2020 TRADE AND INTEGRATION MONITOR

THE COVID-19 SHOCK

BUILDING TRADE RESILIENCE FOR AFTER THE PANDEMIC

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BUILDING TRADE RESILIENCE FOR AFTER THE PANDEMIC

Coordinated by
Paolo Giordano

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The *Trade and Integration Monitor* is an annual report that tracks Latin America and the Caribbean's integration into the global trading system. It draws on publicly available data from the Inter-American Development Bank (IDB) information system on trade and integration.

The Trade and Integration Monitor is the result of a collaborative research effort between the IDB Integration and Trade Sector (INT) and its Institute for the Integration of Latin America and the Caribbean (INTAL). The publication is overseen by Fabrizio Opertti, Sector Manager, and Pablo García, Director of INTAL, with technical supervision from Mauricio Mesquita Moreira, Sector Economic Advisor.

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

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Prologue

The COVID-19 pandemic and the policies implemented to contain it have triggered a sharp drop in global trade. Fortunately, the contraction has not been as severe as predicted by initial pessimistic forecasts. However, this unprecedented crisis was caused by relatively synchronized shocks to supply and demand all around the world. Disruption of global value chains on this scale poses new challenges to the global integration of Latin America and the Caribbean.

The value of goods exports from the region has evolved similarly to the overall global pattern, albeit more markedly. Export values had already begun to contract in 2019 and did so at an even faster rate in the first half of 2020. LAC's external sales fell initially due to drops in export prices, especially that of oil, and later to a marked downturn in export volumes, particularly in the intraregional market. Trade in both goods and services suffered a higher impact in the region than the global average. Although since June there have been some signs of recovery, the economic indicators remain unstable and there is considerable uncertainty around the path to precrisis values.

The *Trade and Integration Monitor 2020* analyzes how trade has contracted during the COVID-19 pandemic and focuses on the reforms needed to enable the region to take part in the global trade and investment flows that will emerge after the crisis. This edition is the latest in a series of reports published by the Integration and Trade Sector of the Inter-American Development Bank (IDB) that study the evolution of the insertion of Latin America and the Caribbean in the global trading system.

This report concludes that countries in the region should make decisive moves toward an ambitious agenda of international integration policies if they are to capture new investments and take advantage of nearshoring opportunities. The pandemic has exposed challenges that point clearly to a need to make headway on the institutional strengthening of export promotion and investment attraction agencies, trade facilitation and the modernization of customs, the diversification of the services sector, and trade digitalization. There is also a need for pragmatic solutions to certain long-standing challenges. For example, reducing transportation costs through investment and reforms in the infrastructure sector will be critical for the region's economies to position themselves competitively in the global production networks of the future.

Furthermore, given that the ongoing transformation of globalization will have a profound impact on business strategies, it will be essential to strengthen regional integration and cooperation initiatives to position the region's economies within an efficient and reliable regulatory space that is attractive for investors.

Given the adverse global economic environment and the uncertainty around how circumstances will change after the COVID-19 pandemic, we hope that this edition of the *Trade and Integration Monitor* will provide countries in Latin America and the Caribbean with information they can use to identify, design, and implement policies to increase their trade resilience after the pandemic and position themselves competitively in the most dynamic segments of future international trade.

Fabrizio Opertti
Manager, Integration and Trade Sector

List of Abbreviations

AC	Andean Community
BLS	Bureau of Labor Statistics
CADR	Central America and the Dominican Republic
CARICOM	Caribbean Community
CPB	Netherlands Bureau for Economic Policy Analysis
EU	European Union
GDP	Gross domestic product
IMF	International Monetary Fund
LA	Latin America
LAC	Latin America and the Caribbean
MERCOSUR	Southern Common Market
OPEC	Organization of Petroleum Exporting Countries
p.p.	percentage points
PA	Pacific Alliance
PMI	Purchasing Managers' Index
UNCTAD	United Nations Conference on Trade and Development
US	United States of America
USITC	US International Trade Commission
WTO	World Trade Organization

Executive Summary

The 2020 edition of the *Trade and Integration Monitor* identifies the factors underlying recent developments in trade flows of Latin America and the Caribbean (LAC), examines current risks, and concludes that the current crisis is less intense than initially expected. However, the recovery remains unstable even though exports have rebounded recently.

The sudden deterioration of prices and real flows were the main explanatory factors behind the decline in the value of LAC goods exports. Services exports also began to contract for the first time since 2015. There have been some signs of improvement since June, but projections for the second half of 2020 suggest that significant risks to recovery remain.

The COVID-19 pandemic plunged the world and LAC into the most acute trade contraction since the Global Financial Crisis. Goods exports from LAC had already fallen by 2.4% in 2019 after just two years of growth. The year-on-year contraction accelerated from 3.5% in the first quarter to 27.5% in the second. In the first half of 2020, the average year-on-year variation rate was –16.0%. Unlike the trade contractions of the last decade, the main driver of the current crisis was the drop in export volumes. In real terms, the region's external sales contracted more than global trade (–12.1% and –8.9%, respectively). Commodity markets, particularly those of energy goods, reacted quickly to the pandemic, causing a 5.2% contraction in export prices that also contributed to depressing the value of LAC's external sales. The variation rate of exports of services from LAC moved onto negative ground for the first time since 2015, going from 1.1% growth in 2019 to a contraction estimated at 29.5% year-on-year in the first half of 2020.

Although the pandemic has not impacted trade flows as much as initially expected and relative improvement has been observed since June, the most recent trend indicators point to a slow recovery of export flows to precrisis levels. Looking ahead, there are growing risks associated with the instability of external demand as a result of new lockdowns and social isolation measures, the volatility of commodity markets, and the indirect effects of global trade tensions, as well as the forecasts of a contraction in intraregional trade, given that the region is continuing to be hard hit by the pandemic.

Although most of the contraction was explained by the drop in extraregional trade flows, the downturn in intraregional trade was more intense. Trade flows within every integration scheme contracted more than trade with the rest of the world. This intensified a trend toward intraregional trade losing relative weight that was also observed in 2019.

In the first half of 2020, the contraction in exports to the US (–19.5%), the EU (–18.6%), and, to a lesser extent, China (–1.0%) played a decisive role in LAC's trade performance, explaining around two-thirds of the overall downturn. However, intraregional flows fell at even higher rates within all LAC blocs: –30.3% in the Andean Community, –24.6% in MERCOSUR, –24.0% in the Pacific Alliance, and –8.8% in Central America and the Dominican Republic. Similarly, a limited sample of Caribbean countries suggests that intrazone exports from the region contracted by 25.4%, excluding Guyana whose notable increase in oil exports set it apart. In MERCOSUR, the contraction in intrazone sales caused by the collapse of bilateral trade between Argentina and Brazil played a decisive role in the drop in total exports, while Brazil saw an extraordinary increase in soybean shipments to China. On balance, and in keeping with the trend that was observed in 2019, the share of intraregional trade flows in total LAC trade continued to shrink, reaching 12.8% of total trade flows, a drop of 1.2 percentage points in comparison with 2019.

Chapter 1 of this report examines the main features of the downturn in global and regional trade that has been observed since early 2018, tracks the impact of the COVID-19 pandemic on trade in 2020, and assesses the balance of global economic risks. Chapter 2 provides an overview of the region's recent trade performance, breaking down the variation in prices and export volumes and assessing the likelihood of a trend reversal in the coming months. Chapter 3 examines the specific features of export and import flows of goods and services in different countries and subregions of LAC. Chapter 4 analyzes the downturn in intraregional trade and examines the export performance of LAC's main integration blocs. The conclusions discuss the challenges the region must tackle in order to strengthen the participation in the post-COVID-19 global value chains.

1 The Impact of the Pandemic on Global Trade

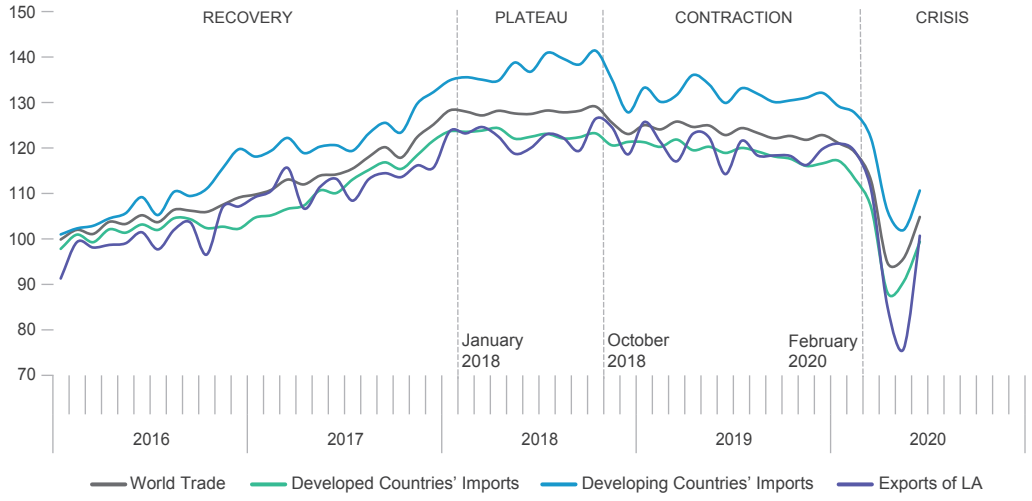
In the first half of 2020, the economic crisis caused by the COVID-19 pandemic resulted in a sharp drop in the value of global trade, which had been on a downward trend since late 2018. Unlike in 2019, when prices were the main factor behind this trend, the retraction in 2020 was mainly due to the downturn in trade volumes against the backdrop of a severe global recession. Prices also sank, particularly as a result of the collapse of the oil market. Preliminary data shows that global trade in services dropped more dramatically than in goods. In this context, exports from Latin America and the Caribbean contracted faster than the global average. Although the trade shock has so far been smaller than was initially expected and signs of recovery are starting to emerge, the outlook remains uncertain.

Global Trade Contagion

The health crisis triggered by the COVID-19 pandemic deepened the downward trend in global trade that had begun in late 2018. The value of global trade fell 2.9% on average in 2019, before plunging by 13.3% year-on-year in the first half of 2020 (Figure 1). Although the first signs of the commercial contagion of the pandemic were observed in the first quarter, the greatest impact was recorded between April and June, when nominal global flows contracted by 21.3% year-on-year. The effects of the pandemic were relatively deeper in developed countries, where demand shrank by 14.7% year-on-year in the first half of 2020, while developing economies experienced a drop of 12.2% year-on-year. In this context, exports from Latin America (LA) dropped 16.1% year-on-year in the first half of the year. The current crisis hit the world economy, particularly global trade, at a point when it was significantly weaker compared to previous shocks. However, the impact has been so far less than expected (Box 1).

The value of world trade plummeted during the COVID-19 pandemic.

FIGURE 1 • VALUE OF WORLD TRADE IN GOODS
(Index, 2010=100, 2016–2020)



Source: IDB Integration and Trade Sector with data from the Netherlands Bureau of Economic Policy Analysis (CPB) and own calculations.
Note: The value of global trade is the average of the seasonally adjusted series of global imports and exports. The value of exports from Latin America (LA) is an own estimate and does not include the Caribbean (see Methodological Annex 1).

The fall in volumes has been a determinant driver in the current crisis.

The economic crisis caused by the COVID-19 pandemic has mainly spread through the trade channel via volumes, unlike other recent trade contractions, which were largely explained by collapses in prices. In the first half of 2020, global trade volumes contracted 8.9% year-on-year and explained two-thirds of the total drop in the value of world trade (Figure 2). This decline was particularly pronounced in the second quarter of the year, when it reached a year-on-year rate of –14.8%. The health crisis heightened a trend that began in 2019, when volumes fell by 0.4%, contracting for the first time since the Great Recession. The sharp drop in trade in real terms was caused by several concurrent factors: the contraction of global demand resulting from lockdown measures and negative expectations caused by uncertainty, the disruptions in global value chains associated with logistics problems and increased border controls on the supply side, and certain trade measures taken to protect domestic markets during the early stages of the pandemic, against a backdrop of existing trade tensions.

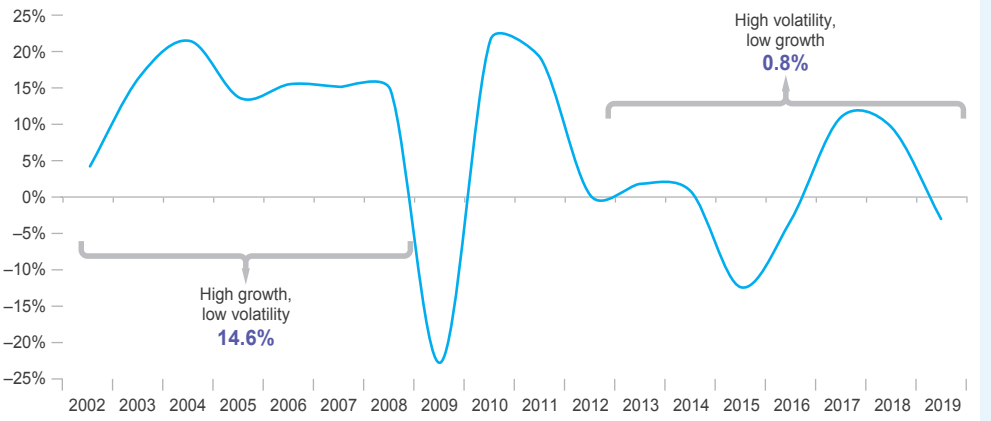
World trade prices fell 5.0% year-on-year in the first half of 2020. The deflationary trend had already been observed in 2019, when prices had dropped by 2.5%. Among the nominal factors that explain the drop in trade flows, the collapse

BOX 1: IS THIS TRADE CRISIS DIFFERENT?

The global economic crisis caused by the COVID-19 pandemic has triggered a global trade shock that has been compared to that of the Great Recession of 2008–2009. However, these two events differ significantly in terms of both the circumstances that preceded them and their effect on trade flows.

When the current crisis began, global trade was already vulnerable. In 2008–2009, in contrast, the value of global trade had been increasing for seven uninterrupted years, which was reflected in an annual average growth of 14.6%. In contrast, the period leading up to the COVID-19 crisis was marked by severe volatility and an annual average growth of just 0.8% between 2013 and 2019. From a longer-term perspective, over the last decade global trade has grown at the lowest rate on record.

TREND IN THE VALUE OF WORLD TRADE
(Annual growth rate, 2002–2019)



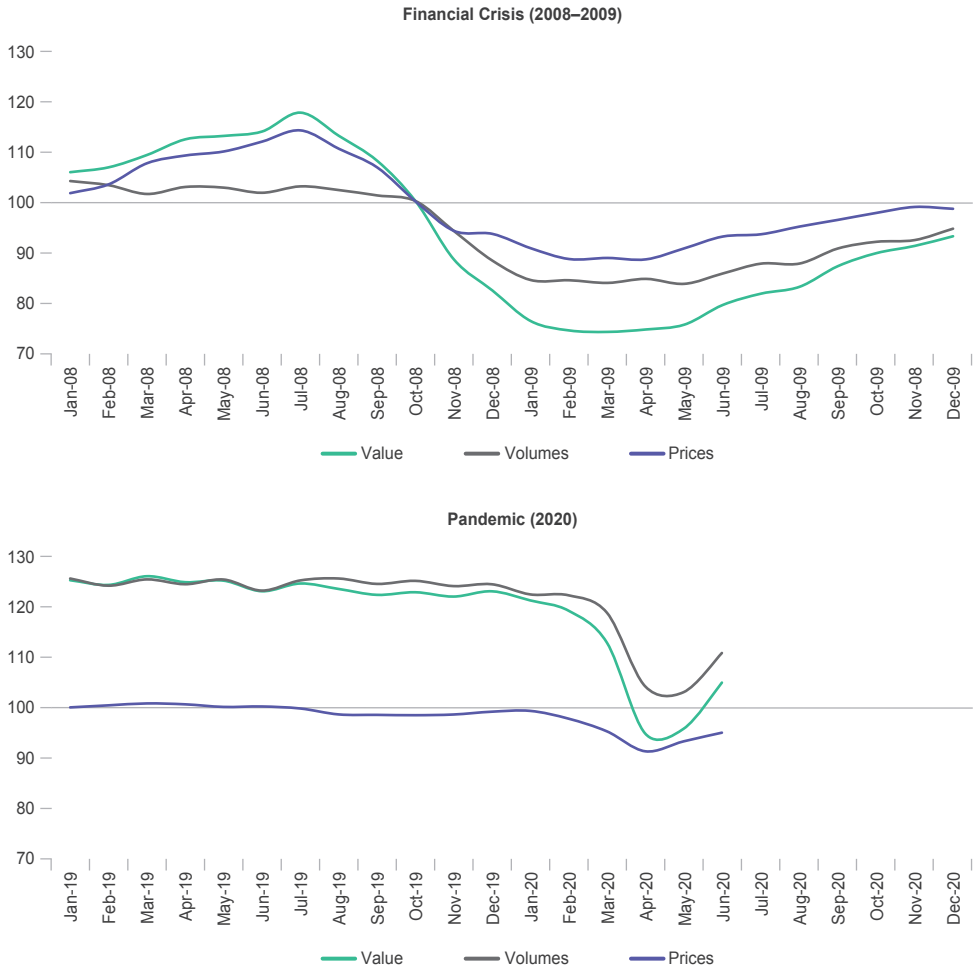
Source: IDB Integration and Trade Sector with data from CPB.

