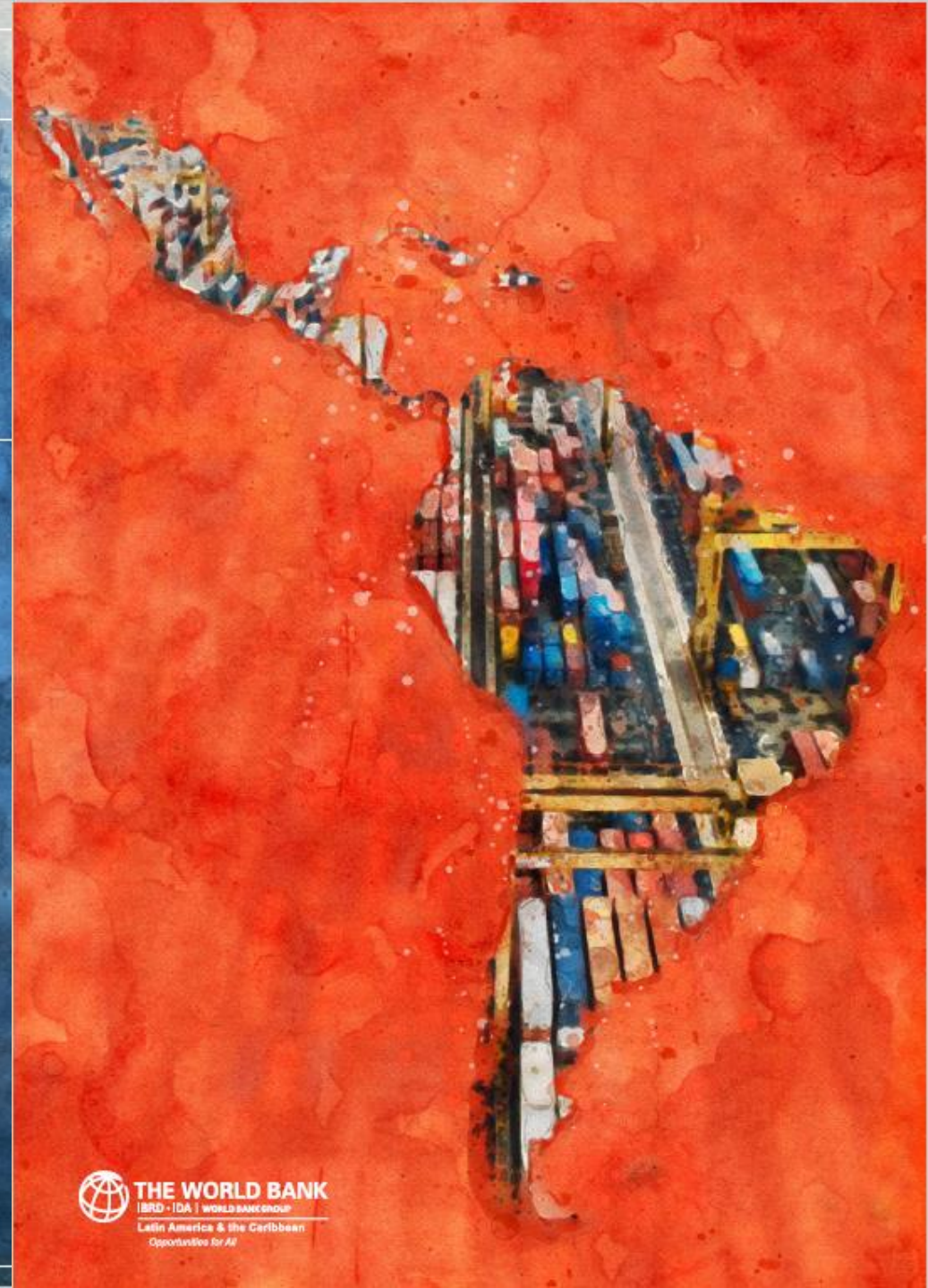
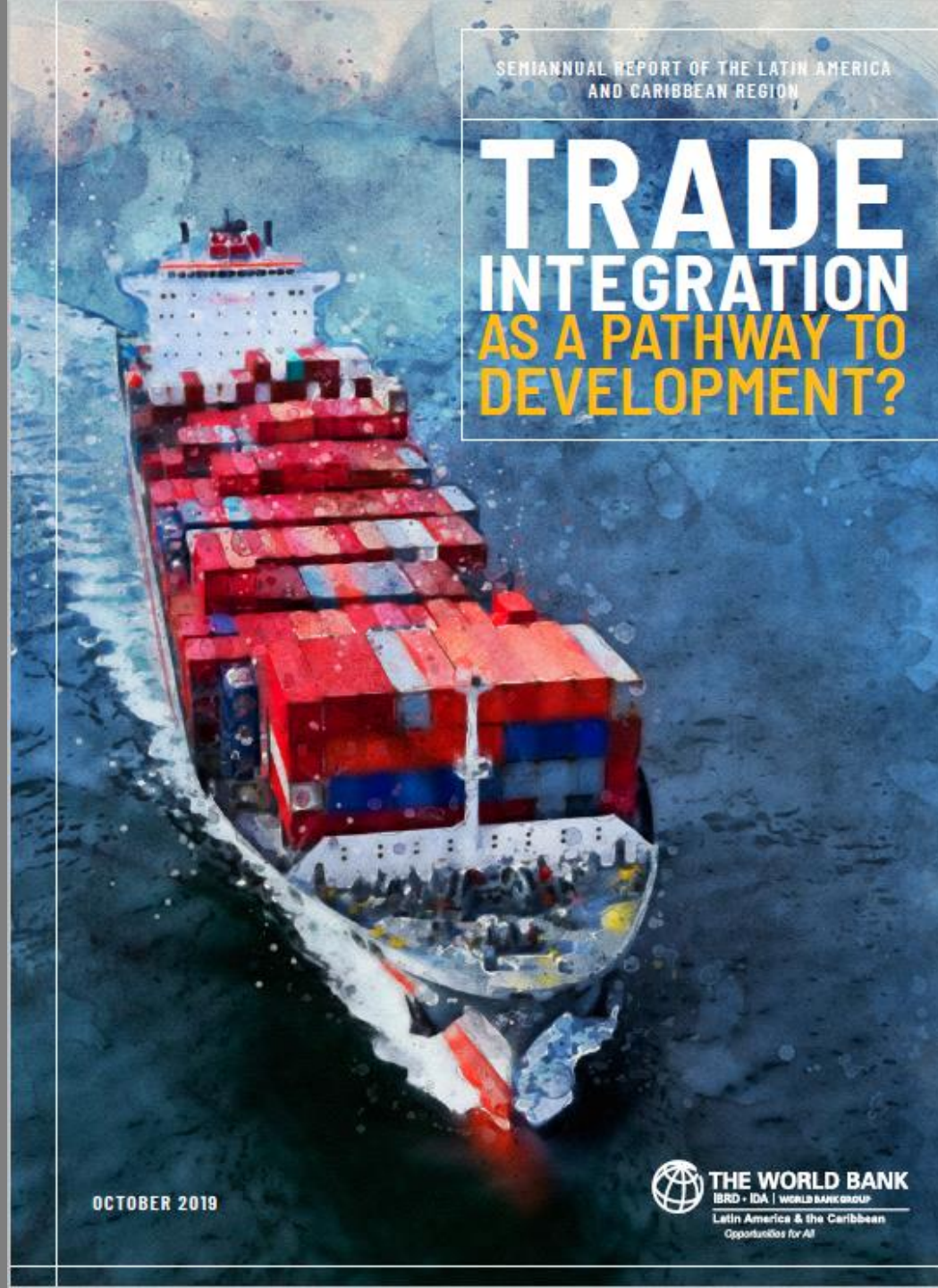


Download the report at:

<https://openknowledge.worldbank.org/handle/10986/11883>

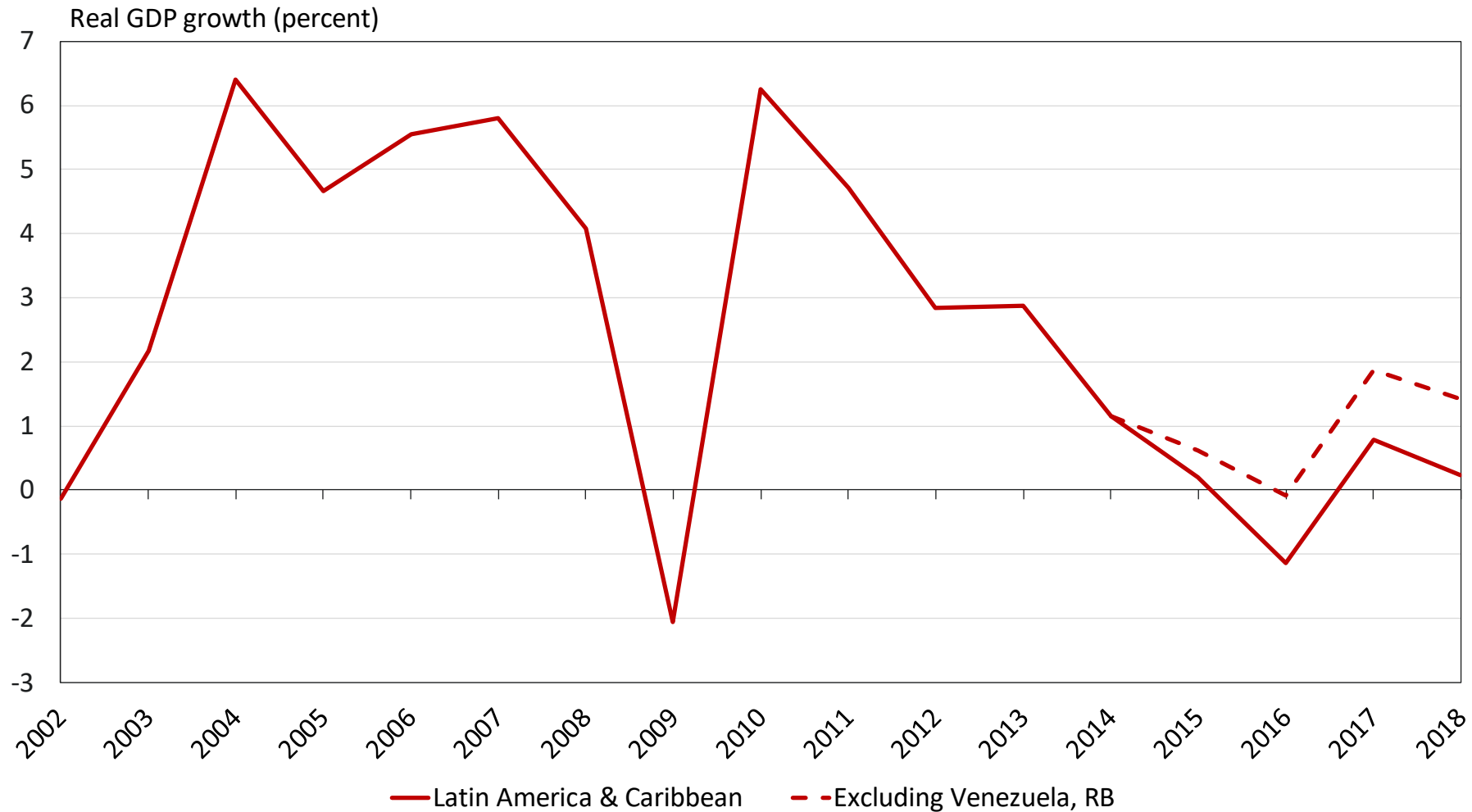


Outline

1. Recent economic developments
2. The outlook for the region
3. Far from the world
4. Counting on trade agreements
5. Trade integration and economic performance
6. Two milestone trade agreements

Recent economic developments

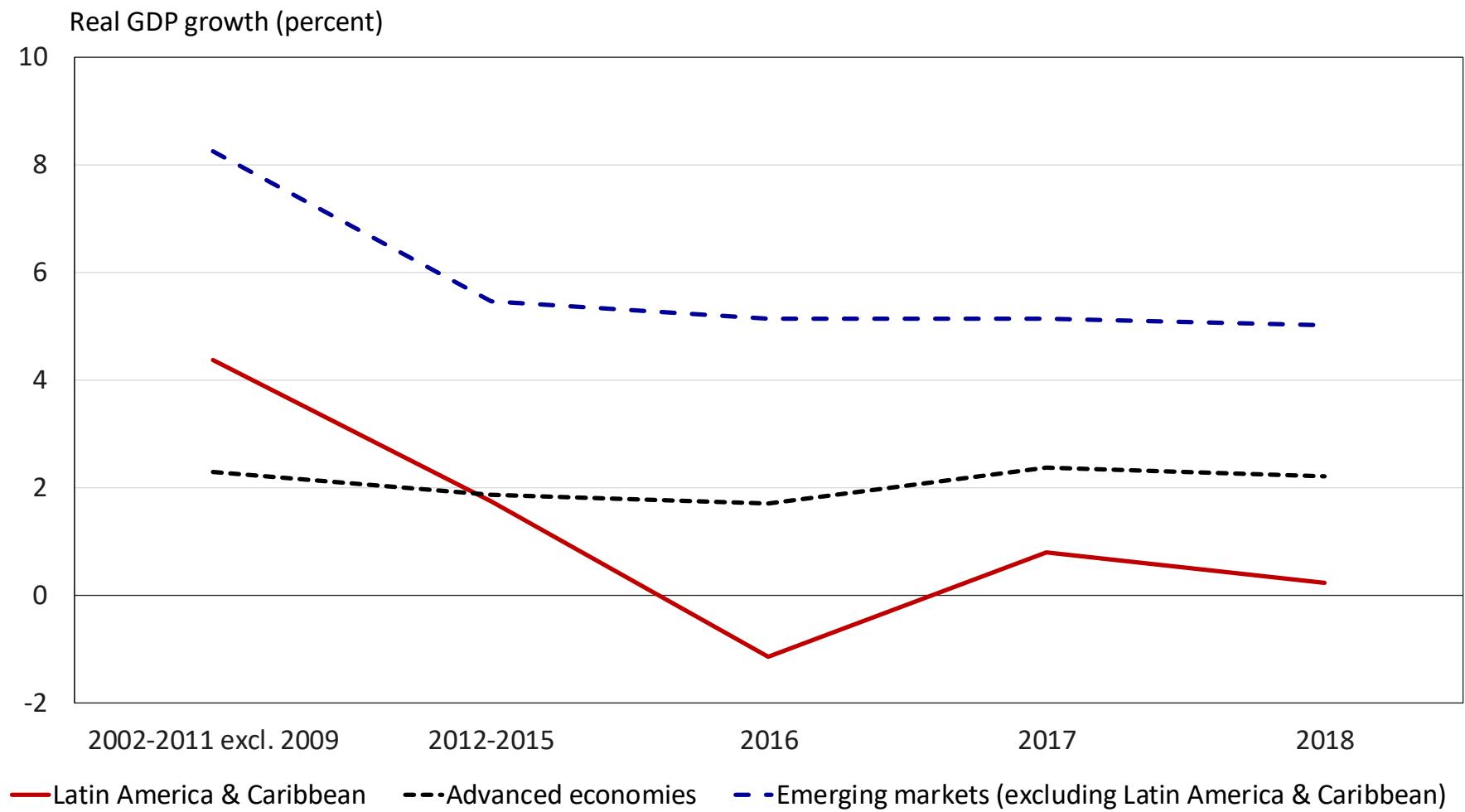
Back to “normal”: increasingly mediocre economic growth



Source: World Development Indicators.

