operation since 2009.
Dominican Republic	VUCE has been operating since 2014 under the name of Ventanilla Única de Comercio Exterior de la República Dominicana (VUCE-RD); it includes 234 services and encompasses 10 government institutions.
Ecuador	VUCE in operation since 2013, under the name of Ventanilla Única Ecuatoriana (VUE).
El Salvador	VUCE in operation since 2011 through the Centre for Import and Export Procedures (CIEX El Salvador). Currently, exports are managed completely online and authorized by the General Directorate of Customs (DGA).
Grenada	ASYCUDA in operation since 2011.
Guatemala	VUCE has been in operation since 1986 under the name VUPE (Ventanilla Única para las Exportaciones); in 2013 the VAI (Ventanilla Ágil de Importaciones) was enabled, which includes real-time payments and electronic receipts.
Guyana	ASYCUDA in operation since 2017.
Haiti	ASYCUDA in operation since 2013.
Honduras	VUCE in operation since 2013 under the name of VUCEH (Ventanilla Única de Comercio Exterior de Honduras), allows online payments and real time tracking of operations.
Jamaica	It has been in operation since 2020 under the name of Jamaica Single Window for Trade (JSWIFT). PCS since 2016 at the Kingston container terminal.
Mexico	VUCE in operation since 2012 under the name of Ventanilla Única de Comercio Exterior Mexicano (VUCEM). Under re-engineering with a view to a VUCE 2.0 for SMEs. The current version is interoperable with other systems.
Nicaragua	VUCE is currently developing a pilot project to carry out procedures and payments of the foreign trade process.
Panama	VUCE in operation since 1985 under the name of Ventanilla Única Marítima de Panamá (VUMPA). Allows the processing of certificates of origin, determination of origin and commercial movement of free zones.
Paraguay	VUCE in operation since 2003. The import and export processes are distributed in the General Directorate of Customs and the Ministry of Industry and Commerce, respectively.
Peru	VUCE in operation since 2010. There are 27 institutions participating, 17 from the public sector, 9 trade associations and national ports.
Saint Kitts and Nevis	ASYCUDA in operation since 2015.
Saint Lucia	ASYCUDA in operation since 2010. PCS in operation at the port of Castries.
Saint Vincent and the Grenadines	ASYCUDA in operation since 2013.
Suriname	ASYCUDA in operation since 2015 with ASYCUDA World. PCS under development in the port of Paramaribo.
Trinidad and Tobago	It has been in operation since 2010 under the name TTBizLink. It consists of 47 services with ten ministries. PCS under development in the ports of Point Lisas and Port of Spain, interoperable with TTBizlink, ASYCUDA and ttconnect ID.
Uruguay	VUCE has been in operation since 2007, it integrates 90% of the government entities.
Venezuela (Bolivarian Republic of)	ASYCUDA in operation since 2010 with ASYCUDA World.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries, specialized publications, and Multilateral Development Banks.

Note: ASYCUDA: Automated Customs Access, Control and Management System; VUCE: Single Window for Foreign Trade.

As shown in table II.16, although both PCSs and VUCEs are an integral part of foreign trade logistics, in many cases these systems have been implemented as independent technological platforms, when from a functional point of view they should be highly complementary. ECLAC has identified policy fragmentation as one of the problems affecting the development of competitive logistics and has proposed the alternative of constructing a regionally coordinated national logistics and mobility policy, with capacity to handle the paradigm shifts required by the sector (Jaimurzina, Pérez and Sánchez, 2015). However, when analysing existing technological advances in the region, it would seem that the paradigm of operating in isolated silos, which characterizes public policies on infrastructure and transportation in Latin America, has also extended to the digital world.

Several national initiatives for the digitalization and development of computer systems for logistics incorporate the spirit of the policy and the need for a holistic approach that integrates the actors involved. The new generations of systems, such as VUCEs 2.0, are gradually beginning to provide for the integration of new present and future actors in the logistics chain. If current systems are not interoperable, efforts to achieve compatibility will be needed in the future, which, if considered from the outset, would be less costly to implement and more efficient and provide a better level of service.

Digitalization requires the analysis and re-engineering of many processes to make sure the proposed solution is efficient and effective. Otherwise, there is a risk of digitalizing bureaucratic procedures that do not add value. It is therefore essential for the government to promote a national logistics vision that has an underlying technology platform. This will make sure the various existing and future systems in the port, logistics and commercial fields can interoperate with each other, as well as with others linked to digital government, cybersecurity and the digital footprint of each citizen and firm.

Pursuing the analogy with logistics policies and their regional coordination, it is also important for technology platforms to converge regionally. This is a way of ensuring interoperability and promoting technological integration through the use of regional standards that recognize the interoperability of different national logistics systems, as has already been done in the Republic of Korea, Japan and Singapore (Volpe Martincus, 2018).

In this connection, recent years have seen various advances in the regional integration of systems. A key example is interoperability between the VUCEs of the four countries that make up the Pacific Alliance (Chile, Colombia, Mexico and Peru), which also allows interconnection with any other trade bloc or country that has such a window operating on the basis of international standards. In April 2017, the MERCOSUR countries agreed on a roadmap for convergence with the Pacific Alliance, in order to coordinate their trade facilitation actions, in which the VUCEs play a central role (IDB, 2017). The Central American Economic Integration Secretariat (SIECA) also has an initiative to do the same between the Pacific Alliance and the Central American Digital Trade Platform (Mejía-Rivas and Maday, 2019). At the same time, one of the priority projects and actions of the Andean Community is to contribute to implementing national VUCEs and promote interoperability among its four member countries (General Secretariat of the Andean Community, 2016). The Latin American and Caribbean Economic System (SELA) is also developing technical cooperation and intraregional relationship actions to contribute to the development, interaction and convergence of the region's subregional technological processes and systems, in particular through its programme to create the Network of Digital and Collaborative Ports.

The push for paperless trade and process facilitation through contactless logistics technologies may lead to a paradigm shift in the way trade logistics are conducted. Purchase decision variables, such as short and reliable delivery times, full cargo traceability, integrated door-to-door services and costs, will henceforth be a minimum requirement for any international logistics operation. It is therefore essential that the various actors in the regional logistics industry prepare to attain this new level of service

quality (Kilpatrick and Barter, 2020). This will require the redesign of certain processes and the digitalization or automation of others, to improve decision-making and afford greater visibility and traceability to logistics chains.

Moving towards paperless trade logistics will not only reduce the risks of infection in the current pandemic context, but will also eliminate inefficiencies, reduce costs and transit times, and make processes more transparent.

The implementation of changes that lead to the digitalization of the logistics industry in the region depends largely on having a regulatory framework that adapts to new needs and to the emergence of new digital players that are changing the sector radically. Adapting regulations in time and making the most of the dynamic potential of these innovations, through training and support for technological solutions by the rest of the industry is a central element in logistics facilitation. Adopting this vision will enable the region's countries to apply a coordinated border management approach, fostering coordination among control entities at both the national and international levels to generate efficiencies in trade flows (WCO, 2015).

Advancing in the facilitation of regional services, as well as coordinating regulations and technologies that foster a modal shift towards less polluting means of transport, are elements that will strengthen regional integration and help the market function in an integrated and efficient manner, thus supporting the economic recovery. Some trade facilitation actions and coordinated investment measures in transport and technology networks can also foster production transformation, increase intraregional trade and promote inclusive employment.

3. Incorporate innovative practices in logistics intelligence

It is essential to foster logistics intelligence by using information and communication technologies to improve decision-making and encourage more expeditious, competitive, secure and sustainable trade flows. Progress in the generation of knowledge and innovations that add value to services is imperative if the region is to harness the fourth industrial revolution. This requires the design of logistics systems to be aligned with the major national objectives of logistics and mobility, and to promote economic, political and technological integration with neighbouring countries. The ultimate goal of digitalization, as with all logistics development, must be to strengthen decision-making and improve coordination between public and private agents (Pérez and Sánchez, 2019).

It is also important to strengthen logistics governance with a view to integrating digitalization within spheres of collaboration, fostering data integration across different systems, along with decentralized, collaborative technological solutions that evolve on the basis of work by communities of experts. These elements not only enhance systemic resilience, but also reduce the duplication of data and monopolization of progress and existing information. This leads to more efficient, secure and competitive logistics, as well as greater transparency and accountability, and stronger digital government.

Establishing a platform that permits integration with other existing or future technological solutions, from the design phases of the solutions and in their subsequent implementation, is crucial to facilitating collaboration between organizations, increasing efficiency, reducing implementation cost, and minimizing mistakes arising from duplicated information.

As in most modern industries, logistics decision-making is based largely on high-precision mathematical models that simulate production processes—mainly in areas and processes where there is intensive interaction among physical components that are difficult to

recreate owing to the complexity of their interactions. These data models make it possible to generate simulations that exploit all of the potential of real data existing in the industry, optimizing processes and improving decision making. The use of these systems, like any other process digitalization effort, must be protected by cybersecurity measures. Attacks on computer systems are becoming more sophisticated as cybercriminals use different tactics and technologies to exploit vulnerabilities in computers or users, affecting access to information or modifying it to breach physical system controls. Logistics must learn to address this issue and make it part of its risk model, as with other threats seen in the past, such as drug trafficking and terrorism (Barleta, Pérez and Sánchez, 2019).

D. Conclusions and recommendations

Since the middle of the 2010 decade, Latin America and the Caribbean has been undergoing a process of trade decoupling that is evidenced by a steep fall in the share of intraregional exports in its total shipments. While this phenomenon is largely a response to the very low rates of economic growth that the region has achieved since 2014, it also reflects the difficult coexistence of regional construction efforts with centrifugal forces generated by the accumulation of trade agreements with partners outside the region.

Beyond its multiple causes, the hollowing-out of intraregional trade in recent years is very worrying from a development perspective. As noted in the foregoing sections, for the vast majority of the region's countries, what is being lost is trade that is most intensive in manufactures, with the widest range of products and the largest proportion of firms; so it is most conducive to production and export diversification. Also, compared to extraregional shipments, its lower raw material content affords it greater environmental sustainability, while the greater presence of MSMEs helps to spread its benefits more equitably. As shown in the previous sections, the countries of the region have the production capacity to supply part of the demand that is currently being met through imports from other regions.

For the reasons outlined above, reversing the region's trade—and therefore production—decoupling is crucial to a more sustainable recovery from the pandemic. This requires overcoming the fragmentation that continues to plague the regional economic space, by speeding up efforts to foster convergence between the various groupings. Only in this way can benefits such as the large scale of the expanded market and the use of national complementarities be fully realized. This is becoming even more urgent in the light of certain global trends discussed in Chapter I, which point to growing conflict in trade relations, weakened multilateral governance and intensified processes of trade and production regionalization.

Aside from the domain of tariffs, where greater progress has been made, the convergence agenda includes highly important non-tariff issues, such as the gradual harmonization or mutual recognition of each country's technical, sanitary and phytosanitary standards at the regional level. This type of progress would particularly benefit exporting SMEs, since they have less capacity than large firms to deal with the multiplicity of regulatory requirements they face in the different markets within the region. Similarly, in order to promote plurinational production linkages, it would be useful to explore options that allow for gradual progress towards full regional cumulation of origin (ideally based on a single set of rules of origin).

The increasing development of regulations in the different integration mechanisms facilitates an eventual process of convergence between them, but also makes it more complex, if this is understood as the creation of an integrated regional space with common trade and investment rules. It facilitates it because, unlike a few years ago, most subregional groupings now have regulatory frameworks on the different issues, or are in the process of acquiring them. It makes it more complex because

the agreements reached in different groupings tend to differ significantly in terms of breadth and depth. Nonetheless, from the regulatory standpoint, the conditions for undertaking a process of convergence seem to be better today than they were in the middle of the last decade. However, experience suggests that convergence should take place mainly “from the bottom up”; that is, through the accumulation over time of specific issue agreements reached among variable groups of countries.

Three lines of work are proposed below that would help reinvigorate regional integration, support the recovery and enhance the competitiveness of the Latin America and the Caribbean region: convergence in trade facilitation, improvement of regional transport and logistics infrastructure, and digital cooperation. These are three areas where there are clear synergies and which offer the potential to support the environmental big push that ECLAC has proposed for the region.

1. Convergence in trade facilitation

Among the issues that make up the traditional trade agenda, trade facilitation is probably the one in which there are fewer divergences between countries and integration mechanisms in the region. There is a shared assessment of the importance of streamlining cross-border procedures for participation in value chains within and outside the region, as well as for the internationalization of MSMEs. There is also growing understanding that the positive impact of trade facilitation progress is multiplied when it transcends the national level and becomes a regional initiative. The WTO Agreement on Trade Facilitation provides a minimum floor of disciplines from which the countries of the region can consider more ambitious commitments. It is therefore crucial to accelerate the work already under way, to forge a mutual recognition agreement between the national AEO mechanisms of the Pacific Alliance and MERCOSUR-member countries, which could be joined by other countries in the region. Other areas in which valuable work is under way and should be accelerated are the interoperability of countries’ single windows for foreign trade and digital certification of origin.

The COVID-19 crisis provides an opportunity to speed up the digitalization of trade-related procedures. The countries of the region should consider permanently retaining some of the measures implemented in the wake of the pandemic, such as the acceptance of electronic phytosanitary certificates and fewer physical inspections. Moreover, regional biosecurity protocols need to be defined to deal with future pandemics or other disruptive episodes, and thus avoid a repetition of the discoordination and unilateral measures observed after the outbreak of COVID-19. Such protocols could include agreements on which goods are to be considered essential, as well as the establishment of expedited procedures for their movement across borders. Lastly, given the intensification of e-commerce as a result of COVID-19, which will not be reversed once the pandemic is over, the regional trade facilitation agenda should focus particularly on facilitating this form of trade, especially for MSMEs.

2. Towards a more resilient, efficient and sustainable regional infrastructure

Poor regional infrastructure not only undermines export performance, but also prevents the gains from trade and investment being spread adequately across the region, and thus reduce the glaring development asymmetries between countries that have been typical of the region. For this reason, along with reducing the regional infrastructure gap, the pattern of investment needs to be shifted towards more resilient, efficient and sustainable works and services.

An improvement in the provision and quality of regional infrastructure would reduce the transaction costs associated with moving inputs and final products, thus allowing production from rural and remote areas to reach markets at competitive prices and facilitating the development of new economic activities. Prioritizing infrastructure resilience—for example, through climate change adaptation strategies—should be one of the guiding principles of new investment cycles in the region, along with minimum standards of efficiency and sustainability. Given the scant fiscal space available to the countries of the region at the present time, this is an area where interaction with the regional development banks will be crucial.

In addition to physical works, it is important to strengthen trade facilitation through regulations that make it possible to reduce the cost and time invested in both foreign trade and distribution logistics, through the use of more efficient means of transport with fewer negative externalities.

3. Cooperation on digital issues

Despite the centrality of the digital revolution at all levels of social and economic life, the region lacks an institutional framework to discuss policies, norms and standards on digital cooperation. In this context, the Digital Agenda for Latin America and the Caribbean (eLAC 2020) emerged from the Sixth Ministerial Conference on the Information Society in Latin America and the Caribbean. The agreements reached in this framework include promoting the preparation and implementation of broadband plans with concrete and measurable goals; fostering the development and incorporation of digital skills; promoting inclusion in policy design; coordinating actions aimed at guaranteeing privacy and the protection of personal data; and promoting the use of digital technologies in firms, with a special focus on MSMEs.

The reinvigoration of regional economic integration requires greater linkages between the subregional blocs on digital matters, in order to specify thematic priorities and their operational management. ECLAC has proposed a work agenda in the following areas: digital infrastructure (including 5G high-speed networks) and connectivity to ensure universal access to broadband Internet; data protection and digital security; competition and regulatory policies; and digital taxes (ECLAC, 2020a). These steps forward would jointly pave the way for the gradual establishment of a common Latin American and Caribbean digital market. As in the case of transport and logistics infrastructure, the development of digital infrastructure is another area where coordination with regional development banks is essential.

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Annex II.A1

Table II.A1.1

Latin America and the Caribbean (33 countries): structure of exports by main partner, average 2018–2019
(Percentages)

Countries	Latin America and the Caribbean	United States	European Union	China	Rest of Asia	Rest of the world	World
Argentina	35.3	6.9	15.1	6.7	14.3	21.7	100.0
Brazil	18.7	12.2	17.7	26.3	11.8	13.3	100.0
Paraguay	67.1	1.4	9.3	0.3	6.7	15.2	100.0
Uruguay	31.2	6.2	11.3	20.1	3.2	28.0	100.0
Venezuela (Bolivarian Republic of)	1.5	38.5	5.9	20.8	24.3	9.1	100.0
Bolivia (Plurinational State of)	48.7	5.9	8.7	5.0	24.1	7.7	100.0
Colombia	34.3	27.3	11.6	9.7	6.2	10.9	100.0
Ecuador	28.4	30.6	15.4	6.9	10.7	8.0	100.0
Peru	14.1	17.1	15.1	26.9	17.5	9.3	100.0
Chile	15.3	14.0	11.6	33.0	20.3	5.8	100.0
Mexico	4.9	77.1	4.6	1.5	2.5	9.4	100.0
Costa Rica	29.3	41.1	21.1	1.8	4.6	2.1	100.0
El Salvador	49.2	44.5	2.8	1.4	1.5	0.6	100.0
Guatemala	29.0	44.6	12.0	0.8	4.0	9.6	100.0
Honduras	21.9	54.8	15.3	0.5	3.1	4.4	100.0
Nicaragua	24.0	61.3	7.7	1.3	3.9	1.8	100.0
Panama	39.7	9.2	19.5	1.7	19.9	9.9	100.0
Cuba	3.8	0.1	24.7	25.8	6.8	38.8	100.0
Dominican Republic	4.1	56.4	13.0	1.9	12.2	12.3	100.0
Antigua and Barbuda	16.5	18.5	16.6	0.1	1.7	46.6	100.0
Bahamas	3.7	25.9	32.1	0.7	4.8	32.8	100.0
Barbados	39.4	22.8	5.5	0.3	2.3	29.8	100.0
Belize	24.0	32.4	39.8	0.5	1.4	2.0	100.0
Dominica	4.2	1.3	14.9	0.1	10.3	69.3	100.0
Grenada	18.7	42.9	30.4	0.0	3.1	4.9	100.0
Guyana	25.7	15.3	13.5	1.4	1.7	42.5	100.0
Haiti	2.5	83.1	5.2	0.6	3.5	5.2	100.0
Jamaica	4.0	28.7	22.8	5.4	3.7	35.4	100.0
Saint Kitts and Nevis	19.1	53.2	23.9	0.4	0.4	3.1	100.0
Saint Lucia	49.5	29.5	18.4	0.0	2.1	0.6	100.0
Saint Vincent and the Grenadines	64.8	9.8	8.7	0.0	5.0	11.7	100.0
Suriname	1.4	0.2	7.0	1.3	17.8	72.3	100.0
Trinidad and Tobago	30.4	35.6	17.1	3.4	9.3	4.1	100.0
Latin America and the Caribbean	14.8	42.1	10.7	12.5	9.1	10.9	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>.

Note: The information for the following countries was completed using the mirror statistics of their trading partners: Bahamas, the Bolivarian Republic of Venezuela, Cuba, Dominica, Grenada, Haiti, Honduras, Saint Kitts and Nevis, Saint Lucia, Panama, and Trinidad and Tobago.

Table II.A1.2

Latin America and the Caribbean (33 countries): structure of imports by main partner, average 2018–2019
(Percentages)

Countries	Latin America and the Caribbean	United States	European Union	China	Rest of Asia	Rest of the world	World
Argentina	31.8	12.3	18.3	19.6	10.2	7.8	100.0
Brazil	15.5	16.9	20.2	20.2	14.7	12.5	100.0
Paraguay	36.7	8.3	11.3	28.9	9.5	5.2	100.0
Uruguay	41.7	7.6	12.2	18.2	6.5	13.8	100.0
Venezuela (Bolivarian Republic of)	18.2	57.4	7.5	10.9	1.8	4.3	100.0
Bolivia (Plurinational State of)	45.2	6.5	14.0	21.0	10.0	3.3	100.0
Colombia	21.4	25.3	14.8	20.5	10.2	7.8	100.0
Ecuador	29.8	21.8	12.6	19.1	12.0	4.6	100.0
Peru	27.1	21.3	11.1	23.6	11.7	5.2	100.0
Chile	24.2	19.0	15.2	24.0	11.7	5.8	100.0
Mexico	3.1	46.4	11.4	18.2	16.4	4.5	100.0
Costa Rica	20.2	38.6	9.4	14.1	9.0	8.6	100.0
El Salvador	36.1	31.4	7.2	13.8	9.1	2.4	100.0
Guatemala	35.1	39.7	7.9	11.7	3.8	1.8	100.0
Honduras	35.3	38.3	6.3	12.1	6.3	1.6	100.0
Nicaragua	45.3	25.3	6.7	0.0	19.9	2.8	100.0
Panama	45.8	16.6	6.6	6.7	7.8	16.4	100.0
Cuba	19.8	4.6	41.4	17.7	3.3	13.2	100.0
Dominican Republic	14.2	48.9	13.0	11.6	7.2	5.1	100.0
Antigua and Barbuda	17.8	50.2	11.4	6.0	9.0	5.7	100.0
Bahamas	6.6	29.4	16.6	4.7	38.4	4.4	100.0
Barbados	28.6	39.6	12.5	5.9	8.9	4.4	100.0
Belize	30.6	42.5	4.0	12.0	7.2	3.6	100.0
Dominica	9.3	49.7	12.0	9.8	11.5	7.6	100.0
Grenada	81.5	10.1	3.9	1.1	2.3	1.0	100.0
Guyana	7.9	71.8	4.9	6.9	5.5	3.0	100.0
Haiti	20.4	39.8	6.6	16.0	11.2	6.1	100.0
Jamaica	34.1	43.7	6.2	8.0	4.2	3.8	100.0
Saint Kitts and Nevis	29.9	50.4	2.8	2.4	6.8	7.7	100.0
Saint Lucia	43.3	49.5	3.5	1.2	1.5	1.0	100.0
Saint Vincent and the Grenadines	16.9	22.1	24.3	6.1	14.8	15.9	100.0
Suriname	35.7	13.0	9.5	4.8	4.4	32.6	100.0
Trinidad and Tobago	44.3	24.8	7.4	4.0	4.5	15.1	100.0
Latin America and the Caribbean	15.4	32.5	13.5	18.3	13.6	6.7	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>.

