Latin America and the Caribbean:

The impact of the crisis on regional trade

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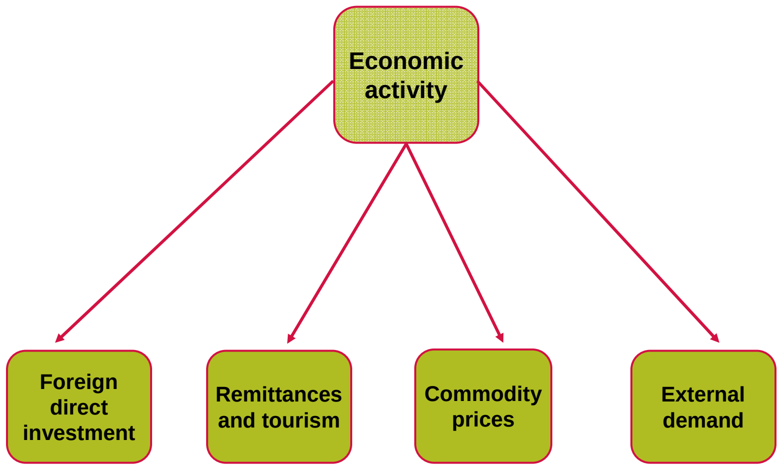
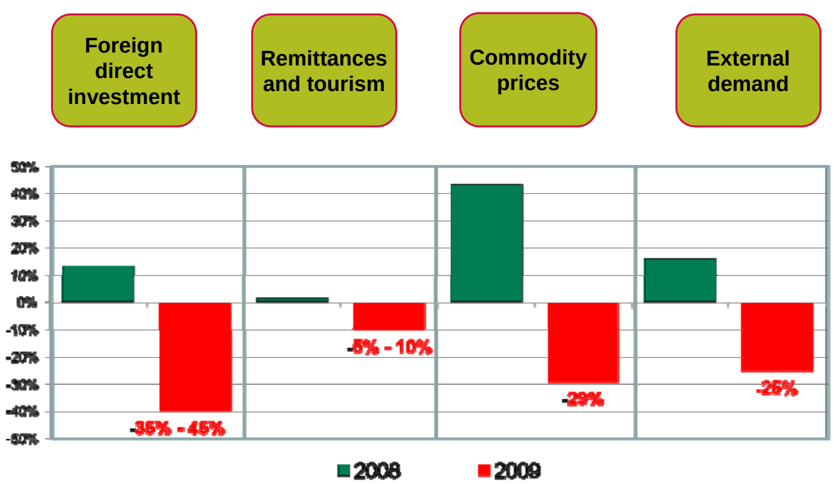
The impact of the crisis on regional trade

The crisis has been transmitted to Latin America and the Caribbean through four channels: FDI, remittances and tourism, commodity prices and external demand



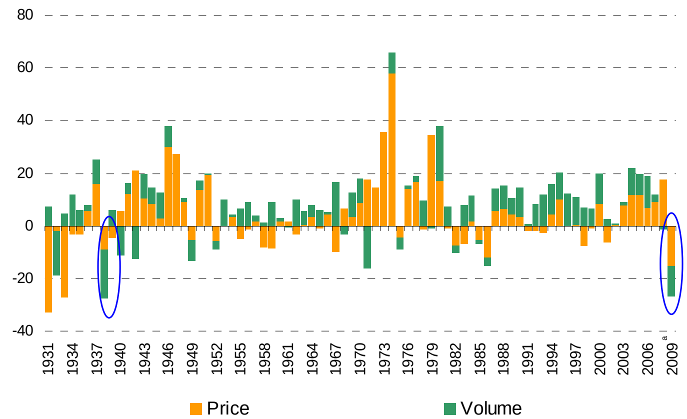
Growth estimates for all of these channels are negative for 2009



Source: ECLAC, on the basis of official data.