Sluggish economic growth

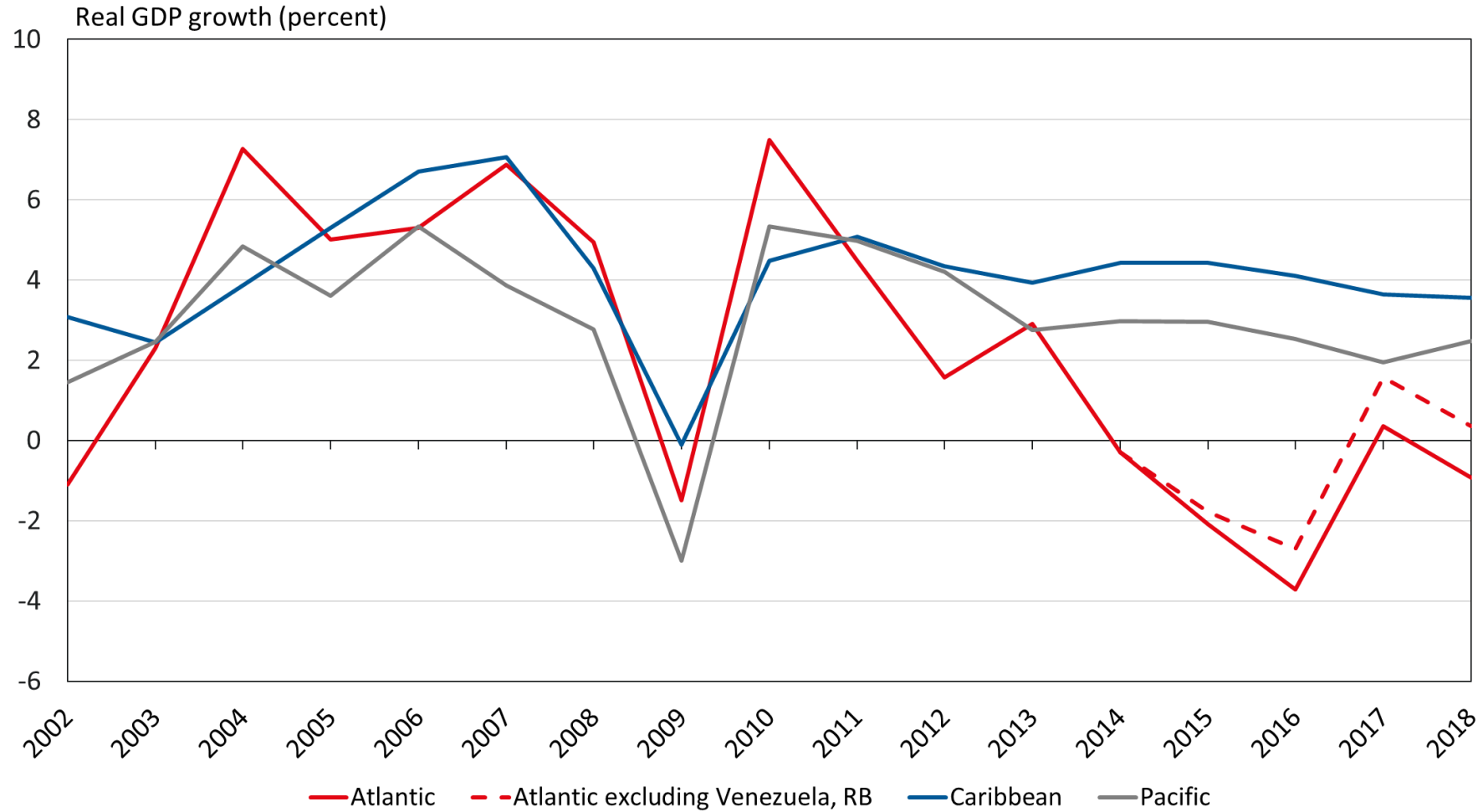
A sharp contrast with advanced economies and other emerging markets



Source: World Development Indicators.

Sluggish economic growth

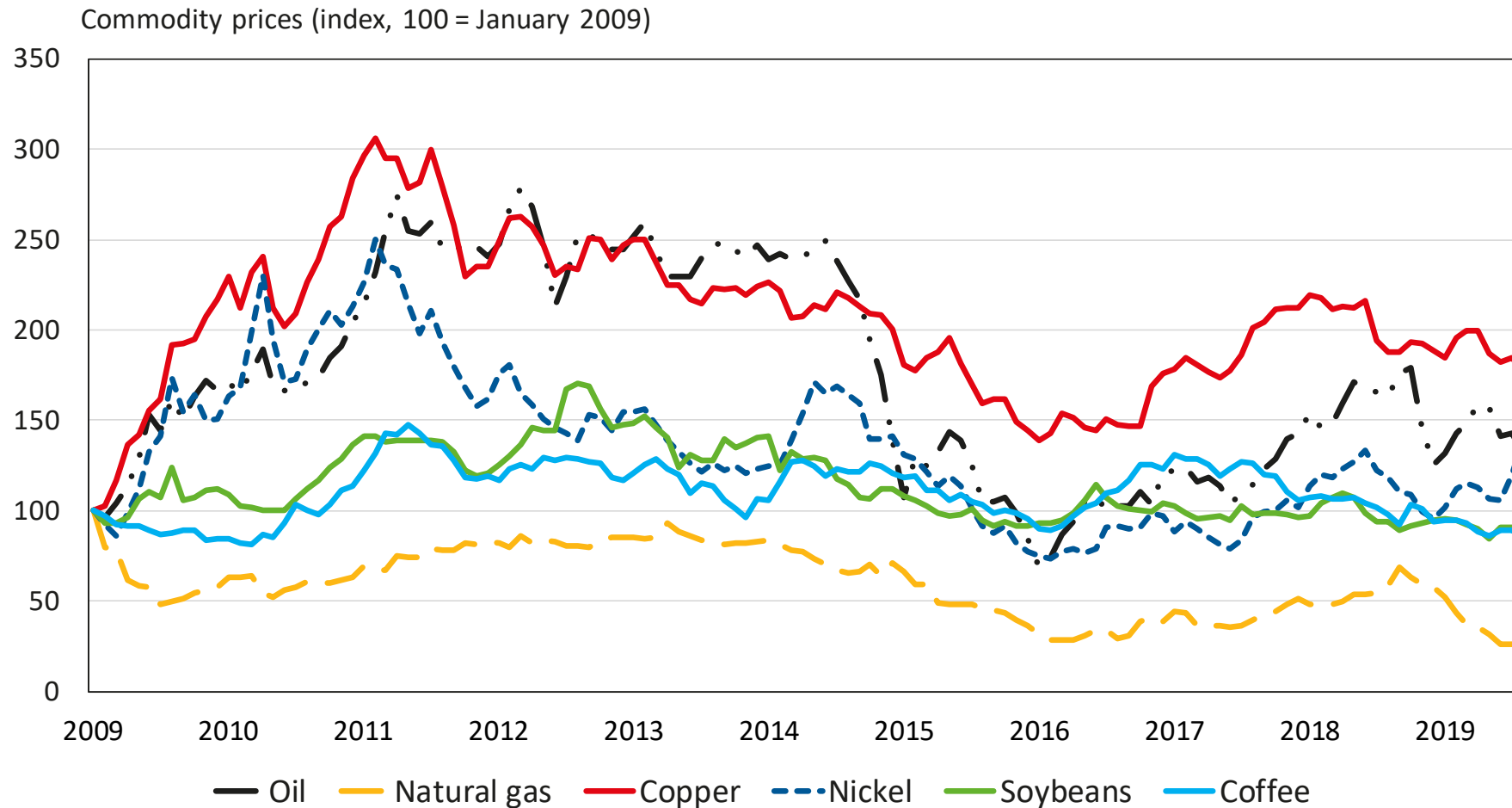
A much stronger deceleration in the Atlantic sub-region than in the Caribbean or the Pacific



Source: World Development Indicators.

Sluggish economic growth

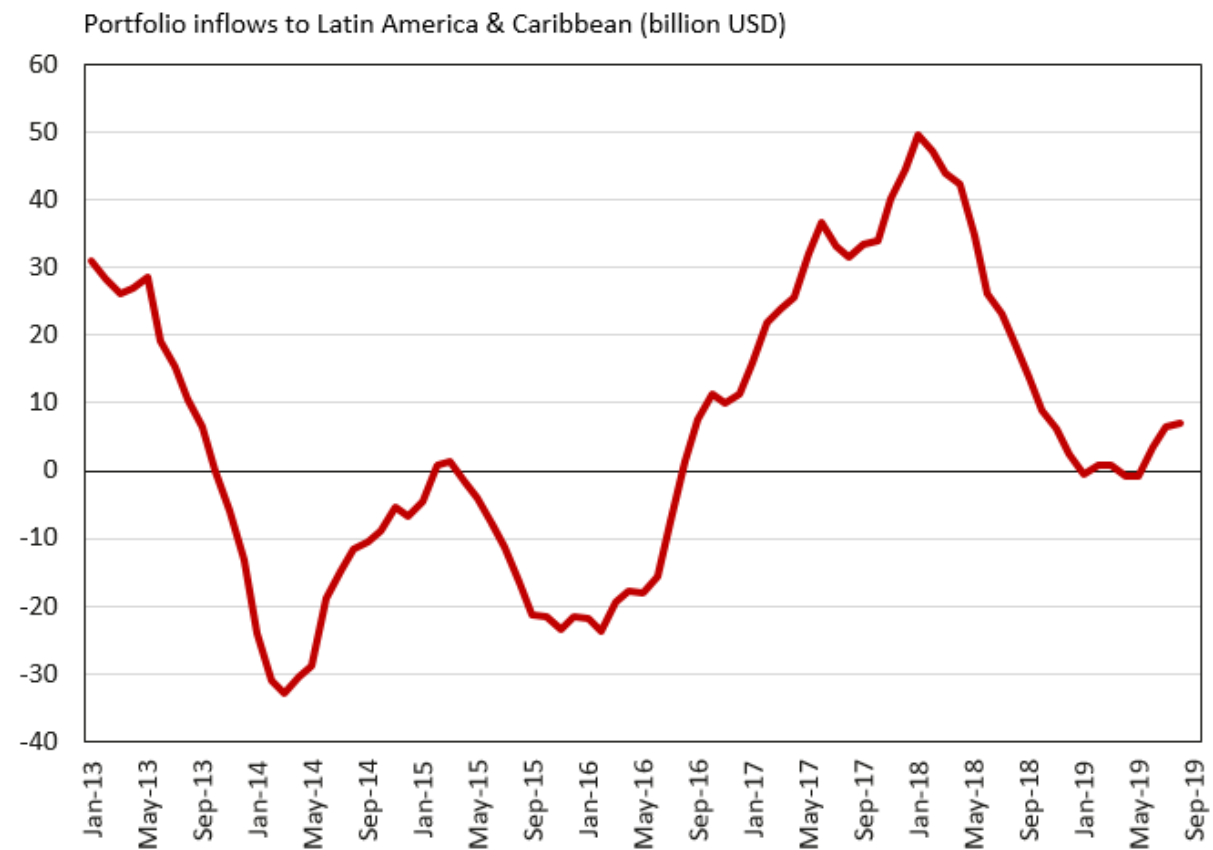
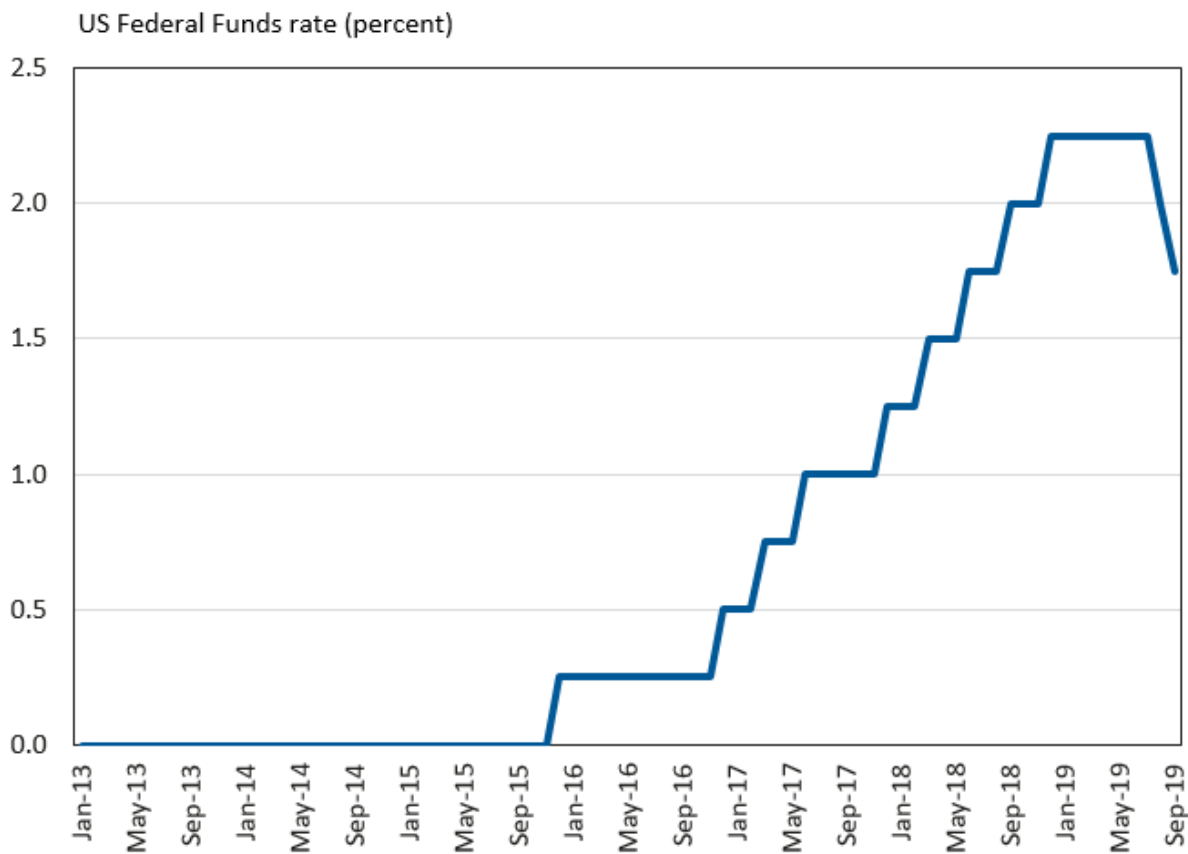
After a long decline, commodity prices have stabilized



Source: Haver Analytics.