Note: The information for the following countries was completed using the mirror statistics of their trading partners: Bahamas, the Bolivarian Republic of Venezuela, Cuba, Dominica, Grenada, Haiti, Honduras, Saint Kitts and Nevis, Saint Lucia, Panama, and Trinidad and Tobago).

Table II.A1.3

Latin America and the Caribbean (33 countries): distribution of bilateral intraregional exports, average 2018–2019
(Percentage of total intraregional exports)

Origin / Destination	Argentina	Brazil	Paraguay	Uruguay	Venezuela (Bolivarian Republic of)	Bolivia (Plurinational State of)	Colombia	Ecuador	Peru	Chile	Mexico	Central American Common Market (CACM)	Caribbean Community (CARICOM)	Other countries in Latin America and the Caribbean	Latin America and the Caribbean (33 countries)
Argentina		7.0	0.7	0.8	0.2	0.4	0.5	0.2	0.9	2.0	0.5	0.3	0.1	0.3	13.8
Brazil	8.0		1.8	1.8	0.3	0.9	1.9	0.6	1.4	3.7	3.0	1.8	0.4	0.6	26.3
Paraguay	1.2	1.3		0.1	0.0	0.0	0.0	0.0	0.1	0.4	0.0	0.0	0.0	0.0	3.3
Uruguay	0.3	0.7	0.1		0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0	1.6
Venezuela (Bolivarian Republic of)	0.0	0.1	0.0	0.0		0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.2
Bolivia (Plurinational State of)	0.9	1.0	0.0	0.0	0.0		0.3	0.1	0.3	0.1	0.0	0.0	0.0	0.0	2.7
Colombia	0.2	1.0	0.0	0.0	0.2	0.1		1.2	0.7	0.7	1.0	2.3	0.9	0.2	8.6
Ecuador	0.2	0.1	0.0	0.0	0.0	0.0	0.5		0.9	1.0	0.1	1.0	0.1	0.1	4.0
Peru	0.1	1.0	0.0	0.0	0.0	0.4	0.5	0.5		0.8	0.3	0.4	0.1	0.1	4.4
Chile	0.5	2.1	0.4	0.1	0.0	0.7	0.4	0.3	1.1		0.9	0.4	0.0	0.1	7.0
Mexico	0.6	2.6	0.1	0.1	0.4	0.1	2.2	0.4	1.0	1.0		3.9	0.2	0.6	13.3
Central American Common Market (CACM)	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.8	0.1	0.1	1.1	7.3	0.4	0.4	10.6
Caribbean Community (CARICOM)	0.1	0.3	0.0	0.0	0.0	0.0	0.1	0.0	0.3	0.3	0.2	0.0	1.2	0.0	2.6
Other countries in Latin America and the Caribbean	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.4
Latin America and the Caribbean	12.1	17.3	3.2	2.9	1.2	2.8	6.7	4.2	6.9	10.3	7.3	18.6	3.5	2.4	100

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade - International Trade Statistics Database [online] <https://comtrade.un.org/>.

Note: The information for the following countries was completed using the mirror statistics of their trading partners: Bahamas, the Bolivarian Republic of Venezuela Cuba, Dominica, Grenada, Haiti, Honduras, Saint Kitts and Nevis, Saint Lucia, Panama, and Trinidad and Tobago.

Countries with export potential	List of products with potential	Extraregional competitors
Argentina	Canned peanuts; legume residues; preserved cooked strawberries, canned fruits and nuts; fats and oils; corn starch; matte essence; bakery products (tostadas, biscuits)	China European Union
Argentina Costa Rica Ecuador Guatemala Trinidad and Tobago Uruguay	Oilseed oils (olive, soybean); nuts; fruit jams, purees and pastes; frozen cooked vegetables; tomato/ketchup sauces; baking powders; rapeseed oil; animal fats	China European Union United States
Uruguay	Vegetable products used in the production of pharmaceutical products: ambergris, castoreum, civet and musk (refrigerated or frozen); flour or semolina; meat or offal pellets for animal feed; pasta containing eggs	European Union United States
Uruguay	Vegetable juice extracts	China
Mexico	Frozen, raw, steamed, or boiled spinach; vegetable mixtures; peanuts; baking powders; meat preparations; orange and grapefruit juices; nuts; mineral water; beans; cereals	European Union
Costa Rica Ecuador	Cooked vegetables; frozen spinach; mixed vegetables in vinegar; dried or whole mushrooms, cut into slices	European Union
Argentina Costa Rica Mexico	Beef cuts on the bone	United States
Argentina	Lemon essential oils; grated or powdered cheese	European Union
Argentina Colombia	Frozen bovine meat; frozen bovine livers; pork cuts salted in brine; uncooked defatted bones; frozen crabs; fats and oils other than butter	No external competition

Table II.A1.4

Latin America and the Caribbean: countries with potential to export intermediate goods from the food, beverage and tobacco industry to Brazil^a

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Note: Export potential was calculated using indices of revealed comparative advantage for 2018–2019.

^a Some of these products may also be for final consumption.

Table II.A1.5

Latin America and the Caribbean: countries with potential to export intermediate goods from the food, beverage and tobacco industry to Mexico^a

Countries with export potential	List of products with potential	Extraregional competitors
Argentina Brazil Chile Dominican Republic Ecuador	Steamed fruits; frozen fruits and nuts; vegetable juices and extracts; vegetable fats; sugar, caramel and natural honey; mushrooms	China
Argentina	Wheat flour; corn starch; lacquer; natural gums; resins, gum-resins and oleoresins (as balsams); sunflower or safflower oil, fractions simply refined; vegetable fats, oils, fractions not chemically modified; yeasts; starch residues; frozen or canned fruits; meat or fish juice extracts	European Union
Costa Rica Trinidad and Tobago	Semolina flour; sunflower or safflower oil; baking powders; vegetable products	European Union United States
Chile Costa Rica Dominican Republic Honduras Trinidad and Tobago	Raw cane sugar; fish fats and oils; cereal flour (except wheat); potato flour, meal and powder; refined sugar; lactose and lactose syrup; baking powders; yoghurt	United States
Chile Dominican Republic Ecuador Peru	Beans, legumes, frozen spinach, sweet corn	United States

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Note: Export potential was calculated using indices of revealed comparative advantage for 2018–2019.

^a Some of these products may also be for final consumption.

Table II.A1.6

Latin America and the Caribbean: countries with potential to export intermediate goods of the chemical and petrochemical industry to Brazil

Countries with export potential	List of products with potential	Extraregional competitors
Ecuador	Gelatin and gelatine derivatives; soaps and organic surfactants in bar form	China United States European Union
Costa Rica	Disinfectants; safety fuses; solvents; orange essential oils; metal polish; carbon dioxide; dyes; paint removers	China European Union United States
Argentina Guatemala Mexico (supplies less than 1% of Brazilian demand for chemical intermediates) Uruguay	Soaps and organic surfactants; dyes and fixatives; colorants; citrus fruit essential oils; orange essential oils; lemon essential oils; perfume preparations; deodorants; ethyl acetate; safety fuses or detonators, detonators, lighters; hydrogen fluoride (hydrofluoric acid; prepared explosives (except propellant powders)	United States China European Union
Trinidad and Tobago	Cement; Carbon dioxide; Solvents, bromides and bromide oxides; Potassium; Petroleum gas; Monofilament; Coal tar; Pitch, tar	China European Union United States
Colombia Uruguay	Sulphates; glues and adhesives; metal chlorides; albuminates and other albumin derivatives; crude glycerol; glycerol waters and glycerol lyes	China European Union United States
Guatemala	Essential oils; disinfectants; elastomeric yarns; paints and varnishes based on synthetic polymers; chemically modified natural polymers other than acrylic polymers; vinyls; hypochlorites (except calcium); chlorites; hypobromites; adhesives; solvents; removers; hydrogen peroxide; sulphites; petroleum gases and gaseous hydrocarbons; fibres; synthetic filament tow; lithium carbonates	China European Union United States

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Note: The calculations of export potential were made using indices of revealed comparative advantage for 2018–2019.

Countries with export potential	List of products with potential	Extraregional competitors
Brazil (supplies 2% of the Mexican demand for chemical products)	Raw glycerol; glycerol waters and glycerol lyes; aluminium hydroxide; manganese oxides; sodium and potassium bromides; sulphates; calcium phosphates; hydrogen peroxide; mannitol; glycerol; sterols and inositols; ketones-alcohols and ketonealdehydes; ethyl acetate; lactic acid, its salts and esters; carboxylic acids; diethanolamine and its salts; nitrogen compounds; fertilizers; suntanning extracts of vegetables; colours and dyes; essential oils of oranges; essential oils of lemons; essential oils of citrus fruits; essential oils; concentrates in fats, fixed oils; dental floss; artificial and prepared polyethylene glycol waxes; gelatine; fish glue; peptones and their derivatives; other protein substances; leather powder, whether or not chromed; oils of gum, wood or sulphate turpentine	China United States European Union
Argentina Guatemala Uruguay	Glycerol; hypochlorite; borates; citrus essential oils; orange essential oils; lemon essential oils; disinfectants; plasticizers; fatty acids; oleic acid; synthetic polymer-based paints and varnishes; natural polymers; adhesives; solvents	United States China European Union
Chile Costa Rica	Disinfectants; safety fuses; solvents; orange essential oils; metal polish; carbon dioxide; dyes; paint removers	China European Union United States
Brazil Chile	Inorganic oxygen compounds; metal chlorides; cyclanes, cycloaterpenes and cycloaterpenes; nitrated and nitrosated hydrocarbons; acids; carboxylic acids; animal or vegetable fertilizers; rodenticides	China United States European Union
Trinidad and Tobago	Cement; Carbon dioxide; Solvents, bromides and bromide oxides; Potassium; Petroleum gas; Monofilament; Coal tar; Pitch, tar	China European Union United States
Uruguay	Sulphates; glues and adhesives of all kinds, metal chlorides; albumin; crude glycerol; glycerol waters and glycerol lyes	China European Union United States

Table II.A1.7
Latin America and the Caribbean: countries with potential to export intermediate goods of the chemical and petrochemical industry to Mexico

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Note: The calculations of export potential were made using indices of revealed comparative advantage for period 2018–2019.

Gender inequalities in international trade

Introduction

A. International trade and gender equality

B. Gender gaps in trade in Latin America and the Caribbean

C. Impact of the pandemic and initiatives to address the effects of the crisis

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Introduction

Governments in the region and around the world are becoming increasingly aware of the importance of their economic policies' distributive impacts. The sustainability of these policies largely depends on how effective they are in reducing inequalities, particularly gender inequalities. While considerable progress has been made in the past few decades in improving women's lives, gender inequalities remain a structural feature of the Latin American and Caribbean region that hinders sustainable development.

In recent years, headway has been made in increasing women's economic autonomy in the region, with the percentage of women without an income of their own falling from 41% in 2002 to 26% in 2019. Nonetheless, 1 out of every 3 women is economically dependent on someone else, compared with only 1 in every 10 men in this situation. And while women have also made inroads in the workforce, their labour force participation rate in Latin America and the Caribbean has stalled at 50% (ECLAC, 2019).

Women's entry into the labour market has not been coupled with a commensurate increase in men's participation in unpaid work and caregiving, however. Women in the region spend three times as many hours as men do each day on housework and caregiving (ECLAC, 2020d). This means that women have a heavier workload than men, since the time they spend performing unpaid work in the home to provide household members with goods and services is added to the time that they spend in paid employment.

The structural heterogeneity of the countries of the region is reinforced by the persistent sexual division of labour. This is reflected in the region's occupational structure, in which women are overrepresented in the least advanced sectors, where substandard working conditions and informal labour arrangements prevail, and are underrepresented in technologically advanced and innovative sectors. More than half of the women in the region are working in unskilled jobs, whereas the positions held by men in the workforce are distributed over a wider range of occupational categories. In addition, strategies focusing on specialization in exports of commodities and natural-resource-based or labour-intensive manufactures have not helped to diversify the region's export basket into more knowledge- and technology-intensive sectors that create high-quality jobs, particularly in the case of women (ECLAC, 2019).

The economic, trade and social crisis unleashed by the COVID-19 pandemic may wipe out the relatively limited gains that have been made in these areas and deepen existing gender inequalities in access to employment, resources and time. The crisis has had a particularly strong impact on women workers and entrepreneurs in the export sector because these women tend to be concentrated in the links of global value chains that have been hit the hardest by the crisis, such as tourism, retail trade, and textiles and clothing. Moreover, the pandemic has increased the amount of unpaid work and caregiving duties that women have to shoulder, further limiting their ability to participate in the labour force.

This chapter will explore the ways in which international trade could help to reduce gender inequality under certain circumstances and with the right kinds of policies in place. The discussion focuses on the employment and business opportunities that trade can open up for women in the export sector. Section A offers a conceptual examination of the links between trade and gender equality. This is followed by an overview of empirical research on the gender employment gaps associated with trade and global value chains in recent decades (section B) and in the specific context of the pandemic (section C). Section D is devoted to a discussion of some of the trade policy tools that could be used to promote gender equality and women's empowerment and autonomy in the export sector. Section E closes the chapter with a number of conclusions.

A. International trade and gender equality

1. Gender inequality and international trade: a two-way street

The links between gender inequality and international trade stem, in part, from the convergence of productive and export specialization, the gender-based segregation of the labour market and the sexual division of labour in the countries of the region (ECLAC, 2019). These links can be analysed at the macro, sectoral and microeconomic levels as well as being viewed from the standpoint of employment, consumption and public service delivery (Van Staveren and others, 2007).

There is a two-way relationship between gender inequality and international trade runs (Van Staveren and others, 2007; Fontana, 2014 and 2016). On the one hand, gender inequalities have an impact on countries' trade performance and their competitiveness. Women can be a source of competitive advantage when their involvement in international trade takes the form of employment as unpaid family workers, homeworkers or wage workers employed in low-quality jobs that provide little social protection (Elson, Grown and Çağatay, 2007). In this sense, gender-based labour market segregation and, in particular, the gender wage gap can act as an incentive for lowering labour costs as a way of boosting the export sector's competitiveness (Seguino, 2000; Blecker and Seguino, 2002). In addition, women's unequal access to production resources, financing, technology and information networks restricts their ability to capitalize upon the competitive advantages offered by international trade to expand the scope of their business activities beyond the borders of their home countries.

On the other hand, changes in trade intensity (exports plus imports over GDP), the export and import structures and the prices of the goods and services that are sold all have gender-differentiated distributive effects. Trade activity has positive or negative impacts on men and women depending on what positions they occupy as economic agents, whether they are workers, consumers or entrepreneurs and whether or not they are responsible for unpaid and care work (ECLAC, 2019). The effects also vary from one group of women to another, since gender inequalities intersect with other factors such as age, ethnicity, education level, migration status, and unpaid domestic work and care (Fontana, 2016).

At the sectoral level, when countries open up their economies to trade, they specialize in sectors where they have a comparative advantage.¹ Export-oriented sectors expand while sectors that are vulnerable to competition from imports contract. Opportunities arise in specific fields, while others are left behind. The relative importance of the primary, secondary and tertiary sectors also shifts. This, in turn, triggers changes in employment levels and distribution among different categories of workers and between large, medium-sized and small enterprises. The impact on men's and women's employment and wages therefore depends on the sectors in which they are involved and the type of gender segregation that exists in the particular labour market concerned. In addition, trade liberalization makes the various sectors and employment levels more vulnerable to international price fluctuations and changes in the global economy (ECLAC, 2019; Fontana, 2016). The net effect on trade will be determined not only by how employment is distributed among the various sectors but also by how easy or difficult it is for people and businesses to move out of sectors that are hurt by existing trade policies and into ones whose growth potential is being increased by those policies.

¹ The term "comparative advantage" here refers to a situation in which one country uses relatively fewer resources (capital, labour or land) to produce and export a given good or service than another country.

Trade also influences business growth in each sector. Companies in sectors that have a comparative advantage will benefit if an economy is opened up to trade, while just the opposite will occur in sectors that are at a disadvantage. In addition, explicit or implicit discrimination influences the concentration of women in low-productivity enterprises that are likely to be more heavily affected by competition from imports when markets are opened up (Shepherd and Stone, 2017).

At the government level, trade liberalization policies tend to reduce tariff revenues in the short run. They may also influence the level of tax receipts, the tax structure and resource allocation for the provision of public services of key importance for women, such as health care, education and care services.² Trade liberalization can also alter the relative prices of goods and services and can boost consumption of a wider range of products and services at more competitive prices. However, these effects will differ depending on the consumption patterns of different types of households and people. Analyses of this dynamic need to consider the widely differing economic roles played by different women. While trade liberalization may have a positive impact on some women (e.g. women consumers who are the main providers for their household), it may be prejudicial for small-scale women farmers who are unable to compete with less expensive imports (Fontana, 2016).

2. Mixed evidence on the links between gender inequalities and trade

Studies on the impact of trade liberalization and the opening of the economy in terms of gender inequalities have reached conflicting conclusions. Some of the findings of international empirical research on the impact of trade liberalization on employment levels and job quality and on women-run businesses are discussed here. Findings from studies focusing on Latin America and the Caribbean will be presented in the following section.

(a) The impact of trade liberalization on employment and economic opportunities for women

Various studies have presented empirical evidence on how trade liberalization and the growth of global value chains have created employment opportunities for women over the past four decades, especially in developing countries (UNCTAD, 2017; Staritz and Reis, 2013). Some have found that globalization has led to the “feminization of work” (Standing, 1989 and 1999). This trend has to do not only with an increase in the labour force participation rate for women in general but also precarious forms of employment concentrated in certain sectors of activity that reinforce the gender segregation of the labour market. As global competition increases, many (transnational) firms have opted for strategies aimed at enhancing their competitiveness by cutting production costs. This approach has contributed to the feminization of the workforce as women accept lower wages than their male peers and to a deterioration in working and employment conditions.

Several other studies have found that gender-based discrimination is an intrinsic feature of global value chains and that women are primarily engaged as cheap labour in jobs where they are less protected and where working conditions are poor. Women also generally have fewer opportunities to negotiate with their employers and are less unionized (Barrientos, Bianchi and Berman, 2019; Fontana, 2016). Patterns of

² In the medium or long terms, however, an expansion of net exports may fuel growth and an upswing in tax revenues that will allow a government to increase the social benefits it provides.

gender-based labour segregation have been identified in several case studies (Staritz and Reis, 2013). Whereas women are concentrated in low-ranking positions in certain branches of activity where jobs are flexible and wages are low, men are distributed among different occupations in higher-value segments and in decision-making posts in global value chains (Barrientos and Pallangyo, 2018; Staritz and Reis, 2013).

In export-oriented industries such as horticulture, tourism and call centres, labour demand is associated with gender stereotypes about “feminine” and “masculine” abilities and qualities, and this influences the types of jobs and pay levels obtained by men and women. In the horticultural industry, women are mainly employed in packing plants as wage workers and in production, where they often are unpaid family workers. In both segments, women are preferred because of their supposed dexterity and attention to detail (Bamber and Fernandez-Stark, 2013). In the garment industry, many women are employed in low-skilled occupations such as sewing and finishing where working conditions are often poor. Outsourcing, which often entails the employment of homeworkers (Barrientos and Pallangyo, 2018), is a cost-cutting strategy commonly employed by local firms that produce goods for global value chains.