Furthermore, although values have plummeted faster during the pandemic than in the Great Recession, the contraction is expected to be less pronounced and less enduring than that of the 2008–2009 crisis. During the Great Recession, the value of global trade dropped for eight consecutive months: between July 2008 and March 2009, it accumulated a total decline of 36.7% in nominal terms. Trade flows then took 32 months to return to pre-shock levels. The pandemic caused a 22.9% contraction in the value of global trade between December 2019 and April 2020, when levels bottomed out. In other words, trade began to rebound after just four months, although significant uncertainty continues to surround the road to recovery. Furthermore, the value of global trade in July 2020 was still around 9% below that of December 2019, according to the latest available data. The difference in the trajectories of the two crises is partly explained by the fact that the Great Recession originated from the demand side, while the current shock was initially prompted by the sudden collapse of supply. However, after the initial

(continued on next page)

BOX 1: IS THIS TRADE CRISIS DIFFERENT? *(continued)*

VALUE, VOLUME AND PRICES OF WORLD TRADE
(Indexes, 2010=100, selected periods)

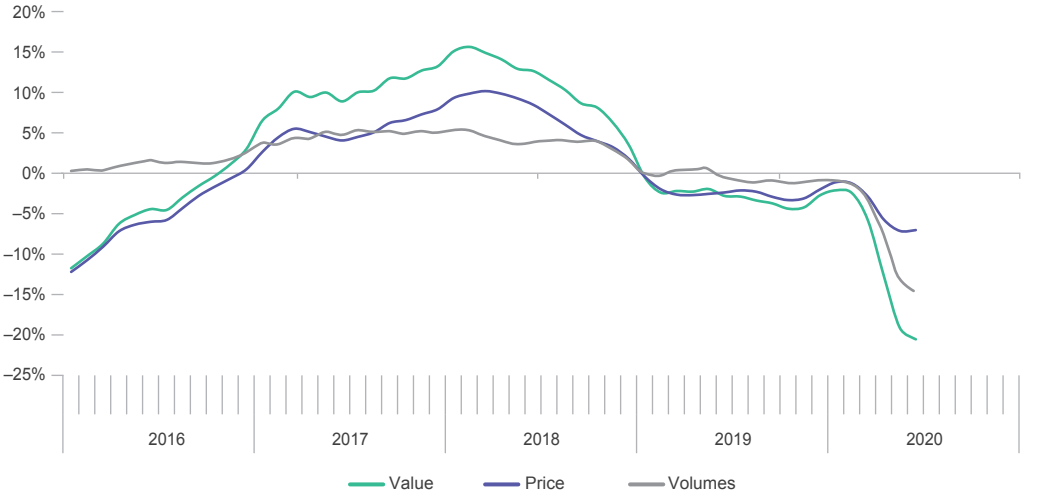


Source: IDB Integration and Trade Sector with data from CPB.

shock, demand—which was already weakening—was also impacted and is still the main factor underlying the uncertainty around the recovery.

Finally, in the first months of 2020, the collapse in trade volumes was determinant, while in 2008–2009 prices played a major role. During the trade contraction of the Great Recession, between July 2008 and March 2009, prices dropped by 22.1% and volumes by 18.7%. This time, however, between December 2019 and April 2020, volumes dropped by 16.3% and prices by 7.8%. Importantly, the pandemic's impact on the volume of global trade has so far remained close to the more optimistic initial forecasts of a contraction of between –13% and –32% (WTO, 2020a).

FIGURE 2 • TRENDS IN WORLD TRADE IN GOODS
(Quarterly moving average of the year-on-year growth rate, percentage, 2016–2020)



Source: IDB Integration and Trade Sector with data from CPB.
Note: Value, prices and volume are calculated as the average of global imports and exports.

Deflationary pressure mainly affected the oil market.

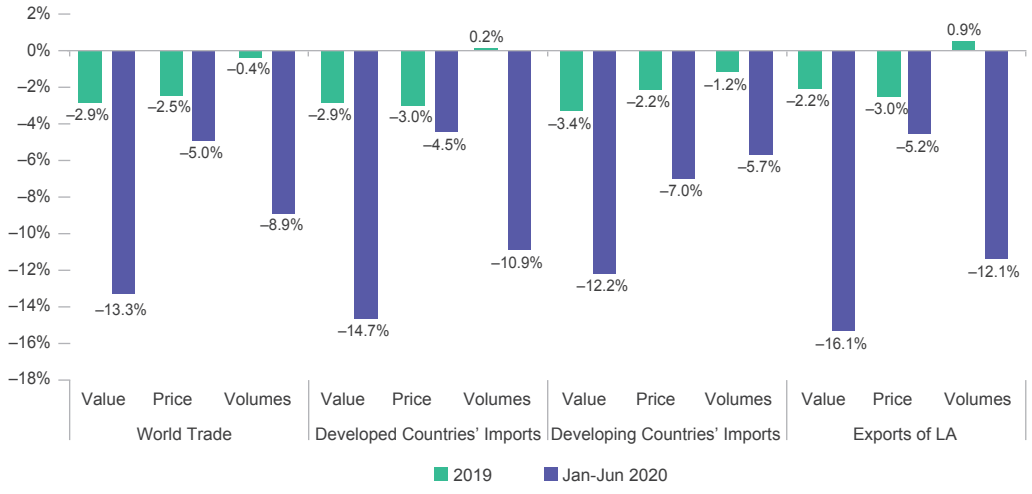
in oil prices is the most significant. In the first half of 2020, the average price of non-energy commodities fell by 3.3% year-on-year, while the price of energy goods plummeted by 36.6% (World Bank, 2020). Demand screeching to a halt combined with supply factors brought inventories to historic highs that pushed the price of oil into the negative.[1] In contrast, drops in the prices of other commodities were cushioned, among others, by decreases in supply that were in turn caused by interruptions to distribution channels.

Trade volumes contracted more intensely in developed countries. Real imports from these countries fell 10.9% year-on-year in the first half of 2020, explaining almost two-thirds of the total drop in global flows. In the same period, the volumes imported by developing countries fell by 5.7% (Figure 3). In contrast, prices decreased more markedly among imports of developing countries (–7.0%) than of developed ones (–4.5%). Exports from LA

Developed countries accounted for most of the drop in global trade volumes.

[1] See Chapter 2 for a more detailed analysis of the performance of the oil and other commodity markets and their impact on LAC.

FIGURE 3 • VOLUMES AND PRICES OF WORLD TRADE IN GOODS
(Year-on-year growth rate, percentage, 2019 and January-June 2020)



Source: IDB Integration and Trade Sector with data from the CPB and own estimates.
Note: The value of global trade is the average of global imports and exports. LA exports are own estimates and do not include the Caribbean (see Methodological Annexes 1 and 2).

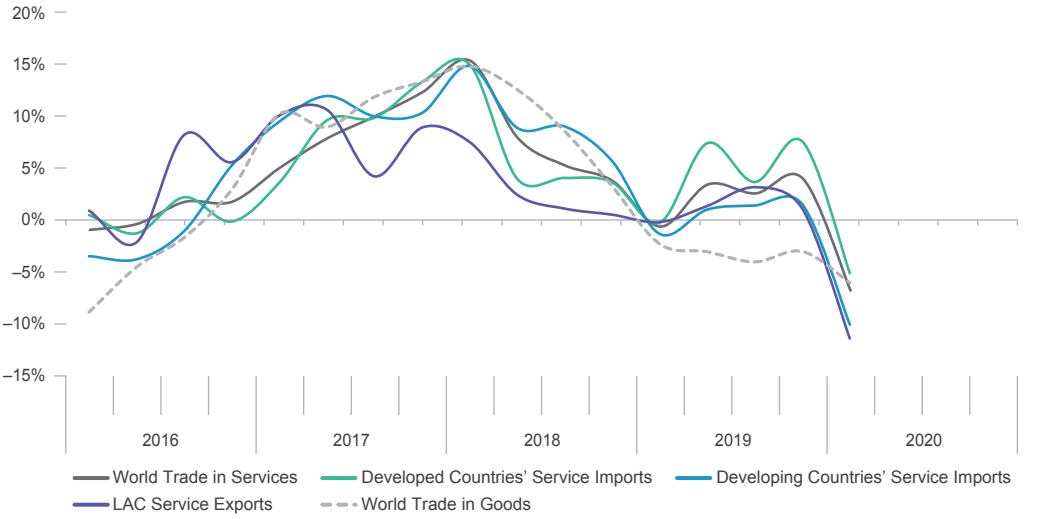
(–16.1%) fell more than the global average, as a result of the 12.1% drop in volumes and a 5.2% fall in prices.

Data for the first quarter of 2020, before the health crisis had fully spread, indicates that the value of global trade in services contracted 6.7% year-on-year. The pandemic affected international trade in services more severely than trade in goods. The downturn in trade in services reflected drops in imports among both developed and developing countries, although the latter were hit relatively harder (–5.2% and –10.1%, respectively) (Figure 4). The data indicates a marked contrast with the previous year when, unlike trade in goods, services had grown 2.4%, driven by imports from developed countries (4.6%), while those from developing countries had stagnated (0.7%). Preliminary records for the second quarter for some of the main global services exporters reveal a contraction of around 30% year-on-year.[2] Services exports from LAC, which had grown by just 1.1% in 2019, performed worse than the global average in the first quarter (–11.5%) and are estimated to have dropped around 50% year-on-year in the second quarter of 2020.

The impact on trade in services was highly significant.

[2] The estimate for the second quarter of 2020 is based on a limited sample of countries and is therefore not strictly comparable with data reported up to the first quarter.

FIGURE 4 • TRENDS IN THE VALUE OF GLOBAL TRADE IN SERVICES
(Year-on-year growth rate, percentages, 2016–2020)



Source: IDB Integration and Trade Sector with data from the International Monetary Fund (IMF), the World Trade Organization (WTO), and national sources.
Note: The value of global trade is calculated as the average of global imports and exports. It includes the services account components of the balance of payments (except construction services, government services, and manufacturing, maintenance, and goods repair services). Data for the first quarter of 2020 are preliminary estimations based on a sample of countries.

Lower Demand from Global Partners

Global activity contracted abruptly.

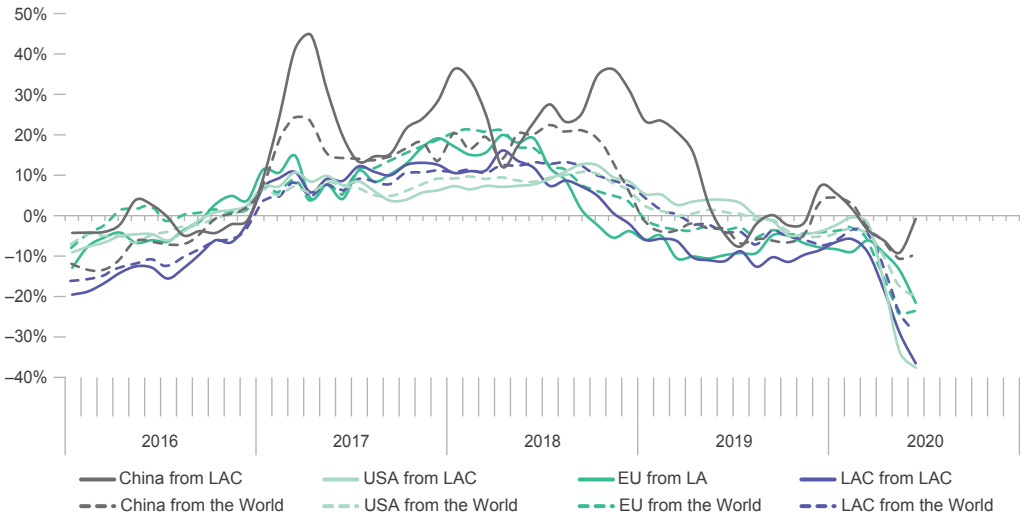
The drop in global trade was caused by the contraction of global economic activity, as the COVID-19 pandemic spread and containment measures were adopted all around the world. The impact was initially seen in China, where gross domestic product (GDP) fell by 6.8% in the first quarter of 2020, representing the first decline in nearly half a century. However, the Chinese economy recovered quickly and grew 3.2% and 4.9% year-on-year in the second and third quarters, respectively. Western economies began to suffer the effects of the health crisis in March, and the downturn concentrated in the second quarter. Activity in the Eurozone fell by 14.8% year-on-year between April and June and by 4.3% between July and September. Whereas in the United States the year-on-year drop was 9.0% in the second quarter, but was reduced to only 2.9% in the third. In Latin America (LA-6)[3] GDP shrank by 15.8% during the second quarter, according to the latest available comprehensive indicators.

[3] LA-6 is a weighted average of the year-on-year GDP growth rates of Argentina, Brazil, Chile, Colombia, Mexico, and Peru. The weighting is based on the value of GDP in terms of purchasing power parity.

The drop in demand for LAC exports outstripped the global average.

The pandemic weakened the demand of LAC's major trading partners, and imports from the region fell significantly in the first half of 2020. When the crisis hit, demand from LAC's main buyers had already deteriorated, a trend that had begun in late 2018 (Figure 5). The most affected flows were US imports from the region, which contracted 20.5% year-on-year in the first half of 2020 and dropped far more than total purchases (–12.7%), following relative stagnation in 2019. China's imports from LAC fell 3.3% year-on-year in the first half of 2020, representing a slower contraction rate than that of its total purchases (–6.4%).[4] Demand from China had been weakening since 2019, when its total foreign purchases contracted by 2.6% while those from LAC grew by 4.6%. In the first half of 2020, European Union (EU) imports from LAC fell at a similar rate to those from the rest of the world (–14.0% and –15.0%, respectively). Finally, intraregional trade dropped at a higher rate than total purchases in the first half of 2020 (–23.2% and –17.1%, respectively).

FIGURE 5 • TRENDS IN THE VALUE OF IMPORTS FROM SELECTED ECONOMIES
(Quarterly moving average of the year-on-year growth rate, percentage, 2016–2020)



Source: IDB Integration and Trade Sector with data from the US International Trade Commission (USITC), EuroStat, China Customs, IMF, and national sources.
Note: For China, the US, and LAC, the imports reported correspond to the aggregate for LAC, while for the EU they are the aggregate for LA only.

[4] The imports discussed in this chapter and shown in Figure 5 were taken from the import records of the countries in question and thus may differ from the exports recorded by domestic sources for the LA countries discussed in Chapter 4. This difference is due not just to the sources in question, but also to the lag between when exports and imports are recorded.

Some signs of recovery began to emerge in June, albeit amid great uncertainty (Box 2). Trade flow records point to an upturn in levels and thus to a slowing of the fall in year-on-year growth rates, which bottomed out between April and May. However, the pandemic is far from over. New outbreaks and lockdown measures may affect the recovery of global economic activity, which was already fragile before the health crisis hit.

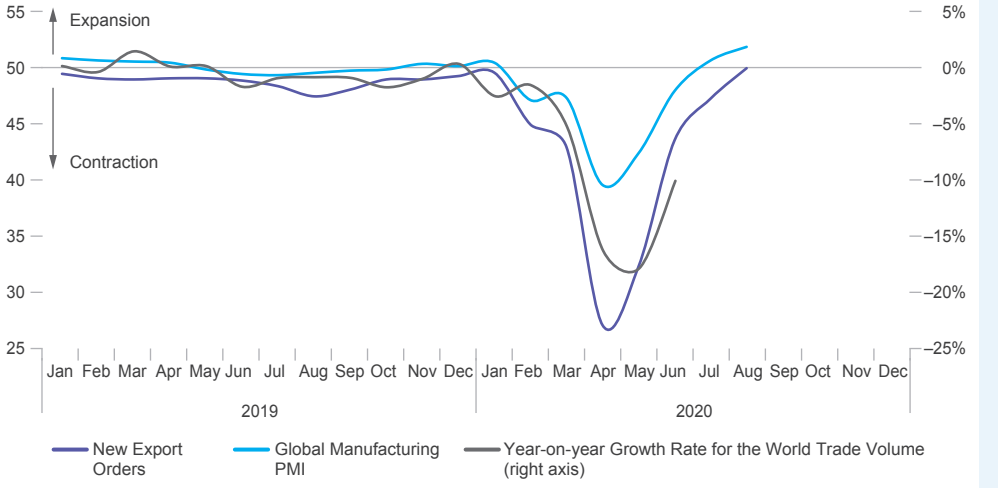
There is widespread uncertainty about the economic and trade recovery.

BOX 2: SIGNS OF RECOVERY AMID GREAT UNCERTAINTY

Certain indicators of foreign trade transactions and the perceptions of trade operators provide insights regarding the outlook for global trade volume in the near future.