A less-than-stellar external performance

An easing policy stance in the US and stabilizing portfolio inflows to the region



Note: For US Federal Funds, only the lower limit is reported.

Source: EPFR Global and Federal Reserve Board.

The financial situation is mainly affected by domestic conditions

The outlook for the region

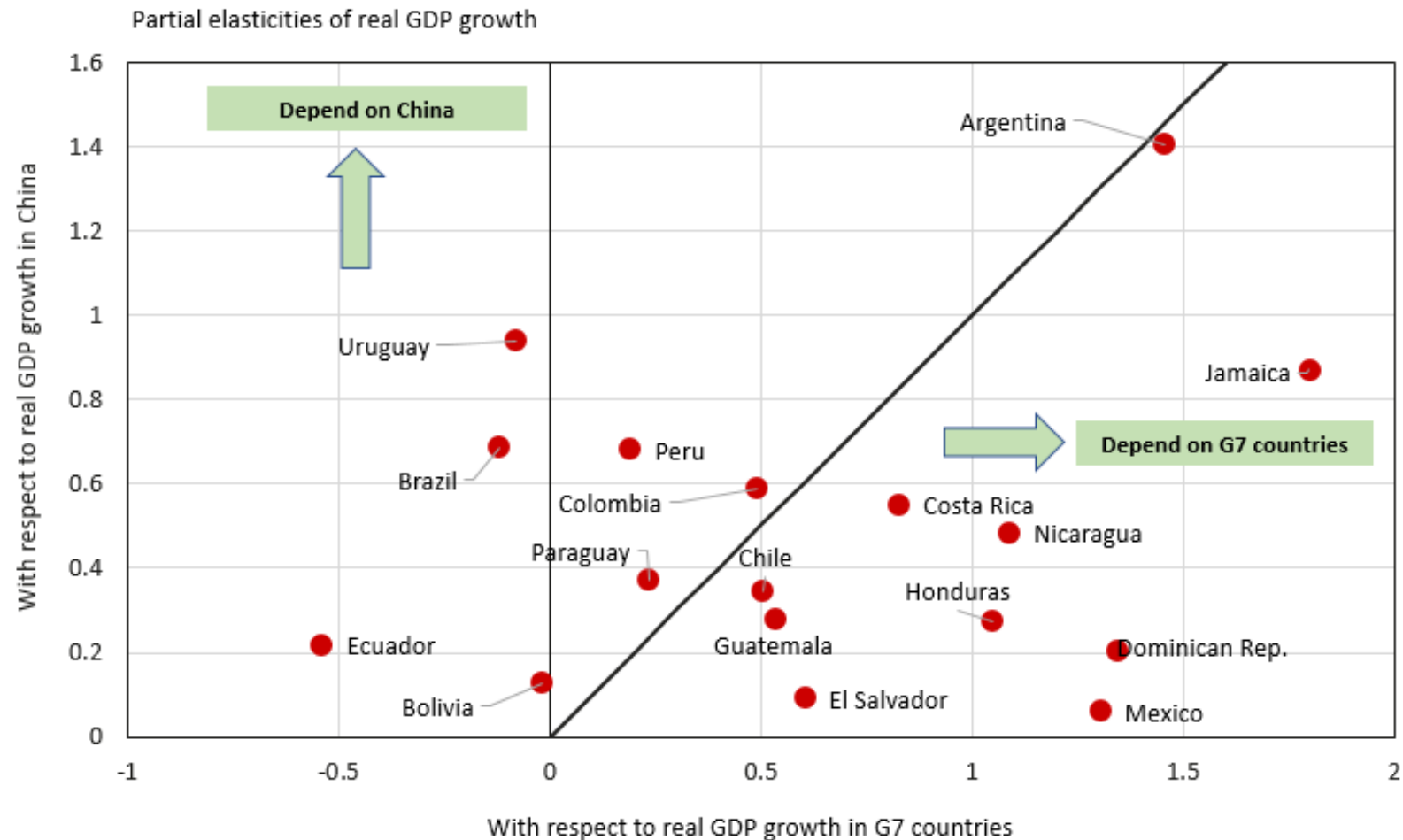
Real GDP growth at market prices

	2016	2017	2018	2019e	2020f	2021f
Argentina	-2.1	2.7	-2.5	-3.1	-1.2	1.4
Belize	-0.6	1.4	3.0	2.7	2.1	1.8
Bolivia	4.3	4.2	4.2	3.9	3.6	3.4
Brazil	-3.3	1.1	1.1	0.9	2.0	2.5
Chile	1.7	1.3	4.0	2.5	2.9	3.0
Colombia	2.1	1.4	2.6	3.3	3.6	3.9
Costa Rica	4.2	3.2	2.7	2.0	2.5	3.0
Dominica	2.6	-6.8	0.9	9.6	4.9	4.1
Dominican Republic	6.7	4.7	7.0	5.3	5.0	5.0
Ecuador	-1.2	2.4	1.4	-0.1	0.2	0.8
El Salvador	2.5	2.3	2.5	2.4	2.5	2.5
Grenada	3.7	4.4	4.2	3.5	2.9	2.9
Guatemala	3.1	2.8	3.1	3.3	2.8	3.1
Guyana	3.4	2.1	4.1	4.5	86.7	10.5
Haiti	1.5	1.2	1.5	-0.5	1.0	-0.8
Honduras	3.9	4.8	3.7	3.3	3.5	3.5
Jamaica	1.4	1.0	1.9	1.0	1.1	1.2
Mexico	2.9	2.1	2.0	0.6	1.5	2.0
Nicaragua	4.6	4.7	-3.8	-5.0	-0.5	0.6
Panama	5.0	5.3	3.7	4.5	4.6	4.6
Paraguay	4.3	5.0	3.7	0.7	3.1	3.9
Peru	4.0	2.5	4.0	2.6	3.2	3.5
St. Lucia	3.1	2.6	0.9	1.8	3.2	3.0
St. Vincent and the Grenadine	1.9	1.0	2.2	2.3	2.3	2.3
Suriname	-5.6	1.7	1.9	2.2	2.5	2.1
Uruguay	1.7	2.6	1.6	0.5	2.5	3.5
Venezuela, RB	-17.0	-15.7	-17.7
Latin America & Caribbean	-0.8	1.3	0.9	0.0	1.8	2.5
Excluding Venezuela, RB	-0.1	1.9	1.5	0.8	1.8	2.5

Source: World Bank.

The outlook for the region

Who depends on China and who on G7 countries?

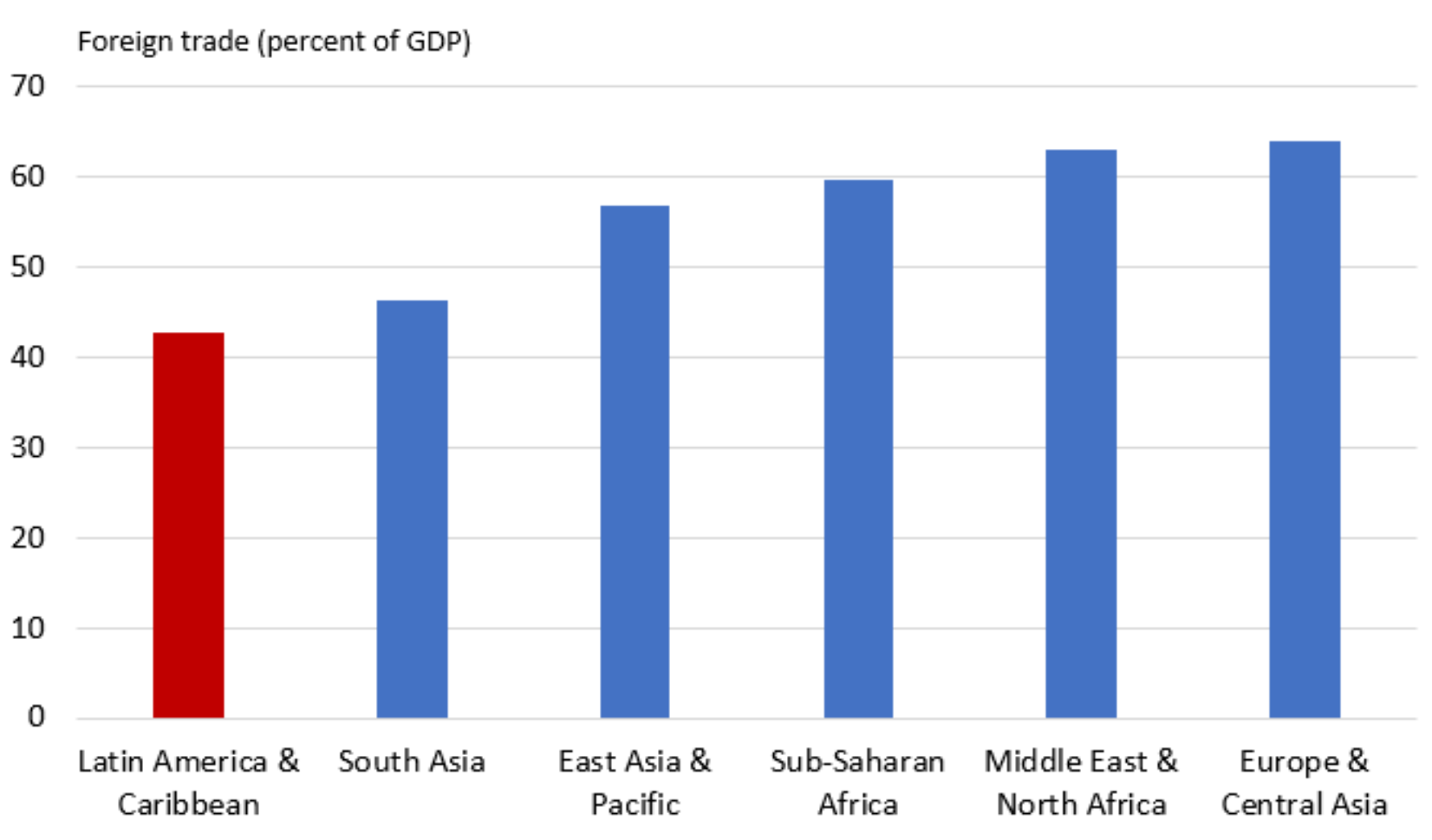


Note: A partial elasticity measures by how many percentage points an indicator changes in response to a one-percent change in another.

Source: Own estimates based on Bloomberg and Haver Analytics.

Far from the world

Less open to trade than other developing regions

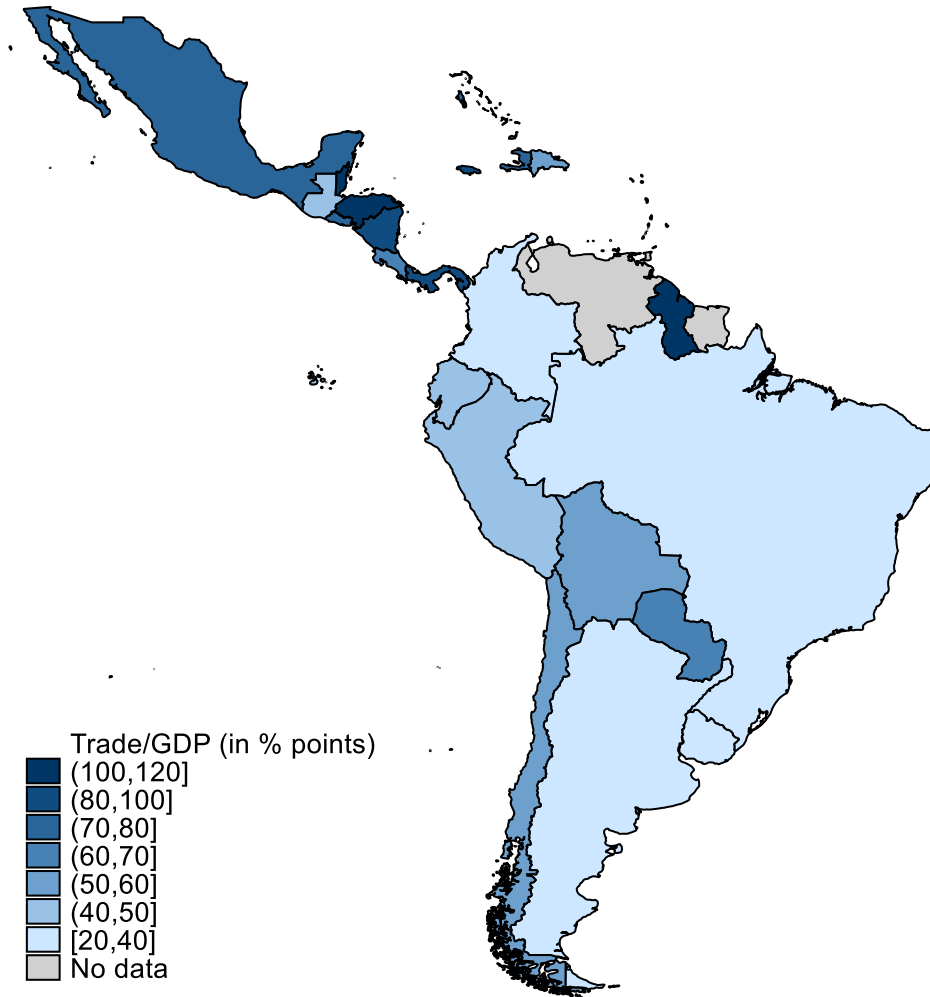


Note: Figures are for trade in goods and services. They are computed as averages over period 2010-17

Source: World Development Indicators.