Trade strategies based on reducing labour costs while maintaining gender inequalities can consolidate an “underdevelopment path” as opposed to a development path and can block the transition to a sustainable form of development in which productivity gains are based on technological innovation (Elson, Grown and Çağatay, 2007). Some studies on developing countries have detected a relative decline in women’s share in employment (also known as “de-feminization”) as economies shift towards more capital-intensive, higher value-added or more technologically sophisticated forms of production. This phenomenon is attributed to the fact that the comparative advantage associated with low labour costs begins to fade, which reduced demand for women employees at least in relative terms (Tejani and Milberg, 2010 and 2016). Other studies have looked at the feminization and de-feminization of employment in manufacturing by analysing the North/South differences that can be observed as the trade structure in low-technology and high-technology sectors changes (Saraçoğlu and others, 2018).

The automation of production processes and the incorporation of technological innovations may intensify the trend towards the de-feminization of employment, thereby threatening the jobs held by women in the textiles and horticultural export sectors. Since women are underrepresented in high-tech occupations, steps need to be taken to promote their entry into knowledge-intensive sectors that play a key role in progressive structural change and long-term development (ECLAC, 2019).

Some recent studies have looked into the relationship between trade intensity and gender equality. For example, the World Bank and the World Trade Organization (WTO) (2020) have tracked a positive trend in both of these areas. This study analyses a range of different situations, including those found in countries with high levels of trade intensity and of gender inequality and countries with low levels of trade intensity and high levels of gender inequality. This relationship is influenced by factors such as countries’ productive and trade structures and the various types of gender inequalities found in the labour market.

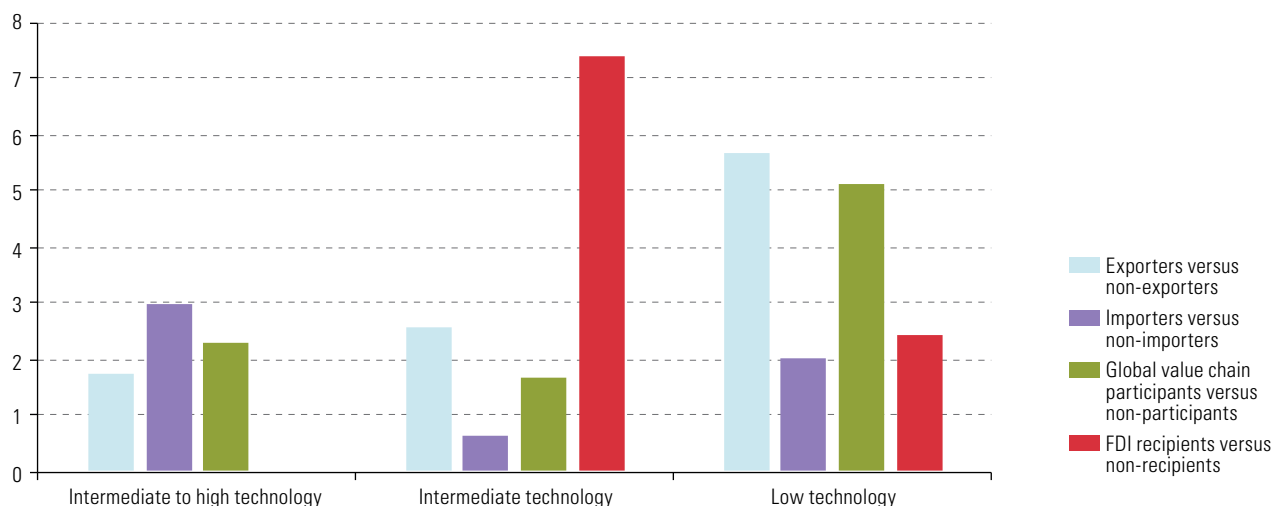
Rocha and Winkler (2019) compare women’s participation in the labour market in areas of the manufacturing sector oriented towards international trade and in areas that cater to the domestic market. For their study, they use microdata on approximately 29,000 manufacturing firms in 64 developing and emerging economies in 2010–2017. They find a female labour share premium in companies that trade internationally relative to women employed in firms that serve the domestic market. This finding holds true for exporters, importers, global value chain participants and foreign firms (Rocha and Winkler, 2019).

More women employees in export-oriented manufacturing companies and in firms that participate in global value chains work in manual or low-skill jobs than in office jobs in management, sales or administrative divisions. These premiums in women's participation rates are largely found in low- rather than in high-tech sectors (see figure III.1).

Figure III.1

Worldwide female labour share premium in firms engaged in international trade versus firms that do not trade internationally, by sectoral technological intensity, 2010–2017

(Percentage points)



Source: N. Rocha and D. Winkler, "Trade and female labor participation: stylized facts using a global dataset", *Policy Research Working Paper*, No. 9098, Washington, D.C., World Bank, 2019.

Note: The differences in women's share of employment in internationalized and non-internationalized firms are shown, with a distinction being drawn between firms whose operations reflect high, intermediate and low levels of technological sophistication. Firms are defined as exporters if their (direct or indirect) exports represent at least 10% of their total sales. Importing firms are defined as those whose (direct or indirect) imports represent at least 10% of their inputs. Companies that are part of global value chains are also categorized as exporters or importers. Enterprises that are recipients of foreign direct investment (FDI) are defined as such if at least 10% of their equity is foreign-owned

(b) Impacts of trade on women business owners and entrepreneurs

Women business owners' and producers' chances of benefiting from the opportunities opened up by trade liberalization depend on whether they are specialized in growth sectors or are vulnerable to international competition. Other factors also have to be considered, such as the size of the firm and its access to production resources, financing, technology and information networks (ECLAC, 2019; World Bank/WTO, 2020).

According to an analysis of World Bank Enterprise Surveys covering more than 35,000 manufacturing firms and more than 31,000 service providers across 76 developing and emerging economies, 90% of the manufacturing exporters and 88% of the service exporters are owned by men (World Bank/WTO, 2020).

Based on a sample of firms that maintain a presence on Facebook, Korinek (2020) obtains similar results for small and medium-sized firms in 97 countries. Of that sample, 17 of the firms are located in Latin America and the Caribbean.³ She finds that businesses owned by women export less because they are smaller, have less access to capital and are concentrated in services sectors, which are less export-intensive than goods sectors are. In addition, firms of any size that are headed by women sell less than those headed by men. Interestingly, the study indicates that the few women-run

³ Argentina, Brazil, Chile, Costa Rica, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia, Trinidad and Tobago and Uruguay.

firms that do engage in cross-border trade deal with a larger number of other countries than those run by men. The obstacles identified by women to their participation in international trade include physical distance from the country of origin (associated with the difficulty of travelling when a person is in charge of providing services in the home) and the greater difficulties in obtaining financing that are faced by exporters.

Several factors have been identified as hindering women business owners and entrepreneurs from engaging in international trade (Barrientos and Pallangyo, 2018; Staritz and Reis, 2013; World Bank/WTO, 2020; ECLAC, 2019). These include the fact that women's companies tend to be smaller and have less access to production resources, training, digital skills and networks of contacts. They also must deal with tighter time constraints owing to their overload of unpaid work and caregiving in addition to their other duties.

Groups of women who run export firms in Chile (CENDEC, 2006), Ecuador, El Salvador, Nicaragua and Peru (Frohmann and others, 2016) report the presence of gender gaps in two main areas. One of those areas is directly related to business activity, where there is a lack of legal backing, limited access to information and to financing, regulatory hurdles and problems relating to property rights, risk ratings, access to employment and wage differentials. The other area has to do with gender stereotypes that are perpetuated by clients' chauvinistic attitudes, glass ceilings that bar women from upper management positions, cultural stereotypes, inequality and discrimination, a lack of recognition and the need to validate and legitimize their work (Frohmann, 2017).

While export firms that are run by women are in the minority, a study by Rocha and Winkler (2019) indicates that these firms employ more women than those run by men and than companies that cater to the domestic market, whether headed up by men or women.

In short, trade activity influences gender inequalities in various ways, with exports and imports having potentially positive and potentially negative impacts. In the final analysis, the net impact of trade depends on how developed an economy is and on such factors as sectoral specialization, the distribution of skills and the extent of patriarchal cultural patterns in the different countries. The available information indicates that trade liberalization does not automatically provide women with greater net employment or income-enhancing opportunities. In cases where trade has the effect of creating more jobs, it is important to look at the working conditions associated with those jobs, as in some instances they are suboptimal. Nor is there a basis for affirming that increased international competition will automatically make it less likely that employers will discriminate against female employees (Fontana, 2016).

B. Gender gaps in trade in Latin America and the Caribbean

1. Gender gaps in employment in export firms⁴

While women have made some progress in Latin America and the Caribbean in terms of their position in the workforce, their labour market participation rate remains stalled at around 50%. Between 2008 and 2019, women's participation rate rose

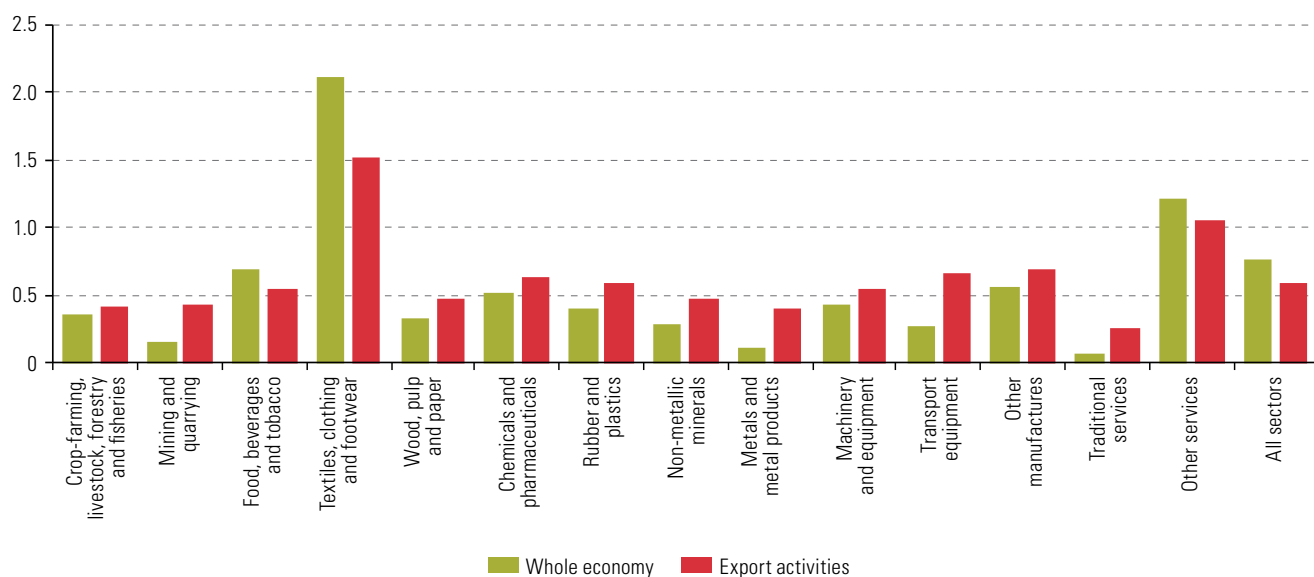
⁴ This section looks at gender employment gaps in the export sector in a number of different countries between 2005 and 2018. The employment data used for this analysis are from the Household Survey Data Bank (BADEHOG) maintained by ECLAC. National input-output tables consistent with the regional input-output table for Latin America were used to produce estimates of employment in the export sector (ECLAC/ESCAP/BAsD, 2019; Durán Lima, 2019; ECLAC, 2016).

from 48.9% to 51.4%, while the rate for men was 75%, thus leaving a gender gap of over 20 percentage points in the participation rate. Women's unemployment is also systematically higher than men's. In 2019 the female jobless rate was 9.6%, versus a 7.1% rate for men.

Women's share of employment in export activities is smaller than their share of total employment, as illustrated by the lower coefficient between female and male employment in the export sector than in the economy as a whole (see figure III.2).⁵ The highest coefficients are for sectors where women make up a larger percentage of the workforce: textiles, clothing and other services. The last of these sectors, which includes education, health care and personal services, exports very little. By contrast, the lowest coefficients are for traditional services (electricity, gas and water, transport and construction); metals and metal products; crop-farming, livestock, forestry and fisheries; and mining and quarrying. This same pattern is also found in the economies of the member countries of the Organization for Economic Cooperation and Development (OECD) (Horvát, Webb and Yamano, 2020). In a number of sectors, however (notably transport equipment, metals and metal products, and mining and quarrying), the coefficients for export activities are higher than they are for those sectors in the economy as a whole, indicating that the proportion of women workers in the former is larger than in the latter.

Figure III.2

Latin America (11 countries):^a coefficients for female and male employment in the economy as a whole and in export activities, by sector, 2018



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG) and input-output tables for the countries.

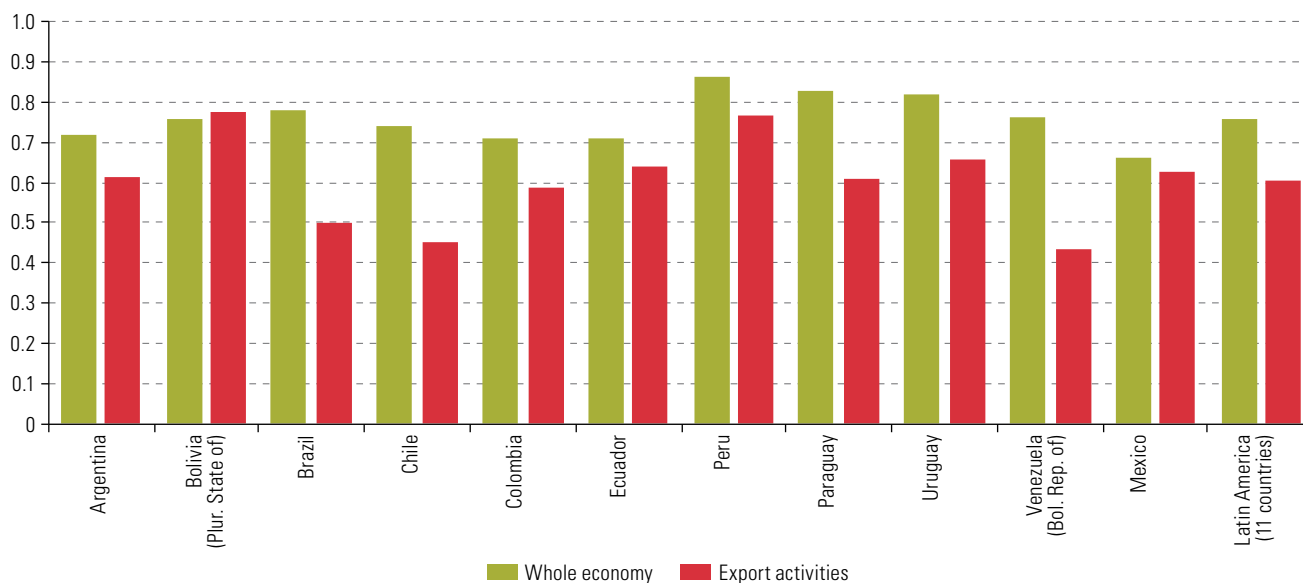
^a Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

⁵ A coefficient of 1 indicates an equal share of male and female workers (50% each). Coefficients lower (or higher) than 1 indicate that there is a smaller (or larger) proportion of women than men.

In all the countries except the Plurinational State of Bolivia, the gender employment gap is wider in export sectors than it is in the economy as a whole, as may be concluded from the fact that the corresponding coefficients are lower for export activities than for the economy at large (see figure III.3). The fact that the gap is narrower for the economy in general is attributable to the concentration of female employment in other services that export very little, such as education, health care and personal services. In 2018, the Bolivarian Republic of Venezuela, Chile and Brazil (in descending order) were the three countries where the differential between the coefficients for export activities and for the total economy were the largest. This can be explained by the fact that exports from the mining and agricultural sectors (where male workers predominate) make up a large proportion of their total exports. In that same year, the Plurinational State of Bolivia and Peru had the smallest gender gaps in their export sectors. Between 2005 and 2018, the countries where the gender gaps in the export sector narrowed the most were Paraguay, Colombia and Uruguay, but women's employment in export activities rose in all the countries except Brazil. The decrease seen in Brazil was partially due to the relative expansion of agricultural and mining exports (sectors where the percentage of women workers is smaller). In Central America and the Dominican Republic, the pattern of gender gaps in export sectors is similar to the pattern seen in the South American countries and Mexico (see box III.1).

Figure III.3

Latin America (11 countries): ratio of female to male employment in the economy as a whole and in export activities, 2018



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG) and input-output tables of the countries.

Box III.1**Central America and the Dominican Republic: export-sector employment and gender gaps**

Based on the same methodology as is used in the rest of this section, employment estimates for five Central American countries and the Dominican Republic in 2011 and 2014 indicate that, on average, the gender gaps in total employment and in export-sector employment are wider than they are in the South American countries and Mexico (see figure 1). In the export sector, the largest gaps are in Nicaragua and Guatemala while the smallest are in El Salvador and Costa Rica.

Figure 1

Central America and the Dominican Republic: ratio of female to male employment in the economy as a whole and in the export sector, 2014



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG), input-output tables, official employment records and occupational vectors derived from household, living condition or employment surveys.

In Central America and the Dominican Republic as a whole, employment in the export sector edged up from 22.2% of total employment in 2011 to 22.5% in 2014. This overall figure was the net result of increases in Honduras and Nicaragua and decreases in the other countries during this period (see table 1). The employment of women in the export sector, measured as a percentage of total female employment, rose only in Honduras while declining in the other countries.

Table 1

Central America and the Dominican Republic: export-related employment as a percentage of total employment, 2011 and 2014

	2011			2014		
	Total	Men	Women	Total	Men	Women
Costa Rica	26.5	28.1	23.9	25.0	26.8	22.4
Dominican Republic	16.9	15.7	19.7	16.7	18.8	13.2
Guatemala	22.1	22.9	20.2	21.5	24.0	17.1
Honduras	24.9	27.1	21.6	28.8	31.2	25.2
El Salvador	17.7	17.3	17.4	16.4	16.4	16.5
Nicaragua	28.7	30.7	23.8	29.0	34.7	19.6
All the countries	22.2	22.9	20.7	22.5	24.9	18.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG), input-output tables, official employment records and occupational vectors derived from household, living condition or employment surveys.

Box III.1 (concluded)

A large part of export-sector employment in Central America is in low-tech manufacturing industries (mainly food, beverages and tobacco; textiles, clothing and footwear; and others such as the maquila assembly of electronics and medical equipment and plastics, wood and paper). Between 2011 and 2014, the biggest proportional increases were seen in the food, beverages and tobacco industry and in other manufactures (see table 2), while employment in export activities in the "other services" category shrank.^a

Table 2

Central America and the Dominican Republic: export-related employment, by sector, 2011 and 2014
(Percentages)

	2011			2014		
	Total	Men	Women	Total	Men	Women
Crop-farming, livestock and fisheries	28.4	36.4	11.5	26.3	32.4	12.8
Mining and quarrying	1.8	1.3	2.2	2.1	2.4	1.4
Food, beverages and tobacco	19.3	20.9	15.8	24.0	25.1	21.6
Textiles, clothing and footwear	12.2	8.4	19.4	13.7	9.2	23.0
Chemicals and petrochemicals	2.3	2.0	2.9	2.1	1.8	2.7
Other manufactures	7.8	7.7	7.9	10.7	10.7	10.8
Basic services ^a	3.9	5.1	1.4	4.4	5.5	2.0
Other services ^b	24.3	17.8	38.8	16.4	12.2	25.7
All the countries	100.0	100.0	100.0	100.0	100.0	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG), input-output tables, official employment records and occupational vectors derived from household, living condition or employment surveys.

^a Basic services include electricity, gas and water, construction and transport.

^b The category "other services" includes accommodation and food services; postal and telecommunications services; and financial, business and personal and cultural services.

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

^a See World Bank, in "Infraestructura para desarrollar las exportaciones: zonas económicas especiales, innovación y sistemas de calidad", *Desarrollando el potencial exportador in América Central*, Washington, D.C., October 2012 [online] <http://documents1.worldbank.org/curated/en/263621468011740500/pdf/839270WPOVol040Box0382116B00PUBLIC0.pdf>.

A similar study of six countries in the region (Argentina, Brazil, Chile, Colombia, Mexico and Uruguay) also found that the proportion of women employed in export sectors is smaller than it is in the economy as a whole. This is the result of the confluence of a certain type of productive and trade specialization with gender-based labour segregation, since these countries specialize in commodities or largely unprocessed goods in predominantly male branches of activity. The differential is somewhat less stark in the cases of Colombia and Mexico because of the size of their clothing and maquila industries. The study also presents evidence that women in these sectors tend to be employed in activities that require little schooling or less education than the average educational level of employed women in general. It also found that a large percentage of the women employed in export sectors lack social security coverage. The study's authors therefore conclude that where greater diversification has not occurred, the growth of international trade has not helped to reduce the labour market's gender segregation or to make better use of women workers' educational qualifications (Azar, Espino and Salvador, 2009)

The gender gap in the export sector is also reflected in the fact that a smaller proportion of women than men are employed in that sector relative to total employment. In 2018, that gap amounted to 3.2 percentage points, since the export sector employed 11.8% of the total number of working women and 15.0% of their male counterparts

(see figure III.4). The gap was wider in the export sector itself (direct employment), where it equalled 2.5 percentage points, than in employment in other sectors that supply inputs to the export sector (indirect employment), where it was 0.8 percentage points. The narrower gap in indirectly export-related employment has to do with the larger share of services, where women workers are more prevalent.