The *Global Manufacturing Purchasing Managers' Index* (PMI), an indicator of operators' perceptions and expectations, remained below the neutral value of 50 for much of the second half of 2019, before falling from 47.1 to 39.6 between February and April 2020.[a] Values this low have not been seen since the Great Recession, revealing the severity of the current global downturn. However, the PMI began to recover in May and even climbed above 50 between July and September, highlighting that expectations around activity levels improved in response to the relaxation of lockdown and containment measures in several global economies (IHS Markit 2020a, 2020b, and 2020c).

PURCHASING MANAGERS' INDEX FOR THE GLOBAL MANUFACTURING SECTOR, NEW EXPORT ORDERS SUBINDEX AND VOLUME OF WORLD TRADE
(January 2019–August 2020)



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

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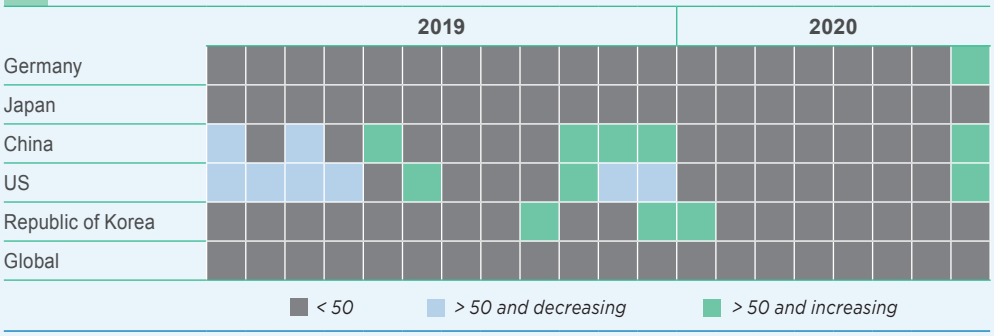
BOX 2: SIGNS OF RECOVERY AMID GREAT UNCERTAINTY *(continued)*

NEW EXPORT ORDERS

(PMI manufacturing subindex, global and selected countries, January 2019–August 2020)



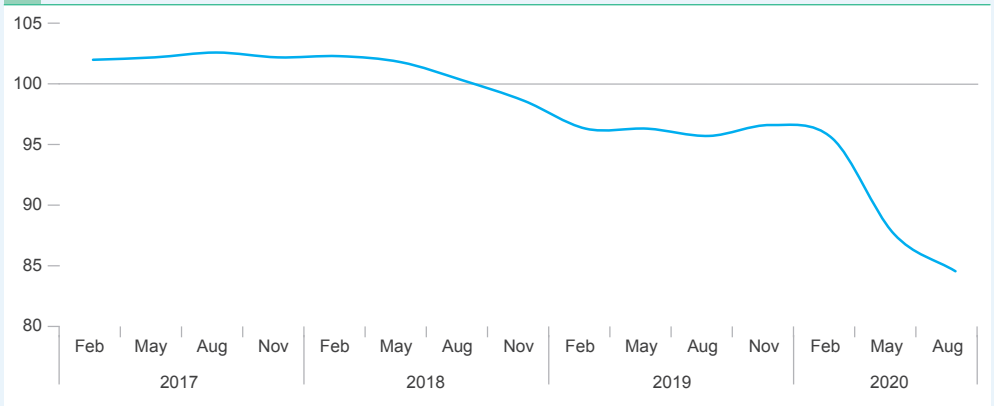
Source: IDB Integration and Trade Sector with data from IATA (2020) and IHS Markit.

In particular, the *production subindex*[b] increased at a faster pace in August in the US, China, the United Kingdom, and Russia, but continued to contract in other large economies such as Japan and India. There was an increase in the Eurozone, although at a slower rate than that observed in July (IHS Markit, 2020a). The sectors that grew most were the automotive sector, real estate, and household goods. The best performances were recorded in manufacturing activities, in contrast to services such as tourism, software, telecommunications, and transportation, which continued on a downward trend. However, the growth recorded in August and September in many sectors was slower than that observed in July. This trend may herald a low-intensity recovery and suggests that it may take a relatively long time for activity to return to pre-pandemic levels (IHS Markit, 2020d).

The *new export orders subindex* is particularly significant for international trade. The value of the global indicator has been below 50 since September 2018 and dropped to a historic low of 27.1 in April 2020. Although it has improved relatively since May, in August it remained below the

WTO GOODS TRADE BAROMETER

(Index, February 2017–August 2020)



Source: IDB Integration and Trade Sector with data from WTO.
Note: The index and its components measure the deviation in the medium-term trend, which is standardized at 100.

(continued on next page)

BOX 2: SIGNS OF RECOVERY AMID GREAT UNCERTAINTY *(continued)*

neutral value of 50, highlighting that expectations of a global trade contraction remain high. The indicator only rose above 50 in August in some economies (such as Germany, China, and the US), and the global indicator took until September to do so. The difference between this evolution and that of the other subindices that make up the PMI is due to cross-border trade performing worse than total demand. According to some market analysts some of the reasons that might explain this behavior include trade tensions between the US and China and the reshoring of purchases to domestic suppliers as a result of the pandemic (IHS Markit, 2020e and 2020f).

The *WTO Goods Trade Barometer*, which combines several component indices of trade-related data into a single composite index, remained at 84.5 in August 2020, below the base value of 100, which suggests that the current contraction will continue (WTO, 2020b). According to the WTO, this reading is "the lowest on record in data going back to 2007, and on par with the nadir of the 2008–09 financial crisis." However, it also stated that some indicators are beginning to show signs of stabilization, such as commercial flights, port calls made by container ships, future prices of copper, and perceptions around economic expectations as estimated in news reports.[c]

The current context is one of great uncertainty, and many questions remain regarding the path to recovery given the deep economic impact of the pandemic, the uncertainty around the economic and trade policies that governments will implement, and new waves of infection, among other factors.

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[a] A reading above 50 indicates an improvement or increase in comparison with the previous month, while a reading below 50 indicates a deterioration or decrease. The more the level diverges from 50, the greater the rate of change.
[b] The production subindex published by IHS Markit includes the manufacturing and service sectors and is not part of the manufacturing PMI mentioned in the previous paragraph.
[c] The perception of economic expectations is measured by the average tone of news reports containing the phrase "economic activity." According to the WTO (2020b), the indicator bottomed out in March and has improved since then, although the outlook remains negative.

In summary, the crisis caused by the COVID-19 pandemic hit the global economy and trade at a time when both were significantly weaker than before previous shocks, following a decade of low, unstable growth. Although the pessimistic initial predictions around the magnitude and duration of the contraction have materialized, the first half of 2020 brought a very rapid decline in trade in goods and services driven by a sharp drop in real flows. In contrast to the great trade collapse during the global financial crisis, which developing countries managed to decouple from, this time the contraction has been widespread and relatively synchronized, although less intense. Economic activity in LAC's major trading partners contracted at rates twice those observed during the 2008–2009 crisis, which led to a notable downturn in demand. Against this backdrop, LAC exports have been impacted more intensely than the global average. Although there have been some unstable signs of recovery since June, the longer-term outlook is still fraught with uncertainty. The following chapters contain a detailed analysis of the region's trade flows.

2 The Contraction in Exports from the Region

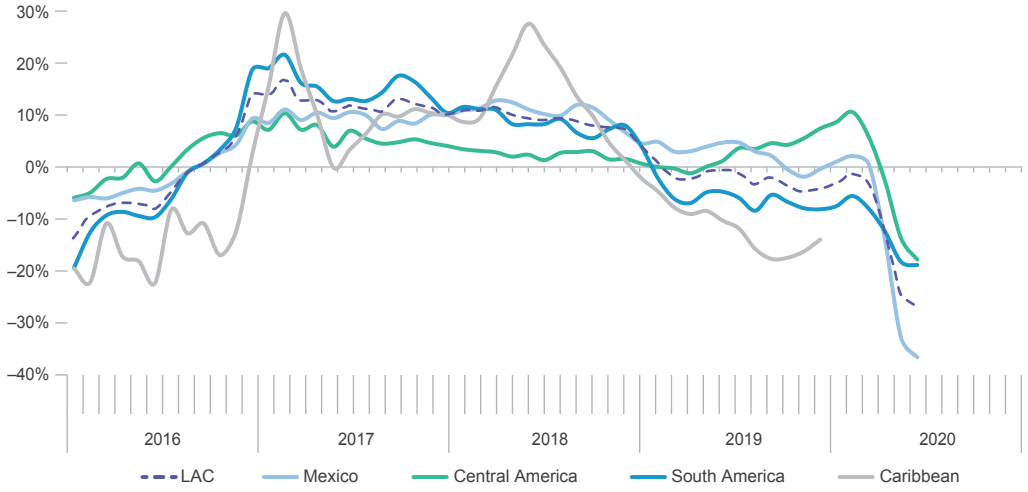
The outbreak of COVID-19 had a strong impact on international trade in Latin America and the Caribbean. A marked drop became evident as soon as measures to contain the health crisis were put in place in the region's main export markets. The value of exports of Latin America and the Caribbean had been on a downward trend since 2019, mainly due to falling prices, in a context of slowing growth of export quantities. In contrast, in the first half of 2020, the main driver was the widespread decrease in export volumes as a result of the retrenchment in global economic activity. In parallel, the drop in prices intensified due to collapsing oil prices and, to a lesser extent, those of metals and minerals and agricultural products. Export values began to recover in June, and LAC's foreign sales are expected to contract less in 2020 than they did during the Great Recession.

LAC's exports contracted for the economic impact of the pandemic.

The effects of the health and economic crisis caused by COVID-19 deepened the downward trend in LAC's goods exports that had begun in 2019 (–2.4%). The impact of the pandemic was unprecedented for its speed, intensity, and geographic scope. Attempts to flatten the curve of infections led to the implementation of lockdowns and social distancing measures in major global markets and the region itself, which brought about a collapse in economic activity and a sharp deterioration in LAC's trade performance. In the first two quarters of 2020, the value of LAC's external sales dropped by 3.5% and 27.5% year-on-year, respectively, which led to a year-on-year drop of 16.0% in the first half of the year.[5] Although the contraction affected the whole region, it was particularly felt in Mexico and the South American energy-exporting countries, while Central America and the South American countries specializing in agro-industrial products were somewhat more resilient (Figure 6).

[5] The estimate for the first half of 2020 is based on information up to June 2020 for 22 LAC countries and up to May for 2 additional countries (Haiti and Jamaica).

FIGURE 6 • TRENDS IN THE VALUE OF GOODS EXPORTS OF LATIN AMERICA AND THE CARIBBEAN
(Quarterly moving average of the year-on-year growth rate, percentage, 2016–2020)



Source: IDB Integration and Trade Sector with official data reported to the IDB and national sources.
Note: The figure does not include the estimate for the Caribbean for the first half of 2020 as official data was unavailable for a representative sample of countries.

The year-on-year rate of contraction of LAC exports began to slow in June, a trend that preliminary data suggests continued into July but weakened in August, which confirms how unstable the recovery process is proving.

The decline in foreign sales of LA in 2019 (–2.2%) was caused by a drop in prices (–3.0%) that offset the increase in export volumes (0.9%). In contrast, the decrease in the value of exports in the first half of 2020 (–16.1%) was mainly explained by the contraction of real flows (–12.1%) and a deterioration in prices (–5.2%).[6] The drop in export volumes was especially concentrated in the second quarter (–22.9% year-on-year) and was reinforced by lower prices (–6.5%).

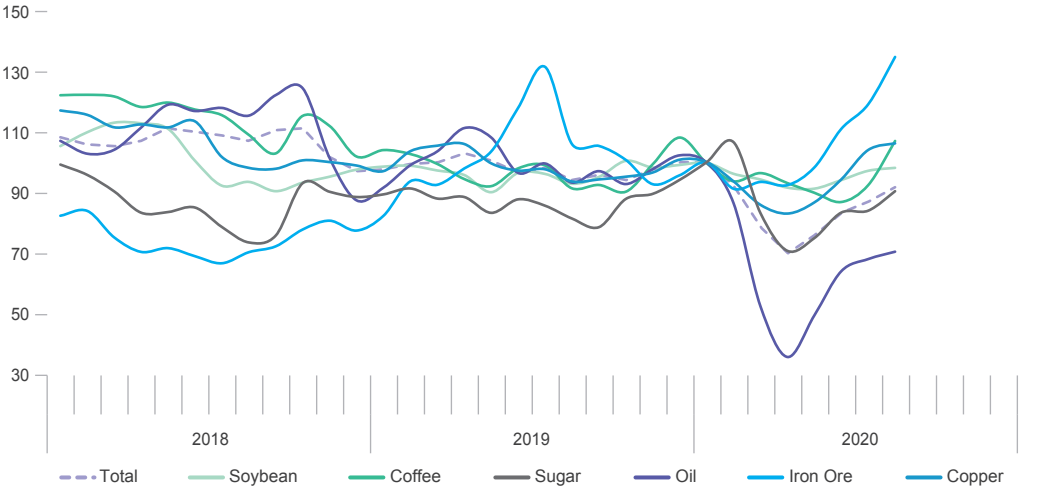
The contraction was mainly driven by a drop in export volumes.

Price Dynamics

Commodity prices fell 8.3% on average in 2019, mainly driven by the drop in the price of energy goods (–17.3%), while non-energy commodities stagnated (0.8%) (Figure 7).[7]

[6] The breakdown into prices and volumes for January–June was based on the export volume indices published by the official sources for a sample of ten countries, as described in Methodological Annex 2.
[7] According to the IMF All Commodity Price Index and the IMF Non-Fuel Price Index, respectively.

FIGURE 7 • PRICES OF THE MAIN EXPORT PRODUCTS OF LATIN AMERICA AND THE CARIBBEAN
(Index, January 2020=100, 2018–2020)



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

The COVID-19 shock had a rapid effect on the prices of exports.

The COVID-19 outbreak and the measures implemented to contain it generated expectations of a global recession, which had a drastic negative effect on the supply and demand of commodities in March and April 2020. The oil market collapsed while the decline in metal and agricultural prices was more moderate. The general commodity price index contracted 16.2% year-on-year in the first half of 2020 as a result of the 36.9% drop in the energy index and the 1.9% increase in other products. The greatest impact was concentrated in the second quarter: the general index fell by 23.3%, the energy index by 50.3%, and the nonenergy index entered negative ground (–0.1%). However, the recovery started in earnest after the lows of April, and by August the basic price indicator was 8.2% below January levels (with energy indicators 26.7% below and non-energy indicators 6.1% above the baseline).

Oil prices dropped by 10.2% on average in 2019.[8] The contractionary trend deepened in early March when the production restriction agreements of the Organization of Petroleum Exporting Countries (OPEC) and Russia ended. Lockdown measures and the drastic decline in global economic activity had a negative effect on the expected

Oil prices collapsed.

[8] This is the average of Brent Blend, WTI, and Dubai crude reported in World Bank (2020).

demand for oil. The slowdown in passenger and freight transportation led to a rapid reduction in energy consumption. Oil prices plummeted 39.0% between February and March and even entered negative ground in April, when supply exceeded physical demand and storage capacity. This trend was halted when the OPEC countries and Russia agreed to further production cuts, after which the prospect of an upturn in global demand began to improve. Although the price of oil began to recover in May, by August it was still 29.2% below January levels.

The metal price index rose by 3.7% in 2019.[9] The collapse in global industrial demand caused by the COVID-19 shock resulted in an 8.2% year-on-year decrease during the first half of 2020, which was particularly deep in the second quarter (–12.1%), although there was heterogeneity among products.

Prices of metals and minerals dropped.

The price of copper fell 7.1% on average during 2019, rallying slightly toward the end of the year in response to expectations around the Phase One of the agreement through which China committed to increasing its purchases from the US.[10] However, from January on, the copper market was hit by expectations around the impact of COVID-19 on global economic activity, especially that of China, the main source of global demand for copper and the first global epicenter of the pandemic. Copper prices fell 10.7% year-on-year in the first quarter of 2020, plunging by 12.7% in the second quarter. However, activity at some mines was partially or totally halted by the pandemic, which limited production capacity to some extent and cushioned a further drop in prices. China's recovery also contributed to support the copper market, and the price level in August was 6.1% higher than it had been in January 2020.

In contrast to other metals, the price of iron ore, which had increased by 35.8% in 2019, stagnated (–0.3%) year-on-year in the first semester of 2020, as it was supported by climate-related supply disruptions in Australia (cyclones) and Brazil (heavy rain) in the first part of the year. Moreover, global steel production, whose main raw material is iron ore, was not halted by the pandemic given the elevated cost of stopping and restarting steel plants. China's infrastructure-focused stimulus plans also propped up international price levels. August prices were 34.8% higher than January levels.

Agricultural products were less affected.

The pandemic had less of an effect on agricultural commodities, mainly due to lower income elasticity and to the fact that protectionist measures did not proliferate, despite initial

[9] According to the IMF Base Metals Price Index.