Low exposure to international trade

Openness to trade is especially low among Atlantic countries

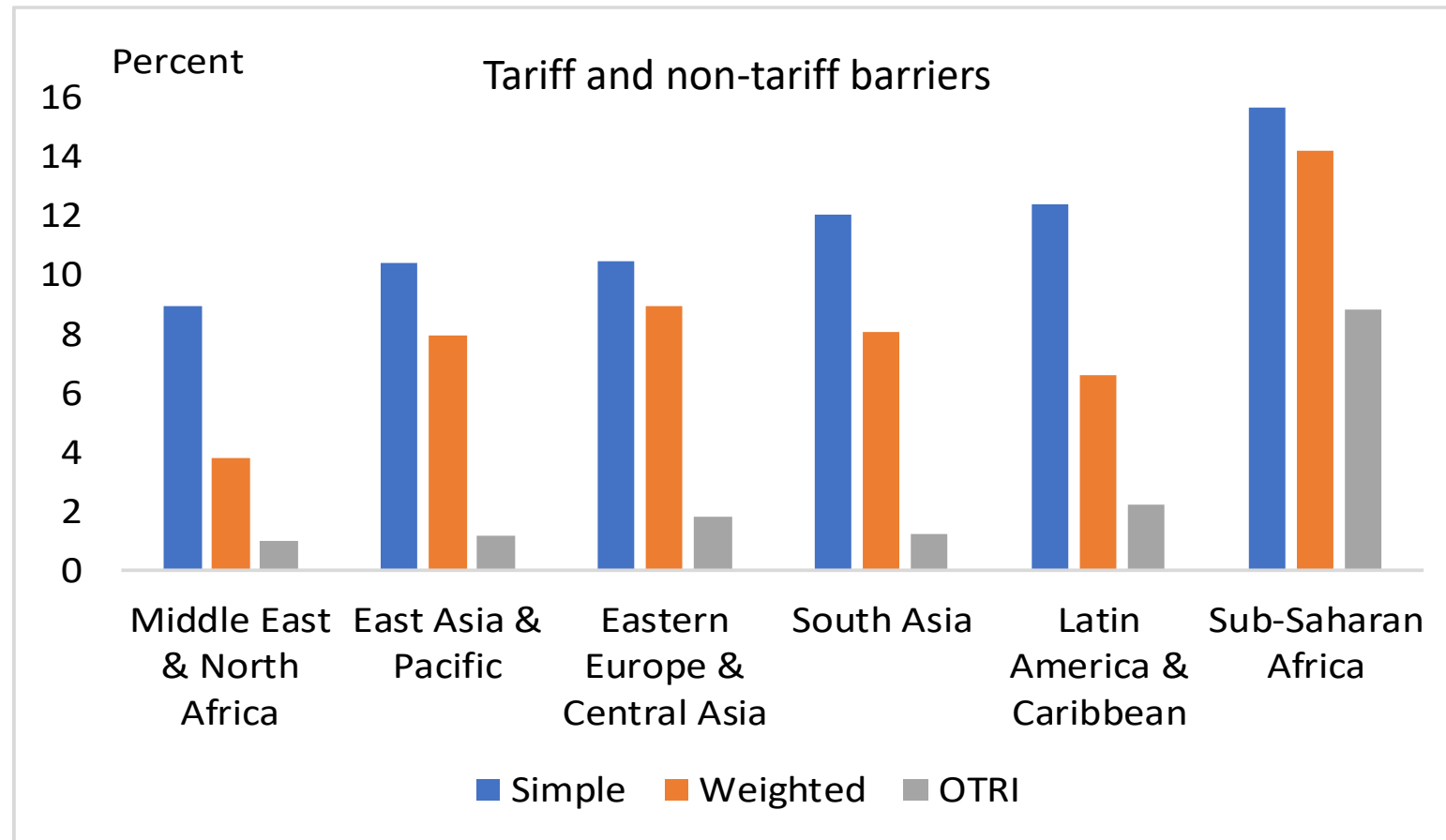


Note: Figures are for trade in goods and services. They are computed as averages over period 2010-17

Source: World Development Indicators.

Low exposure to international trade

A relatively restrictive trade regime

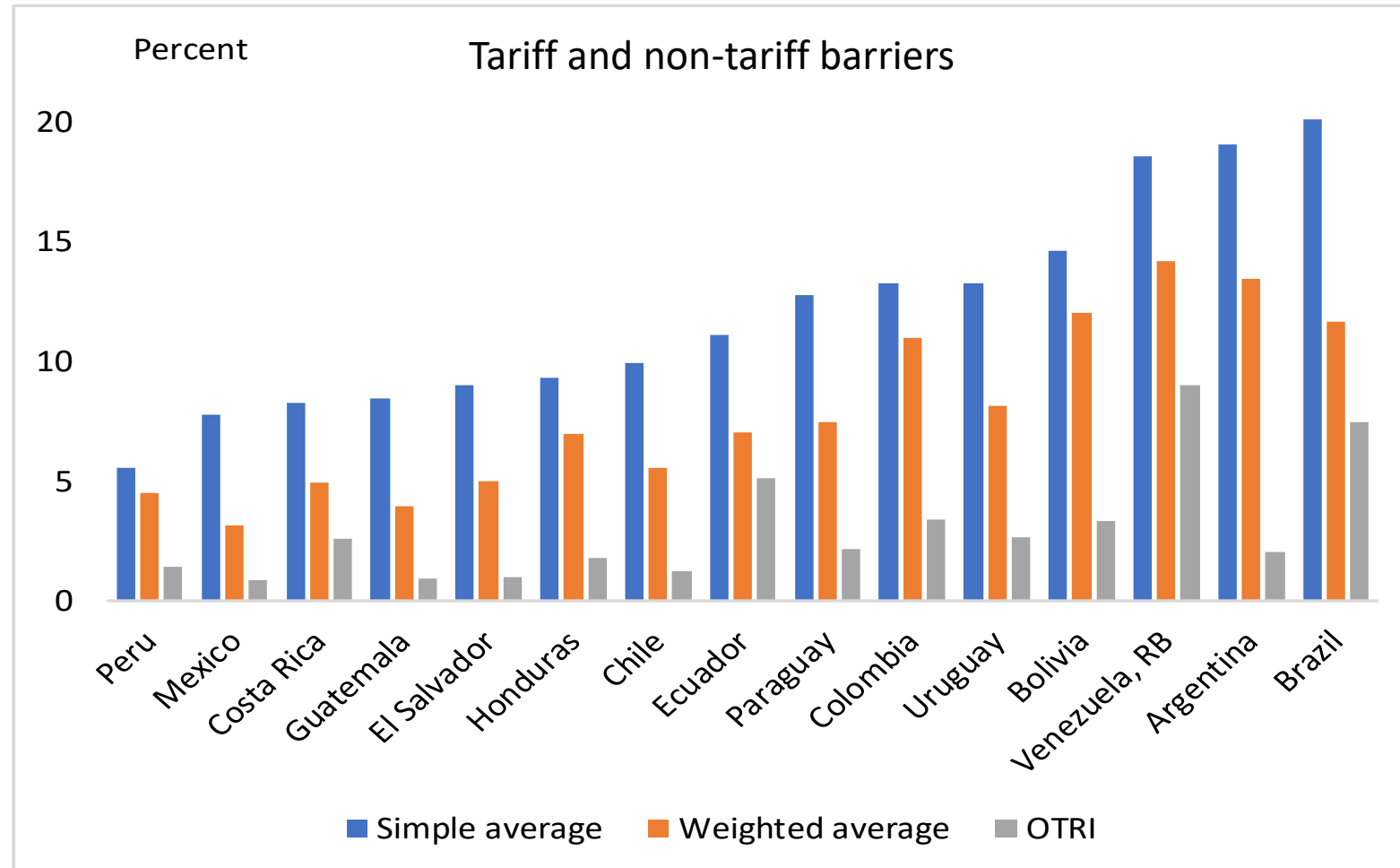


Note: OTRI stands for overall trade restrictiveness index.

Source: Kee (2019)

Restrictive trade policies

Higher trade barriers among countries on the Atlantic



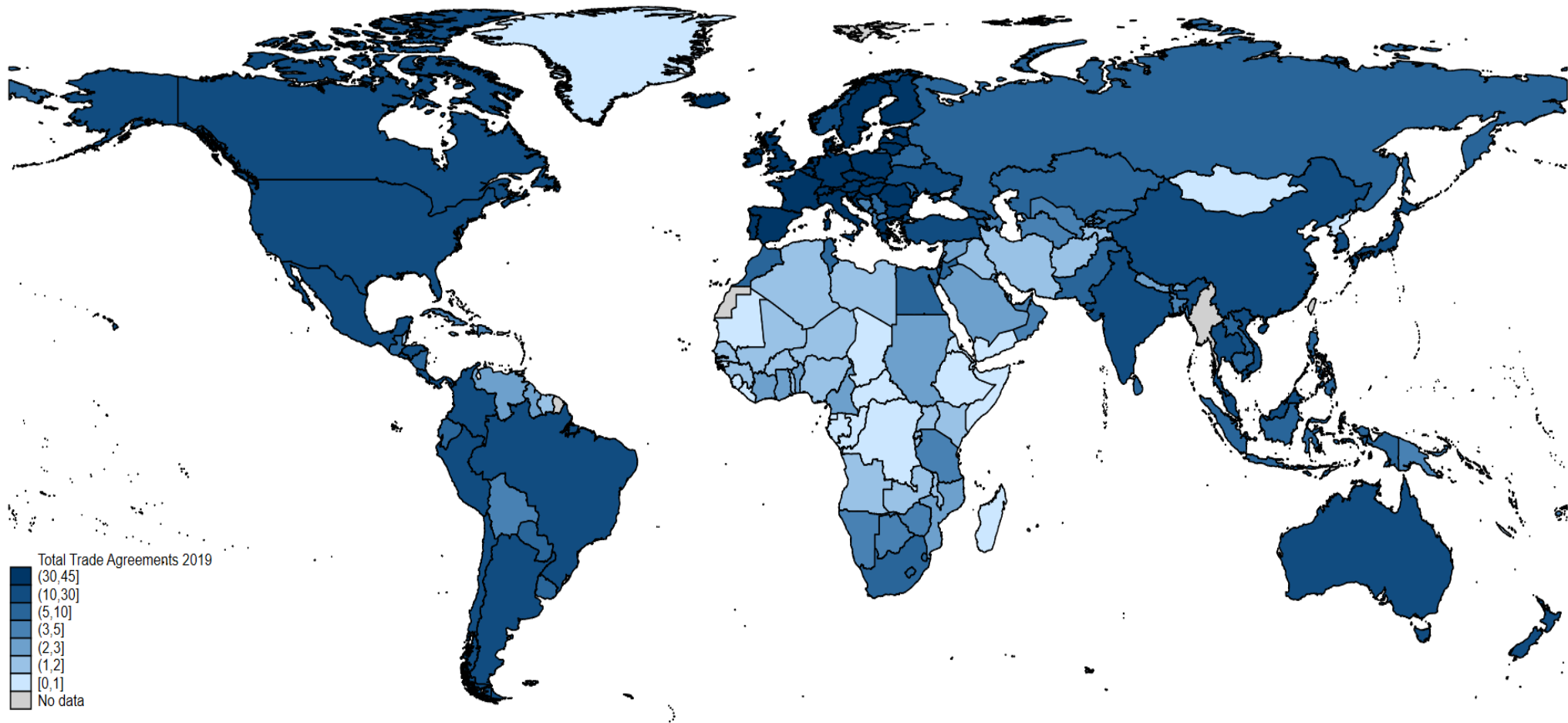
Note: OTRI stands for overall trade restrictiveness index.

Source: Kee (2019)

Restrictive trade policies

Counting on trade agreements

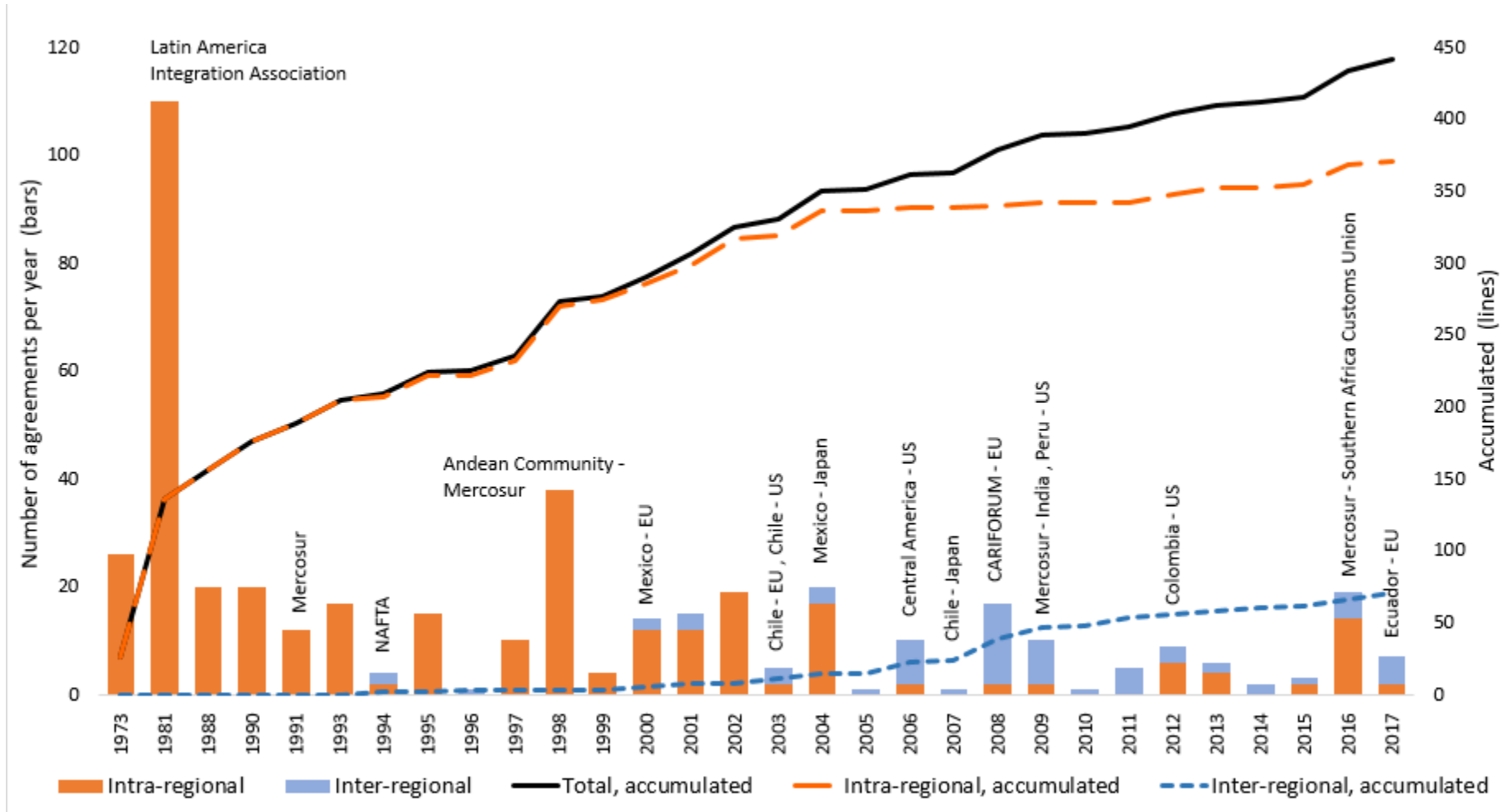
More trade agreements than in other developing regions



Source: World Trade Organization.