The downturn in trade has no recent precedent: a comparable drop in exports has not occurred for 70 years…

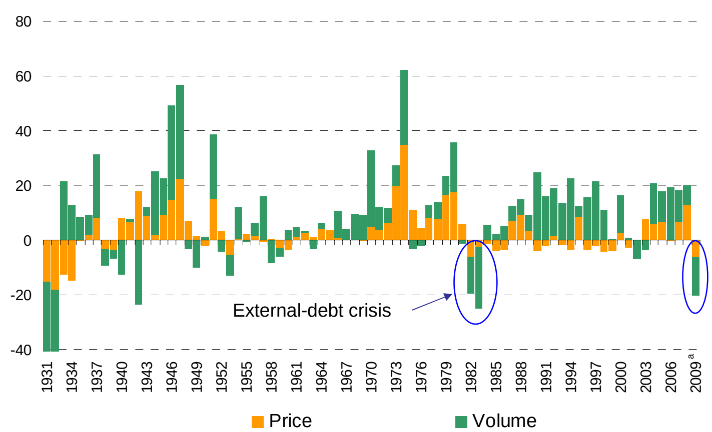
LATIN AMERICA AND THE CARIBBEAN: PRICE AND QUANTITY OF EXPORTS, 1931-2009
(Annual growth rates)



Source: ECLAC, on the basis of official data.
[a] 2009 projections provided by International Trade and Integration Division.

…and the nearest parallel in imports occurred 27 years ago

LATIN AMERICA AND THE CARIBBEAN: PRICE AND QUANTITY OF IMPORTS, 1931-2009
(Annual growth rates)

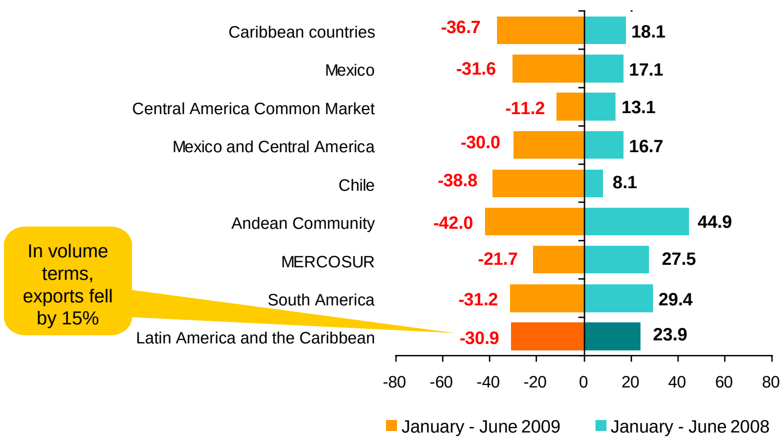


Source: ECLAC, on the basis of official data.
[a] 2009 projections provided by International Trade and Integration Division.

The region's exports fell by 31% in value in the first half of 2009, with all destinations affected

LATIN AMERICA AND THE CARIBBEAN: MERCHANDISE EXPORT GROWTH IN THE FIRST HALF OF 2008 AND 2009

(Growth rates relative to the year-earlier period)



Source: ECLAC, on the basis of official data.

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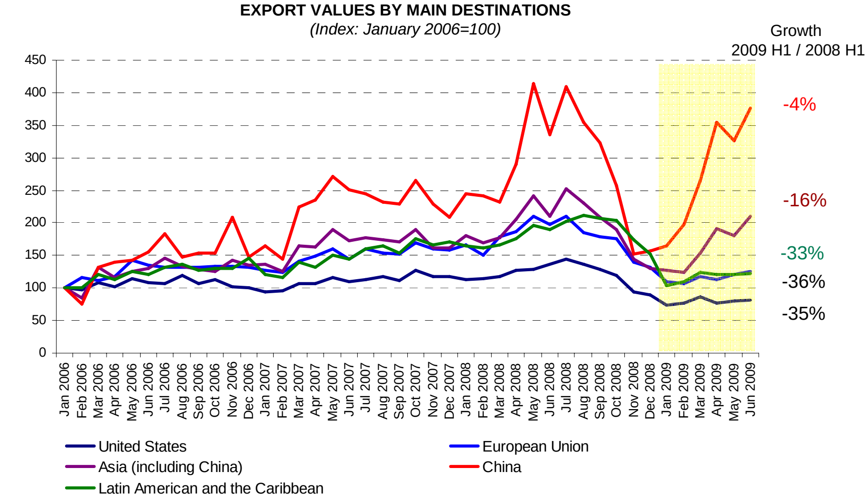
Exports have fallen regardless of destination, but those to China have dropped the least

LATIN AMERICA AND THE CARIBBEAN: MONTHLY INDEX OF EXPORT VALUES BY MAIN DESTINATIONS

(Index: January 2006=100)