Figure III.4

Latin America (11 countries):^a direct and indirect export-sector employment as a share of total employment, by sex, 2018
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG) and input-output tables of the countries.

^a Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

Between 2005 and 2018, a gap remained between men's and women's participation in export sectors, but the trends in direct and indirect export-sector employment ran counter to one another. This gap broadened considerably in the former owing to a shift in the export basket back towards commodities ("reprimarization"), which brought about an increase in activity in sectors where male employment predominates. The gap in indirectly export-related employment shrank, on the other hand, as overall employment in that category rose by 1.9% but the upswing was sharper in the case of women (2.8%), with the number of women employed in those activities climbing from 1.9 million in 2005 to 2.7 million in 2018 (see table III.1).

Table III.1

Latin America (11 countries):^a direct and indirect export-related employment, by sex, 2005 and 2018
(Millions of persons)

Year	Major sectors	Total export-related employment	Men			Women		
			Direct	Indirect	Total	Direct	Indirect	Total
2005	Primary	6.9	3.9	1.1	5.0	1.4	0.6	2.0
	Manufactures	18.5	4.1	7.7	11.8	2.5	4.2	6.7
	Services	4.6	2.1	0.6	2.7	1.5	0.3	1.9
	Total	30.0	10.1	9.3	19.4	5.4	5.2	10.5
2018	Primary	9.1	4.6	1.8	6.4	1.5	1.2	2.7
	Manufactures	17.2	5.1	5.6	10.7	2.8	3.6	6.5
	Services	5.8	2.4	0.8	3.2	2.2	0.5	2.7
	Total	32.2	12.1	8.2	20.3	6.5	5.4	11.9

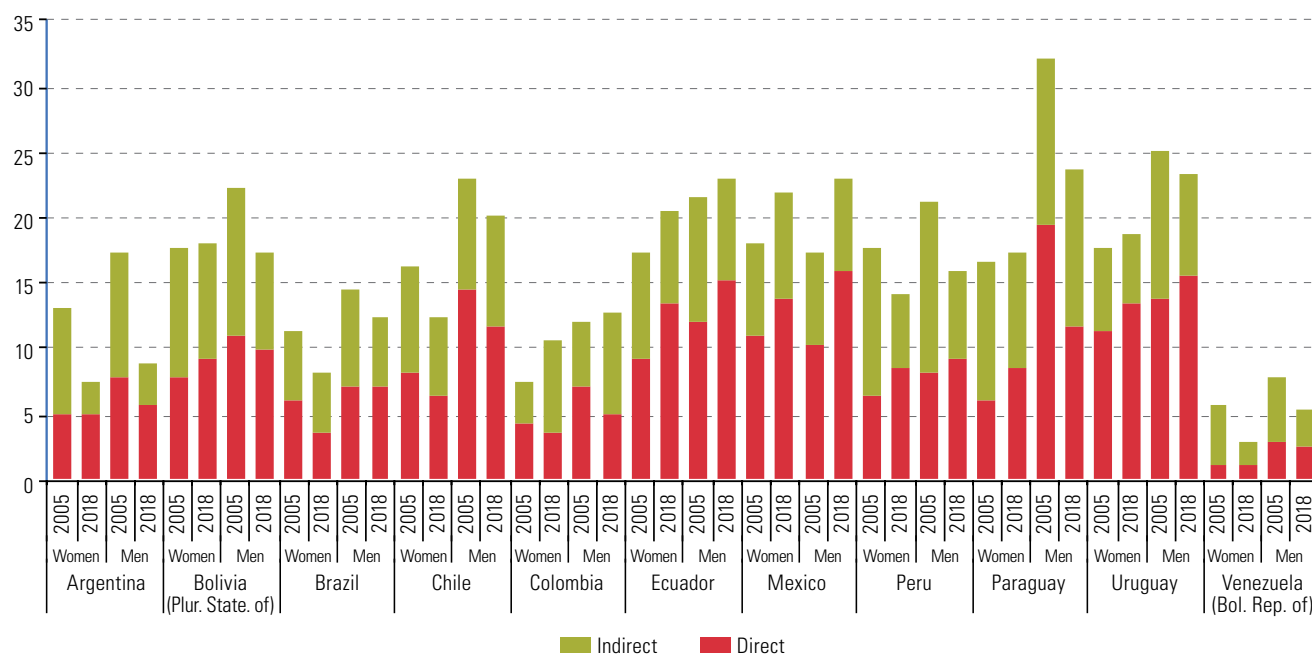
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG) and input-output tables of the countries.

^a Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

The countries where the most export-sector jobs were created in 2018 were (in descending order) Uruguay, Mexico and Ecuador, all of which had total employment coefficients of over 20%. The situation in terms of the gender gap in export-sector employment varied widely across the countries of the region, however. In 2018, the largest gap was in the Bolivarian Republic of Venezuela, where only slightly more than half as many women as men were employed in the export sector. This was due in large part to the predominance of the oil industry, where many more men than women work (see figure III.5). The second-biggest gap was in Chile, attributable to the overriding importance of the mining industry, which is also predominantly male. Significant differences were also found in the employment of men and women in the export sector in Brazil and Paraguay. On the other hand, more women than men work in the export sector in the Plurinational State of Bolivia, and the gaps between male and female employment in Mexico and Ecuador were fairly small as of 2018.

Figure III.5

Latin America (11 countries): shares of total employment represented by direct and indirect export-sector employment, by sex and country, 2005 and 2018
(Percentages of total employment)



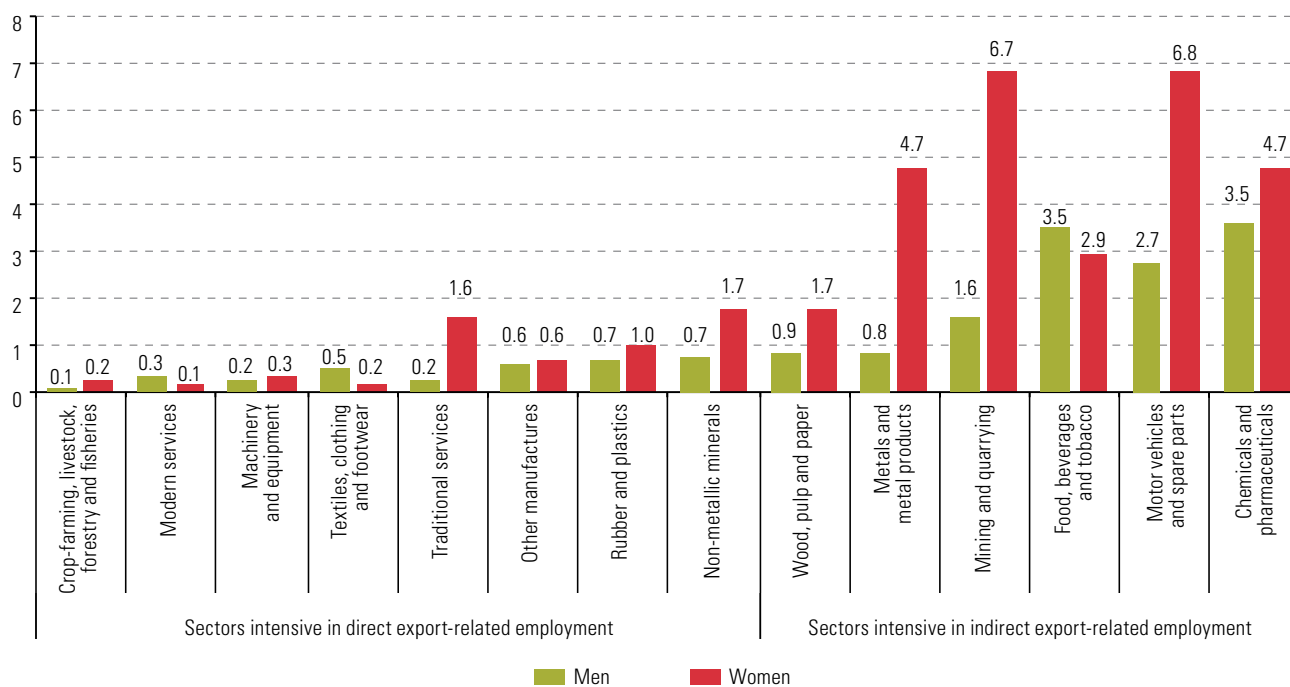
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG) and input-output tables for the countries.

Between 2005 and 2018, employment of men and women in the export sectors of most of the countries tended to become more balanced. The gap between the two sexes narrowed (in descending order) in the Plurinational State of Bolivia, Colombia and Paraguay. However (again in descending order), it widened in the Bolivarian Republic of Venezuela, Brazil, Mexico and Chile during that time period. In all the countries except Uruguay, employment in activities indirectly related to the export sector amounted to a larger share of total female employment than of total male employment (see figure III.6). The Bolivarian Republic of Venezuela was the country where this differential was the largest, although it lessened somewhat over time. Between 2005 and 2018, the share of total employment represented by indirectly export-related employment was smaller for both sexes in all the countries except Colombia. This could be a consequence of the

shift back towards a larger share of commodities in the export basket, since commodity sectors generally have fewer linkages with other sectors. The fact that Colombia was an exception may be related to the peace process, which has made it possible for the export sector to establish more linkages with input-producing activities. For example, the gross domestic product (GDP) of the food, beverages and tobacco industries has climbed steeply in recent years (DANE, 2019), thereby fueling demand for agricultural products and, consequently, jobs related to that sector (Ministry of Agriculture and Rural Development of Colombia/World Bank, 2018).

Figure III.6

Latin America (11 countries):^a indirect jobs generated by each direct job, by major sector and by sex, 2018
(Number of jobs)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG), input-output tables for the countries, official labour records and occupational vectors derived from household, living condition or employment surveys.

^a Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

For 2018, export-related employment in the 11 countries covered in this analysis is estimated at 32.4 million workers (13.7% of total employment). Between 2005 and 2018, export-based employment expanded by half as much as total employment (0.6% and 1.2% per year, respectively), but women's employment in export-related sectors and total female employment both rose more rapidly than male employment in those two categories did. As a result, the gender gap was reduced in both cases. In 2018, nearly two thirds of all persons employed in the export sector were men and slightly more than one third were women. The countries with the highest export-related employment levels are, in descending order, Mexico, Brazil and Peru (see table III.2).

Table III.2

Latin America (11 countries): total employment and export-related employment, by sex and by country, 2005 and 2018
(Millions of persons)

Countries and region	Total employment						Export-related employment					
	2005			2018			2005			2018		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
Argentina	14.4	8.5	5.8	20.6	12.0	8.6	2.2	1.5	0.8	1.7	1.1	0.6
Bolivia (Plurinational State of)	3.4	1.8	1.6	5.4	3.1	2.3	0.7	0.4	0.3	1.0	0.5	0.4
Brazil	90.9	52.9	38.0	92.3	51.9	40.4	12.1	7.7	4.4	9.7	6.5	3.2
Chile	6.2	4.0	2.1	8.4	4.8	3.6	1.3	0.9	0.3	1.4	1.0	0.4
Colombia	18.1	10.8	7.1	22.5	13.1	9.3	1.9	1.3	0.5	2.7	1.7	1.0
Ecuador	6.4	3.9	2.5	7.9	4.6	3.3	1.3	0.8	0.4	1.7	1.1	0.7
Peru	13.1	7.3	5.8	17.0	9.1	7.9	2.6	1.6	1.0	2.6	1.5	1.1
Paraguay	2.6	1.7	1.0	3.1	1.4	1.2	0.7	0.5	0.2	0.6	0.3	0.2
Uruguay	1.5	0.9	0.6	1.6	0.9	0.7	0.3	0.2	0.1	0.4	0.2	0.1
Venezuela (Bolivarian Republic of)	10.2	6.4	3.7	14.1	8.0	6.1	0.7	0.5	0.2	0.6	0.4	0.2
Mexico	35.9	22.8	13.0	43.4	26.1	17.3	6.3	3.9	2.4	9.8	6.0	3.8
Latin America (11 countries)	202.5	121.1	81.2	236.3	135.1	100.7	30.0	19.4	10.5	32.4	20.3	11.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG), input-output tables, official employment records and occupational vectors derived from household, living condition or employment surveys.

The crop-farming, livestock and fisheries sector, together with the food, beverages and tobacco industry and other services, generated the most export-related employment in 2018. For women, the largest employer is the “other services” category, which includes accommodation and food services and business services, followed by food, beverages and tobacco and by machinery and equipment. For men, crop-farming, livestock and fisheries are the main sources of export-related employment, followed by the same two sectors that are the second- and third-largest employers for women. In 2005, the biggest export-sector employer for both men and women was the food, beverages and tobacco industry (see table III.3). The sectors exhibited similar variations in their levels of export-related employment by sex between 2005 and 2018. On the one hand, mining and quarrying is the sector in which employment for both sexes rose the most in proportional terms between those years, followed by the rubber and plastics and the machinery and equipment sectors. On the other, the sectors where the most jobs were lost were wood, pulp and paper; textiles and clothing; and food, beverages and tobacco. The number of directly employed workers required per US\$ 1 million of exports plunged in these sectors between 2005 and 2018: from 40 to 12 in crop-farming, livestock and fisheries; from 70 to 20 in wood, pulp and paper exporters; and from 80 to 15 in the textiles, clothing and footwear industries.⁶

⁶ Calculated by ECLAC on the basis of information on total employment and the gross value of production for 11 countries for which employment estimates could be computed for 2005 and 2018.

Table III.3

Latin America (11 countries):^a export-related employment, by sex and sector, 2005 and 2018
(Millions of persons)

	2005			2018		
	Total	Men	Women	Total	Men	Women
Crop-farming, livestock and fisheries	5.0	3.6	1.4	5.9	4.2	1.7
Mining and quarrying	1.9	1.4	0.5	3.2	2.3	1.0
Food, beverages and tobacco	6.8	4.5	2.4	4.9	3.1	1.7
Textiles, clothing and footwear	2.1	0.9	1.2	1.3	0.5	0.8
Wood, pulp and paper	1.3	0.9	0.4	0.7	0.5	0.2
Chemicals and pharmaceuticals	1.4	0.9	0.5	1.2	0.7	0.5
Rubber and plastics	0.3	0.2	0.1	0.5	0.3	0.2
Non-metallic minerals	0.3	0.2	0.1	0.3	0.2	0.1
Metals and metal products	1.2	0.9	0.3	1.7	1.2	0.5
Machinery and equipment	2.6	1.7	0.9	3.8	2.4	1.3
Transport equipment	1.6	1.1	0.5	2.0	1.2	0.8
Other manufactures	0.8	0.5	0.3	1.1	0.7	0.5
Traditional services ^b	1.0	0.8	0.2	1.0	0.8	0.2
Other services ^c	3.5	1.9	1.7	4.4	2.0	2.3
All sectors	30.0	19.4	10.5	32.2	20.3	11.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG), input-output tables, official employment records and occupational vectors derived from household, living condition or employment surveys.

^a Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

^b Traditional services include electricity, gas and water, construction and transport.

^c The category "other services" includes accommodation and food services; postal and telecommunications services; and financial, business and personal and cultural services.

The amount of indirectly export-related employment provided by the various sectors varies a great deal but is similar for women and men. The relative level of this kind of employment, or the indirect labour demand, is estimated on the basis of the number of indirect jobs created for every direct job. The sectors fall into two distinct groups. The first group in which direct employment intensity exceeds indirect employment intensity, includes (in descending order) crop-farming, livestock and fisheries; textiles, clothing and footwear; rubber and plastics; machinery and equipment; and other manufactures. In these sectors, job creation is concentrated in the firms' main activity. While these firms also do generate indirect employment, their demand for those kinds of workers is more limited than their demand for the types of workers employed in their own sector. This is a structural feature of these industries that holds true for both men and women (see figure III.6).

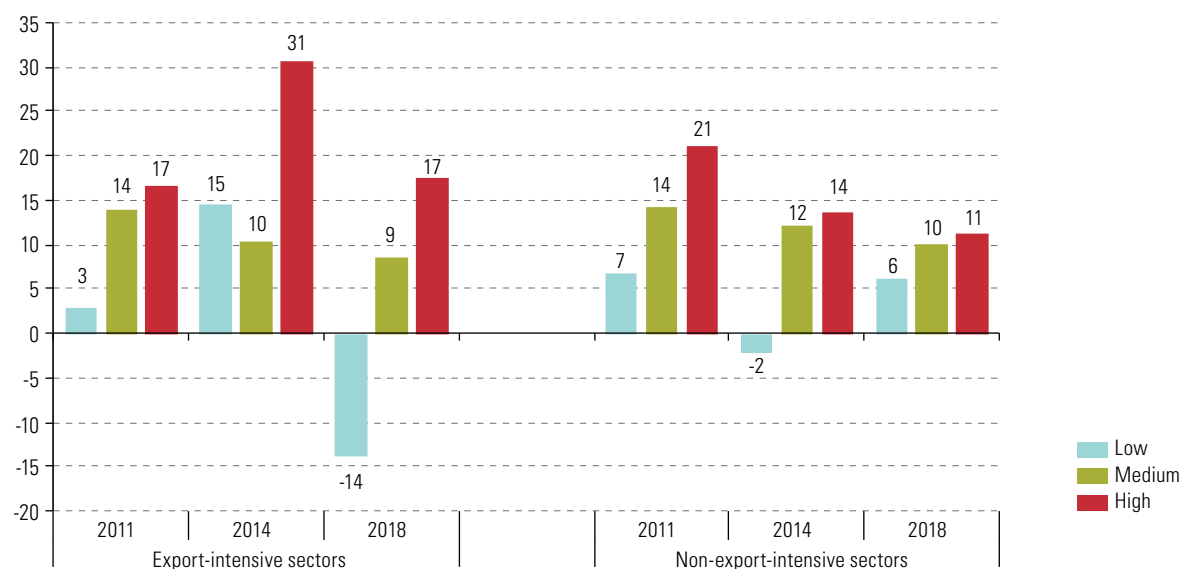
In the second group, indirect employment intensity is far greater than in the first group, especially in the case of female workers. Sectors that displayed a strong indirect demand for workers in 2018 included chemicals and pharmaceuticals; transport equipment; food, beverages and tobacco; and mining and quarrying. In these areas, indirect labour demand is much greater in the case of women than men. There are between five and seven women who are indirectly employed by those industries for every one woman who is directly employed. (The food, beverages and tobacco industry is an exception in this case, as the ratio there is only 1:3 for both female and male workers) (see figure III.6). All these export sectors require inputs from other sectors. This is especially true of those that deal in raw materials, such as crop-farming, and commercial services (transport, financial services, business services, traditional services and other services). The relative level of women workers in the latter is greater.

2. Wage gaps in the export sector⁷

Between 2011 and 2018, wage gaps between men and women in the most export-intensive sectors narrowed. These calculations were performed for 12 countries in 2011, 2014 and 2018 and included both sectors that are highly export-intensive and sectors that are not.^{8 9} The average wage of a woman worker in highly export-intensive sectors was 14% lower than their male counterparts' wages in 2011 and 11% lower in 2018 (figures adjusted for hours worked and occupational level).¹⁰ The reduction in this gap was significant for workers at low and intermediate occupational levels but there was little change in this indicator for men and women at higher levels. These wage gaps were also wider in the most export-intensive sectors (see figure III.7). When these results are compared with empirical data for 42 developing countries in the late 1990s, when women's wages were averaging 73% of men's earnings (Korinek, 2005), it can be seen that the gap has been trending downward in recent years.

Figure III.7

Latin America (12 countries):^a male/female wage gaps, by occupational level in export-intensive and non-export-intensive sectors, 2011, 2014 and 2018 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG) and input-output tables of the countries.

^a Argentina, Brazil, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Peru, Plurinational State of Bolivia and Uruguay.

⁷ Information from the BADEHOG household survey database maintained by ECLAC was used for the analysis of wage gaps. Male/female wage differentials were estimated using the Mincer equation, which models the logarithm for hourly wages as a function of the sector, the sector's export intensity, year, sex, experience, occupational level and company size (Mincer, 1974).

⁸ Sectors with a high (low) export intensity are those in which the proportion of gross production value represented by exports is higher (lower) than the average for all sectors combined.

⁹ These 12 countries are: Argentina, Brazil, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Peru, Plurinational State of Bolivia and Uruguay.