Many, but mainly intra-regional

Most trade agreements are within the region

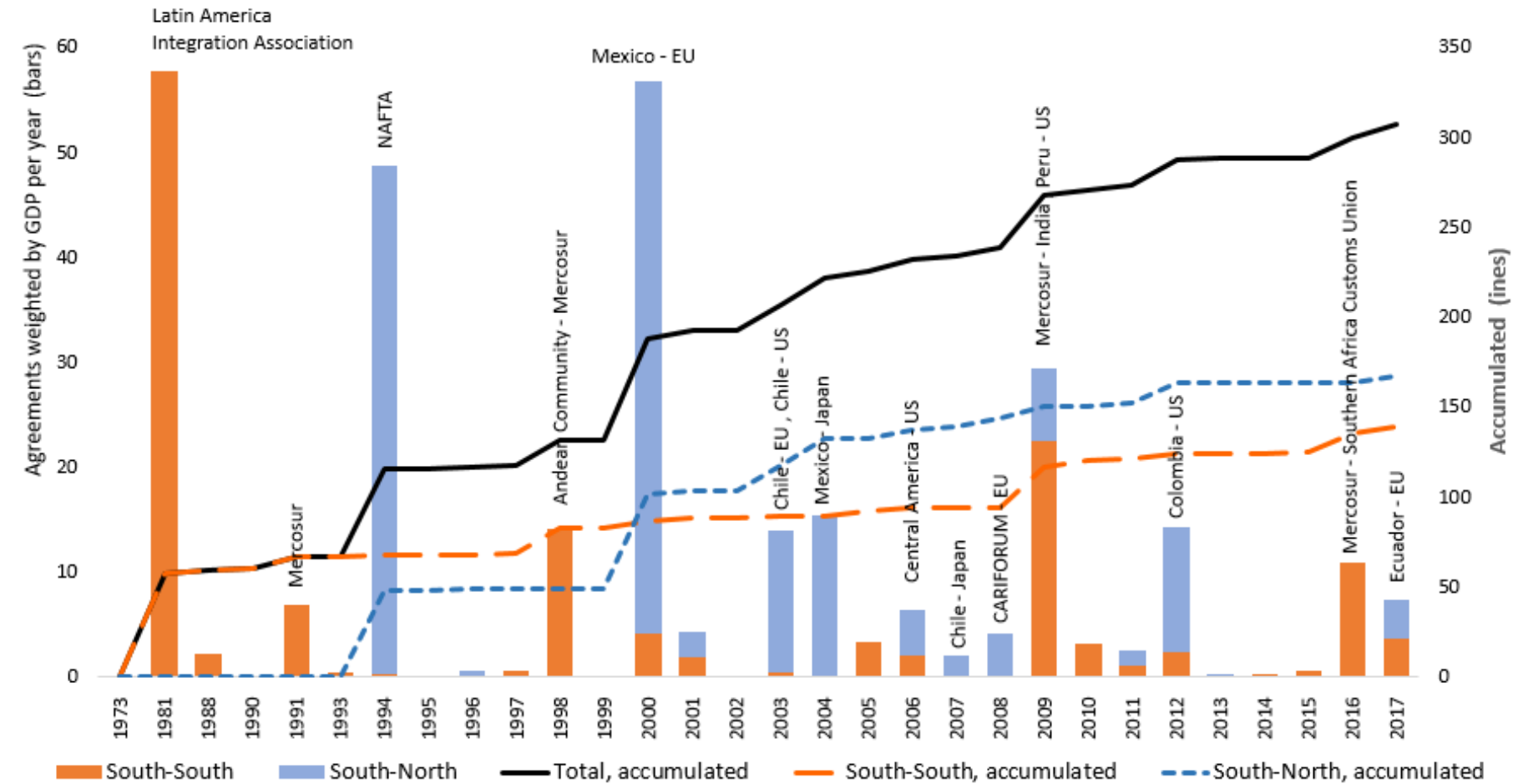


Note: One multilateral trade agreement may lead to multiple bilateral agreements being signed.

Source: Based on World Trade Organization.

Many, but mainly intra-regional

South-North trade agreements involve greater market size...

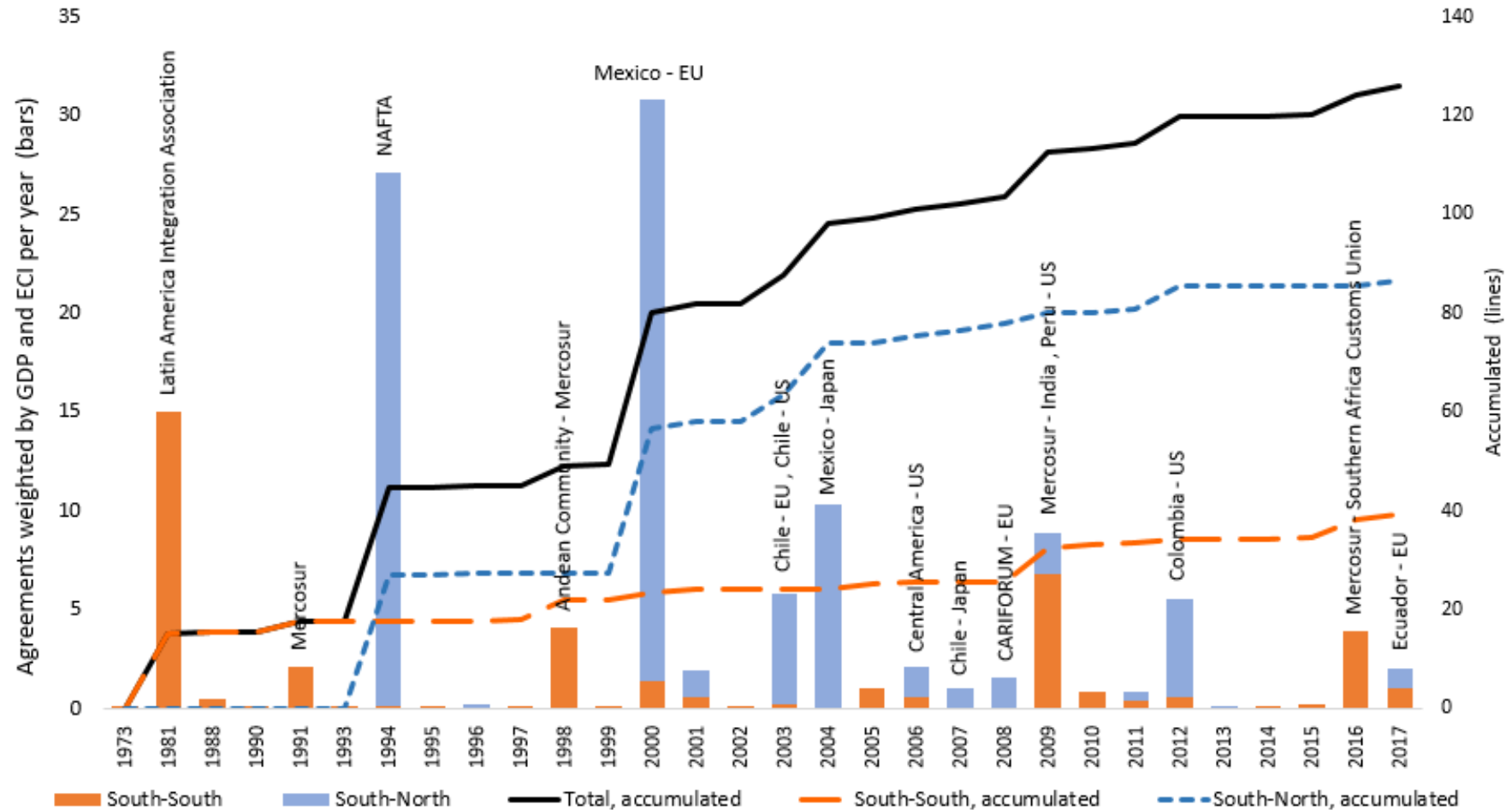


Note: Each agreement is multiplied by the product of the share of global GDP of the two signing parties.

Source: Own estimates based on World Trade Organization and World Development Indicators.

Who you trade with matters

... and increase exposure to economic complexity

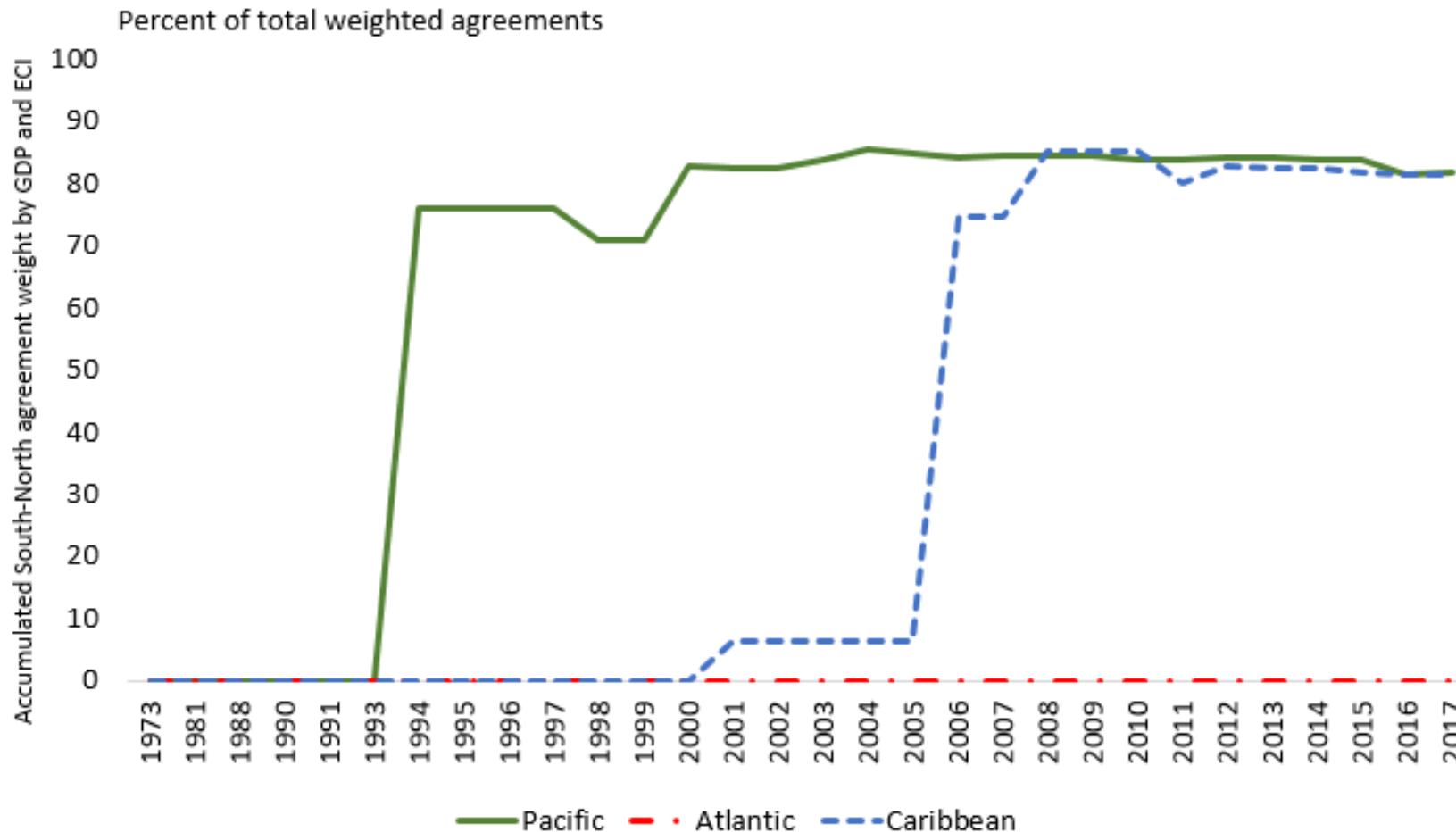


Note: Each agreement is multiplied by the product of the share of global GDP and the ECI the two signing parties.

Source: Own estimates based on World Trade Organization, World Development Indicators and Atlas of Economic Complexity