[10] The agreement contemplates China's purchases from the US increasing for two years, taking 2017 as a baseline. See Bisio *et al.* (2020) for a description of the terms of the agreement.

fears.[11] The agricultural commodities price index fell by an average of 5.4% in 2019. The drop reached 9.0% year-on-year in the first half of 2020, and it was particularly concentrated in the second quarter (–13.1%).[12]

Soybean prices, which contracted 4.5% on average in 2019, recovered slightly in January 2020 after the signing of the Phase One of the agreement through which China committed to increasing its soybean purchases from the US. Prices dropped 1.7% year-on-year in the first half of 2020 and were 1.6% below January levels in August. In contrast, the price of corn fell by 8.6% year-on-year in the first half of the year in response to reduced demand for ethanol, resulting in part from the decrease in fuel consumption caused by pandemic-related restrictions. By August, corn prices were still 14.6% below January levels.

The international price of coffee fell 14.9% on average in 2019. Arabica prices rallied slightly in late 2019 and the first few months of 2020 due to heavy rains and pandemic-related labor restrictions in Brazil, the world's leading exporter. Although Arabica prices dropped in June, they recovered in the following months. In contrast, Robusta prices decreased steadily from the first quarter of 2020 on due to higher exports from Vietnam, the second-largest exporter of the variety. As a result, average coffee prices fell 5.2% year-on-year in the first half of 2020 but by August were already 7.3% above the January level.

The price of sugar, which stagnated in 2019 (0.8%), fell 1.7% year-on-year in the first half of 2020 due to expectations of reduced consumption and lower demand for ethanol in response to the COVID-19 pandemic. The drop was particularly deep in April and May 2020, and in August prices were 9.4% lower than they had been in January.

The average 3.0% drop in export prices was the main driver of the contraction in the value of external sales in all subregions of LA in 2019. Prices dropped 3.0% in Brazil and 6.0% in the rest of South America, while in Mexico and Central America they decreased by 1.0%. The pandemic deepened this contractionary trend for LA, prompting a year-on-year drop of 5.2% in the first half of 2020 and of 6.5% in the second quarter. Export prices were hit harder in the first half of 2020 in Brazil (–9.5%) and the rest of South America (–7.6%), while in Mexico and Central America they dropped 2.0% and 0.7%, respectively.

Export prices dropped in every subregion.

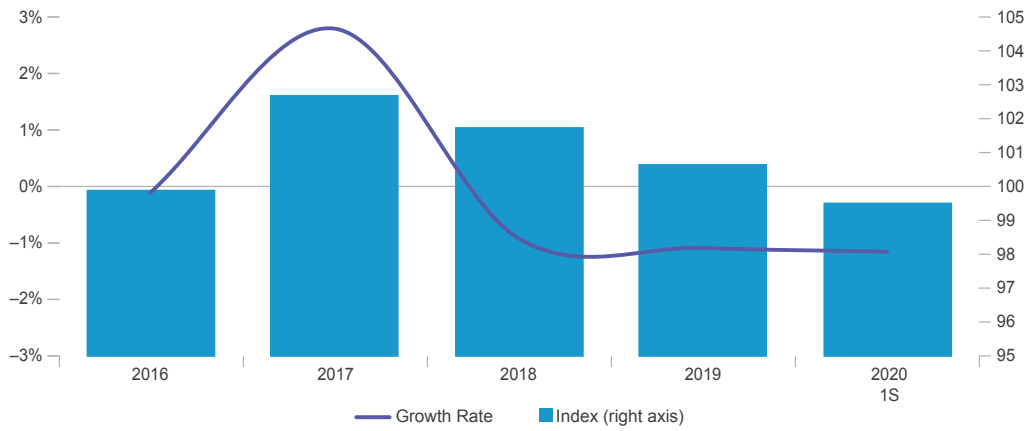
On balance, export prices in LA in 2019 fell more than import prices (–3.0% versus –2.0%, respectively), which led to a 1.1% decline in the terms of trade (Figure 8).[13]

[11] Despite high stock-to-consumption ratios for the main agricultural products, some trade restrictions in certain exporting countries following the outbreak of COVID-19 prompted concerns around food security that did not, however, materialize (Giordano and Ortiz de Mendívil, 2020).

[12] According to the IMF Agricultural Raw Materials Index.

[13] Taking into account 18 countries in Latin America (see Methodological Annex 2).

FIGURE 8 • TERMS OF TRADE OF LATIN AMERICA
(Index 2015=100 and annual growth rate in percentage, 2016–2020)



Source: IDB Integration and Trade Sector with official data reported to the IDB, the BLS, and national sources.
Note: The terms of trade calculation includes 18 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. Data for the first semester of 2020 are estimates based on a sample of ten countries (see Methodological Annex 2).

Terms of trade continued to deteriorate, except in Central America.

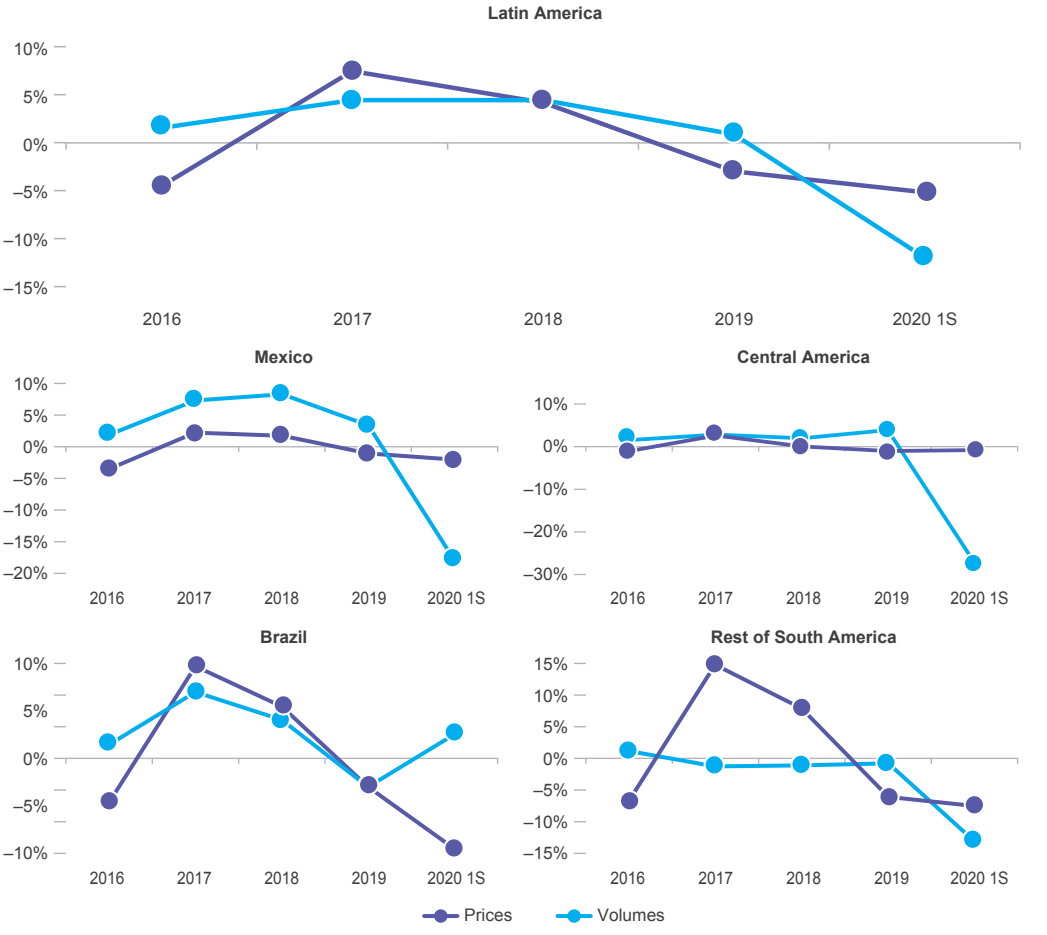
Decreases in the purchasing power of exports affected most South American countries (–2.8%) except Brazil, which registered a 2.1% increase. The downturn was less pronounced in Mexico (–1.0%) and Central America, which even saw a slight improvement (0.8%). In the first half of 2020, the terms of trade continued to worsen for LA (–1.1%) given that export prices fell more than import prices (–5.2% versus –4.1%, respectively).[14] The decline in the purchasing power of exports mainly affected Brazil (–8.2%), while it stagnated in the rest of South America (–0.4%) and Mexico (–0.3%). Terms of trade improved only in Central America (1.9%), since import prices fell more than export prices, particularly due to the evolution of oil prices.

Trend Reversal in Export Volumes

In 2019, the fall in export prices in LA was accompanied by a 0.9% increase in volumes, representing a slowdown in comparison with the previous two years (Figure 9). The pandemic triggered a widespread reduction in export volumes from the region, which

[14] According to a sample of 10 Latin American countries, which account for 91% of 2019 exports, as is explained in detail in Methodological Annex 2.

FIGURE 9 • PRICES AND VOLUME OF EXPORTS OF LATIN AMERICA
(Year-on-year growth rate, percentage, 2016–2020)



Source: IDB Integration and Trade Sector with official data reported to the IDB, BLS, and OPEC.
Note: The base year for the indices is 2015. Methodological Annex 2 provides details on the estimate procedures for the series at constant prices.

reached 12.1% year-on-year in the first half of 2020 and was particularly deep in the second quarter, when they contracted by 22.9% year-on-year. Only Brazil and Chile avoided a drop in export volumes in the first half of 2020.

The increase in export volumes in 2019 was reversed by the pandemic.

Mexico's real exports expanded by 3.3% in 2019, a trend that continued at a slower pace in the first quarter of 2020 (1.9%) but was rapidly reversed in the second quarter (–35.9%). Automotive industry shipments, which accounted for 27.2% of export values in the first half of 2020, collapsed in April and May, although the year-on-year rate of decline began to slow in June. As a result, Mexico's export volumes

Real exports from Mexico and Central America were hit hardest by the crisis.

contracted by 17.8% year-on-year in the first half of 2020. The quantities exported by Central America, which had increased by 4.0% in 2019, were affected by the shock and dropped 27.1% in the first half of 2020.

Brazil's export volumes fell 2.9% in 2019, but the decline came to a halt in 2020, and export volumes posted a 2.6% increase year-on-year in the first half of 2020 (see Box 2 in Chapter 3). Real exports from the rest of South America fell by 0.8% in 2019 as a result of downturns in Venezuela, Paraguay, Bolivia, Chile, and Peru that were offset by increases in Argentina, Ecuador, and Uruguay. The quantities exported by the rest of South America contracted sharply in the first half of 2020 (–13.1%), except for Chile, where mining exports increased.

Real exports from South American countries declined, except in Brazil and Chile.

Unstable Signs of Recovery

There is considerable uncertainty around the outlook for the future.

The current uncertainty limits the predictive capacity of analytical tools, especially considering the extraordinary nature of the economic crisis that the COVID-19 pandemic has caused. However, the results of two different models help to gauge how the region's exports may perform in the coming months. The leading index of the value of exports allows to identify whether a turning point is on the horizon and LAC's exports are poised to get back on a sustained growth path (Figure 10). On the other hand, the current growth rate of exports can be estimated using a prediction methodology known as *nowcasting*.[15]

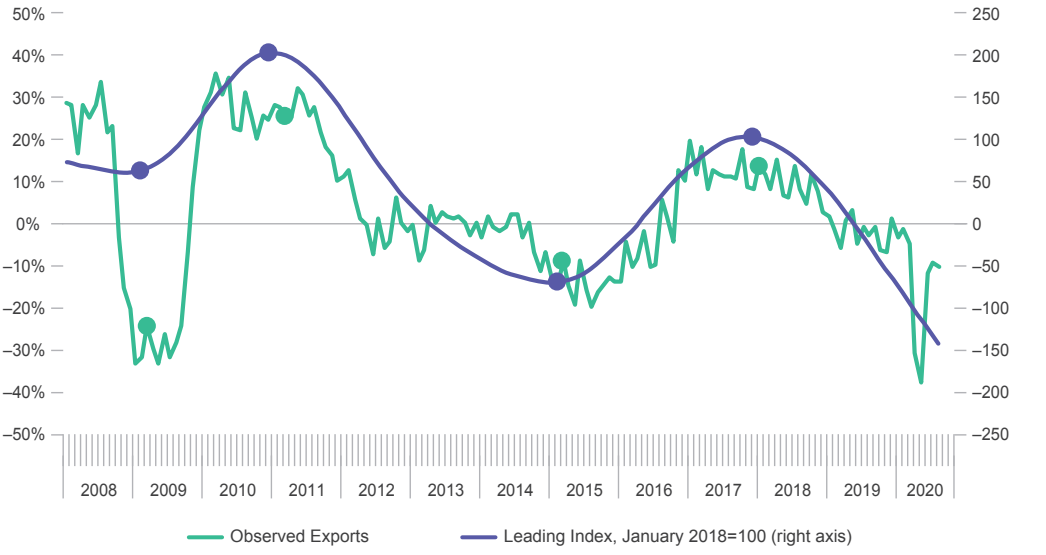
Exports are not expected to make a solid recovery in the coming months.

According to the leading index, the downward trend in export values will remain unchanged in the coming months. In other words, the model does not point to a trend reversal until at least November 2020.[16] According to the latest reading,

[15] The nowcasting model provides an estimate of the export growth rate for the most recent months, namely July, August, and September, for which official records were not yet available for all countries in the region at the time of writing, as these are generally released with a one- to two-month lag. For a detailed description of the two indicators, the data used, and the estimation methodology, see Giordano *et al.* (2019).

[16] The timeframe for which the prediction is valid is the average lead of the index with respect to the variation observed in export data since 2008. In the most recent estimation, which uses records up to September, the average lead was two months, so the model allows to anticipate the trend up to and including November.

FIGURE 10 • CHANGE IN THE TREND OF THE VALUE OF GOODS EXPORTS OF LATIN AMERICA AND THE CARIBBEAN
(Year-on-year growth rate, 2008–2020)



Source: IDB Integration and Trade Sector and own estimations.
Note: The leading index series shows the trend after the Hodrick-Prescott filter was applied. The circles indicate the turning points in the trend for the index series and the observed value of LAC exports.

the indicator predicts that the year-on-year growth rate of goods exports will continue on a downward trend and does not foresee a breakpoint in the two months following the last observation of official data in September2020.

The trend toward a drop in LAC's foreign sales is consistent with the deterioration of the subindices that are highly correlated with LAC export of goods and which are used as components of the indicator (Figure 11). The underlying indicators showed the worst relative performance between April and May 2020, especially those that track vehicle production and exports, the prices of metals and energy products, business climate, and purchasing managers' expectations. Although a relative improvement has been recorded since June, it has not been sufficient to prompt expectations of a change in trend for the region's exports.

The relative improvement in some indicators still seems insufficient to bring about a change in trend.

On the other hand, the nowcasting model allows the estimation of the year-on-year drop in the value of LAC exports in July, August, and September, months for which no comprehensive official export records were available at the time of publication. According to this estimate, the exports contraction may have slowed down, bringing the year-on-year variation rate to around

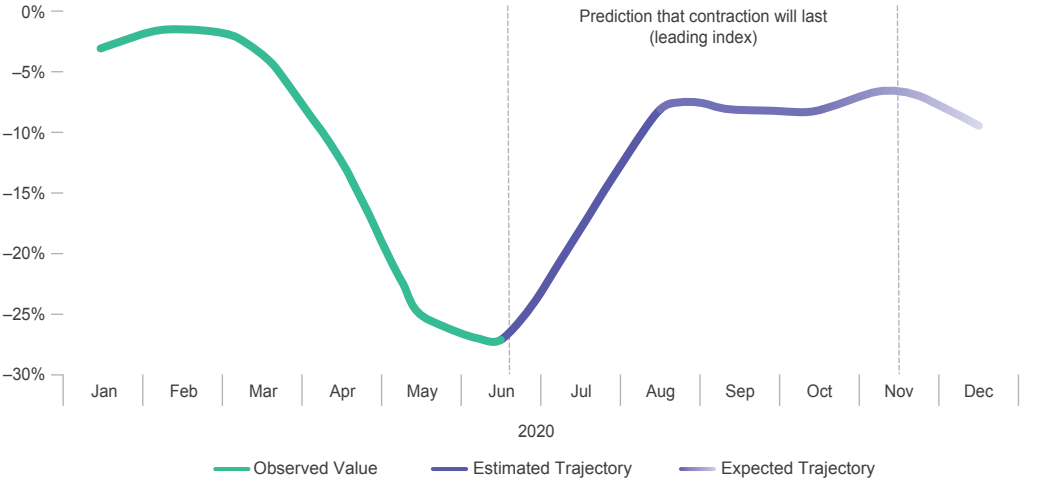
FIGURE 11 • EVOLUTION OF THE COMPONENTS OF THE LEADING INDEX OF EXPORTS OF LATIN AMERICA AND THE CARIBBEAN
(Year-on-year growth rate, percentage, 2019–2020)

Source: IDB Integration and Trade Sector own estimates based on multiple sources.
Note: The colors correspond to growth rates ordered from minimum (gray) to maximum (green) with 0% (light blue) as the midpoint. In the case of the PMI, the midpoint is the critical threshold of 50. See Giordano *et al.* (2019) for a description of the methodology that was used.