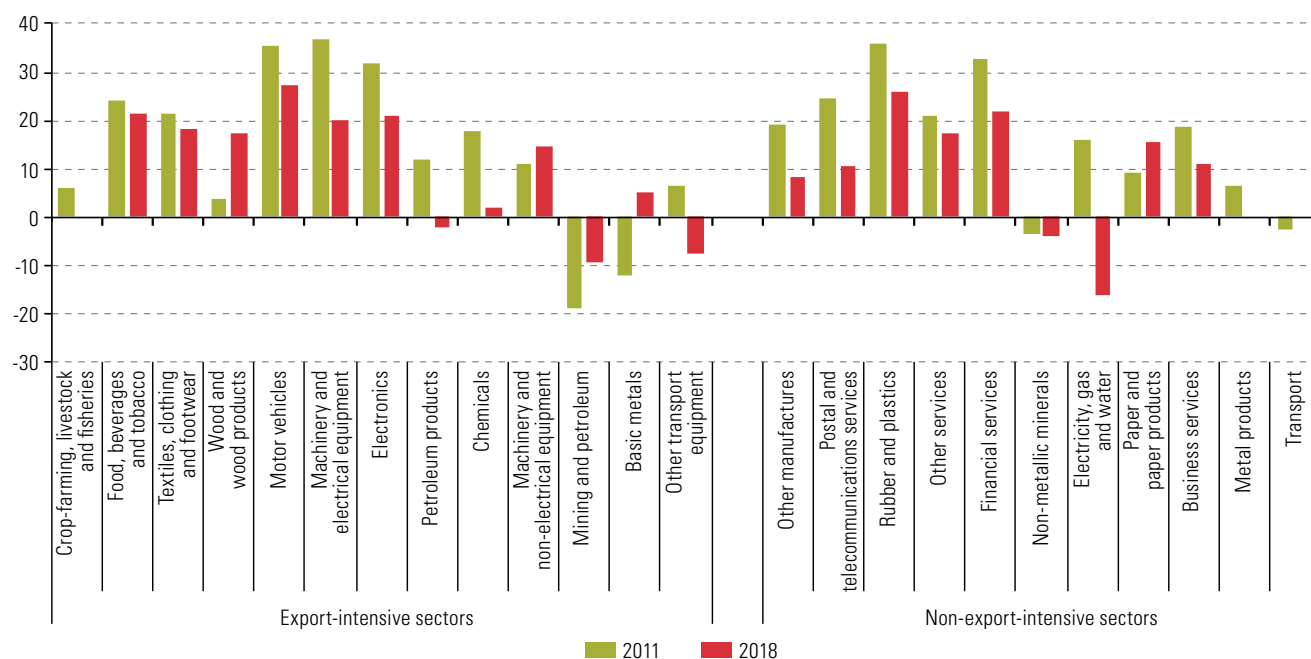
¹⁰ For each of the 25 sectors, the wages of men and women who worked between 35 and 48 hours were computed for each occupational level: (i) high (directors, managers, professional staff and technical experts); (ii) intermediate (administrative personnel, machine operators, sales personnel, artisans and persons providing support services); and (iii) low (basic occupations).

Among the fairly export-intensive sectors, women's wages were relatively lower in 2018 in heavy industries such as those producing motor vehicles and spare parts and machinery and electrical equipment. Women workers' wages were also much lower than their male counterparts are in the food, beverages and tobacco industry and in the textiles, clothing and footwear sector (see figure III.8). Among the less export-intensive sectors, the widest gaps were in industries producing rubber and plastics and telecommunications services, where men's wages were 30% and 40% higher, respectively, than women's wages. These gaps narrowed in the years between 2011 and 2018, however.

Between 2011 and 2018, wage differentials decreased in most sectors, with the exceptions being machinery and non-electrical equipment, basic metals, wood and wood products, and mining and petroleum. In a few sectors, women earned between 8% and 20% more than men. These results were attributable to the salary levels of the most highly qualified women employed in those sectors (see figure III.8 and table III.4). Comparisons of the average hourly wages of women and men highlight the fact that although more highly qualified women earned more than less skilled women, they still earned less than their male counterparts and therefore these gaps are the largest of all. For example, a woman in a director's post in the textiles, clothing and footwear sector in 2018 earned US\$ 3.2/hour, whereas a man in an equivalent position earned US\$ 4.4/hour. The only two industries in the manufacturing sector in which highly qualified women earned more or less the same amount as men were the food, beverages and tobacco and the rubber and plastics industries (see table III.4).

Figure III.8

Latin America (12 countries):^a female/male wage gaps in major economic sectors, 2011 and 2018 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG).

^a Argentina, Brazil, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Peru, Plurinational State of Bolivia and Uruguay.

Table III.4
Latin America (12 countries):^a average hourly wages in major economic sectors, by sex and occupational level, 2018
(Dollars)

Economic sector	Men			Women		
	Low	Medium	High	Low	Medium	High
Agriculture, hunting and fishing	1.4	1.2	4.4	1.3	1.2	3.7
Mining and petroleum	2.4	3.4	9.4	2.1	2.8	9.2
Food, beverages and tobacco	2.2	2.1	5.0	2.6	1.6	5.0
Textiles, clothing and footwear	3.0	1.8	4.4	2.2	1.5	3.2
Wood and wood products	1.9	2.0	5.1	2.4	1.5	4.2
Paper and carboard	2.6	2.5	5.2	2.0	1.9	5.1
Petroleum and fuels	4.1	3.9	7.3	1.9	3.7	6.7
Chemicals	2.2	2.8	8.7	2.1	2.6	7.8
Rubber and plastics	2.6	2.6	5.0	1.4	1.9	5.0
Non-metallic minerals	2.2	2.0	5.4	1.5	1.8	5.0
Basic metals	2.6	2.8	8.3	1.8	3.4	4.0
Metal products	2.5	2.2	5.2	1.9	2.0	4.7
Machinery and non-electrical equipment	2.5	3.3	6.6	1.6	2.1	6.2
Electronics and optics	2.6	2.3	5.4	3.0	2.1	5.3
Machinery and electrical devices	1.9	2.0	5.6	2.2	1.6	3.7
Motor vehicles	3.0	2.4	6.1	7.8	1.8	5.3
Other transport equipment	3.2	2.0	5.5	3.2	1.8	5.3
Other manufactures	2.1	2.3	4.4	1.6	1.9	5.3
Electricity, gas and water	3.1	3.7	7.0	2.1	4.2	7.8
Construction	2.1	1.8	5.2	2.0	2.3	5.2
Transport	2.6	2.3	6.3	2.0	2.6	4.4
Telecommunications	2.0	2.6	5.3	1.8	2.3	5.8
Financial intermediation	2.4	3.8	9.3	2.9	3.5	7.5
Business services	2.5	2.4	6.0	2.2	2.4	5.2
Other services	2.3	2.2	6.0	2.2	1.9	5.2

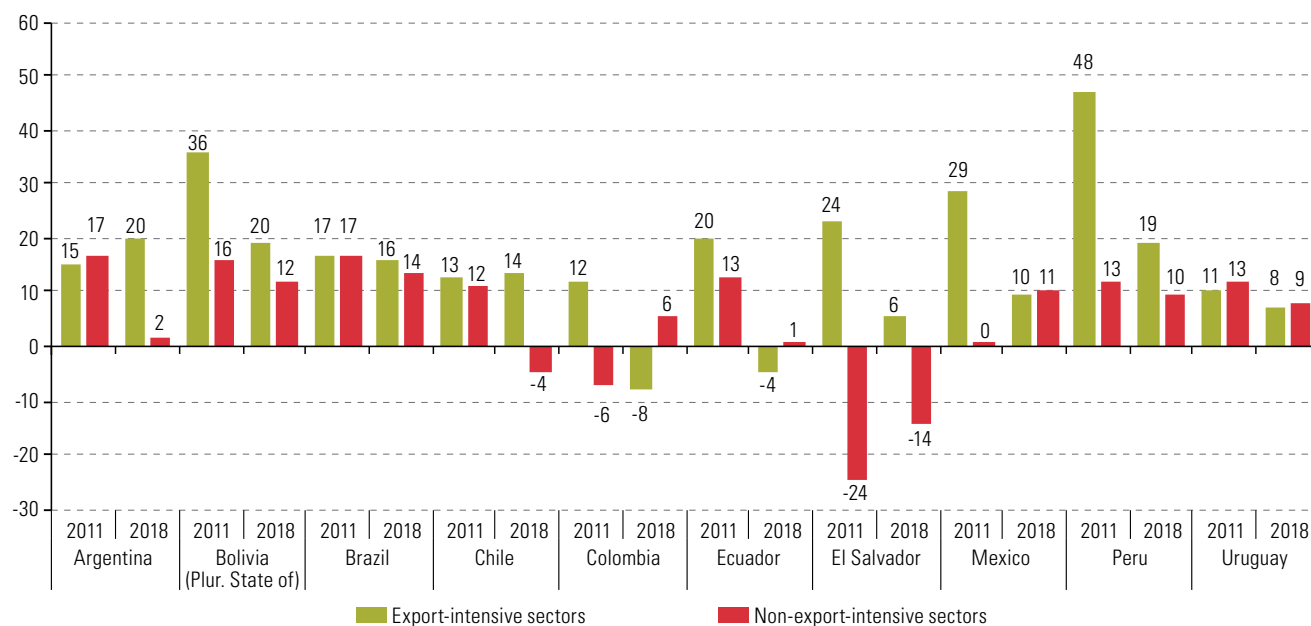
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG).

^a Argentina, Brazil, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Peru, Plurinational State of Bolivia and Uruguay.

As may be seen from figure III.9, in 2018 the widest wage gaps were (in descending order) in the Plurinational State of Bolivia and Peru. The size of the gaps in these two countries may be accounted for by the large differentials existing in the metal products and the chemicals and pharmaceuticals industries, although the wage gaps did shrink to some extent between 2011 and 2018 in both of these countries. In Mexico, wages gaps are smaller in export-intensive sectors, especially manufacturing industries, where women still earn less than men but more than women in non-export-intensive activities do, on average.

Figure III.9

Latin America (10 countries): female/male wage gaps at the country level, by sectoral export intensity, 2001 and 2018 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG).

3. The sectoral microeconomics of gender wage gaps

A sectoral perspective that takes into account global value chains is needed in order to gain a full understanding of the nature of gender wage gaps in commerce because they are a very context-dependent phenomenon. This kind of approach makes it possible to see what role countries are playing in the various trade flows, what their position is in global value chains and how those factors impact men and women and the wage gaps that separate them. This kind of microeconomic approach complements the aggregate country-level analysis presented in the previous section.

The following discussion focuses on the findings of various studies on gender gaps in employment in the following export-oriented value chains and sectors in Latin America and the Caribbean: agriculture, mining, manufacturing, tourism and modern services. These studies also deal with other types of gaps, such as the differentials in wages that exist at the sectoral level and as a function of occupational profiles, career paths and discrimination.

(a) Agriculture¹¹

In recent decades, the globalization of agriculture in the region has led to a considerable increase in women's employment in that sector. Between 2000 and 2018, a number of countries, such as Argentina, Chile, Ecuador, Panama and Uruguay, recorded large increases in the employment of women in the farm sector (see figure III.10).

¹¹ This portion of the discussion is based on the following publications: Bamber and Fernandez-Stark, 2013; Barrientos, 2014; Baquero and Klein, 2012; Deere, 2005; Dilley, 2011; Dolan and Sorby, 2003; Filipowski, Edward Taylor and Msangi, 2011; Lastarria-Cornhiel, 2008; Lyon, Aranda Bezaury and Mutersbaugh, 2010; Maertens and Swinnen, 2009; Valdés Subercaseaux, 2015; and Verharm and Pyburn, 2010.

Figure III.10

Latin America and the Caribbean (11 countries): women's employment in the farm sector, 2000 and 2018
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Food and Agriculture Organization of the United Nations (FAO), Corporate Database for Substantive Statistical Data (FAOSTAT).

The feminization of agriculture is the result of two different trends. The first is the emergence of non-traditional exports of fruit, vegetables and packaged flowers. These new industries have created jobs for a large number of women in both harvesting and post-harvest activities and small-scale contract farming. The second trend has to do with the growing number of men who emigrate to the cities in search of better economic opportunities.

In Latin America, non-traditional agriculture has been a driver of women's employment in a number of countries. Women make up at least half of the wage earners employed in the horticultural industry in Ecuador, Guatemala, Honduras and Mexico. Preference is often given to women in this activity because they are perceived as being more careful and dexterous and as paying more attention to detail. The work involved in harvesting and engaging in post-harvest activities such as picking, classifying, washing, selecting and assembling different products into a package are quite similar to those involved in home cooking and are customarily assigned to women. Women also predominate in quality control jobs. In the non-traditional fruit and vegetable export industries of Honduras, women make up between 30% and 40% of the production workforce, between 70% and 80% of those employed in the packing plants and half of the food processing and preparation staff. Many women have entered into export outsourcing arrangements, in some cases because their husbands have emigrated to the United States.

A substantial percentage of the women employed in non-traditional export industries often hold temporary jobs during the harvest. Some temporary workers follow a circuit that runs through different locations and countries. A survey of experiences in Brazil, Costa Rica, Chile, El Salvador and Peru shows that many of the women working with these export crops have informal job arrangements. In fact, many of them do not know whether or not they even have a contract. In consequence, many of them work long hours in harsh weather conditions.

The Central American countries' involvement in the global coffee value chain is of particular interest when viewed from a gender perspective. A sharp increase has been seen in those countries' adherence to the standards, policies and coordination

mechanisms developed by the World Fair Trade Organization (WFTO) and the Latin American and Caribbean Network of Fair Trade Small Producers and Workers (CLAC), organic production and civil society engagement (also see section D). A number of studies have found that these activities have led to a qualitative improvement in women's participation in the workforce in the Dominican Republic, Guatemala and Nicaragua and in Central America in general. These standards and policies have contributed to the empowerment of women and especially of women farmworkers, the improvement of their working conditions and the expansion of their access to networks, training resources and financing.

(b) Mining¹²

Mining is generally a male-dominated activity, and very few women work in this industry. It is also ranked near the bottom in world indices for gender parity. In fact, women make up just between 5% and 10% of this industry's workforce worldwide, which is one of the lowest female participation rates of any sector. The scant participation of women in this activity cuts across all segments of the global value chain (e.g. exploration, extraction, processing and maintenance) and all geographic locations and organizational levels, from manual work to corporate boards. Women hold just 5% of the seats on the boards of directors of the world's 500 largest mining companies, and the overall culture in this sector is one that perpetuates discrimination against women.

Among the major mining countries of the world, Canada has the lowest inequality indicator, with 17% of the labour force being composed of women in 2016, followed by Australia, the United States, South Africa and Chile (see figure III.11). The relative number of women is greater in administrative and professional posts and in service and sales positions, but operators' positions in the production chain continue to be dominated by men.

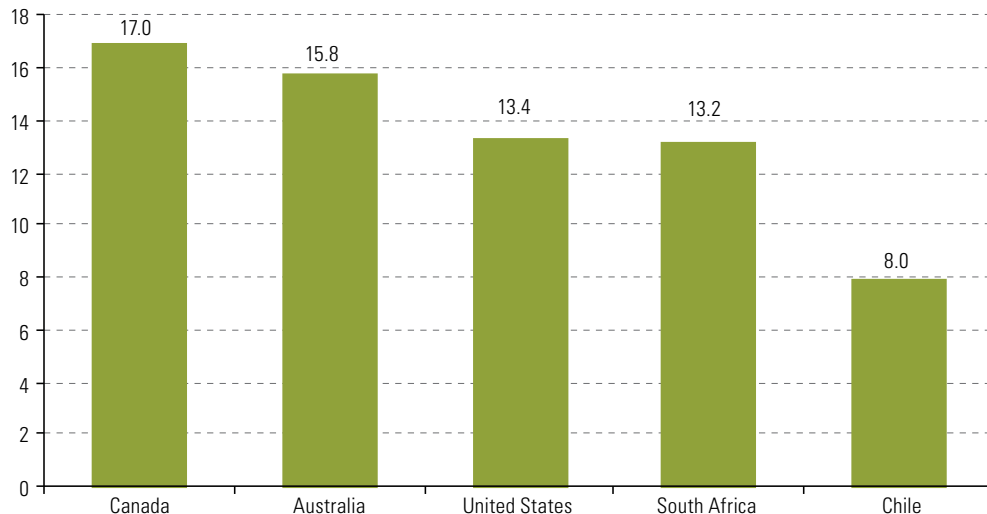


Figure III.11
Selected countries:
women's employment in
the mining sector, 2016
(Percentages)

Source: K. Fernandez-Stark, V. Cuoto and P. Bamber (2019), "Industry 4.0 in developing countries: the mine of the future and the role of women", *Working Paper*, No. 141574, Washington, D.C., World Bank, 2019.

¹² This portion of the discussion is based on Albornoz, 2017; Connell and Claughton, 2018; Fernandez-Stark, Cuoto and Bamber, 2019; Ledwaba, 2017; Macdonald, 2018; Stefanovic and Saavedra Alvayay, 2016; and WIM (UK)/PwC, 2013.

In Chile, one of the region's biggest mining exporters, women made up just 8% of the labour force in the sector in 2017, and that was after the sector had experienced an increase in the number of women entering its workforce in the preceding decade. Women employees are concentrated in ancillary positions (administration, security and meal services) but their involvement in mining operations (extraction and processing) remains marginal. Between 2012 and 2017, their participation in these latter kinds of positions edged up from 3.4% to 3.8%.

Women in all the professional categories in the mining industry in Chile have higher post-secondary qualifications than their male counterparts, and this difference is particularly noticeable in supervisory and maintenance posts. This appears to indicate that women have to be more qualified than men in order to obtain the same positions. The main obstacles to women's participation in the mining industry are the cultural barriers associated with traditional gender roles, mining companies' human resource policies and their organizational practices.

(c) Manufacturing¹³

Some decades ago, the region started to participate in world trade of manufactures by setting up low value-added maquila operations concentrated in Central America and Mexico. Its main competitive edge was its cheap labour and its ability to draw upon large numbers of workers who were not yet part of the labour market. This resulted in the formation of large contingents of women workers, especially in sectors mainly located in industrial duty-free areas. In fact, around 2010, between 60% and 80% of the production jobs in the clothing industry in the main exporting countries were held by women.

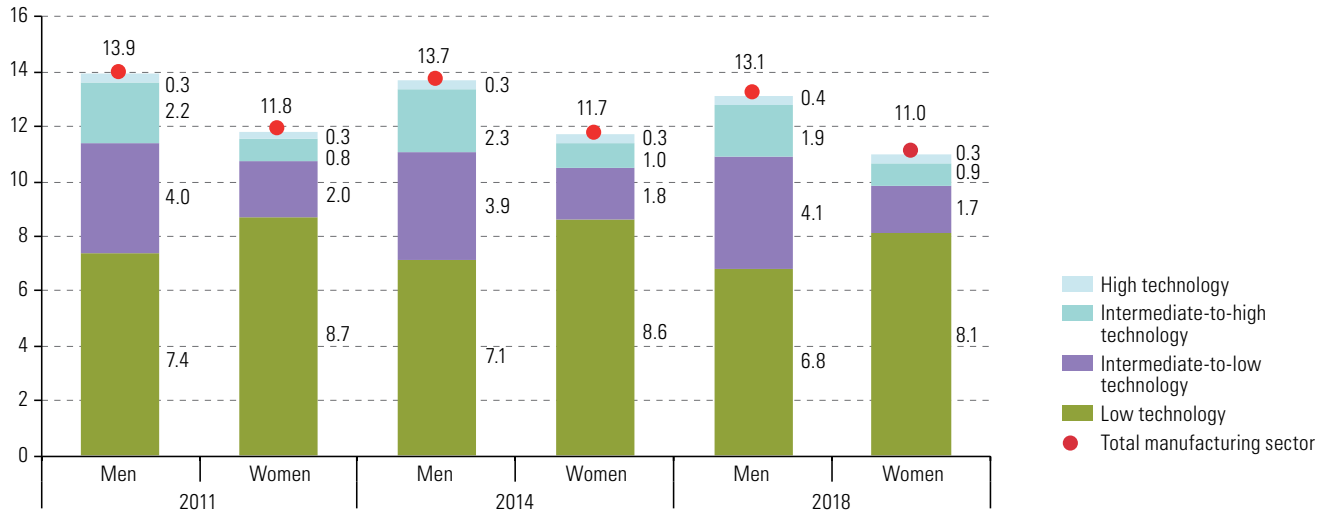
As these countries succeeded in improving their positions in global value chains and transitioning towards more technology-intensive exports, women's share of employment in these activities shrank. These new industries have created far fewer jobs than their labour-intensive predecessors (and most of the jobs that they have created have gone to men). This industrial transition has thus reduced the female labour intensity of the sector. The intrasectoral and intersectoral reduction in women's employment in both absolute and relative terms is partially due to the fact that few women occupy jobs requiring technical expertise. This, in turn, is attributable in part to the fact that few women enrol in specialized courses of study in the sciences, technology, engineering and mathematics (STEM) offered by technical institutes and universities, with the result that few women workers have the required technical expertise. Another part of the explanation has to do with women's more limited access to bank credit and training opportunities due, among other factors, to corporate discrimination against women job candidates and, once women are on the payroll, a reluctance to promote them to more technologically complex positions.