Who you trade with matters

Caribbean and Pacific countries have looked farther than Atlantic countries



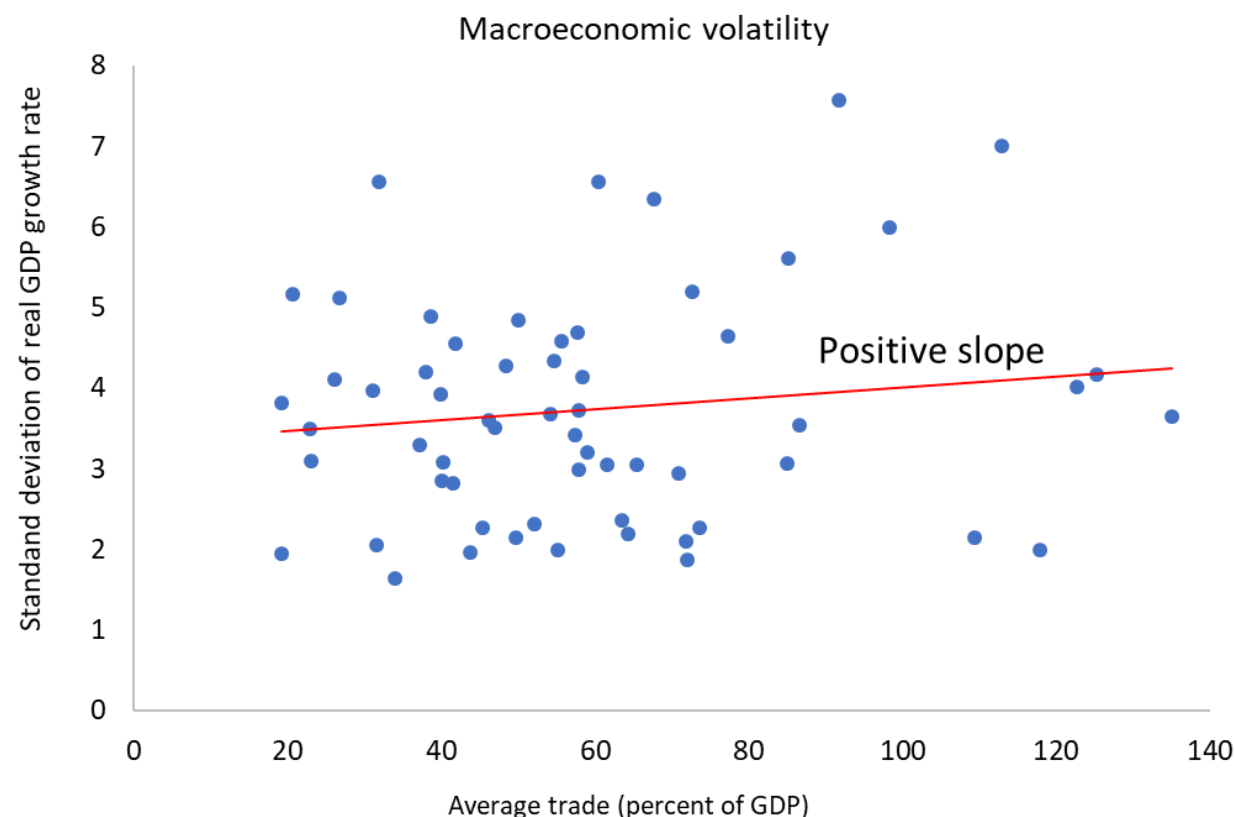
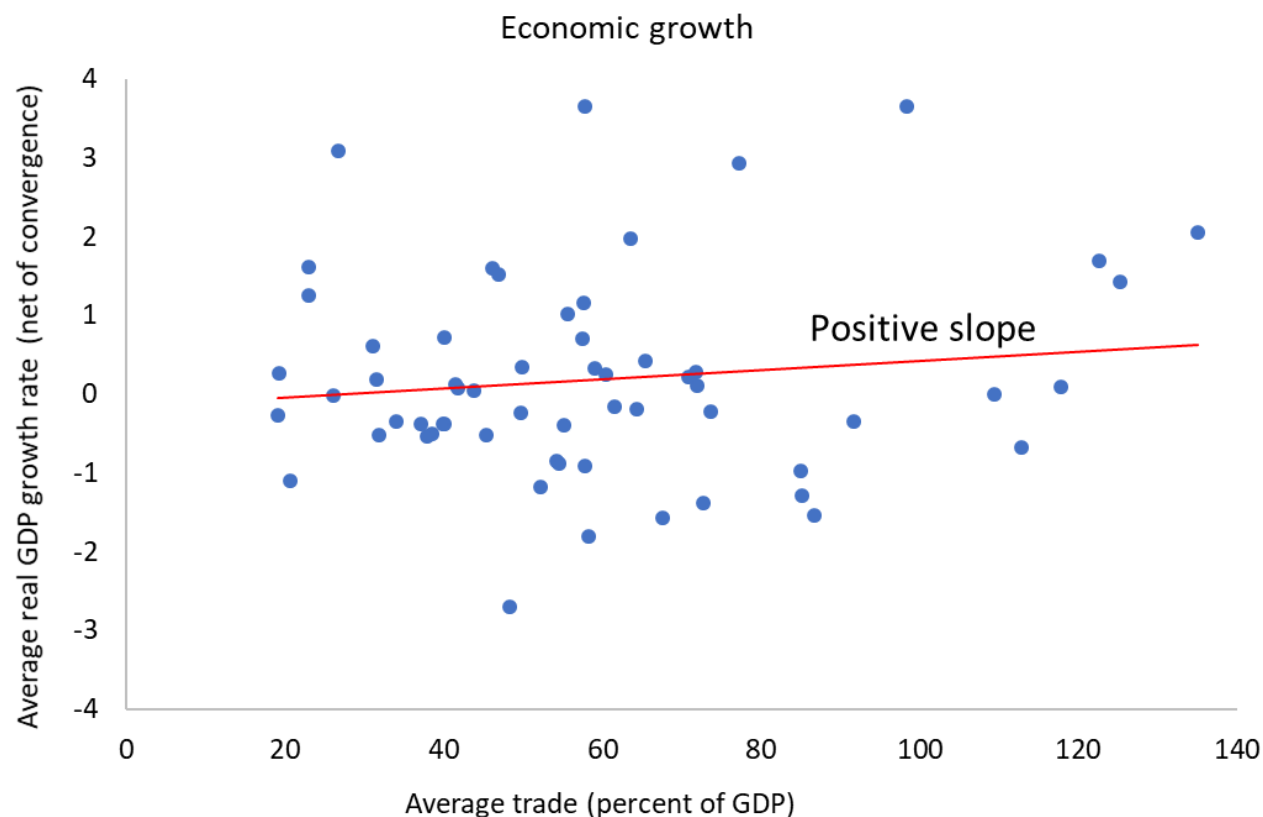
Note: Agreements are weighted by the product of the share of global GDP and the ECI the two signing parties.

Source: Own estimates based on World Trade Organization, World Development Indicators and Atlas of Economic Complexity.

Who you trade with matters

Trade integration and economic performance

Trade integration may seem a risky choice

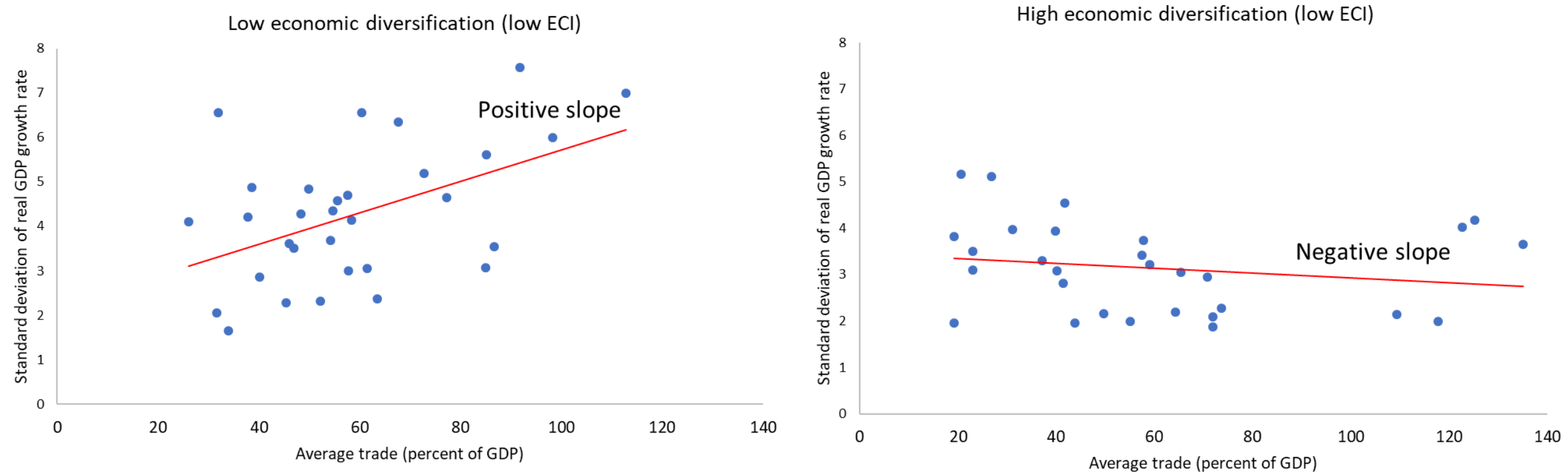


Note: Averages are over the last 60 years. Statistical significance at the 5 and 10 percent level is indicated by two and one asterisks respectively.

Source: Own estimates based on World Development Indicators.

Faster growth... and greater volatility?

Volatility falls with trade in more economically complex countries

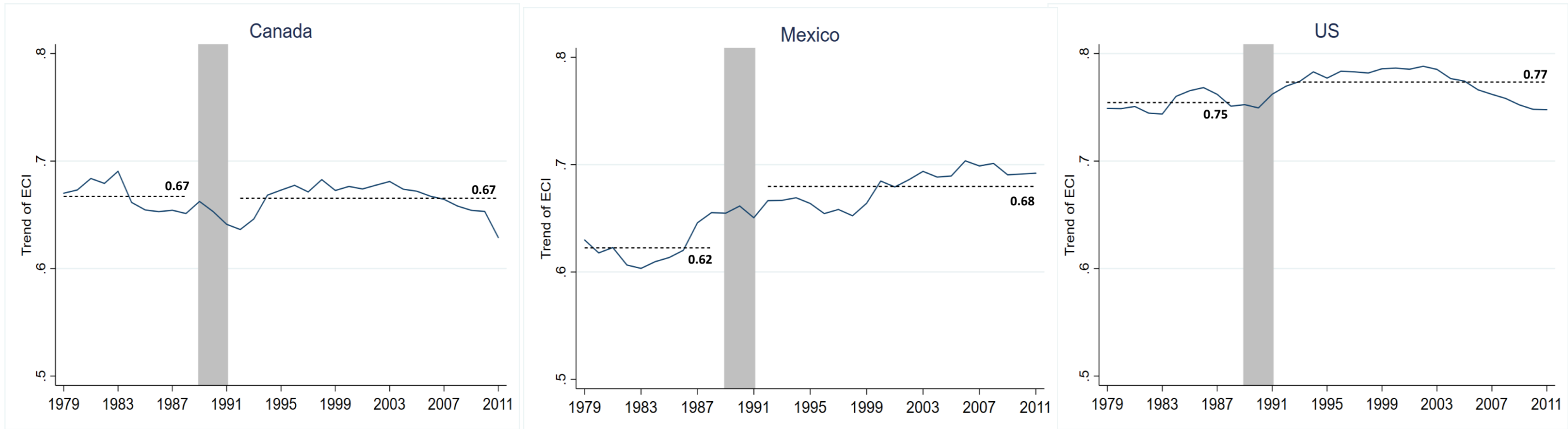


Note: Averages are over the last 60 years. Statistical significance at the 5 and 10 percent level is indicated by two and one asterisks respectively.

Source: Own estimates based on World Development Indicators.

Faster growth... and greater volatility?

NAFTA increased Mexico's economic complexity

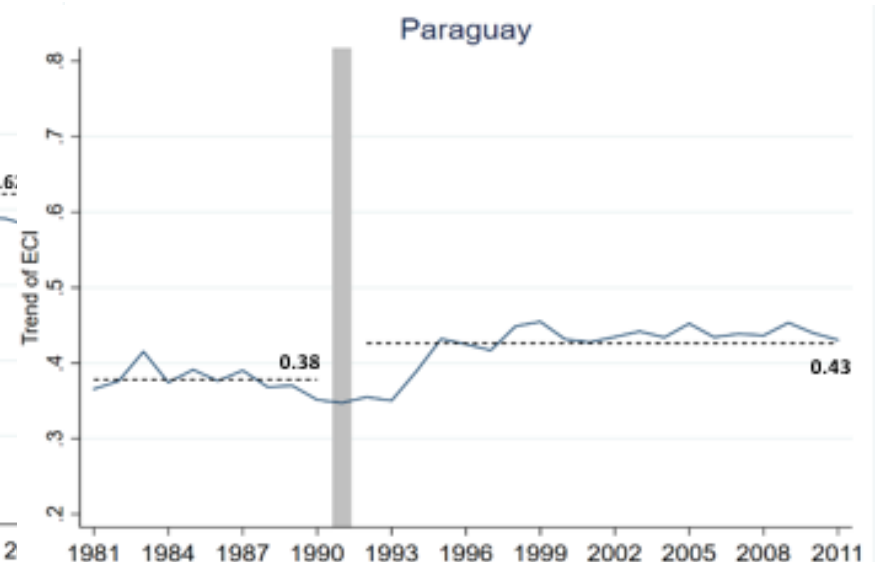
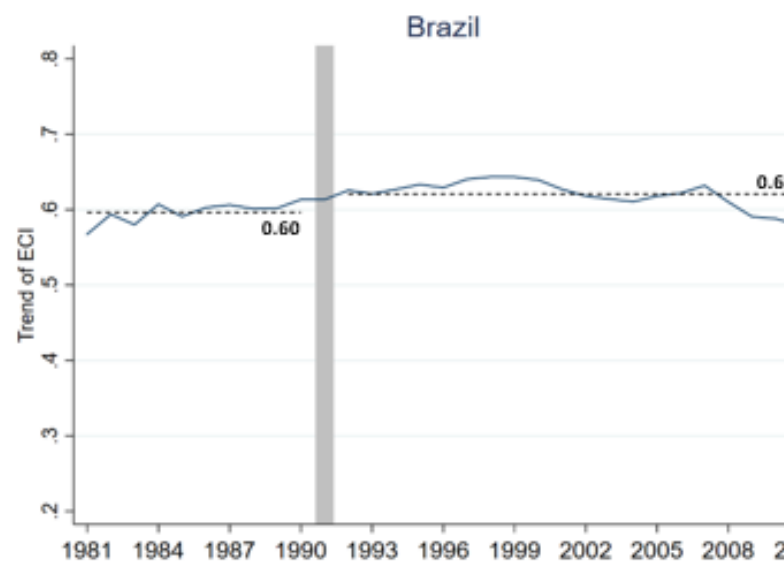
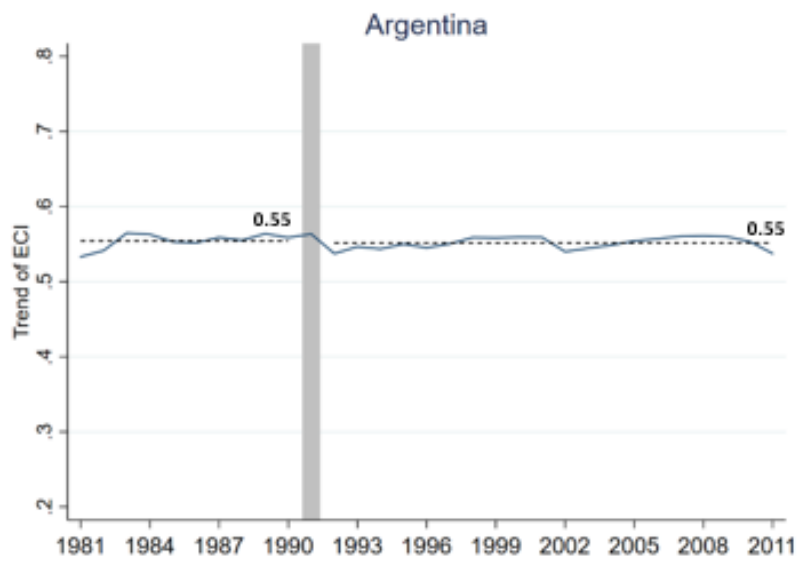


Note: Dotted lines indicate the average ECI before and after the agreement.