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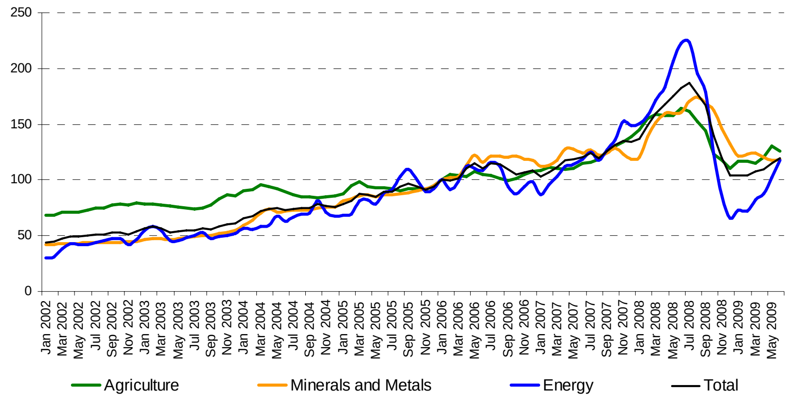
Source: ECLAC, on the basis of official data.

In 2009, commodity prices have rebounded from their collapse in 2008

LATIN AMERICA AND THE CARIBBEAN: PRICES OF THE MAIN PRODUCT CATEGORIES IN THE REGION'S EXPORT BASKET (JANUARY 2002-JULY 2009)
(Index: January 2006=100)



Source: ECLAC.

In 2009, both exports and imports will fall substantially

LATIN AMERICA AND THE CARIBBEAN: MERCHANDISE TRADE, 2007-2009 [a]
(Annual growth rates)

Region / subregion / country	Exports			Imports		
	2007	2008	2009	2007	2008	2009
Latin America and the Caribbean (35)	**12.3**	**15.9**	**-25.0**	**19.0**	**21.0**	**-19.5**
Integration schemes						
MERCOSUR	17.6	24.5	-22.8	30.6	40.3	-20.9
ANDEAN COMMUNITY	11.9	28.8	-35.6	30.7	21.4	-16.8
CENTRAL AMERICAN COMMON MARKET	12.1	9.3	-11.5	15.0	14.0	-16.4
CARIBBEAN COMMUNITY	-0,6	23.7	-32.6	14.8	21.9	-11.5
Other countries						
Chile	15.3	-1.8	-23.2	22.6	30.8	-21.0
Mexico	8.8	7.2	-22.0	10.1	9.5	-21.0
Panama	10.1	10.2	-12.0	22.9	19.8	-16.0
Dominican Republic	8.3	-3.0	-16.0	11.7	18.4	-25.0

Source: ECLAC.

[a] Data correspond to estimates for January-June conducted by the Division of International Trade and Integration.

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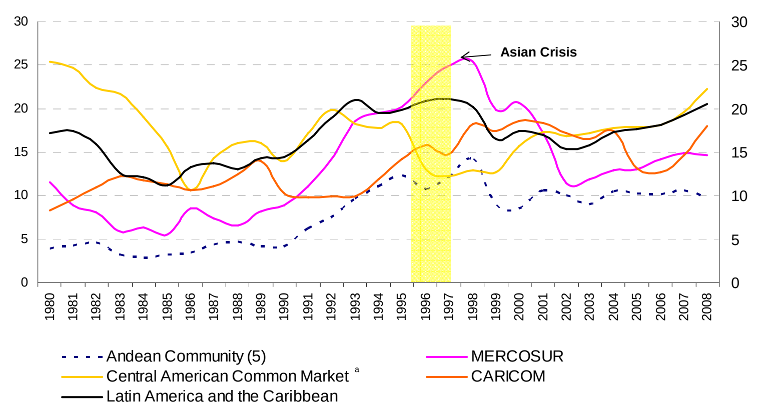
Intraregional trade and trade policy responses

Intraregional trade remains below the levels reached prior to the Asian crisis

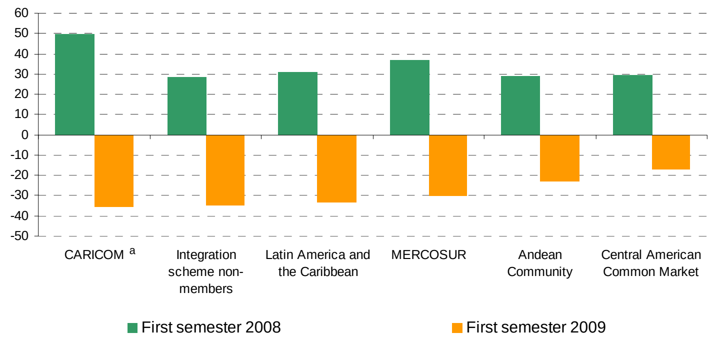
LATIN AMERICA AND THE CARIBBEAN: INTRAREGIONAL TRADE, 1980-2008
(Coefficients)



Source: ECLAC, based on official data.
[a] Data for the Central American Common Market exclude maquila exports.