Women's participation in the manufacturing sector varies a great deal across the different subregions of Latin America. In South America, their participation rate in this sector is low, and women workers are concentrated in low-tech occupations (see figure III.12). In Mexico and Central America, on the other hand, the percentage of women employed in export-oriented manufacturing activities is far higher, particularly in the textiles and clothing and the electronics industries. In fact, in a number of these countries and sectors, women workers are in the majority.

¹³ This portion of the discussion is based on Bamber and Hamrick, 2019; Barrientos, 2014; Domínguez-Villalobos and Brown-Grossman, 2010; Giosa Zuazúa and Rodríguez Enríquez, 2010; Kucera and Tejani, 2014; Racz and Theuws, 2011; Seguino, 2000; Tejani and Milberg, 2016; and UNCTAD, 2017.

Figure III.12

South America (9 countries):^a employment in the manufacturing sector, by technological intensity and by sex, 2011–2018
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG) and input-output tables of the countries.

^a Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

In Central America, the manufacturing sector employed a larger percentage of the female workforce (14.1%) than of the male workforce (11.5%) in 2018. In Guatemala, women made up approximately 70% of the workforce of the clothing industry, while the figure in El Salvador was 71%, which exceeded the corresponding percentages for all other sectors of the economy except domestic service. As in other parts of the world, the clothing industry is highly feminized and is known for employing young women to work long hours for low wages in jobs that do not afford security or benefits.

In 2017, women employed in the manufacturing sector earned approximately 88% of what men earned. In Mexico, the gender wage gap is increasing as economic activities become more technology-intensive; in 2018, there was a 10.5% wage gap in low-tech sectors and a 29.8% gap in high-tech industries. In Central America's clothing industry, the wage gap is fairly small in production jobs but widens at supervisory and management levels. In El Salvador, Guatemala and Honduras, the highest wages and smallest wage gap are found in the manufacturing sector. In Guatemala, for example, women workers in that industry earn 40% more than they would in other types of jobs. Employment in the production of clothing for export also offers more benefits. These are fairly good jobs for young women with relatively little schooling, as the maquilas are usually big, are in the formal sector of the economy and comply with labour regulations. Employment arrangements in agriculture, on the other hand, tend to be highly informal.

In Mexico, export intensity appears to be a negative factor in terms of wage gaps and other dimensions of gender inequality. The vast majority of assembly workers are women, and they are often subject to various forms of exploitation and subjugation. Most of these women are employed in low-skill jobs in global value chains and have little chance of being promoted. Only 0.4% of women, versus 1.6% of men, employed by maquilas are in supervisory positions. Fewer women than men are in administrative or skilled jobs (34% as compared to 43%) as well. In the electronics industry, men are in the majority and mean wages are higher.

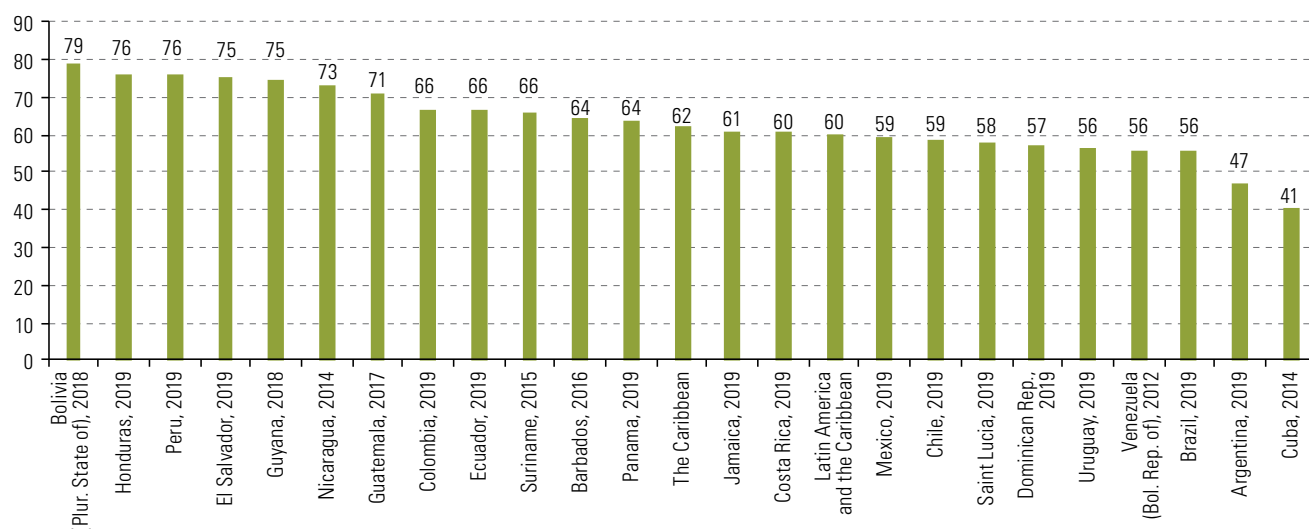
Gender gaps appear to be smaller in industries that produce medical devices for export than in other industrial sectors. Women made up 67% of the workforce in this industry in the Dominican Republic, 59% in Mexico and 53% in Costa Rica around 2015. The jobs where women predominate are of good quality, and they generally have permanent contracts and wages that are similar to or higher than those paid in other manufacturing companies in duty-free zones. What is more, women hold a larger percentage of senior management positions than in other sectors. Their presence in jobs requiring technical expertise remains small, however, owing to the fact that relatively few women enrol in the types of technical training courses required for those jobs.

(d) Tourism¹⁴

In 2018, Latin America, together with Africa, was the region of the world with the largest share of women (59%) working in the accommodation and food services sector, which is a proxy for their share in the tourism sector. That share varies from 41% to 79% in the different countries of the region (see figure III.13). The highest percentages are in the Plurinational State of Bolivia, Honduras, Peru and El Salvador. Tourism in the region has created job opportunities especially for young women with relatively low levels of education. For many of them, tourism offers one of the few alternatives for paid employment.

Figure III.13

Latin America and the Caribbean (23 countries): share of women in accommodation and food services employment, latest year available
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Labour Organization (ILO), ILOSTAT [online database] <https://ilostat ilo.org/data/>.

Tourism in the region tends to reproduce the gender gaps seen in the industry at the global level and local social norms. The main gaps are a persistent difference in wages, limited opportunities for career advancement and segregation in posts. Women are concentrated in domestic work, such as cleaning and cooking, in Costa Rica and the Dominican Republic, or in service roles such as reception desk work. In the Bahamas and Jamaica, women tend to have poorly paid administrative and cleaning jobs, while men work as managers, drivers and gardeners. Labour conditions are also differentiated between women by nationality.

¹⁴ This section is based on the following works: Cabezas, 2008; Cañada, 2010; Duffy and others, 2016; Hollingsworth, 2006; WTO and UN-Women (2019), Torres, 2009; and Vandegrift, 2008.

Segregation at work and limited opportunities for advancement contribute to the wage gap. Women earn just 68% of men's earnings in similar positions in the tourism sector in the Dominican Republic. There is also a gender wage gap in the Bahamas and in Jamaica, albeit a smaller one of around 8% to 10%. These indicators are exacerbated by the seasonal nature of the industry, which translates into great job insecurity. For example, in Costa Rica only around 40% of jobs were full-time.

(e) Modern services¹⁵

At the global level, jobs in modern services enabled by information and communication technologies (ICT) provide women with access to formal employment with better wages than other sectors, but with limited opportunities to rise to positions of greater responsibility. Female workers tend to remain in routine frontline jobs for longer than men and have less access to training and networks to enhance their professional development. As a result, the basic work is feminized, but managerial and supervisory posts are often occupied primarily by men. The more complex the service being delivered, the more masculinized the labour force becomes.

In Latin America, women's employment in modern services is also marked by sharp occupational segregation. In Uruguay, for example, the lower value added segments of the modern services export industry employ a higher proportion of women than the higher value added segments: in 2015 women accounted for 73% of workers in the low-value segment of outsourced business services, 62% of workers in outsourced knowledge services and 41% in the architecture and engineering segment. In addition, the more specialized the firm and the more value added it produces, the smaller the share of women it employs.

At the global level, women make up 71% of employees in call centres that provide business process outsourcing (BPO). In the developing countries, this segment is highly valued for its great potential to employ young women with mid-level skills. A country's entry into these activities favours female employment and creates new cohorts of better-paid professional women with transferrable skills. However, this employment occurs principally at the level of technical operators while the segments of higher value and responsibility tend to be dominated by men (see table III.5).

Table III.5
Call centres: impact of upgrading on gender gaps

Gender mapping	Female workers are mainly in low value added segments of the chain.
	Feminization of the workforce occurs in non-technical positions.
Structure of employment networks	Call centre specialization reflects gender prejudices. For example, call centres providing financial services have a higher proportion of male employees.
	In-house call centres offer greater opportunities for training, less gender bias and better policies on worker retention and quality.
	Third-party call centres focus on cost and offer women fewer opportunities for training and skills development.
	Social and cultural dynamics have an impact on women's engagement in night shift work. Many female workers leave their jobs to marry or take care of the family, whereas male workers are more likely to leave to find a better-paid job.
Market access	Equal access for entry, but unequal gender-biased opportunities for promotion.
	Inequality in specialized call centres, owing to the smaller number of women with qualification or certification in technical and scientific fields.
	Unequal access to positions of greater responsibility owing to the lack of professional experience and, in some cases, cultural constraints.
Distribution of earnings	Unequal: greater engagement by women at lower value levels of the chain.
	Unequal career advancement creates a gap in employment and wage growth.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of G. Ahmed, "Global value chains, economic upgrading, and gender in the call center industry", *Global Value Chains, Economic Upgrading and Gender: Case Studies of the Horticulture, Tourism, and Call Center Industries*, C. Staritz and J. G. Reis (eds.), Washington, D.C., World Bank, 2013.

¹⁵ This section is based on the following works: Agarwal and Malhotra, 2016; Ahmed, 2013; Basi, 2009; ECLAC, 2014; Couto, 2019; Couto and Fernandez-Stark, 2018; Hultgreen, 2018; Scholarios and Taylor, 2010; Scuro and Bercovich, 2014; and Spencer, 2017.

In Latin America, too, call centres are highly feminized. A study on six countries of the region showed that women made up 71 % of the payroll. Women enter the lower-skilled segments and encounter barriers to career advancement, partly because of biases that keep them in low-skilled work. In Jamaica, for example, employment in the BPO industry is concentrated in women and young workers aged 20 to 26, at the operator level.

For information technology outsourcing (ITO) firms, the dynamics at the global level are very different to the BPO sector, as only 25 % of technical and engineering staff are women. Traditional stereotypes view men as more technological and rational and, thus, more likely to be perform well in these disciplines. Women are very underrepresented in the technology hubs of Silicon Valley and of the South and East Asian economies. For example, in India and Singapore, 70% of the technological workforce is male.

In Latin America, women also have a limited presence in the ITO industry. The main reason for this is their limited presence in technical and university courses on informatics (between 15% and 20%), owing to sociocultural factors that discourage young women from these areas. These same factors limit their access, performance and career prospects in the industry. However, women's engagement in the sector varies widely between countries: from around 30% in Argentina and Uruguay, to between 7% and 17% in Costa Rica. In addition, in the region women have a very limited presence in management and decision-making posts in ICT firms. In Costa Rica, for example, in 2014, women occupied 14% of management posts in the ITO industry and headed only 10% of firms belonging to the Chamber of Information and Communication Technologies (CAMTIC).

In short, some of the sectors analysed show large gender gaps in labour market participation (such as mining and ITO), while in others the gender gaps appear smaller (low-tech manufacturing, tourism and certain modern services). Despite the better panorama in this second group of sectors, there are various types of discrimination in other variables, such as wages and prospects for advancement and upgrading to other responsibilities within the value chain. The gaps appear to have narrowed somewhat in the past two decades, especially in agriculture and a little in mining. However, there is still a long road ahead to achieve gender equality in all sectors.

C. Impact of the pandemic and initiatives to address the effects of the crisis

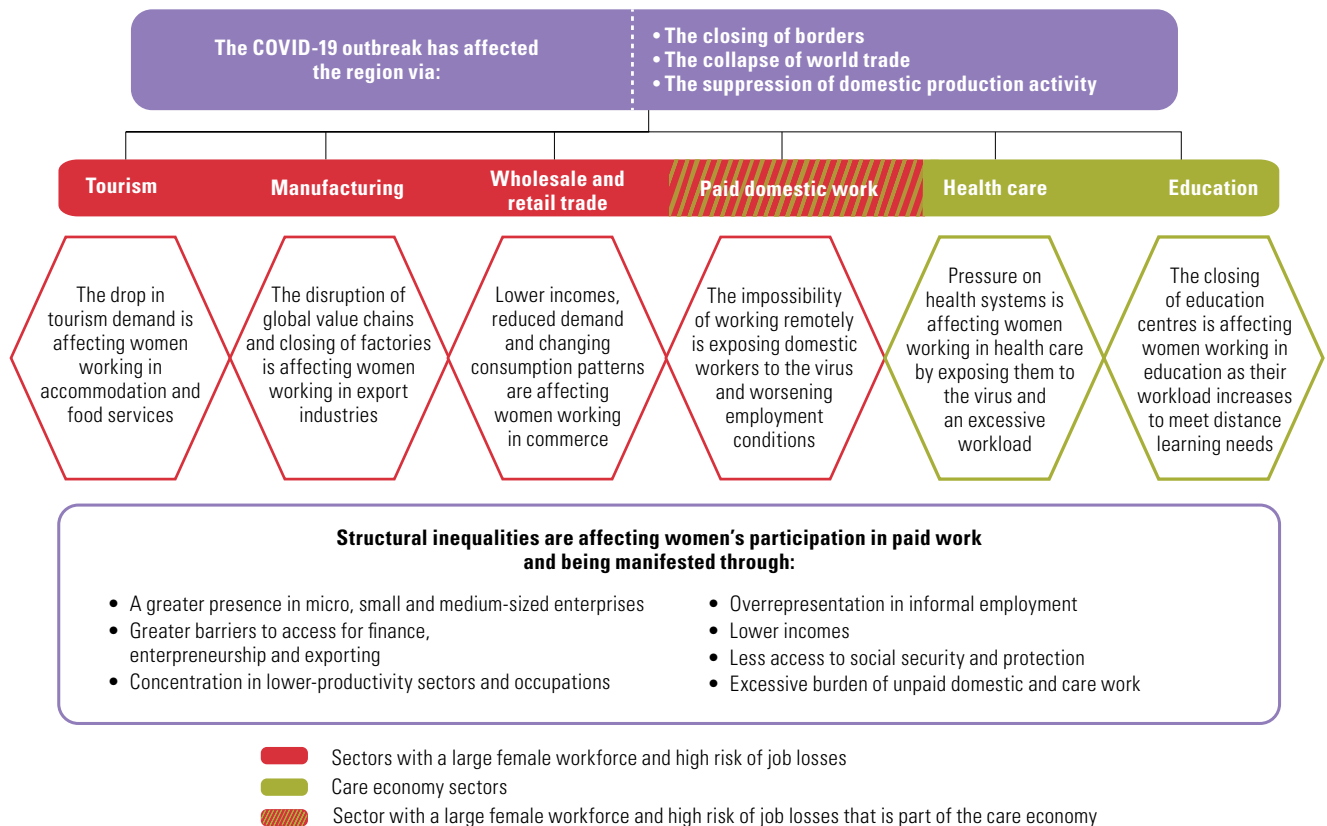
1. The COVID-19 crisis deepens gender inequalities

The health and economic crisis caused by the COVID-19 pandemic is affecting Latin America and the Caribbean through various external and domestic transmission channels. Its effects on gender inequality depend on the combination between gendered labour segregation and the export structure, the degree of trade openness and the level of integration of the different countries in global value chains. In particular, the asymmetric position occupied by men and women as economic agents as workers, business-owners, consumers and providers (or not) of unpaid domestic and care work all influence the exposure to the crisis caused by COVID-19 and the possibilities of mitigating external and domestic shocks.

On the one hand, the partial or complete closure of borders and the drop in international trade are affecting sectors such as manufacturing and tourism, which have a high concentration of female employment in the region. On the other, lockdown measures have paralysed domestic production in several countries and have particularly affected female workers in wholesale and retail commerce, services and paid domestic work (see diagram III.1).

Diagram III.1

Transmission channels and effects of COVID-19 on women's economic autonomy



Source: Economic Commission for Latin America and the Caribbean (ECLAC), "The economic autonomy of women in a sustainable recovery with equality", COVID-19 Special Report, No. 9, Santiago, forthcoming.

Before the pandemic, women were overrepresented in lower-productivity sectors and occupations, in informal employment and in smaller firms. They also encountered obstacles in access to financial and technological resources and to markets. In the current conditions, all this places them at a disadvantage in facing the worst economic contraction the region has seen in 100 years.

The unequal distribution of unpaid care work between men and women is one of the main obstacles to women entering and remaining in the labour market and preventing them from setting up their own business. In particular, female workers and business-owners in export sectors have additional challenges in reconciling care and work demands to suit the times and demand dynamics of international markets. For example, in the case of seasonal workers in the agroexport industry in Chile, harvest and packing times coincide with children's school holidays. With few care services available, women workers must resolve the tension between productive and reproductive work through networks of relatives, neighbours or informally paid care (Soto Baquero and Klein, 2012). According to a survey of women participating in the *Mujer Exporta* programme in Chile, one in two women involved in the export business believes that reconciling business with unpaid activities holds back the firm's internationalization (DIRECON/ProChile, 2019).

Measures for containing COVID-19, such as the closure of educational establishments and lockdowns, have intensified demand for unpaid and care work. In addition, with many health systems working at full capacity, the costs of health care are being transferred to households. Owing to the unfair social organization of care and the

lack of co-responsibility policies, women in the region are absorbing this increased demand through the intensification of the care burden (ECLAC, 2020d; Bárcena, 2020; ECLAC/UN-Women, 2020). This adversely affects women’s participation in the labour market and their possibilities or engaging in enterprise and acceding to sufficient income.¹⁶

For this reason, the COVID-19 crisis is expected to deepen gender inequalities in the region, as women are being disproportionately affected by the increase in unemployment, precarious labour conditions, poverty and the unpaid work burden. According to projections by ECLAC (2020e), the unemployment rate stood at 22.2% for women and 15.3% for men (assuming the same participation rates as in 2019), compared with 9.6% and 7.1%, respectively, in 2019.¹⁷ It is projected that in 2020, 118 million women in the region will be living in households below the poverty line (Bárcena, 2020).

In Latin America, 56.9% of employed women work in sectors at high risk of suffering the impact of the economic contraction, compared 40.6% of employed men (see figure III.14) (Bárcena, 2020). The manufacturing industry, tourism and certain other services are considered high-risk sectors and are very exposed to shocks from the collapse of international trade.

Figure III.14

Latin America (weighted average for 17 countries):^a distribution of the employed population by economic sector^b and economic risk,^c by sex, latest year available (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Household Survey Data Bank (BADEHOG).

^a Data refer to 2019 for: Argentina, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Honduras, Panama, Peru and Uruguay; to 2018 for: Mexico and Plurinational State of Bolivia; to 2017 for Chile; and to 2014 for Bolivarian Republic of Venezuela, Guatemala and Nicaragua.

^b Sectors of economic activity were standardized according to the International Standard Industrial Classification of All Economic Activities (ISIC), Rev.4.

^c Economic sectors were classified in terms of the risk of reducing the production volume and the quantity and quality of employment as a result of the measures taken to slow the spread of coronavirus.

¹⁶ Data from the Future of Business Survey (based on small and medium-sized firms with their own Facebook page) show that, between 1 January and 1 June 2020, 40% of female-headed firms closed, compared with 29% of male-headed firms (Copley, 2020).

¹⁷ ECLAC estimates women’s participation in 2020 at 46%, a drop of six percentage points on the 2019 figure. With this lower rate of participation by women in the labour market, female unemployment would be 12.0% in 2020. In the case of men, the participation rate is estimated to have fallen from 73.6% in 2019 to 69.0% in 2020, which would place the male unemployment rate at 9.7% that year.