The pace of export contraction slowed in the second half of the year.

–8% between July and September, which suggests that the effects of the global health crisis are already beginning to ease (Figure 12). However, although the nowcasting model predicts that the contraction continued at a slower rate in July, August, and September, the leading index anticipates that it did not slow enough to result in a trend reversal. In other words, the index does not yet anticipate a sustained transition toward positive growth rates, at least until early December. Exports from the region are therefore expected to close the year with a significant yearly contraction, albeit smaller than the one suffered during the Great Recession.

FIGURE 12 • ESTIMATED VARIATION IN THE VALUE OF EXPORTS OF LATIN AMERICA AND THE CARIBBEAN
(Quarterly moving average of the year-on-year growth rate, percentage, 2020)



Source: IDB Integration and Trade Sector own estimation.
Note: The prediction that the year-on-year contraction will continue is based on the leading index. The estimated value of the growth rate is based on the nowcasting model. The expected value assumes that there will be no extraordinary boosts to export growth.

In conclusion, the outbreak of COVID-19 and the attendant measures to contain it had an unprecedented impact on all LAC destination markets, triggering a widespread drop in exports. The prices of the region's main export commodities were affected quickly, even before the full effects of the pandemic hit. The greatest impact came from the drop in oil prices, while the effect on metals and minerals and on agricultural products was relatively minor. However, unlike recent trade crises, on this occasion the shock was primarily driven by a sudden drop in volumes. Looking ahead, the prospects for recovery are still uncertain, despite some positive signs in certain indicators relating to prices and trade operators' expectations on global activity. The next chapter describes the performance of trade in goods and services across different LAC countries and subregions.

3 Trade Performance by Country

The pandemic triggered a sharp contraction in exports from nearly all countries in the region in the first half of 2020, particularly during the second quarter. The deepest drops were seen in the South American energy-exporting countries and Mexico. Although the impact was also substantial in Central America and the South American countries specialized in agro-industrial products, they experienced a smaller trade contraction. In contrast, performance was heterogeneous across the Caribbean. The collapse of economic activity in the region brought about by lockdown and social distancing measures led to a significant downturn in imports of goods. The drop in services exports affected all countries from the first quarter of 2020 onward and is explained by reductions in travel and transportation, while information and communication technology services were less affected.

Exports of Goods

The decline in exports was widespread.

The COVID-19 shock hit LAC's trade in goods during a weak phase: the value of exports fell by 2.4% in 2019, in contrast with the increase of the previous two years. Last year, the more pronounced drops were observed in the Caribbean (–12.6%) and in South America (–6.3%), whereas Mexico and Central America still recorded trade expansions (2.2% and 3.0%, respectively). In the first quarter of 2020, the downward trend continued, and the spread of the pandemic triggered a rapid reduction in external sales in the second quarter (–27.5%), with more pronounced decreases in Mexico and the South American oil producers (Table 1). While Central America and the South American economies specialized in agro-industrial exports also experienced declines, these were relatively smaller. In the Caribbean, Guyana's performance stood out from that of the rest of the region as it began to exploit new oilfields.

TABLE 1 • GOODS EXPORTS OF LATIN AMERICA AND THE CARIBBEAN
(Annual growth rate and US$ billions, 2018-S1 2020)

	US$ Billions		Growth Rates (%)				
	2018	2019	2018	2019	Q1 2020	Q2 2020	S1 2020
LATIN AMERICA AND THE CARIBBEAN	**1,065.1**	**1,040.1**	**8.8**	**–2.4**	**–3.5**	**–27.5**	**–16.0**
LATIN AMERICA	**1,047.6**	**1,024.7**	**8.7**	**–2.2**	**–3.6**	**–27.4**	**–16.1**
MESOAMERICA	**502.5**	**514.0**	**9.3**	**2.3**	**0.9**	**–35.5**	**–18.1**
Mexico	450.7	460.7	10.1	2.2	0.4	–37.5	–19.5
Central America	**51.8**	**53.3**	**2.8**	**3.0**	**5.3**	**–18.1**	**–6.6**
Costa Rica	11.3	11.4	6.1	1.6	8.4	–12.0	–2.2
Dominican Republic	9.4	10.1	6.8	7.3	5.1	–20.5	–8.0
El Salvador	5.9	5.9	2.5	0.7	–0.8	–52.6	–27.6
Guatemala	11.0	11.2	–0.1	1.8	8.2	–11.0	–1.4
Honduras	8.6	8.7	–0.8	1.5	–1.4	–7.6	–4.5
Nicaragua	5.0	5.3	1.8	5.2	10.4	–19.9	–5.0
Panama	0.7	0.7	1.9	6.1	11.7	–14.8	–2.8
SOUTH AMERICA	**545.1**	**510.7**	**8.2**	**–6.3**	**–8.3**	**–19.3**	**–14.0**
Argentina	61.8	65.1	5.3	5.4	–6.8	–14.7	–11.0
Bolivia	9.0	8.8	9.1	–1.9	2.0	–50.3	–25.2
Brazil	239.3	225.4	9.9	–5.8	–5.3	–8.6	–7.1
Chile	75.2	69.9	9.3	–7.1	–7.5	–6.9	–7.2
Colombia	41.9	39.5	10.2	–5.8	–8.3	–40.6	–25.3
Ecuador	21.6	22.3	13.1	3.2	1.4	–27.3	–13.6
Paraguay	9.0	8.0	4.2	–11.9	–6.9	–1.9	–4.4
Peru	48.0	46.1	8.2	–3.9	–10.4	–42.7	–26.8
Uruguay	7.5	7.7	–4.9	2.4	–13.0	–13.6	–13.4
Venezuela	31.7	17.9	–1.5	–43.6	–51.5	–86.6	–68.8
CARIBBEAN	**17.6**	**15.3**	**12.3**	**–12.6**	**20.1**	**–32.3**	**–4.9**
Bahamas	0.5	0.7	10.8	28.4	n.a.	n.a.	n.a.
Barbados	0.3	0.3	0.1	0.3	–15.8	–43.4	–18.3
Belize	0.2	0.2	–11.6	5.1	–30.0	–1.0	–7.7
Guyana	1.4	1.4	0.0	–4.5	145.5	39.5	86.7
Haiti[a]	1.1	1.2	10.4	5.1	–5.8	–71.3	–35.7
Jamaica[a]	2.1	1.7	43.8	–15.8	–24.8	–56.6	–37.5
Suriname	1.4	1.4	6.4	–3.4	–1.9	–48.3	–30.3
Trinidad and Tobago	10.5	8.5	11.4	–18.9	n.a.	n.a.	n.a.

Source: IDB Integration and Trade Sector with official data reported to the IDB and national sources.
Note: a/ data from Haiti and Jamaica are available up to May, so the values reported are the year-on-year variations for April-May and January-May, for the first quarter and second half of the year, respectively. n.a.: data not available. Methodological Annex 3 describes the geographical and temporal coverage of goods exports.

The deterioration of external demand for LAC exports began in January and February 2020 in Asia—particularly in China, the first epicenter of the crisis—and then quickly spread to the EU, the US, and LAC itself.[17] From mid-March onward, and especially in April and May, lockdown and confinement measures around the world and within LAC prompted a widespread decline in the region's external sales. Meanwhile, imports contracted as a result LAC's own containment measures. The lifting of health restrictions and the economic recovery in China slowed the decline of LAC external sales to the Asian giant toward the middle of the year. Indeed, Brazil even increased its exports to China in the first half of 2020, driven by the performance of agro-industrial products (Box 3).

The pandemic affected in sequence all the region's major export destinations.

BOX 3: BRAZIL: THE DECISIVE IMPACT OF SOYBEAN EXPORTS TO CHINA

During the first half of 2020, Brazil's export performance was relatively better than that of the rest of the South American countries (–7.1% versus –19.6%, respectively). Notably, the drop in prices (–9.5%) was partially offset by a 2.6% increase in export volumes.

Reduced shipments of industrial manufacturers and oil from Brazil were partially offset by greater agro-industrial sales of products such as soybean[a] (34.6%) and beef (32.9%)[b]. This increase was driven by sales to China, which grew 13.9% year-on-year over the first six months, in contrast to the more than 30% drop in sales to MERCOSUR, the rest of LAC, and the US. Specifically, soybean represented 43% of Brazilian exports to China, and Brazil was the main origin of Chinese soybean imports in the first half of 2020, accounting for 60% of the total.

To provide some context for this trend, it is necessary to examine the production and export volumes of the main three players in the global soybean market, according to the estimates of the United States Department of Agriculture (USDA). Brazil produced a record 126 million tons in the 2019/2020 campaign, 5.3% more than the previous year (USDA, 2020), positioning the country as the world's largest soybean producer, ahead of the US (96.7 million tons). Production and exports of the US decreased for climate-related reasons and reduced planting due to the trade conflict with China. According to USDA estimates, Brazil exported 93.5 million tons during the season (24.5% higher than the previous year) and China imported 98 million (an 18.7% increase).

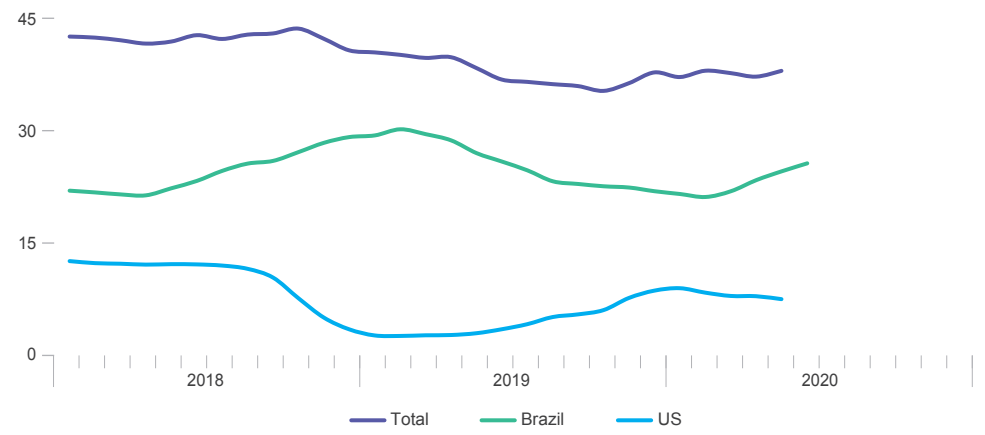
The soybean market was affected in 2018–2019 by two major events: the outbreak of swine flu, which reduced demand for pig feed in China, and trade tensions between China and the US (Giordano *et al.*, 2019). As a result, the value of China's soybean imports fell by 3.7% in 2018 and 7.2% in 2019. In July 2018, China imposed a 25% tariff on US soybean imports in response to the tariff measures applied by the US. Since imposing the tariff, China cut down

(*continued on next page*)

[17] See Chapter 4 for an analysis of the effects on LAC's exports to various markets (within the main regional integration blocs, and to LAC, the US, the EU, and China).

BOX 3: BRAZIL: THE DECISIVE IMPACT OF SOYBEAN EXPORTS TO CHINA *(continued)*

CHINA'S SOY IMPORTS FROM THE UNITED STATES AND BRAZIL
(Billions of US$, 12-month moving total, 2018–S1 2020)



Source: IDB Integration and Trade Sector with data from China Customs.

on its soybean purchases from the US and increased those from Brazil (see Figure). However, as the trade conflict with the US eased, China's soybean imports from the country have gradually begun to recover.

In contrast with the reductions of 2018/2019, the value of Chinese soybean imports recovered 1.5% year-on-year in the first half of 2020 (see Figure). As part of the Phase One of the agreement signed in January 2020, China committed to increasing purchases from the US for two years, taking 2017 as the baseline. However, in the first half of 2020, the value of Chinese soybean purchases from Brazil increased 27.7% year-on-year, while those from the US fell 46.3% year-on-year, according to data from China Customs.

In short, in the first half of 2020, Brazilian sales of soybean to China contributed to the country's better trade performance compared to the rest of LAC. Trade in soybean between the three main players in the market evolved in response to increased supply from Brazil and a recovery in demand from China, once the effects of the swine flu outbreak of the previous two years had been overcome. However, the increase in Brazil's soybean exports in the first half of the year is not expected to continue for two reasons. The first is related to agricultural cycles: Brazilian exports peak between February and May, while US exports peak between September and December, so Chinese demand is expected to switch from Brazil to the US in the second half of the year. The second is that Chinese purchases of US soybean over the rest of 2020 may increase to meet the commitments set out in the Phase One of the agreement between the two countries.

[a] Harmonized System subheading 120190.
[b] According to data from FUNCEX (2020), the year-on-year increase in agricultural exports in the first half of the year is explained both by larger quantities (18.3%) and higher prices (2.0%).

Imports of Goods

Imports of LAC contracted significantly.

In 2019, LAC imports fell by 4.2% due to reductions in both prices (–2.0%) and volumes (–2.1%). After a 4.7% drop in the first quarter of 2020, the value of LAC imports contracted by a drastic 29.3% year-on-year in the second quarter due to the implementation of lockdown and social distancing measures, which quickly led to a collapse in economic activity.[18] In the first half of 2020, foreign purchases of LAC fell by 17.1% year-on-year, affecting the entire region. As with exports, import quantities contracted more than prices (–13.2% versus –4.1%, respectively). Over the first half of the year, the value of imports fell 19.5% in Mexico, 17.4% in Central America, and 15.0% in South America. The Caribbean experienced a 15.6% drop based on the available sample of countries, among which Guyana stood out by increasing its foreign purchases. In all cases, the contraction was particularly deep in the second quarter (Table 2).

Exports of Services

The pandemic hit hard services trade, which was already weakening.

The growth in services exports from LAC slowed to 1.1% in 2019 after growing 3.0% in 2018, as increases in Mexico (9.3%) and the Caribbean (2.2%) were partially offset by contractions in South America (–1.3%) and Central America (–0.7%) (Table 3). Measures to contain the spread of COVID-19 generated a sharp drop from the beginning of 2020 onward, especially in the travel sector as borders were closed and international flights canceled. Records for the first quarter of 2020, when the pandemic was still only beginning, indicate that LAC services exports fell by 11.5% year-on-year, with drops in the Caribbean (–23.4%), Central America (–12.6%), and South America and Mexico (–10.5% in both cases).[19] The decrease in services exports affected all countries in the region except Costa Rica, where they stagnated. In Central America, the largest downturns were in the Dominican Republic, Guatemala, Panama, while in South America it was Bolivia and Chile that experienced the largest contractions. According to a limited sample of countries, the year-on-year decline in the second quarter of 2020 was even greater (49.8% year-on-year).[20]

[18] See Chapter 1.

[19] In all countries for which data is available, the drop in travel and transportation was greater than that of knowledge-intensive services in the first half of 2020.

[20] Data for the second quarter only include Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Paraguay.

TABLE 2 • GOODS IMPORTS OF LATIN AMERICAN AND CARIBBEAN
(Annual growth rate and US$ billions, 2018-S1 2020)

	US$ Billions		Growth Rates (%)				
	2018	2019	2018	2019	Q1 2020	Q2 2020	S1 2020
LATIN AMERICA AND THE CARIBBEAN	**1,077.3**	**1,032.5**	**11.0**	**–4.2**	**–4.7**	**–29.3**	**–17.1**
LATIN AMERICA	**1,047.3**	**1,004.7**	**11.0**	**–4.1**	**–4.8**	**–29.2**	**–17.2**
MESOAMERICA	**567.0**	**556.7**	**9.7**	**–1.8**	**–4.8**	**–32.9**	**–19.1**
Mexico	464.3	455.3	10.4	–1.9	–4.6	–33.8	–19.5
Central America	**102.7**	**101.4**	**6.5**	**–1.3**	**–5.5**	**–28.7**	**–17.4**
Costa Rica	16.6	16.0	4.2	–3.2	–3.9	–17.9	–10.9
Dominican Republic	20.6	20.6	14.3	0.1	–3.8	–31.3	–18.0
El Salvador	11.8	12.0	11.9	1.6	–2.6	–32.7	–18.1
Guatemala	19.7	19.9	7.0	1.1	–0.7	–19.7	–10.4
Honduras	13.4	13.0	8.1	–3.1	–6.9	–22.2	–14.6
Nicaragua	7.4	7.0	–4.6	–5.0	2.3	–25.2	–12.3
Panama	13.2	12.8	4.0	–3.0	–22.6	–54.7	–39.3
SOUTH AMERICA	**480.3**	**448.1**	**12.5**	**–6.7**	**–4.9**	**–25.0**	**–15.0**
Argentina	65.5	49.1	–2.2	–25.0	–18.6	–27.7	–23.3
Bolivia	10.0	9.8	7.2	–2.6	–18.3	–51.6	–35.1
Brazil	181.2	177.3	20.2	–2.1	4.3	–14.8	–5.2
Chile	74.7	69.8	14.6	–6.6	–13.3	–25.1	–19.2
Colombia	48.9	50.3	11.3	2.7	–5.5	–34.3	–20.4
Ecuador	23.2	22.6	15.8	–2.6	–10.4	–36.5	–23.8
Paraguay	13.3	12.5	12.3	–5.9	–3.4	–30.0	–16.6
Peru	43.1	42.4	8.5	–1.8	–7.4	–32.3	–20.0
Uruguay	8.9	8.2	5.1	–7.3	2.2	–18.5	–8.7
Venezuela	11.3	6.0	9.0	–46.9	–2.3	n.a.	n.a.
CARIBBEAN	**30.0**	**27.8**	**12.8**	**–7.2**	**1.5**	**–34.7**	**–15.6**
Bahamas	3.5	3.3	1.3	–5.9	n.a.	n.a.	n.a.
Barbados	1.6	1.6	–1.4	0.2	9.6	–22.1	–6.7
Belize	1.0	1.0	4.9	2.9	6.7	–36.4	–15.5
Guyana	2.4	3.0	46.6	25.3	66.1	–32.4	13.0
Haiti[a]	4.9	4.1	17.7	–16.9	–7.7	–41.1	–23.3
Jamaica[a]	6.2	6.4	5.3	3.4	–19.3	–45.0	–23.3
Suriname	1.5	1.7	26.2	12.1	–2.0	–7.0	–4.7
Trinidad and Tobago	8.9	6.7	15.5	–24.4	n.a.	n.a.	n.a.