Source: Based on Atlas of Economic Complexity

A tale of two major trade agreements

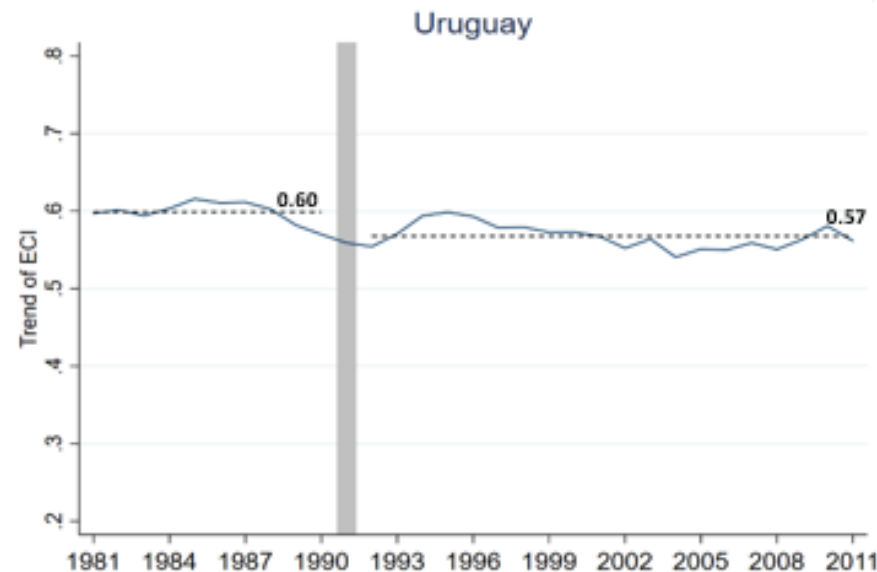
Mercosur did not increase the economic complexity of its members



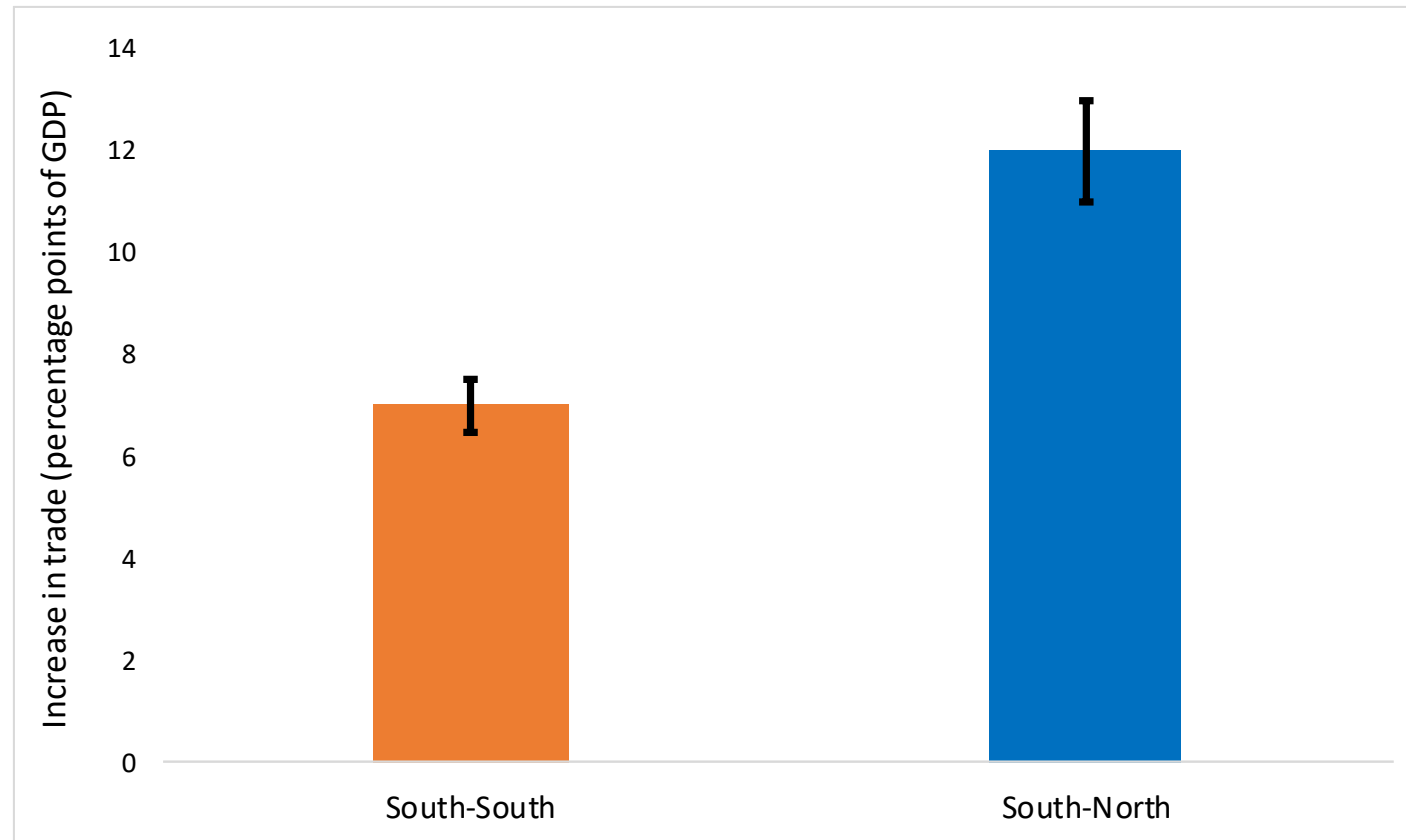
Note: Dotted lines indicate the average ECI before and after the agreement.

Source: Based on Atlas of Economic Complexity

A tale of two major trade agreements



Trade agreements lead to a substantial increase in trade volumes

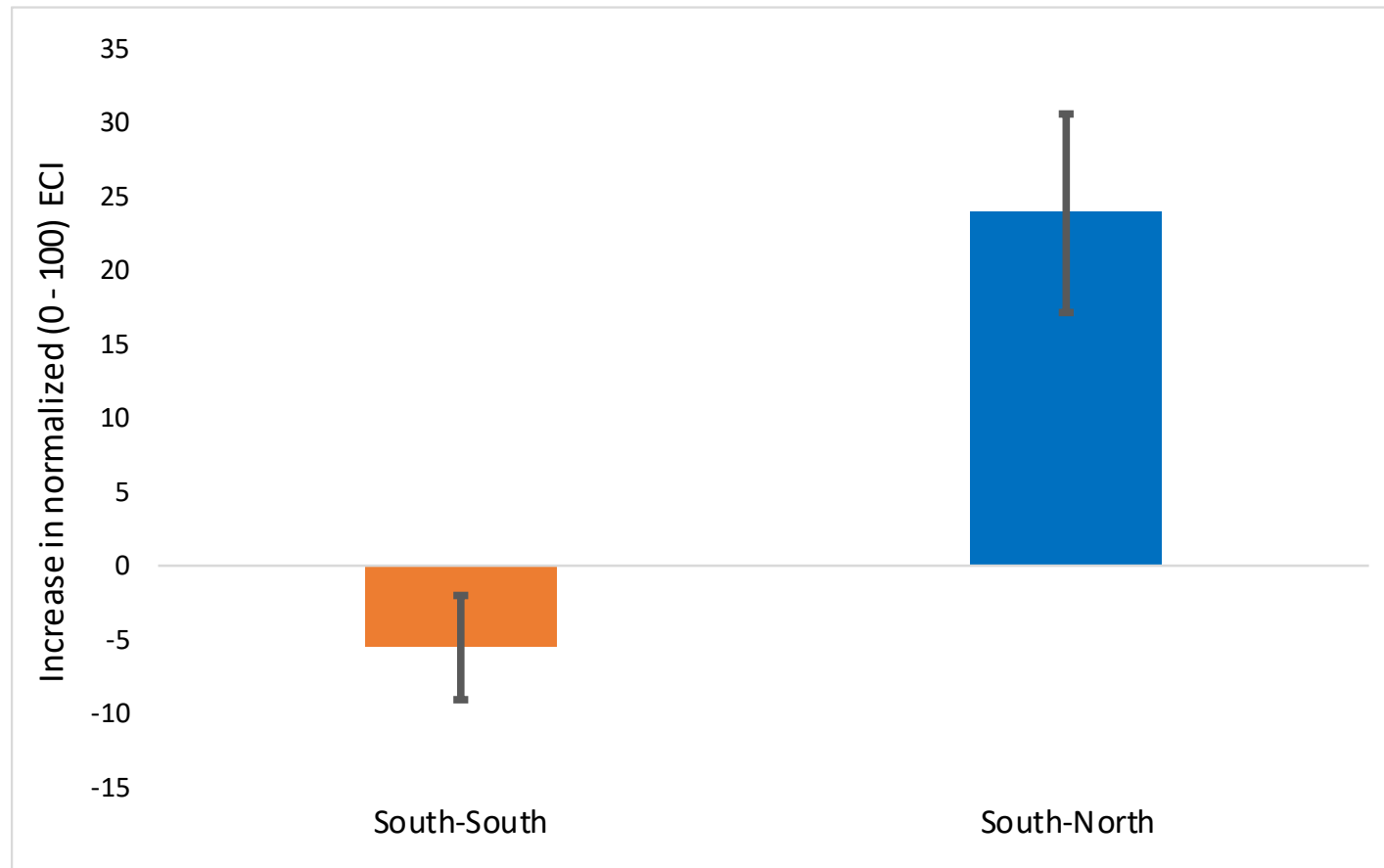


Note: The vertical lines indicate 95 percent confidence intervals.

Source: Own estimates based on World Development Indicators and World Trade Organization.

Medium-term effects

South-North agreements increase economic complexity in the South

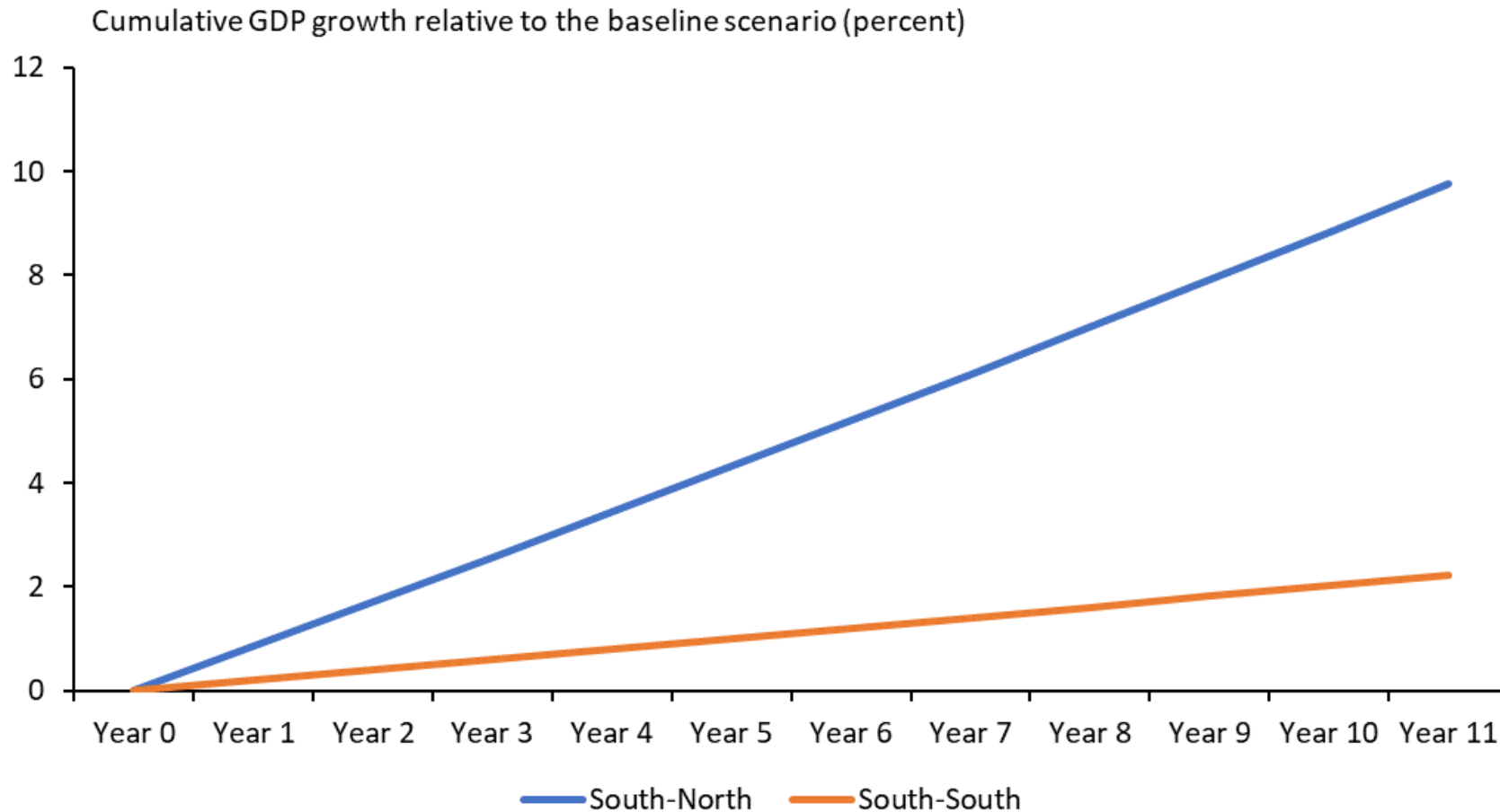


Note: The vertical lines indicate 95 percent confidence intervals.

Source: Own estimates based on World Development Indicators, World Trade Organization and Atlas of Economic Complexity.