Intraregional exports declined in all the economic integration schemes. Overall, intraregional trade declined by 33% in the first half of 2009.

LATIN AMERICA AND THE CARIBBEAN: INTRAREGIONAL EXPORTS BY INTEGRATION SCHEME, FIRST SEMESTER 2008 AND 2009.
(Percentages)



Source: ECLAC, on the basis of official data.
[a] Includes CARICOM exports to the rest of Latin America and the Caribbean, but excludes intra-CARICOM trade.

Responses to the crisis with an impact on trade in the region

Stylized facts:

- The region has not been immune to the resurgence of protectionist pressures
- However, it is not tending towards widespread protectionism
- Responses vary widely among the countries
- Both trade-restricting and trade-liberalizing measures have been taken
- “Good behaviour” in comparison to industrialized countries
- Intraregional trade has not escaped unscathed, however
- Increasing barriers to intraregional trade is a worrying response to the crisis

Countries in the region have tended to opt for border measures, as opposed to subsidies in industrialized countries

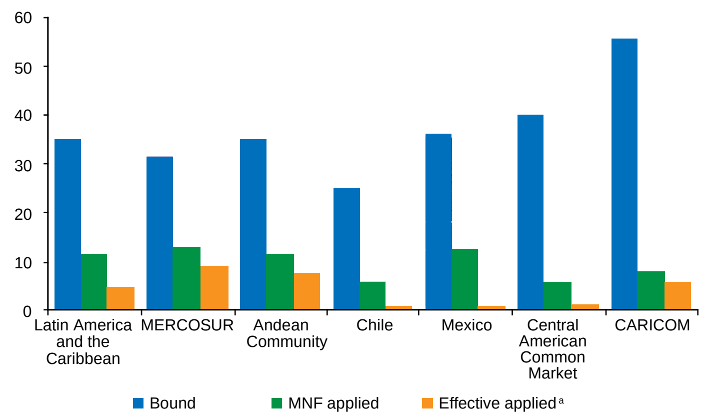
Main trade-restricting measures:

- Tariff hikes
- Minimum import prices (“benchmark prices”)
- Automatic and non-automatic import licences (with long approval times)
- Proliferation of investigations and antidumping measures
  - Brazil and Argentina ranked second and fifth worldwide in the number of antidumping investigations initiated in the second half of 2008
- New import quotas
  - Imposed by governments or between private enterprises

The countries of the region have made little use of their wide margin to raise tariffs

LATIN AMERICA AND THE CARIBBEAN: AVERAGE RATES BY TARIFF TYPE, DECEMBER 2007

(Percentages)



Source: ECLAC, based on “*World Tariff Profiles 2008*”, WTO-ITC-UNCTAD, Geneva, 2008.

[a] The effective applied tariffs are based on the preferential trade agreements signed by each country.

There have also been "pro-trade" responses

- Provision of trade finance
  - Throughout the region
- Trade facilitation measures
  - Especially in Mexico and Central America
- Tariff reductions
  - Generalized: Mexico (industrial sector)
  - Specific: Central America, the Caribbean (foodstuffs), Brazil, Paraguay (capital and intermediary goods)
- Export promotion efforts
  - Especially in Central America
- Export tax reductions
  - Argentina

Developed countries have reacted more drastically than the countries of Latin America and the Caribbean

- United States:
  - "Buy American" clause
  - Automotive and financial sector rescue plans
  - Increases in agricultural subsidies
  - Threat of "green protectionism": proposed law on climate change
- European Union:
  - Massive support for the automotive and financial sectors
  - Reintroduction of subsidies for dairy exports (followed by the United States)
  - Immigration and foreign worker restrictions

Openings for regional cooperation

Spheres of regional cooperation and integration

- Cooperation and integration are necessary to:
  - Mitigate the effects of the crisis
  - Address the post-crisis structural challenges
- Moving towards an integrated regional market would be very positive in terms of scale and credibility
- The current political situation in the region does not favour trade liberalization initiatives, however
- Differences over trade issues should not impede cooperation on more urgent issues to enable progress on issues beyond trade

ECLAC proposes an agenda with 7 pillars

1. Infrastructure
2. Support for intraregional trade
3. Innovation
4. Reduction of asymmetries
5. Social cohesion
6. Closer ties with Asia-Pacific
7. Climate change

The proposal is to move forward pragmatically, building on existing efforts and avoiding sweeping new initiatives

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