Source: IDB Integration and Trade Sector with official data reported to the IDB and national sources.
Note: a/ data from Haiti and Jamaica are available up to May, so the values reported are the year-on-year variations for April-May and January-May, respectively. n.a.: data not available. See Methodological Annex 3.

TABLE 3 • EXPORTS OF SERVICES OF LATIN AMERICA AND THE CARIBBEAN
(Annual growth rate and US$ billions, 2018–Q1 2020)

	US$ Billions		Growth Rates (%)		
	2018	2019	2018	2019	Q1 2020
LATIN AMERICA AND THE CARIBBEAN	**162.4**	**164.1**	**3.0**	**1.1**	**–11.5**
LATIN AMERICA	**151.4**	**152.7**	**2.6**	**0.9**	**–11.1**
MESOAMERICA	**67.5**	**69.9**	**4.2**	**3.6**	**–11.7**
Mexico	28.8	31.5	5.1	9.3	–10.5
Central America	**38.7**	**38.4**	**3.5**	**–0.7**	**–12.6**
Costa Rica	8.8	9.3	5.6	6.1	0.3
Dominican Republic	8.9	9.0	5.1	0.7	–22.9
El Salvador	1.9	2.3	6.0	18.7	–10.5
Guatemala	2.9	2.9	3.6	–2.2	–15.1
Honduras	1.2	1.1	–2.9	–5.7	–2.6
Nicaragua[a]	1.2	n.a.	–15.5	n.a.	n.a.
Panama	13.6	13.8	3.5	1.1	–15.1
SOUTH AMERICA	**83.9**	**82.8**	**1.4**	**–1.3**	**–10.5**
Argentina	14.9	13.8	–1.6	–7.4	–14.2
Bolivia	1.4	1.4	3.4	2.9	–26.3
Brazil	33.3	32.6	0.3	–2.2	–5.2
Chile	9.4	9.1	0.8	–3.8	–19.1
Colombia	9.4	9.9	13.5	4.5	–8.7
Ecuador	3.1	3.2	9.0	2.4	–9.7
Paraguay	0.8	0.7	0.6	–3.5	–15.8
Peru[a]	6.9	7.7	0.6	12.0	–15.0
Uruguay	4.7	4.4	–5.6	–5.5	–10.7
Venezuela[a]	0.8	n.a.	–14.8	n.a.	n.a.
CARIBBEAN	**11.2**	**11.4**	**7.9**	**2.2**	**–23.4**
Bahamas	3.7	3.9	14.6	4.6	–25.9
Barbados[a]	1.4	1.5	5.2	9.2	n.a.
Belize	0.6	0.6	7.9	7.7	–12.2
Guyana[a]	0.2	n.a.	–12.7	n.a.	n.a.
Haiti[a]	0.6	0.2	20.1	–66.1	n.a.
Jamaica[a]	3.8	4.3	8.9	13.3	n.a.
Suriname	0.2	0.1	7.1	–7.7	–3.4
Trinidad and Tobago[a]	0.8	0.8	–17.2	–3.1	n.a.

Source: IDB Integration and Trade Sector with data from the IMF, WTO, UNCTAD, and national sources.
Note: a/ Data from Barbados, Guyana, Haiti, Jamaica, Nicaragua, Peru, Trinidad and Tobago, and Venezuela come from WTO and UNCTAD estimates of exports of commercial services (see Methodological Annex 3). n.a.: data not available.

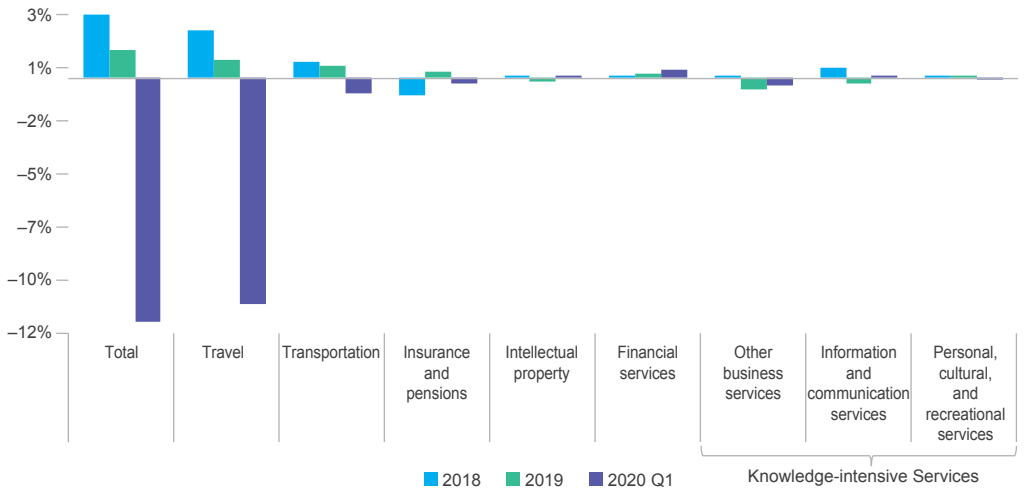
Travel and transportation were the most affected services sectors.

In 2019, LAC's exports of travel services, transportation, financial services, insurance, and pensions had increased slightly, while those of knowledge-intensive services had fallen (Figure 13). In the first quarter of 2020, restrictions on the movement of persons triggered a sharp drop in international travel (–19.8%), followed by a decrease in trade in goods that had a negative knock-on effect on transportation (–4.2%). The tourism sector accounts for a sizeable share of economic activity and employment in the Caribbean and Central America and has been profoundly impacted by the crisis.[21]

Exports of knowledge-intensive services were less affected, as sales of information technology and communication services that could be provided remotely via the internet remained stable (0.6%).[22] This uneven impact across services sectors is due

FIGURE 13 • GROWTH IN SERVICES EXPORTS OF LATIN AMERICA AND THE CARIBBEAN BY SECTOR

Year-on-year growth rate, percentage and percentage points, 2018–Q1 2020)



Source: IDB Integration and Trade Sector with data from the IMF.
Note: The total is expressed in percentages and the sectors in percentage points. The breakdown is based on a sample of countries that provide disaggregated data by sector, and thus the total does not coincide with the values in Table 3.

[21] Hotel occupancy rates in the Caribbean and Central America dropped to around 10% between April and June 2020, according to data from STR published in INTAL (2020). The cumulative data on international tourist arrivals show a 49.8% year-on-year contraction between January and May in the Caribbean, 45.6% in Central America, and 44.9% in South America (UNWTO, 2020).

[22] This category includes personal, cultural, and recreational services, information and communication technologies, and other business services.

to the fact that measures to contain the pandemic mainly affected services requiring interpersonal contact.

In sum, the impact of the economic crisis triggered by the COVID-19 pandemic through the trade channel caused a sharp drop in goods exports of almost every country in the region. As the epicenter of the crisis shifted from China toward the European Union, the United States, and the region itself, the negative impact on external demand spread to every country. Latin American and the Caribbean imports also fell in response to the slowdown in activity caused by lockdown and social distancing measures within the region. External sales of services contracted significantly in the first quarter of 2020, when the full effects of the pandemic had not yet hit, and preliminary records for the second quarter point to an extraordinary drop. The greatest reductions were in travel and transportation. Information technology and communications services were less affected as these could be provided remotely and online, and the negative impact is expected to be less extreme for the remainder of the year. The following chapter analyzes the dynamics of the region's exports in greater detail, distinguishing between performances in global and intraregional markets.

4 The Impact on Intraregional Trade

Intraregional trade, which was already on a downward trend in 2019, continued to fall faster than extraregional flows in the first half of 2020. However, the contraction in extraregional sales was the main driver of export performance given its share in the total. The US was the external destination market that experienced the most significant drop. In contrast, sales to China contracted less, mainly due to the exceptional performance of MERCOSUR. Central America experienced the smallest downturn in total and intrazone trade flows in the region, while the greatest falls in intrazone trade were recorded in the Andean Community and MERCOSUR. The exception was the Caribbean, where total and intrazone exports increased. These developments intensified the trend toward lower intraregional trade shares that had been observed in 2019.

This chapter explores how exports from Latin America and the Caribbean (LAC, or LA, when only referring to Latin America) performed in 2019 and the first half of 2020, distinguishing the behavior of intraregional flows from those to the rest of the world. The analysis focuses on LAC's main integration schemes: the Pacific Alliance (PA), the Andean Community (AC), the Southern Common Market (MERCOSUR), Central America and the Dominican Republic (CADR), and the Caribbean Community (CARICOM).[23] It begins by analyzing the dynamics of trade and distinguishing between exports to the rest of the world and to the region itself. The evolution of intrazone trade in each subregional integration scheme is then discussed, and the sector-specific bilateral flows that determined recent developments are highlighted.[24]

[23] See Methodological Annex 4 for lists of the countries included in each group. The analyses by country of origin were only conducted for the integration blocs in LA: the Caribbean was left out due to a lack of comparable disaggregated data for the majority of member countries for 2020. However, Latin American and the Caribbean (LAC) as a whole is included as a destination market. A separate analysis is included for the CARICOM countries for which data is available: Barbados, Belize, Guyana, Jamaica, and Suriname.

[24] In this chapter, intraregional exports refer to exports to LAC partners, while intrazone or intrabloc exports are those to other members of the respective trading bloc. The rest of LAC refers to intraregional exports outside of each respective bloc.

Export Performance by Destination Markets

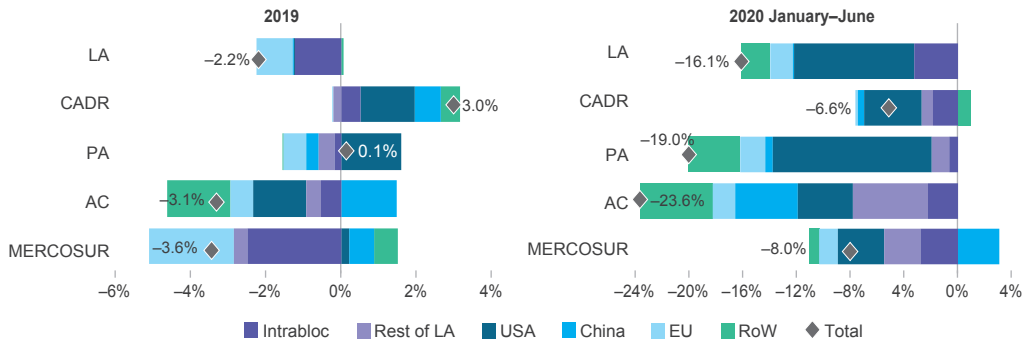
The drop in extraregional demand was a determining factor during the pandemic.

In 2019, exports from LA had fallen 2.2% as a result of the 8.3% contraction in intraregional flows and the 1.1% decline in those shipped outside of the region. The relative resilience of extraregional sales was mainly explained by the 2.8% increase in Mexico's exports to the rest of the world, particularly to the US, which offset the 4.7% reduction in exports from the rest of LA. In the first half of 2020, the COVID-19 pandemic triggered a year-on-year drop in the value of total exports of 16.1%. This contraction is explained both by the lack of external momentum, as extraregional exports fell by 14.9%, as well as by the sharp reduction of intraregional trade, which fell by 23.2% as a result of the recession within LAC. However, flows to the rest of the world explained around 80% of the downturn, in contrast to 2019, when the fall in extraregional trade explained 43% of the variation.

The US was the extraregional market that contributed most to the trade contraction.

The most significant drops in LA's extraregional shipments in the first part of 2020 were to the US (–19.5%) and the EU (–18.6%). The US accounted for more than half of the total export contraction (Figure 14). The reduction in exports to China was markedly smaller (–1.0%). Looking at the effects on different integration schemes, the contraction in US demand was decisive for the PA countries, especially Mexico, and CADR. Exports to the EU fell in all the integration blocs

FIGURE 14 • EXPORTS OF LATIN AMERICA TO SELECTED DESTINATION MARKETS BY INTEGRATION BLOC
(Year-on-year growth rate and contribution to growth rate, percentage and percentage points, 2019–S1 2020)



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

analyzed. MERCOSUR was the only bloc whose shipments to China increased (13.2%). Sales to China from the PA and CADR contracted less than to the blocs' other trading partners, while in the AC the drop was greater.

FIGURE 15 • LATIN AMERICAN EXPORTS: INTRAREGIONAL, EXTRAREGIONAL, AND TOTAL, BY INTEGRATION BLOC
(Year-on-year growth rate and contribution to growth rate, percentage and percentage points, 2019–S1 2020)