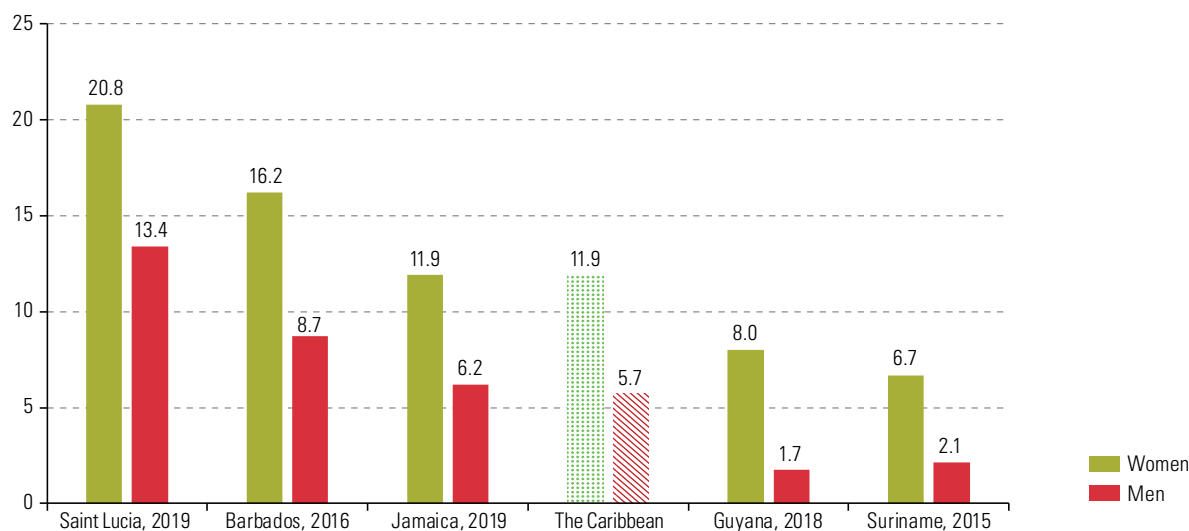
The region's manufacturing exports are expected to contract heavily in 2020 (see chapter I). Between January and May 2020, the value of regional manufacturing exports slumped 18.5% year on year (ECLAC, 2020b). The manufacturing sector accounts for 11.0% of women's employment at the regional level and 13.2% in the Central American countries. In terms of access to social protection, less than half of women working in manufacturing in the region (45.4%) are affiliated to the social security system and 49.7% are employed in firms of less than five workers, compared to 61.8% and 31.8%, respectively, in the case of men.

Disruptions all along global supply chains and the temporary closure of retail commerce have heavily impacted the textile and clothing industry, a sector whose employment is markedly female all along the chain (World Bank/WTO, 2020). In May 2020, employment in the apparel manufacturing sector in Mexico posted a drop of 11.9% and a decline in hours worked of 60.7% (INEGI, 2020). Notably, 56.3% of workers in that sector are women (INEGI, 2019). In addition, although some factories and industries have resumed production, there are challenges in relation to working conditions, especially the possibilities of implementing the recommendations on physical distancing and safety and hygiene protocols to avoid contagion, and ensuring health coverage for workers. The magnitude of the impact on the sector depends on the recovery of demand internationally, in particular in the United States, the main destination for the subregion's exports.

At the same time, limitations on international travel and the collapse of tourism have affected the region owing to the significance of that sector in services exports, GDP and employment. The situation is most challenging in the Caribbean countries, where tourism represented 45% of all goods and services exports in 2019. In this context, the value of Caribbean goods and services exports is projected to slump 40% in 2020 (ECLAC, 2020b). Female workers in the subregion are disproportionately affected by this collapse, as 11.9% of them work in the accommodation and food services sector, compared with 5.7% of men (see figure III.15).

Figure III.15

The Caribbean (5 countries): proportion of employment in the accommodation and food services sector, by sex, latest year available
(Percentages)

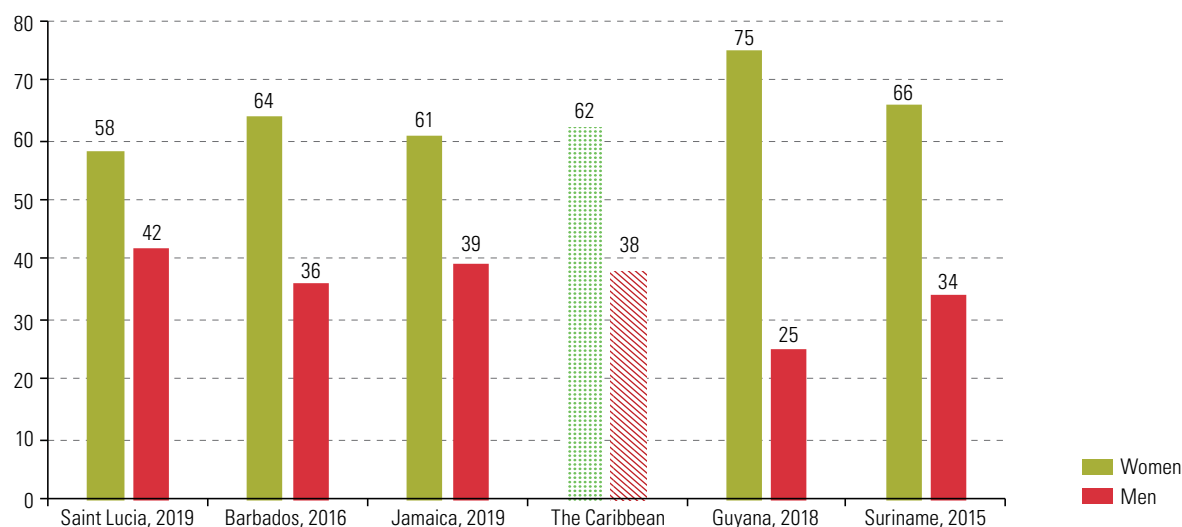


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Labour Organization (ILO), ILOSTAT [online database] <https://ilostat ilo.org/data/>.

Women represent 62% of employment in the accommodation and food services sector in the Caribbean. In countries such as Barbados, Guyana and Suriname, the proportion is even higher (see figure III.16). The subregion's vulnerability to climate change and to extreme climate events could further sharpen the economic, social and health impacts of the pandemic.

Figure III.16

The Caribbean (5 countries): structure of the population employed in the accommodation and food services sector, by sex, latest year available (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Labour Organization (ILO), ILOSTAT [online database] <https://ilostat.ilo.org/data/>.

In Latin America, the accommodation and food services sector represents 9.2% of female employment and 4.2% of male employment. Although women form the majority in the sector at the regional level, they are more likely to be concentrated in seasonal work and in informal, low-paid and low-skilled jobs. Of these women, 69.5% are employed in firms of less than five people and only a quarter of employed women in the sector have access to social security. This situation increases women's exposure to loss of employment and translates into more limited access to social protection instruments in the context of the pandemic.

2. Initiatives to tackle the effects of the COVID-19 crisis on women's autonomy

Several of the region's governments are taking measures to address the gender dimensions of the COVID-19 crisis. Most are aimed at containing the worst effect on women's physical, economic and decision-making autonomy in the short term. However, some measures have also been put in place to reduce gender gaps in access to financing and remove obstacles to women's participation in strategies for a sustainable recovery.

Some governments have taken measures to protect employment, including through transfers and temporary unemployment benefits for male and female workers. Argentina and Costa Rica have provided a temporary basic income for informal sector unemployed or those whose income has been affected by the COVID-19 pandemic. Argentina's employment protection programme covers women and lesbian, gay, bisexual, transgender and intersex (LGBTI) persons experiencing gender-based violence.

Costa Rica provided that the temporary reduction in working hours and wages following the national emergency declaration would not apply to female workers who are pregnant or breastfeeding.

A number of governments have put in place measures concerning employment in sectors with a large percentage of female workers. For example, several Caribbean countries have implemented tourism support measures to mitigate the impact of the pandemic. Saint Vincent and the Grenadines has provided an economic stimulus package aimed at supporting those affected by the shutdown of activity, including workers in the hotel and tourism sector, by providing a supplementary income for three months. In Saint Lucia, an income support programme has been set up for those not registered in the National Insurance Corporation, specifically, people or businesses who earn a living as ancillary service providers in the tourism industry. Grants have also been put in place to mitigate the impacts of the pandemic on small business in the tourism sector (Bahamas and Jamaica) (ECLAC, 2020a and 2020c). Meanwhile, Guatemala set up an Employment Protection Fund for workers affected by temporary or definitive business closures owing to the COVID-19 pandemic (Decree No. 13-2020).

The Latin American countries are also taking steps to support firms, especially micro-, small and medium-sized enterprises (MSMEs). Countries such as Colombia, Costa Rica, Guatemala and Honduras have broadened or created new lines of financing for women in MSMEs. In Colombia, an autonomous wealth fund was set up exclusively to promote, fund and support women's enterprises, start-ups and capacity building. Another case is the "Purple Economy" programme in Ecuador, aimed at women whose resources have been curtailed as a result of COVID-19. This programme provides support for women's collaborative start-ups and MSMEs. In Honduras, financing is explicitly geared towards improving women's export capabilities at the economic recovery phase. It is hoped that the scheme will give women access to low-interest financing, to training in areas such as e-commerce and, in the medium term, to national and international markets (ECLAC, 2020a).

Some countries of the region, for example, those forming part of the Pacific Alliance, are stepping up training programmes on e-commerce, digital marketing and trade promotion, and are also supporting virtual rounds of business talks. Trade promotion offices, such as ProChile, have held virtual workshops on export logistics for female-headed firms in the food sector and the wine industry (see also section D). Also in Chile, the Production Development Corporation (CORFO), together with the Women of the Pacific organization, have strengthened the platform of free online courses known as El Viaje de la Emprendedora. This platform is geared towards women who want to start a business or develop their professional skills through training in business administration, finance, innovation and leadership, as a response to the COVID-19 crisis (ECLAC, 2020a).

The initiatives mentioned above, although important, are still insufficient. The gender perspective needs to be included in trade measures to mitigate the effects of the pandemic and to support the recovery, in order to avoid further widening equality gaps.

In conclusion, the collapse of international trade has shown how exposed Latin America and the Caribbean is to international vagaries and the vulnerabilities associated with global interdependence (ECLAC, 2020b). The trend towards the shortening of global value chains has also increased. This could adversely affect women in the region, who tend to be concentrated in the most precarious links of those chains and in the worst affected sectors, such as tourism, clothing manufacturing and other services. It is therefore necessary to ensure that women, especially those working in the tourism sector, retail and export MSMEs, can access the different instruments and mechanisms of employment support and financing for mitigation and recovery on an equal footing.

At the same time, the pandemic is contributing to the expansion of some sectors, such as medical devices and Internet-based services. Affirmative action measures should be taken to promote women's participation in those knowledge-intensive sectors. Cross-border e-commerce is taking on considerable weight in the economy and could represent an opportunity to increase women's participation in regional and international trade.

D. Trade policies and gender equality

1. Trade policy has the tools to contribute to gender equality

There are a number of trade policy tools that can contribute to gender equality.¹⁸ The first is the incorporation of issues relating to gender equality and women's economic empowerment and autonomy into the multilateral trade system, and the development of the international agenda for trade facilitation with a gender perspective. The second refers to the inclusion of gender quality provisions in preferential trade agreements, with specific chapters on this matter and mainstreaming of the gender approach in different disciplines. Third, it is important to conduct ex ante and ex post evaluations of the impact of these agreements on gender gaps,¹⁹ as a key input for the design and implementation of measures to adapt and compensate for the impact of trade on women. Another key aspect in this sphere is the participation of civil society and gender affairs experts in trade negotiations. The fourth tool refers to gender programmes of trade promotion agencies aimed at stimulating export enterprise by women. A fifth tool concerns private initiatives and standards that contribute to reducing gender gaps. This section addresses each of these areas in greater detail.

2. Gender equality on the multilateral trade agenda

Over the past few years, the multilateral trade system has incorporated some issues concerning women's economic empowerment into its agenda. In 2017, 126 member countries and observers of the World Trade Organization (WTO) signed the Joint Declaration on Trade and Women's Economic Empowerment at the eleventh WTO Ministerial Conference, held in Buenos Aires. This Declaration strengthens the work on gender of the WTO Secretariat and the signatory countries committed to implementing an agenda aimed at greater economic empowerment for women.

Progress has been made between 2017 and 2020 on the topics included in the Declaration, through both multilateral and national initiatives on training, research and policymaking. WTO, together with the World Bank and some countries, has advanced with the collection of data on gender and trade (World Bank/WTO, 2020). Members have also addressed issues relating to women in global value chains, digital trade, public procurement and trade agreements. The countries that supported the Declaration are due to report on the progress made at the next ministerial conference of WTO.

¹⁸ Their success depends above all on complementary policies aimed at women's empowerment and autonomy in matters such as care, access to financing, promotion of their participation in science, technology, engineering and mathematics, the application of progressive tax systems, efforts to combat gender discrimination in formal business networks, such as chambers of commerce and industrial associations, and legislation against harassment and gender-based violence.

¹⁹ The first studies of the gender impact of trade agreements in the region have been carried out in the framework of the negotiations of the European Union with Chile and of Canada with the Southern Common Market (MERCOSUR). Meanwhile, the trade and gender toolbox of UNCTAD (UNCTAD, 2019) is a useful tool for measuring the impact of trade liberalization on women.

WTO promotes analysis of the link between trade and gender, initiatives on trade and gender by member countries, data mining on the impact of trade on women and the provision of technical assistance for government officials and businesswomen. It also seeks to identify the obstacles faced by women in trade and promotes the use of tools available under programmes such as the Aid for Trade initiative, the Standards and Trade Development Facility (STDF) and the Enhanced Integrated Framework (WTO, 2017 and 2018).

Trade policy reviews are a key tool used by WTO to identify trade-related gender policies in member countries. Between 2014 and 2018, 111 countries reported on this topic in their trade policy reviews (Der Boghossian, 2019a). The main gender measures reported were in the areas of public procurement, agriculture, public and private financial incentives for women-led MSMEs, import and export licensing procedures and requirements, services, standards and technical rules (see table III.6). Between 2017 and 2019, five countries of the region (Colombia, Costa Rica, Mexico, Paraguay and Suriname) presented trade policy reviews that included gender equality considerations.

Table III.6

Trade policy reviews of the World Trade Organization (WTO): measures promoting gender equality

Sector or area	Measures promoting gender equality
Public procurement	<ul style="list-style-type: none"> – Quota or preference in favour of women women-led enterprises. – Preference in contract allocation to companies with gender equality policies. – Laws prohibiting discrimination based on gender in contract allocation.
Agriculture	<ul style="list-style-type: none"> – Training of farmers on gender issues. – Training of women farmers. – Sanitary and phytosanitary (SPS) skills development to facilitate access to international markets. – Food security and food aid provisions. – Input subsidy for poor women farmers. – Funds for financing or supporting women in the agricultural sector.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of A. der Boghossian, “Trade policies supporting women’s economic empowerment: trends in WTO members”, *WTO Working Papers*, No. 2019/07, Geneva, World Trade Organization (WTO), 2019.

Another way in which WTO members have undertaken collective actions aimed at gender equality is through cooperation schemes to support trade capacity-building. The implementation of the Agreement on Trade Facilitation includes Aid for Trade projects and financing with important gender dimensions. In WTO-sponsored activities, the main objective of Aid-for-Trade-supported gender initiatives are the needs of female entrepreneurs (Der Boghossian, 2019b).

The modernization of the multilateral trade system represents an opportunity to align trade governance and policies with fulfilment of the 2030 Agenda for Sustainable Development. In particular, trade rules should contribute to reducing global asymmetries and achieving gender equality.

3. Incorporation of considerations on gender equality in trade agreements

In the past few decades, the analysis of gender inequalities has been present in the sphere of trade agreements, with different emphases at the regional and international levels. Efforts have been made to promote the inclusion of references to gender equality and women’s rights in preambles to agreements, as well as in chapters and sections on labour issues, capacity-building and development and cooperation, among others (ECLAC, 2019). These topics have also been identified in specific articles and within

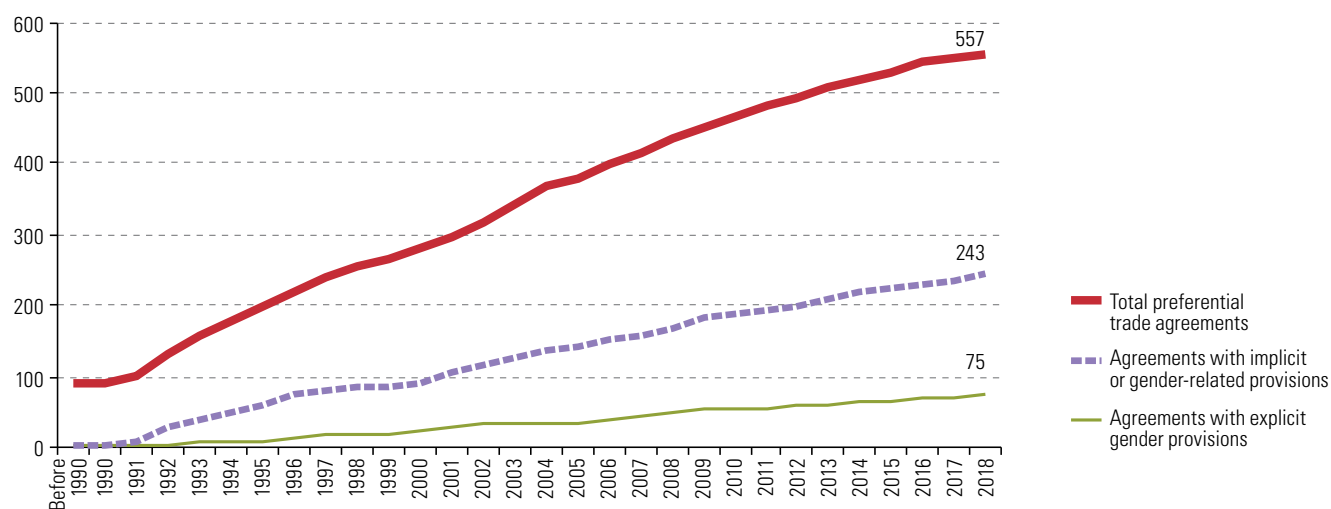
agreements, joint declarations, memorandums and directives. Most agreements envisage cooperation activities and some provide an institutional structure for the fulfilment of commitments.

Of the 557 preferential trade agreements registered by WTO in 2018, 75 contain at least one explicit provision on gender or women (see figure III.17). Including those that make this reference implicitly (in the context of human rights, vulnerable populations or sustainable development), the number rises to 243 (Monteiro, 2018).

Figure III.17

Preferential trade agreements containing gender provisions, 1990–2018

(Cumulative number of agreements)



Source: J. A. Monteiro, "Gender-related provisions in regional trade agreements", *Staff Working Paper*, No. ERSD-2018-15, Geneva, World Trade Organization (WTO), 2018.

The gender-related provisions found in preferential trade agreements are highly heterogeneous. They often refer to international conventions on human rights or women's rights, to ILO conventions or to international agreements on sustainable development. These references may be contained in preambles, specific articles, chapters, annexes, side agreements, joint declarations, memorandums or directives. For example, the Canada-Chile Free Trade Agreement of 1997 includes two provisions relating to women in the accompanying Agreement on Labour Cooperation. One refers to the elimination of gender discrimination in employment and the other to equal pay for men and women. This agreement was updated 20 years later, with specific provisions on gender that came into effect in 2020.

The first generation of the European Union's strategic association agreements with Latin American countries (Chile, Central America, Colombia, Ecuador, Mexico and Peru) included matters relating to women and gender equality in the agreement on cooperation, not in the trade agreement itself. Only more recently, following pressures from some member countries and from civil society, the European Union has altered this approach (European Commission, 2015). Now, sustainability and gender issues are included in the section on economic matters and their link with trade is emphasized.

The initiative to include gender chapters in trade agreements came mainly from some Latin American countries, Canada and the European Union (see table III.7). What is new in these chapters is the attention paid to gender gaps and the use of a new language for trade deals. They include objectives and activities relating to promotion

and cooperation, recognize the importance of a gender perspective in the promotion of inclusive economic growth and emphasize the key role of gender policies in achieving sustainable socioeconomic development.

Table III.7

Latin America: trade agreements and negotiations under way with gender chapters, 2016–2020

Agreement and country(ies)	Date	Type of provision
Free trade agreement between the Republic of Chile and the Eastern Republic of Uruguay	2016	Chapter 14 on gender and trade. Promotion and cooperation activities and goals.
Modernized Canada-Chile Free Trade Agreement	2016–2017	Gender provisions in appendix II, chapter N bis, “Trade and Gender”. Promotion and cooperation activities and goals.
Modernization of the strategic association agreements between Chile and the European Union	2017–	Texts of chapters proposed by the European Union and Chile. Negotiations ongoing.
Free trade agreement between Chile and Argentina	2017	Additional protocol to Economic Complementation Agreement No. 35 between the Governments of the States Parties of MERCOSUR and the Government of the Republic of Chile. Agreement signed subject to approval by parliament.
Negotiations of the Pacific Alliance with associate members	2017–	Negotiations ongoing.
Negotiations for a free trade agreement between Canada and MERCOSUR	2017	Negotiations ongoing.
Trade agreement between Chile and Brazil	2018	Additional protocol to Economic Complementation Agreement No. 35 between the Governments of the States Parties of MERCOSUR and the Government of the Republic of Chile.
Negotiations for a free trade agreement between Chile and Ecuador	2020	Modernization of Economic Complementation Agreement No. 65 between the Republic of Chile and the Republic of Ecuador.
Negotiations for a productive integration agreement between Ecuador and Mexico	2020–	Negotiations ongoing.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Undersecretariat for International Economic Relations of Chile [online] www.subrei.gob.cl; European Commission [online] <http://ec.europa.eu/trade/policy/in-focus/new-trade-strategy>; Government of Canada [online] http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/chile-chili/fta-ale/2017_Amend_Modif-App2-Chap-N.aspx?lang=eng, and Ministry of Production, Foreign Trade, Investment and Fisheries of Ecuador [online] <https://www.produccion.gob.ec>.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) recognizes in article 23.4, on women and economic growth, that “enhancing opportunities in their territories for women, including workers and businessowners, to participate in the domestic and global economy contributes to economic development.” Looking towards the future, emphasis is placed on cooperation for women’s skill-building and leadership. In 2020, three CPTPP signatories (Australia, Chile and New Zealand) signed the Global Trade and Gender Arrangement,²⁰ which encourages the mutual reinforcement of trade and gender policies, and proposes more ambitious commitments than CPTPP.