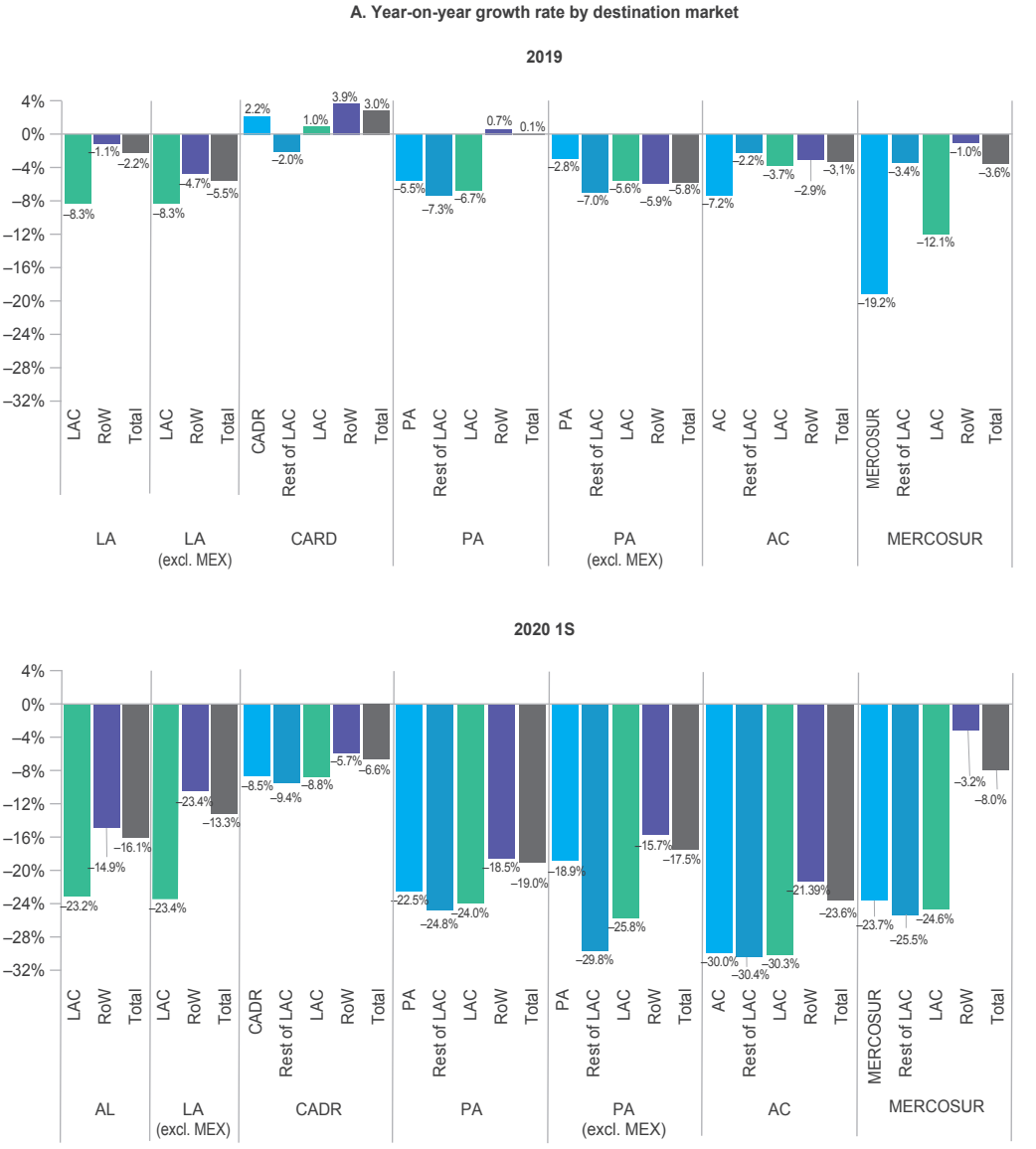


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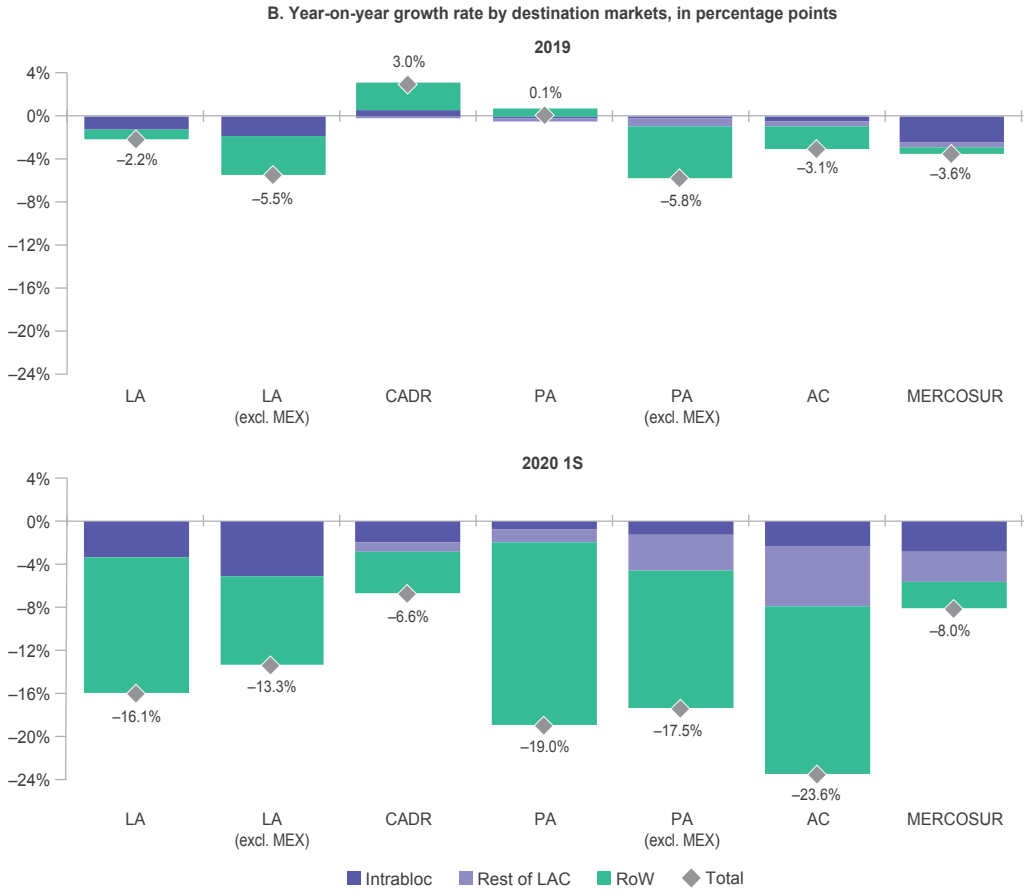
FIGURE 15 • LATIN AMERICAN EXPORTS: INTRAREGIONAL, EXTRAREGIONAL, AND TOTAL, BY INTEGRATION BLOC
(Year-on-year growth rate and contribution to growth rate, percentage and percentage points, 2019–S1 2020) *(continued)*



Source: IDB Integration and Trade Sector with data from official national sources.
Note: Intrabloc indicates exports to members of the same subregional trade bloc, and rest of LAC indicates exports to LAC countries that do not belong to the same subregional bloc. The Caribbean was excluded as an origin due to the lack of comparable disaggregated data.

The drop in intraregional exports affected every integration bloc.

Intraregional trade performed relatively worse than sales to the rest of the world in all LA integration blocs in both 2019 and the first half of 2020. However, since the start of the COVID-19 pandemic, only in the case of MERCOSUR did trade within the region contribute more to the contraction of total exports than extraregional flows. The largest drops in intraregional trade were recorded in the AC (–30.3%), MERCOSUR (–24.6%), and the PA (–24.0%), but were lower in CADR (–8.8%) (Figure 15, panel B).

AC and MERCOSUR accounted for 27.4% and 49.5% of the drop in total intraregional trade, respectively. Moreover, in the four blocs analyzed, intrabloc trade declined slightly less than exports to the rest of LAC. The downturn in intraregional trade led LAC to lose some of its share as a destination market for total exports: in the first half of 2020, the intraregional trade share was 12.8%, 1.2 percentage points (p.p.) less than the average for 2019.

Export Trends by Integration Groups

Exports of CADR were the least affected by the crisis.

The contraction of CADR's exports in the first half of 2020 (–6.6%) is explained by lower sales outside the region (–5.7%), within the bloc itself (–8.5%), and to the rest of LAC (–9.4%) (Table 4). The drop in sales to the US (–9.4%) explained two-thirds of the overall contraction, while those to the EU decreased less (–1.3%). Although total trade and trade among CADR partners shrank after the respective 3.0% and 2.2% increases of 2019, it was the bloc in which both flows declined least in the first half of 2020, as compared to the rest of the LAC integration schemes.

In CADR intrazone flows decreased, with the exception of shipments from the Dominican Republic.

The contraction of CADR's intrazone sales implied a loss of 0.9 p.p. in the bloc's importance as a destination market for its own exports, which represented 21.5% of the total in the first half of 2020. Intrabloc trade contracted in all the Central American countries, except for the Dominican Republic (Table 4).[25] The drop in shipments from El Salvador to the rest of the bloc accounted for two-thirds of the total contraction in intrazone trade and was explained mainly by the decline in sales to Honduras (mostly of apparel and knitwear) and Guatemala (mostly of beverages and cereal-based products). There was also a significant decrease in exports from Costa Rica to Panama (chemical products) and from Honduras to El Salvador (clothing).

The US accounted for most of the decline in exports of the PA.

Exports from the PA contracted 19.0% year-on-year in the first half of 2020, in sharp contrast with the stagnation of 2019 (0.1%) (Table 5). The drop was explained by lower sales outside of the region (–18.5%), within the PA itself (–25.3%), and to the rest of LAC (–24.0%). The drop in shipments to the US (–18.4%) explained around two-thirds of the overall decrease. Sales to the EU and China contracted

[25] The growth rates are explained by low baselines for comparisons, as the flows between the Dominican Republic and its partners represent comparatively lower values.

TABLE 4 • CENTRAL AMERICA AND DOMINICAN REPUBLIC: VARIATION MATRIX OF INTRAZONE TRADE

(Year-on-year growth rate, percentage, 2019–S1 2020)

		Importers										
		Costa Rica	Dominican Republic	El Salvador	Guatemala	Honduras	Nicaragua	Panama	CADR	*Rest of LAC*	*Rest of the World*	**World Totals**
		2020 Jan–Jun										
Exporters	Costa Rica		n.a.	2.5%	–2.3%	–10.4%	1.1%	–18.7%	**–6.5%**	*–2.2%*	*–1.0%*	**–2.2%**
	Dominican Rep.	15.3%		65.3%	103.3%	54.2%	–48.8%	–3.4%	**15.2%**	*–19.8%*	*–6.5%*	**–8.0%**
	El Salvador	–12.5%	–21.9%		–20.0%	–30.5%	–15.7%	–22.6%	**–22.4%**	*–19.9%*	*–33.1%*	**–27.6%**
	Guatemala	3.9%	–10.9%	–10.2%		–4.6%	21.8%	–4.2%	**–2.2%**	*–4.2%*	*–0.5%*	**–1.4%**
	Honduras	–8.2%	–58.7%	–10.8%	14.5%		–5.0%	–38.7%	**–6.0%**	*–9.8%*	*–3.7%*	**–4.5%**
	Nicaragua	–2.0%	22.7%	15.4%	–2.1%	–33.3%		–9.3%	**–5.5%**	*2.5%*	*–5.4%*	**–5.0%**
	Panama	–2.2%	8.0%	–30.2%	–8.2%	10.8%	0.0%		**–5.1%**	*–1.6%*	*–2.5%*	**–2.8%**
	CADR	–2.6%	–14.6%	–6.2%	–7.6%	–17.3%	0.4%	–15.9%	**–8.5%**	***–9.4%***	***–5.7%***	**–6.6%**
		2019										
	Costa Rica		n.a.	4.6%	4.3%	0.2%	–5.8%	1.9%	**0.9%**	*–12.6%*	*3.9%*	**1.6%**
	Dominican Rep.	3.3%		21.6%	1.7%	4.5%	69.9%	–27.1%	**2.7%**	*1.2%*	*8.4%*	**7.3%**
	El Salvador	3.1%	7.6%		11.8%	4.4%	–2.2%	–0.4%	**5.5%**	*–0.1%*	*–3.6%*	**0.7%**
	Guatemala	0.0%	–3.8%	3.7%		–4.4%	1.7%	0.7%	**0.2%**	*–0.3%*	*3.2%*	**1.8%**
	Honduras	8.8%	–11.7%	4.3%	15.6%		–4.9%	–8.1%	**2.6%**	*1.9%*	*1.2%*	**1.5%**
	Nicaragua	2.2%	–6.5%	3.2%	–0.9%	13.1%		–1.2%	**4.5%**	*9.5%*	*4.9%*	**5.2%**
	Panama	3.8%	–19.2%	–20.8%	28.2%	–22.8%	–33.4%		**–4.3%**	*–1.3%*	*8.8%*	**6.1%**
	CADR	2.3%	–0.8%	3.9%	9.2%	0.9%	–2.4%	–0.6%	**2.2%**	***–2.0%***	***3.9%***	**3.0%**

Less than –20% | Between –20% and –10% | Between –10% and 0% | Between 0% and 10% | Between 10% and 20% | Greater than 20%

Source: IDB Integration and Trade Sector with data from official national sources. n.a.: data not available.

by 28.1% and 7.9%, respectively. If Mexico is excluded as a country of origin, given that the US is a less significant destination for the other PA countries, the main contributions to the total drop were the sales to the rest of the world and to the rest of LAC.

Mexico was the country that contributed most to the contraction in intra-PA trade.

In the first half of 2020, intrazone trade within the PA accounted for just 2.6% of the total and decreased for all the bloc's partners. Mexico, whose intrazone shipments contracted by 35.4%, explained half of the total drop in intra-PA trade. The bilateral flows that played a defining role in the intrazone performance were the reduced non-oil sales from Mexico to Colombia and Chile. Other negative contributions included lower shipments of fuel from Colombia to Peru, of industrial products like cellulose, chemicals, and metals from Chile to Peru, and of copper from Chile to Mexico.

Intra-AC exports recorded the sharpest drops in the region.

Total exports from the AC shrunk by 23.6% year-on-year in the first half of 2020, after having declined by 3.1% in 2019 (Table 6). The contraction in sales outside the region

TABLE 5 • PACIFIC ALLIANCE: VARIATION MATRIX OF INTRAZONE TRADE
(Year-on-year growth rate, percentage, 2019-S1 2020)

Exporters	Importers: Chile	Colombia	Mexico	Peru	PA	*Rest of LAC*	*Rest of the World*	**World Totals**
2020 Jan–Jun								
Chile		–10.5%	–23.3%	–22.3%	–20.8%	*–15.3%*	*–5.7%*	**–7.2%**
Colombia	–14.7%		–9.5%	–33.9%	–18.5%	*–28.2%*	*–25.4%*	**–25.3%**
Mexico	–38.9%	–36.9%		–26.0%	–35.4%	*–18.6%*	*–19.4%*	**–19.5%**
Peru	–17.2%	–23.7%	–0.7%		–16.5%	*–48.0%*	*–24.8%*	**–26.8%**
PA	–26.0%	–31.4%	–14.2%	–26.6%	–25.3%	***–24.0%***	***–18.5%***	**–19.0%**
2019								
Chile		–11.2%	4.4%	4.9%	1.6%	*–11.5%*	*–7.0%*	**–7.1%**
Colombia	–18.7%		–14.0%	–1.7%	–11.8%	*–6.5%*	*–4.7%*	**–5.8%**
Mexico	–21.8%	–0.3%		–13.1%	–9.3%	*–7.7%*	*2.8%*	**2.2%**
Peru	5.4%	4.0%	6.5%		5.2%	*0.1%*	*–4.9%*	**–3.9%**
PA	–13.5%	–1.2%	–4.3%	–3.4%	–5.5%	***–7.3%***	***0.7%***	**0.1%**

Less than –20% | Between –20% and –10% | Between –10% and 0% | Between 0% and 10% | Between 10% and 20% | Greater than 20%

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

TABLE 6 • ANDEAN COMMUNITY: VARIATION MATRIX OF INTRAZONE TRADE
(Year-on-year growth rate, percentage, 2019–S1 2020)

Exporters	Importers: Bolivia	Colombia	Ecuador	Peru	AC	*Rest of LAC*	*Rest of the World*	World Totals
2020 Jan–Jun								
Bolivia		3.9%	–0.7%	–9.4%	–2.4%	*–16.4%*	*–35.7%*	**–25.2%**
Colombia	–25.0%		–26.8%	–33.9%	–29.4%	*–23.4%*	*–25.4%*	**–25.3%**
Ecuador	–35.9%	–11.4%		–75.3%	–48.0%	*–38.7%*	*–0.1%*	**–13.6%**
Peru	0.0%	–23.7%	–21.1%		–26.1%	*–42.5%*	*–24.8%*	**–26.8%**
AC	–5.2%	–12.9%	–23.8%	–47.9%	–30.0%	***–30.4%***	***–15.7%***	**–23.6%**
2019								
Bolivia		–13.6%	–4.9%	2.3%	–6.4%	*–8.0%*	*3.5%*	**–1.9%**
Colombia	–5.9%		5.5%	–1.7%	2.3%	*–11.6%*	*–4.7%*	**–5.8%**
Ecuador	–1.4%	2.4%		–41.7%	–26.4%	*21.7%*	*3.7%*	**3.2%**
Peru	6.1%	4.0%	–7.6%		0.2%	*2.8%*	*–4.9%*	**–3.9%**
AC	3.7%	–0.7%	1.0%	–21.9%	–7.2%	**–2.2%**	**–2.9%**	**–3.1%**

Less than –20% · Between –20% and –10% · Between –10% and 0% · Between 0% and 10% · Between 10% and 20% · Greater than 20%

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

accounted for two-thirds of the total drop, including decreases to China (–26.5%), the US (–19.4%), and the EU (–16.0%). Intrazone exports experienced the greatest drop (–30.0%) in comparison with the rest of the LA integration blocs, and sales to the rest of LAC fell 30.4%.

The contraction of exports from Colombia and Ecuador were decisive.

The AC's intrazone trade represented 6.7% of the total in the first half of 2020. The decline in Colombia's and Ecuador's shipments within the bloc explained most of the drop in intra-AC trade. The main negative contributions were Ecuador's lower shipments of both oil and non-oil goods to Peru, including a range of sectors such as forestry and metal-mechanics. Lower vehicle exports from Colombia to Ecuador and lower fuel exports from Colombia to Peru also contributed to the downturn.

Trade within the MERCOSUR was the defining factor in the bloc's export performance.

Total MERCOSUR exports declined in both 2019 and the first half of 2020, mainly as a result of lower intrabloc flows. Shipments within the bloc fell by 23.7% in the first half of 2020 and by 25.5% to the rest of LAC, while those to

TABLE 7 • MERCOSUR – MERCOSUR: VARIATION MATRIX OF INTRAZONE TRADE
(Year-on-year growth rate, percentage, 2019-S1 2020)

Exporters \ Importers	Argentina	Brazil	Paraguay	Uruguay	MERCOSUR	*Rest of LAC*	*Rest of world*	**World Totals**
2020 Jan–Jun								
Argentina		–31.6%	–22.8%	–11.7%	–29.3%	*–10.6%*	*–5.7%*	**–11.0%**
Brazil	–28.1%		–20.1%	–38.1%	–28.7%	*–32.7%*	*–2.0%*	**–7.1%**
Paraguay	15.1%	–3.3%		142.1%	7.5%	*–0.1%*	*–31.9%*	**–4.4%**
Uruguay	–34.4%	–33.3%	–19.5%		–32.5%	*18.4%*	*–11.1%*	**–13.4%**
MERCOSUR	–20.6%	–26.3%	–20.9%	–27.1%	–23.7%	***–25.5%***	***–3.2%***	**–8.0%**
2019								
Argentina		–8.0%	–19.1%	–8.9%	–9.1%	*3.5%*	*10.8%*	**5.4%**
Brazil	–34.3%		–14.8%	–17.6%	–29.2%	*–6.8%*	*–3.2%*	**–5.8%**
Paraguay	–22.0%	1.0%		–22.8%	–9.5%	*–3.6%*	*–19.1%*	**–11.9%**
Uruguay	–11.3%	–5.3%	–13.1%		–7.4%	*65.7%*	*1.2%*	**2.4%**
MERCOSUR	–32.3%	–6.1%	–16.0%	–15.3%	–19.2%	***–25.5%***	***–1.0%***	**–3.6%**

Less than –20% | Between –20% and –10% | Between –10% and 0% | Between 0% and 10% | Between 10% and 20% | Greater than 20%

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

the rest of the world only decreased by 3.2% (Table 7). The lower drop in exports to the rest of the world is explained by an increase in sales to China (13.2%), driven by agro-industrial products such as soybean, beef, and pork, which partially offset the decline in shipments to the US and the EU (–29.7% and –10.2%, respectively).