The between the United States-Mexico-Canada Agreement (USMCA), which came into force in July 2020, addresses gender equality in the chapter on labour. In article 23.9, the parties “recognize the goal of eliminating discrimination in employment and occupation, and support the goal of promoting equality of women in the workplace.” The commitment was established that “each Party shall implement policies that it considers appropriate to protect workers against employment discrimination on the basis of sex (including with regard to sexual harassment), pregnancy, sexual orientation, gender identity, and caregiving responsibilities; provide job-protected leave for birth or adoption of a child and care of family members; and protect against wage discrimination.”²¹ The Agreement did not provide a dispute settlement mechanism concerning these matters; however, a cooperation agenda was set down.

²⁰ For further information, see [online] https://www.international.gc.ca/trade-commerce/inclusive_trade-commerce_inclusif/itag-gaci/arrangement.aspx?lang=eng.

²¹ For further information, see [online] http://www.sice.oas.org/Trade/USMCA/USMCA_ToC_PDF_s.asp.

Implementation of gender chapters is only just beginning and a few years will have to elapse before their contribution to gender equality can be gauged. There have been a number of somewhat skeptical evaluations (UNCTAD, 2017) in relation to the lack of ambition of these provisions, owing to the lack of standardization with respect to women's rights. It has also been pointed out that not only the contents of the chapter on trade and gender must be reviewed, but also the coherence between the objectives they contain and the rest of the chapters addressing spheres that are critical for gender equality, such as those on services and public procurement (ECLAC, 2019).

The incorporation of provisions and chapters on gender in trade agreements has also prompted discussion of the best mechanism for accountability on gender equality issues. Some views criticize what is seen as the impossibility of having recourse to dispute settlement mechanisms, whereas others argue that differences in this area could be resolved through cooperation spaces (ECLAC, 2019). The International Trade Centre proposes a method for evaluating gender chapters and recommendations on how to include gender perspectives in trade agreements (ITC, 2020).²²

For trade policy to contribute effectively to gender equality, the gender approach needs to be mainstreamed into the provisions on trade itself, using reservations to ensure that disciplines do not undermine States' power to regulate in favour of women, and including a gender chapter promoting cooperation between States party to the agreement.

The first text of a gender chapter including trade disciplines properly speaking is the proposal made by the European Union to Chile in 2018 for the modernization of their association agreement. The proposal was that the parties commit to: (i) not encourage trade or investment by weakening or reducing the protection granted to equality of opportunities for women and men, and (ii) not, through a sustained or recurring course of action or inaction, fail to effectively enforce their respective laws that protect the equality of opportunities for men and women in order to encourage trade or investment (European Commission, 2018).

Although substantial progress is still needed in this area, it is possible to introduce specific goals and provisions on gender equality in all areas of negotiation (Frohmann, 2019). These include the preamble and objectives of the agreement, provisions on market access, agriculture, subsidies, trade facilitation, technical standards, services, investment, e-commerce, public procurement, intellectual property, labour, dispute settlement, transparency and institutional arrangements, and well as links and consistency with other international agreements with a bearing on gender equality (such as the 2030 Agenda, the Convention on the Elimination of All Forms of Discrimination against Women, the Beijing Declaration and Platform for Action, and ILO Conventions 100, 111 and 156).

For example, in the case of investment-related disciplines, the objective should be to develop foreign direct investment (FDI) in a way that spurs the economy and provides quality jobs, especially in women-led sectors.²³ Substantive obligations flowing from this objective may include provisions that prohibit encouraging FDI by relaxing labour standards or derogating legislation on gender equality. The principle of fair and equitable treatment can also be extended to gender matters. A possibility is to use

²² The evaluation includes 10 areas: (i) frequency of provisions relevant to gender; (ii) location of relevant provision in the agreement; (iii) affirmations and reaffirmations of the country's international commitments on gender; (iv) cooperation activities between the States party to the agreement; (v) institutional arrangements; (vi) procedural arrangements; (vii) review and funding; (viii) dispute settlement; (ix) waivers, reservations and exceptions; and (x) minimum legal standards (ITC, 2020).

²³ The Netherlands Model Investment Agreement of 2019 is pioneering in this regard because its provisions use gender-inclusive language. See [online] <https://www.rijksoverheid.nl/documenten/publicaties/2019/03/22/nieuwe-modeltekst-investeringsakkoorden>.

reservations that include benefits applicable to FDI in sectors that employ women, as well as incorporating gender perspectives in provisions on investment facilitation. Agreements should also include reservations on laws and regulations that promote gender equality (Frohmann, 2020).

4. Gender programmes of trade promotion agencies and private sector initiatives

The internationalization of female-led firms²⁴ is a new line of work for trade promotion agencies. According to a survey of female exporters in Chile (DIRECON/ProChile, 2019), 57% consider they do not have the same opportunities as men in the business sphere. In addition, half report that reconciling business activities with unpaid activities hinders their firm's internationalization process.

Trade promotion agencies work mainly with MSMEs that already export or are seeking to do so. Of these, between 20% and 25% of firms are headed by women. Businesswomen face not only the obstacles that affect the management of all MSMEs, but also specific gender-related barriers. To address these needs, it is necessary to develop a dual agenda that includes tools to support those firms. For example, specific programmes could be created to support the internationalization of women's businesses, affirmative action initiatives (share quotas, co-financing, additional points in bidding processes) in cross-cutting programmes (trade missions, international fairs, business rounds), and other initiatives to facilitate women's empowerment and autonomy, including through the dissemination of best practices (see table III.8).

Table III.8

The dual agenda of programmes promoting the internationalization of female-led firms

General business matters	Gender matters
Market and trend studies, including in specialized markets	Training for women's empowerment and autonomy
Business opportunities, capture of potential clients	Inter-group support between women, networking
Supporting partnership	Motivation strategies, mentoring
Training in international rules and standards. Quality certification. Brand registration. Organic production	Protocols for women's negotiation with international firms run by men
Export of services. Innovation and technology	Export culture with a gender perspective
Financing	Women's entrepreneurship
Training in logistics and management	Personal and professional growth
Product diversification. Packaging and labelling	Good practices and success stories of women exporters at the national and international levels
Participation in specialized fairs	Specific gender programmes in trade promotion agencies
E-commerce Public procurement	Affirmative action for women in the cross-cutting programmes of trade promotion agencies

Source: A. Frohmann, "Género y emprendimiento exportador: iniciativas de cooperación regional", *Project Documents* (LC/TS.2018/4), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2018.

²⁴ Female-led firms are understood to be female-owned or have a woman majority partner, or a woman in a key position, such as general manager, legal representative, or head of the firm's export division.

Trade promotion agencies are implementing different modalities with a view to adopting a gender equality strategy at an institutional level (see table III.9). Although these programmes are an important step in efforts to mainstream gender in promotion of the export business, their scope and coverage can be expanded to promote a trade strategy that can contribute to the achievement of women's economic autonomy.

Table III.9

Latin America (5 countries): programmes promoting internationalization of female-led firms

Country	Institution	Programme	Year created	Objectives
Argentina	Argentine Investment and International Trade Agency	Mujeres Exportadoras	2017	Promotion of women's participation in trade, supporting the internationalization of female-managed firms sustainably over time.
Brazil	Brazilian Trade and Investment Promotion Agency (Apex-Brasil)	Mulheres na Exportação	2016	Sensitization initiatives, training and international business promotion for female-led firms.
Chile	ProChile	Mujer Exporta	2016	Promotion of the internationalization of female-led firms, improving levels of gender equity.
Costa Rica	Costa Rica Foreign Trade Promotion Agency (PROCOMER)	Women Export	2018	Business accelerators for female-led firms with high export potential.
Peru	Commission for the Promotion of Peruvian Exports and Tourism (PROMPERU)	Ella Exporta	2017	Promotion of business development for women engaged in export activity. One of the goals is to contribute to women's social and economic empowerment through entrepreneurship.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the respective institutions.

Note: The trade promotion agencies of Colombia, the Dominican Republic, Ecuador and El Salvador are in the process of creating gender programmes.

The starting point to advance such a strategy is for the authorities to undertake a political commitment to gender equality and to an inclusive export development model. Second is the need for the institution in question to adopt a gender approach in the labour sphere. That requires reviewing and improving working conditions for male and female employees and promoting women in leadership positions. Among other things, it is also necessary to reduce the wage gap between women and men, establish protocols on workplace and sexual harassment and adopt an inclusive corporate culture and language.

Third, a breakdown must be done by sex of the users of the services offered by trade promotion agencies, in order to obtain information on the number, characteristics and needs of export firms led by women. This information may be completed with data from other agencies (business surveys, customs records, directories of exporters, tax data, among others). Fourth, systems of institutional planning, management and evaluation need to be re-oriented to incorporate a gender perspective as a matter of course. It is also important to define the formats that trade promotion agencies will adopt to channel their gender efforts; for example, a gender office or specific gender programmes (see table III.9), and gender mainstreaming across all programmes.

In the past few years, private sector actors have also taken initiatives to reduce gender inequalities. These initiatives are largely voluntary and differ in scope, depth and applicability. Some have arisen in specific sectors; for example, agriculture, foods, textiles and clothing and tourism, while others apply to various sectors (see box III.2).

Box III.2

Initiatives, rules and standards that contribute to reducing gender gaps

Several internal corporate initiatives focus on labour matters and promote codes of conduct and, in some cases, providers' codes, including the gender dimension. They take as a reference the various conventions of the International Labour Organization (ILO) on discrimination, wages and training, as well as the Guiding Principles on Business and Human Rights of the United Nations, which offer a framework to "protect, respect and remedy" concerning the potential impacts of firms' actions on human rights. International certifications have also been adopted to make production—and in some cases trade—more sustainable. These initiatives tend to include audits and to involve independent third parties in assessing their implementation. They also promote women's labour participation, the improvement of their working conditions and their access to productive resources and training. However, little progress has been made on topics such as land ownership, gender wage gaps and discriminatory cultural patterns (CEPE, 2019; Sexsmith, Smaller and Speller, 2017).

The application of sustainability standards to agriculture has the potential to improve gender equality. However, their impact depends on how certification criteria and procedures are implemented (IISD, 2019). The certifications used by agricultural export firms in the region have tended to improve conditions for seasonal female workers who have a formal employment arrangement. In these cases, even without good oversight of national labour laws, clients in importing countries can exert control through these international standards (Soto Baquero and Klein, 2012).

In textile and clothing firms, the use of standards can contribute to improving labour, safety and health conditions, to reducing forced overtime and to increasing earnings. In some cases, improvements occur through employment formalization. However, these standards are not always applied to subcontracted individuals or SMEs. This can lead to segmentation of production, whereby part of it meets the standards, with suppliers undergoing audits, while another part is carried out by informal workers and subcontractors, to reduce costs (CEPE, 2019).

Progress has been made in the past few years towards harmonizing sustainable tourism standards by defining general criteria in the framework of the Global Sustainable Tourism Council. These take as normative frameworks ISO codes of conduct and the ISEAL Standard-Setting Code of Good Practice.^a Sustainable tourism criteria include the gender equality dimension, in particular, equality in employment and women in management positions.

Fairtrade International and the Ethical Trading Initiative (ETI) are two trade-based examples that support gender equality. The first promotes more direct, fair and equitable access to markets for small producers and the second supports the inclusion of ethical standards in business practices. It centres especially on workers, male and female. Both sets of standards have a growing presence in the region, in different sectors. Fair trade includes gender equality as one of its 10 main principles. In 2016, Fairtrade International launched a gender policy and strategy aimed at systematizing the promotion of gender equality and the empowerment of women and girls among producers and communities. Women and girls represent on average 25% of the labour force in certified farms: 46% in plantations and 22% in small producers' organizations (not including women who work as family members). Ethical trade initiatives are based on the ETI Base Code, which is based in turn on ILO conventions. The ETI Base Code is used as a reference for corporate codes of conduct, social audits and specific ethical trade projects. In Latin America, it is used in firms in the textiles and clothing sector, in agricultural export farms and in retail trade (Olmos, 2019). In practice, where differences exist between the provisions of a code and those of the country in which the country operates, whichever affords greater protection to workers must be applied.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of F. Soto Baquero and E. Klein (coords.), *Empleo y condiciones de trabajo de mujeres temporeras agrícolas*, Rome, Food and Agriculture Organization of the United Nations (FAO), 2012; Economic Commission for Europe (UNECE), *Gender Responsive Standards* (ECE/TRADE/445), Geneva, 2019; International Institute for Sustainable Development (IISD), "Leveraging voluntary sustainability standards for gender equality and women's empowerment in agriculture: a guide for development organizations contributing to the achievement of the Sustainable Development Goals", *Briefing Note*, 2019 [online] <https://www.iisd.org/system/files/publications/vss-gender-equality-agriculture-brief-en.pdf>; X. Olmos, "La sostenibilidad social en el comercio internacional: instrumentos y prácticas utilizadas por productores y empresas", *Project Documents* (LC/TS.2019/39), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2019; and K. Sexsmith, C. Smaller and W. Speller, "How to improve gender equality in agriculture", *Investment in Agriculture Policy Brief*, No. 5, International Institute for Sustainable Development (IISD), 2017.

^a ISEAL Alliance is an international organization that provides guidance for the development and management of sustainability standards for all sectors. See [online] <https://www.isealliance.org/>.

E. Conclusions

Although gender equality has increasingly been integrated into the international trade agenda, the relationship between trade and gender is complex and the empirical results in the region and elsewhere are mixed. According to several studies, the impact of trade on women and gender inequalities differs between sectors, territories and socioeconomic and educational levels. In relation to the labour market, trade liberalization can produce a rise in exports, and depending on the export structure, create new jobs and sources of income. However, there are also sectors that will contract. The rise in imports may also adversely affect certain sectors that are intensive in female employment, which deepens existing gaps.

This chapter has presented new empirical results on the participation of men and women in employment in the export sector in Latin America and the Caribbean. From an analysis of a sample of 11 countries in the region (10 South American countries and Mexico), it is inferred that export-related employment (direct and indirect) represents a small proportion of total employment, especially in the case of women. In 2018, only 12% of employed women had a job in an export sector (15% in the case of men). In addition, women's employment is concentrated in just a few sectors, such as in the textile and clothing industry, and in some services, which reproduces the pattern of horizontal gender segregation present in the region's labour markets. However, other export sectors (transport equipment, metals and metal products and mining and quarrying), while not as intensive in female employment, have a higher proportion of female workers than the economy at large, which represents greater work opportunities for women. The gender gap in the export sector is also reflected in the sector's smaller share in women's than in men's employment. It may be observed that gender wage gaps narrowed in the more export-intensive sectors between 2011 and 2018, although the hourly wage gap between men and women in the export sectors is wider among high-skilled workers than among mid-level or low-skilled workers.

The adoption of the 2030 Agenda for Sustainable Development established international trade as a means to drive sustainable development, more than as an end in itself. On this basis, WTO is increasingly mainstreaming gender equality in its agenda, especially since the adoption in 2017 of the Joint Declaration on Trade and Women's Economic Empowerment. In order to align international trade with sustainable development, trade governance and rules must contribute to reducing productive and technological asymmetries between countries and to creating more quality employment opportunities for women in key sectors of progressive structural change (ECLAC, 2019). The new negotiations and reform process under way in WTO should embrace this new approach. Another positive trend at the international level is the growing use of standards and certifications aimed at regulating and compensating for women's precarious working conditions in various export sectors, especially agriculture.

Gender equality has also become gradually incorporated into trade policies in the Latin American and Caribbean countries. The region has been a pioneer in this regard. Several governments have included chapters on gender and international cooperation commitments on the subject in their preferential trade agreements. For trade policy to function as an effective tool for gender equality, as well as including gender chapters in trade agreements, the gender approach must be mainstreamed in trade rules and disciplines. The different spheres of negotiation, such as market access, services, investment and public procurement are propitious frameworks for considering a gender approach and for analysing the impacts of trade on reducing or widening gender equality gaps.

In this regard, it is essential to evaluate the effects of trade policies and investment on gender inequalities, to obtain new findings on the impacts and change them if necessary. These data contribute to the design of policies to compensate workers, producers and consumers for the potential negative impacts of trade liberalization, external trade shocks and emerging trends as regards reshoring and the shortening of global value chains (ECLAC, 2019).

Proper measurement of the impacts of trade on gender inequalities remains a challenge given the lack of sex-disaggregated data on employment, income and other economic indicators relating to the export sector. It is crucial to promote the strengthening of statistics, in order to understand the impact of trade on women, not only through employment, but also other channels (consumption, social services and the care economy). Data are also needed to monitor the performance of women-led export firms and the participation of women in trade negotiations (Frohmann, 2018a; ECLAC, 2019).

The trade promotion agencies of several countries in the region have included the internationalization of female-led firms among their objectives. To this end, they have created gender programmes, departments or offices offering new services to such firms. In the context of the COVID-19 pandemic and the resulting economic crisis, trade promotion agencies face a particular challenge in supporting women exporters, who can help drive a reactivation in the export sector. In this regard, at the fourteenth session of the Regional Conference on Women in Latin America and the Caribbean, the States members of ECLAC agreed to implement policies and mechanisms to promote, strengthen and increase production and international trade, with a gender approach, as a pillar of countries' economic development. They also agreed to pursue programmes to foster the creation of quality employment for women and female-led enterprise in international trade, conducting assessments of the impact on human rights of trade and investment policies and agreements from a gender equality perspective (ECLAC, 2020f, par. 30).

This regional commitment supports guidelines for the design of trade and gender policies that contribute synergistically to economic reactivation and closing gender gaps in access to resources, financing, information, technology and markets. This also means adopting a broader perspective in order to progress towards policies to diversify exports in sectors that are intensive in quality employment for women, and to ensure women's access to care services and to gender violence prevention services. Lastly, the region needs to pursue productive integration and complementation and to create new opportunities for women to participate fully in sectors that are strategic for structural change with equality in a post-pandemic world.

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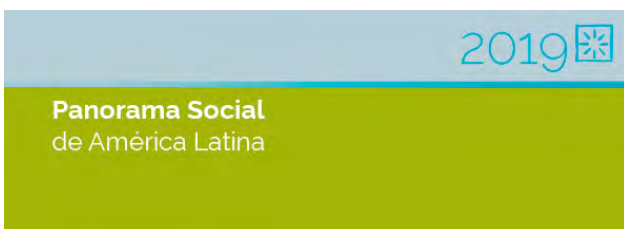
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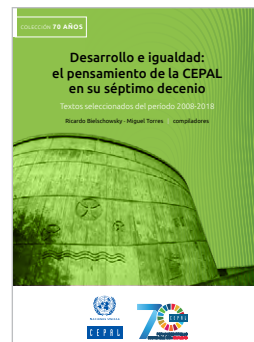
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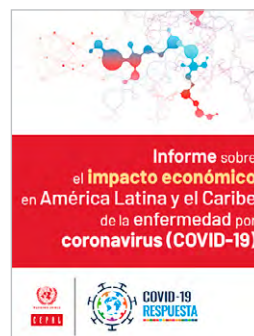
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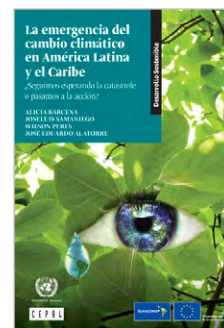


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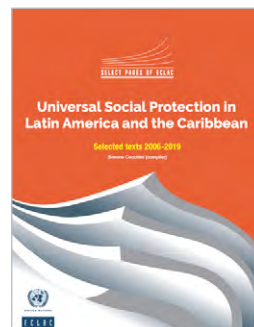


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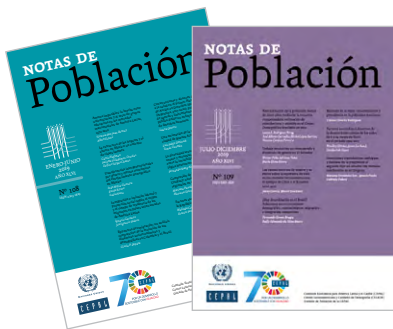
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