In 2019, exports from Brazil to Argentina, representing 29.2% of intrabloc trade, decreased by 34.3%. This was a decisive factor in the performance of intra-MERCOSUR trade. In the first half of 2020, intrazone trade accounted for 9.5% of the total and evolved in response to downturns in all bilateral flows, except for exports from Paraguay, which are explained by soybean shipments to Argentina and Uruguay and whose final destination is outside of the bloc. The main driver of intrabloc trade was the downturn in bilateral flows between Argentina and Brazil, especially in the automotive sector. Exports from Argentina to Brazil fell by 31.6% (–50.9% in the transportation sector, which represented 29.2% of bilateral trade in the first half of 2020) while those from Brazil to Argentina dropped by 28.1% (–43.1% in the transportation sector, which represented 29.8% of bilateral trade).

Lower bilateral trade between Argentina and Brazil reduced intrabloc trade.

Intrabloc exports from CARICOM increased as a result of Guyana's performance.

A limited sample of CARICOM countries—including Barbados, Belize, Guyana, Jamaica, and Suriname[26]—increased their intrabloc exports (54.2%) and those to the rest of LAC (63.8%) in 2019, while total exports fell 7.1% due to a decrease in sales to the rest of the world (–17.7%). Intrabloc sales represented 11.2% of the total. During the first half of 2020, intrabloc trade increased significantly (60.8%), as did sales to the rest of LAC (24.7%) and total exports (10.2%). However, this increase was explained exclusively by the performance of Guyana, whose exports increased 86.7% year-on-year after the country started exploiting new oil fields (IDB, 2020 and IMF, 2019). Guyana increased its exports within the bloc by 164.2%, to the rest of LAC by 159.9%, and to the rest of the world by 76.9%. In the first half of 2020, total shipments fell by 24.1% in the rest of the Caribbean countries for which data is available (a drop of 25.4% for intrabloc flows and one of 17.1% to the rest of LAC).

In conclusion, the export performance of all trade blocs in LAC deteriorated significantly in the first half of 2020, while in the Caribbean the evolution was different due to the surge in oil exports from Guyana. Intraregional trade was already contracting at a faster rate than flows to the rest of the world in 2019, and it plummeted further in the first part of 2020 due to the economic crisis triggered by the pandemic. However, given its share in LAC's total exports, extraregional demand accounted for most of the drop in total external sales. The main contractionary factors were sales to the US and to a lesser extent the EU, while sales to China dropped less due to the exceptional increase in MERCOSUR exports to this country. Although intrazone trade dropped in all LA integration blocs, this was more pronounced in the AC and MERCOSUR.

[26] Due to the limitations of official records, it is not possible to distinguish between flows to LA and flows to the rest of the world in these countries. Information is available up to the first half of 2020 for Barbados, Belize, Guyana, and Suriname and from January to April 2020 for Jamaica. This data differs from that discussed in Chapters 2 and 3, since this is a limited sample of countries.

Conclusions

After a decade of low and unstable trade growth, in the first half of 2020 goods exports from LAC plummeted due to the economic impact of the COVID-19 pandemic. The contraction outstripped that of global trade and was the result of a sudden drop in commodity prices in the first quarter, coupled with a sharp decline in real flows in the second quarter. Although most of the contraction was explained by extraregional shipments, the downturn in intraregional trade was more intense. Similarly, the region's services exports entered into negative ground for the first time since 2015, outstripping the decline in global services exports. Although the initial pessimistic forecasts did not materialize and some signs of improvement have been observed since June, the road to recovery is still fraught with uncertainty.

In the short term, the balance of risks for the trade outlook in the region will depend not only on commodity price dynamics, as was the case in the trade crises of the last decade, but also on trade volumes.

This time, the evolution of prices has played a secondary role, limited to the initial phase of the crisis. After the record drop in oil prices and smaller changes to the prices of minerals and agricultural products, prices have gradually recovered. However, the region's terms of trade have returned to a level similar to that seen before the commodity price boom and are not expected to recover. Looking ahead, a significant boost to the value of exports through prices seems unlikely, as it has been the case in the last two decades. From a long-term perspective, these trends point to the need to activate new drivers for the expansion and diversification of trade flows in the aftermath of the commodity boom that held up the region's trade performance from the start of the new millennium onward.

In real terms, global economic activity is recovering heterogeneously across the globe and in some cases is displaying signs of weakness, as shown by the waning of the upturn in global trade flows. New lockdown and social distancing measures in response to new COVID-19 outbreaks may have a significant effect on the global outlook. Similarly, the latest growth projections for the economies of the region suggest that there will be a prolonged contraction in intraregional trade flows. The COVID-19 pandemic, combined with the uncertainty around how trade-related tensions between

several key players in global trade will unfold, directly affects not just the prospects of a trade recovery but also potential investment flows, with impacts that will probably reach beyond the short term.

From a broader perspective, the unprecedented nature of the current crisis leaves no room for complacency. Although the trade contraction caused by the pandemic has been so far less intense than what was predicted by initial forecasts and in comparison with the great trade collapse of 2008–2009, its specific features have the potential to trigger deeper structural changes. The synchronized commotion of the global trading system has revealed costs and risks that had not been internalized previously. Their management will need to be prioritized by businesses and by the authorities with a mandate to support them in their internationalization strategies. Investments and reforms seeking to reduce trade costs and make regulatory frameworks more reliable will undoubtedly play a central role in order to allow the economies of the region to integrate more effectively into post-COVID-19 global value chains.

In particular, the disruption of trade linkages during the pandemic has shed light on how critical visibility and reliability are in relationships among companies that participate in global networks. To attract investment and capture nearshoring opportunities, companies in the region will need the support of state-of-the-art export promotion and investment attraction institutions. At a time when businesses face stiffer competition to position themselves in global trade and investment flows, expanding and improving capacities in this area will be a fundamental strategic asset.

Likewise, pushing ahead with the trade facilitation agenda is key if companies are to increase the fluidity of their international transactions. In an environment in which global buyers and sellers will have to take on additional costs to keep value chains robust and resilient, increasing the speed and predictability of customs transactions will be indispensable. There is room for the region to move closer to the global frontier of cutting-edge best practices. There will need to be a widespread move toward national reforms and cooperation to improve cross-country interoperability in order for the region to increase trade and attract new investments that are seeking more efficient locations.

Looking beyond trade in goods, the COVID-19 pandemic has confirmed that trade in tasks is set to grow on the back of technological progress. Although the region is positioning itself in some dynamic knowledge-based services, the crisis has revealed its overreliance on traditional services sectors such as travel and transportation. To increase services exports urgent progress needs to be made on multiple fronts. In addition to understanding the sector better, there is a need for agile training policies to be designed in response to the specific requirements of these highly dynamic sectors. It is also time to review existing regulatory frameworks to adapt them to the specific needs of services exporters.

The pandemic was also the starkest possible reminder of the need to step up the support to the digital transformation. In just a few months, businesses in the region have made more digital progress than they had in years, and for some (particularly SMEs) turning to digital channels has enabled them to survive the crisis. It is the authorities' responsibility to fast-track essential investments, design and implement the necessary regulatory reforms, and ensure the international interoperability of national solutions to ensure that the region is not left on the wrong side of the digital divide.

In addition to issues that have become more pressing since the pandemic began, other long-standing challenges need to be addressed to shore up the region's external competitiveness. The growth in trade that was fueled by the commodity price supercycle somewhat undermined the incentives for moving forward on several fronts of the agenda to reduce the trade costs. The increased competition among countries to position themselves effectively in post-COVID-19 trade and investment landscape suggests that resuming certain strategic initiatives is more urgent than ever, and that it may need to be approached with greater pragmatism than in the past.

Reducing transportation costs is essential not only for global companies looking for efficient suppliers but also for local companies with the potential to break into foreign markets. For a region like Latin America and the Caribbean, which is far from major global production hubs, investing in infrastructure is key to offsetting the restrictive effect of geography. Maintaining and expanding road infrastructure, upgrading ports and airports, modernizing logistics systems, and improving the efficiency of related services are all now more critical than ever if the region is to position itself on the new post-COVID-19 trade map.

However, if the region is to attract new investment at a time when productive and strategic alliances among nations are being redefined, it will also need to reduce regulatory uncertainty. Initiatives seeking to complete the network of regional trade agreements and promote their convergence, and complementary policies to stimulate productivity and the quality of the export supply would enable the region to build up its intraregional trade in final goods and production inputs. Similarly, a new impulse to integration and cooperation in the regulation of services markets would enable countries with likeminded agendas to make swifter progress. The convergence of the trade architecture, strengthening regional value chains, and increasing the density of trade in services would not only spur export diversification in the countries of the region, it would also help to increase global partners' trust in the region's regulatory frameworks.

These are just some of the complex challenges that lie ahead for Latin America and the Caribbean and have become even more pressing in the current juncture. However, the downturn in the region's export performance since the start of the pandemic suggests that it will not be possible to reactivate a new cycle of sustained growth without placing greater trade resilience at the heart of the region's development agenda.

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Methodological Annex 1
Estimation of the Value of Global and LAC Trade

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

CPB World Trade Monitor

The CPB compiles monthly series on trade flows for each country, drawing on selected sources that publish information online. Once collected, this data is standardized in terms of frequency and currency (dollars). This allows for the construction of consistent series of values, prices, and volumes. Different techniques are used to estimate the missing observations at the country level for the most recent months. This country data is aggregated regionally, which entails completing missing data for some countries using regional growth rates. The CPB Monitor covers 81 countries. Seasonally adjusted series provided by the primary source are generally used, but when these are not available, seasonal adjustments are made to other available data.[27] Since 2016, the base year for the series has been 2010.

Estimate of Latin American Exports

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

[27] For more detail, see Ebregt (2016).

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

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

Monthly Series

The decompositions of variations in the price and volume of LA exports in the first half of 2020 presented in Figures 3 (Chapter 1) and 8 and 9 (Chapter 2) come from a monthly aggregate volume index that includes 10 countries: Argentina, Brazil, Chile, Colombia, El Salvador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. The export volume indices were calculated using data from official sources for Argentina (National Institute of Statistics and Censuses), Brazil (Center for Foreign Trade Studies Foundation), Chile (Central Bank of Chile), Colombia (Bank of the Republic), Peru (Central Reserve Bank), and Uruguay (Central Bank). The El Salvador series was deflated using the *Monthly Import Price Index for BEA End Use Excluding Fuels* (Bureau of Labor Statistics). The series for Paraguay was calculated using data on export volumes for the country's main products as reported by the Central Bank and aggregated according to the export structure of 2010. For Mexico, the export values series was deflated using the import price index published by the US Bureau of Labor Statistics (BLS). Venezuela's export volumes were calculated using OPEC information on Merey-type oil prices. The national series were geometrically aggregated based on countries' shares in total exports valued in dollars in 2015. For imports, the price and volume indices published by the official sources in the list above were used, except for Venezuela. The indices were aggregated using the relative weight of the respect of imports in the first semester of 2020.

Annual Series

Formulas

Price Indices

The price indices correspond to Laspeyres estimates for imports and exports:

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

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

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

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

Volume Indices

Paasche volume indices are estimated for imports and exports.

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

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

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

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

Terms of Trade

Based on the following formula:

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

where and correspond to the export and import price indices of the country in year *t*, respectively.

Specific Methodologies and Data Sources

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

Methodology 1: South American Trade Flows and Central American Imports

For the exports and imports of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, El Salvador, Paraguay, Peru, and Uruguay, and for the imports of Costa Rica, Guatemala, and Mexico, Laspeyres price indices were calculated at the HS 6-digit subheading level, taking 2015 as the base year. These calculations were based on data for current values and physical volumes reported by national sources to the IDB's information system on integration and trade as of August 2020, using COMTRADE for imports from Venezuela, which were obtained based on the value of exports to Venezuela reported by other countries.

Methodology 2: Exports from Mexico and Central American Countries

This group includes Costa Rica, Guatemala, and Mexico. Problems that were detected in the data, specifically in the volume data for manufacturers, made it advisable to proceed with estimates at constant prices at the HS chapter (2-digit) level, using BLS price indices for US imports. The disaggregation includes 35 chapters of the HS: 2, 3, 7, 8, 9, 20, 22, 27, 28, 29, 30, 38, 39, 40, 42, 48, 61, 62, 63, 64, 69, 70, 72, 73, 74, 76, 82, 83, 84, 85, 87, 90, 91, 94, 95, and 96. These calculations were based on data for current values reported by national sources to the IDB's information system on integration and trade as of August 2020.

Methodology 3: Venezuelan Exports

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

Additional Notes

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

Indicators for the region and group of countries presented in Figures 3 (Chapter 1) and 8 and 9 (Chapter 2) were obtained from weighted averages of the price and volume indices for each country's trade flows. The relative values of the exports or imports of the countries in each group each year were used as weights.

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

Methodological Annex 3
Goods and Services Export Statistics

The figures from 2018 to 2020 in Tables 1, 2, and 3 (Chapter 3) are preliminary and subject to changes by national offices.

Tables 1 and 2

Goods exports are expressed in Free on Board (FOB) values and goods imports are expressed in values that include cost, insurance, and freight (CIF). For Venezuela, exports were estimated based on price and volume data reported by OPEC (see Methodological Annex 2) and imports were estimated based on IMF mirror data (exports to Venezuela recorded by trade partners). Data for Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua include special trade regimes (STRs). The data for Panama refers only to national exports and imports. The Caribbean aggregate draws on records from Barbados, Belize, Guyana, and Suriname for January–June, estimates for Haiti and Jamaica based on January–May data, and excludes the Bahamas and Trinidad and Tobago as no information for these was available for 2020 at the time of publication.

Table 3

The definition of services exports corresponds to the sixth version of the IMF Balance of Payments Manual. For all years, the series exclude construction, government, manufacturing, maintenance, and repair of goods and services. The records for Barbados, Guyana, Haiti, Jamaica, Nicaragua, Peru, Trinidad and Tobago, and Venezuela are estimates of commercial services exports from WTO and UNCTAD. The value of services exports for the first quarter of 2020 is an estimate that exclude some countries for which no data was available at the time of publication.

Methodological Annex 4
Data Management for the Analysis of Intraregional Trade

Country Groupings by Integration Groups and Blocs

Pacific Alliance: Colombia, Chile, Mexico, and Peru.

AC: Bolivia, Colombia, Ecuador, and Peru. Colombia and Peru, which are members of both the PA and AC, are included in estimates for both blocs. However, when reference is made to totals for LA or LAC, they are considered only once to avoid double counting.

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

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

MERCOSUR: Argentina, Brazil, Paraguay, and Uruguay.

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

Database and Estimates

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

Belize: Statistical Institute of Belize; Bolivia: National Institute of Statistics; Brazil: Ministry of Development, Industry, and Foreign Trade; Chile: Central Bank of Chile; Colombia: National Administrative Department of Statistics; Costa Rica: Central Bank of Costa Rica and PROCOMER; Dominican Republic: General Customs Directorate; Ecuador: Central Bank of Ecuador; El Salvador: Central Reserve Bank of El Salvador; Guatemala: Bank of Guatemala; Guyana: Bureau of Statistics; Honduras Central Bank of Honduras; Jamaica: Statistical Institute of Jamaica; Mexico: Bank of Mexico; Nicaragua: Central Bank of Nicaragua; Panama: National Institute of Statistics and Censuses; Paraguay: Central Bank of Paraguay; Peru: Central Reserve Bank of Peru and National Customs and Tax Administration; Suriname: Central Bank of Suriname; United States: US International Trade Commission; Uruguay: Central Bank of Uruguay; Venezuela: OPEC, IMF, and Central Bank of Venezuela.

The Trade and Integration Monitor 2020 identifies the drivers of recent developments in trade flows of Latin America and the Caribbean, takes stock of current risks, and concludes that although the trade crisis is less intense than initially expected, the recovery remains unstable. It argues that countries in the region should make decisive moves toward an ambitious agenda of international integration if they are to capture new investments and take advantage of nearshoring opportunities.

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