Medium-term effects

South-North trade agreements lead to faster economic growth



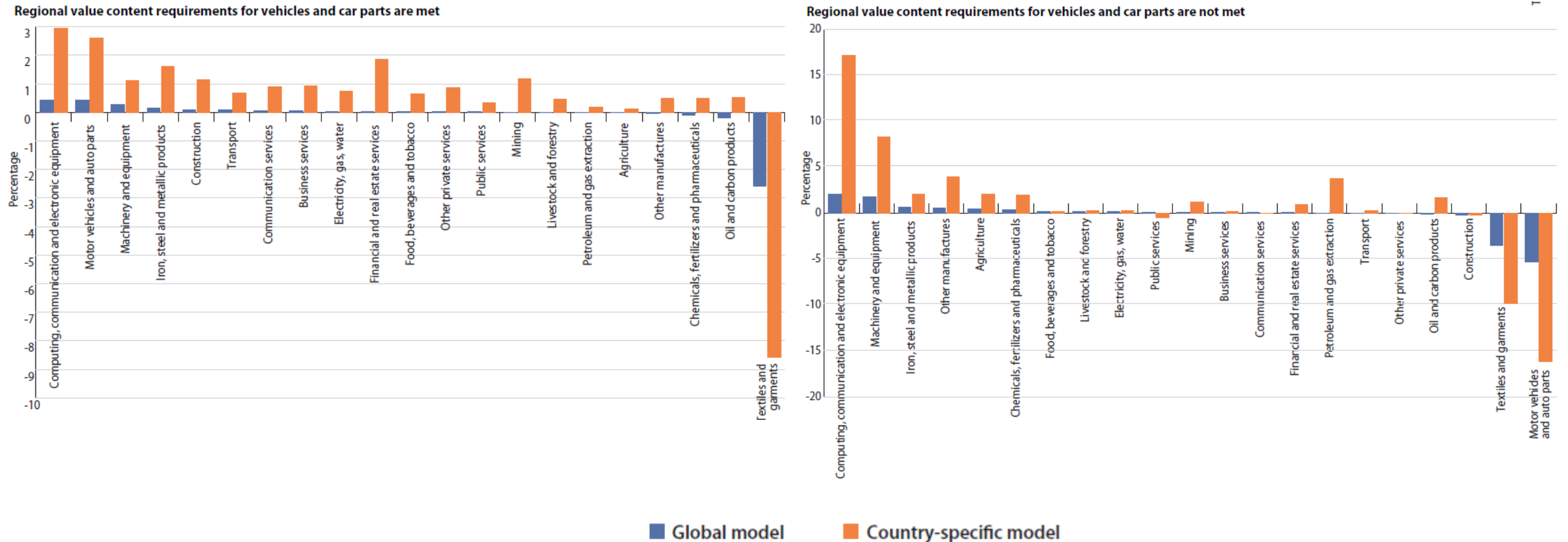
Note: Lines indicate deviation from baseline growth trajectory for an “average” South country after a trade agreement.

Source: Own estimates based on World Development Indicators, World Trade Organization and Atlas of Economic Complexity

Medium-term effects

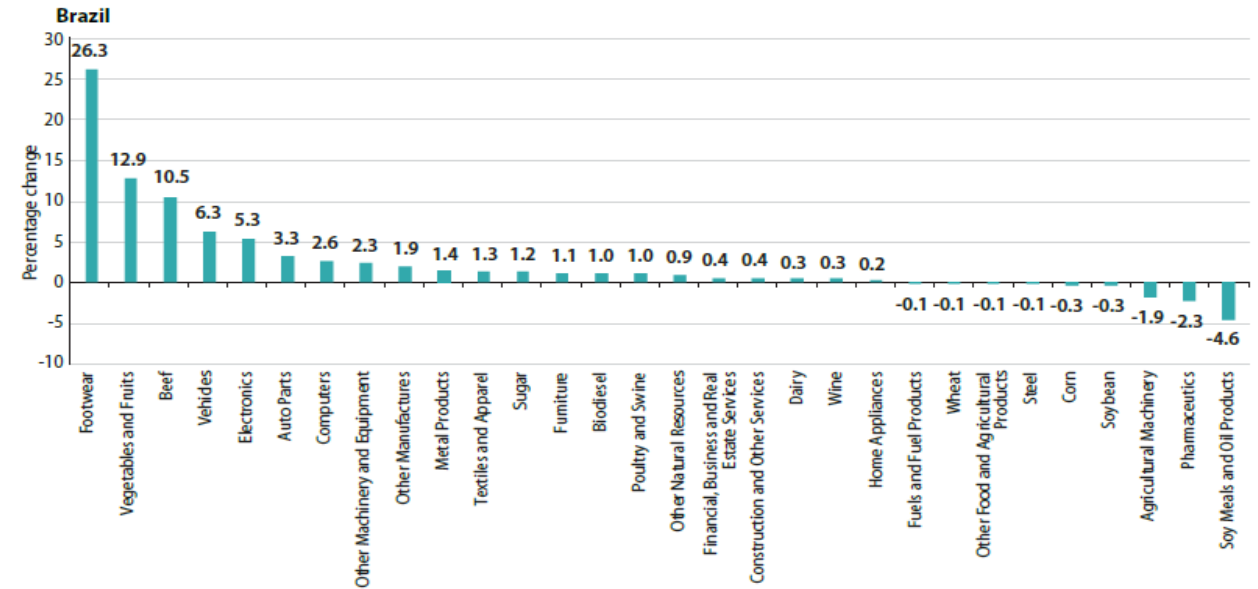
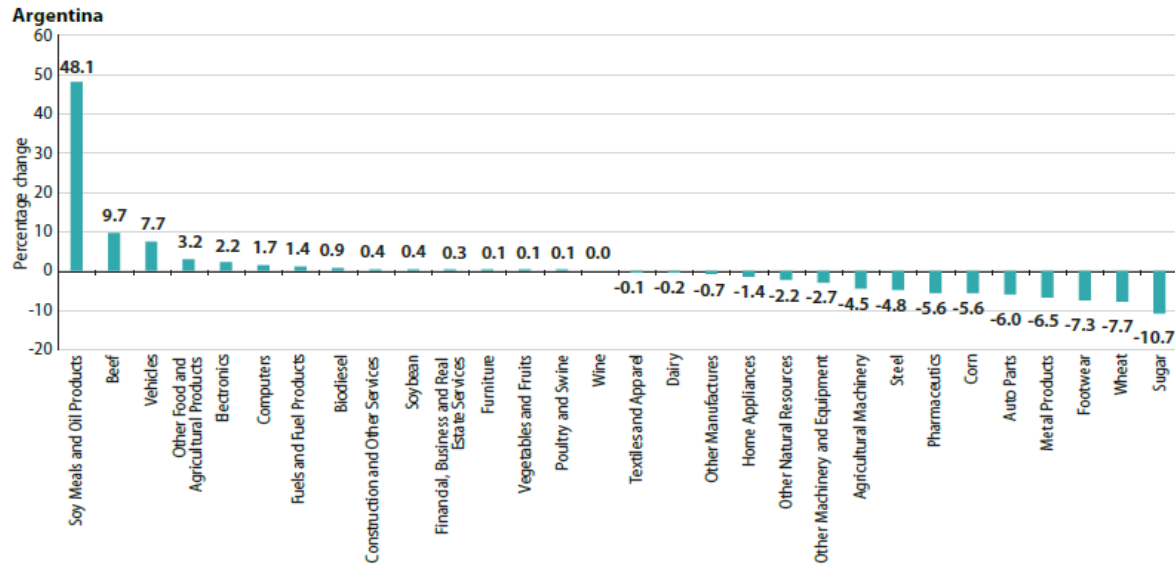
Two milestone trade agreements

Relatively modest structural transformation: USMCA



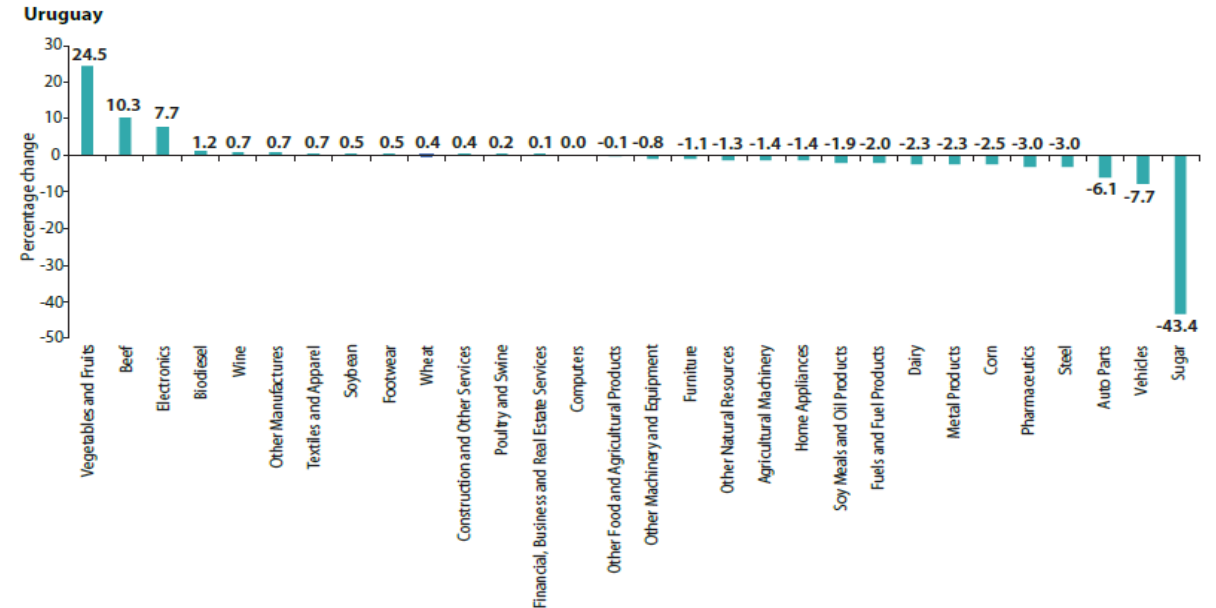
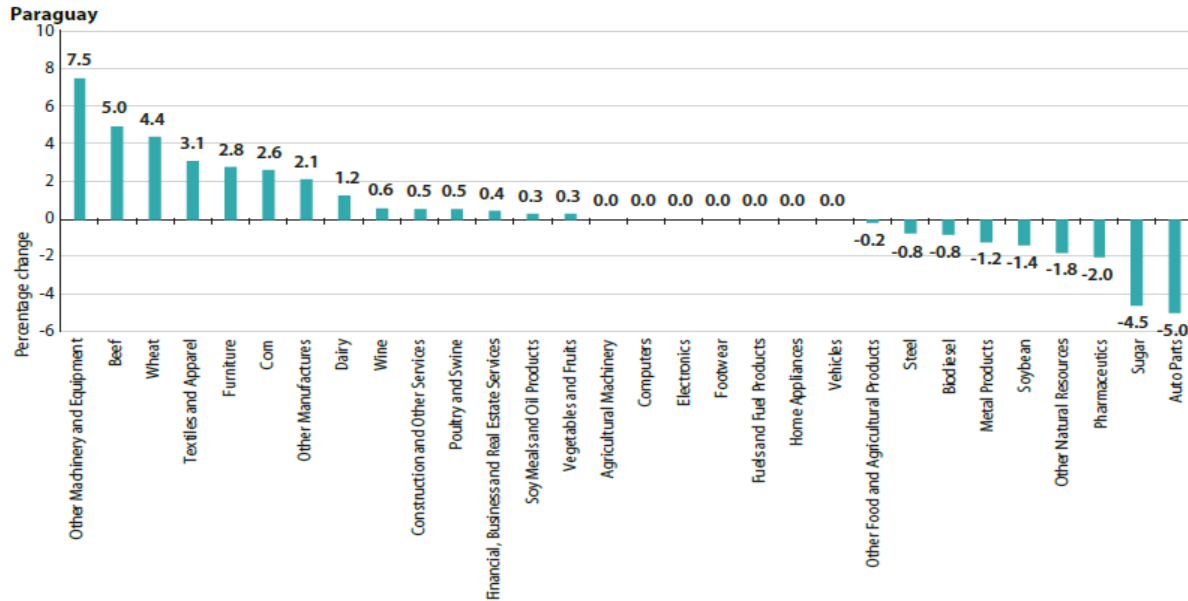
Note: Bars indicate the medium-term change in sectoral GDP relative to the baseline in 2030.
Source: Own estimates based on Estrades (2019).

Relatively modest structural transformation: EU-Mercosur (1)



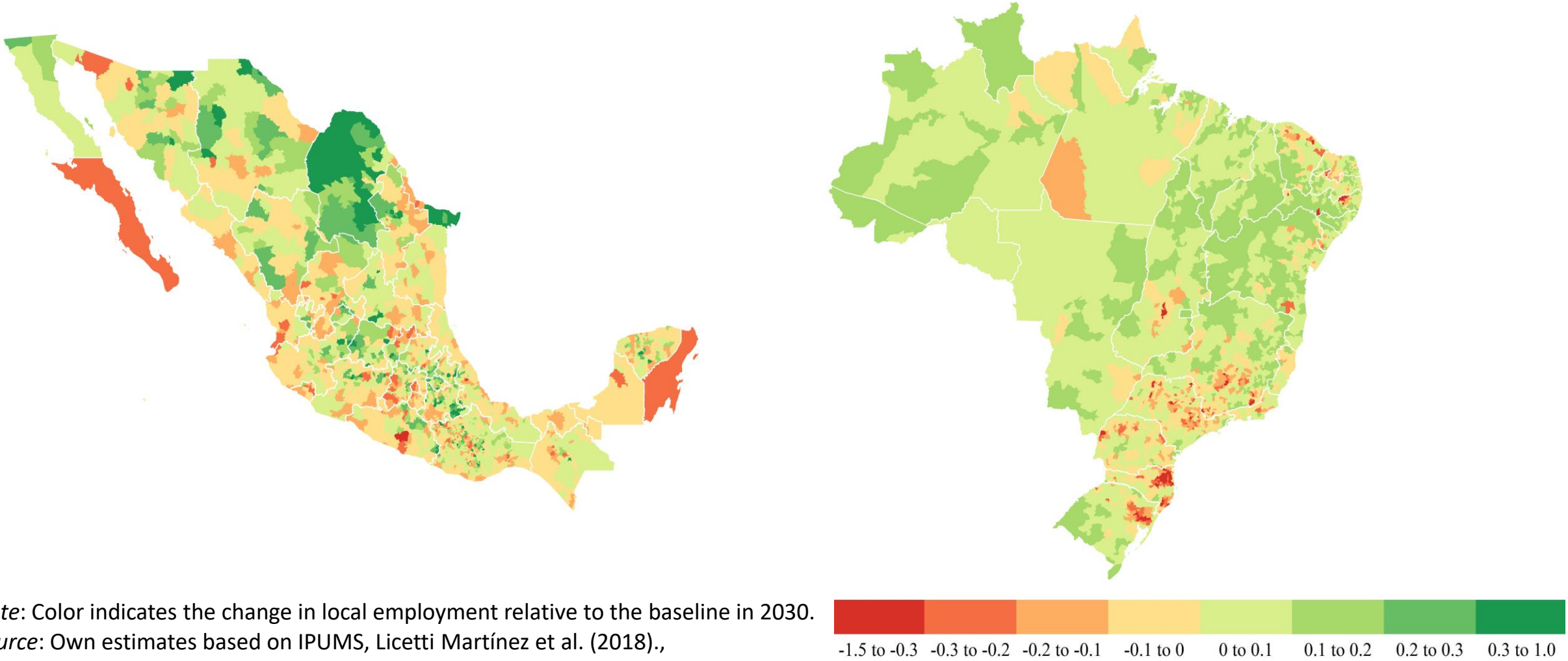
Note: Bars indicate the medium-term change in sectoral GDP relative to the baseline in 2030.
Source: Martínez Licetti et al. (2018).

Relatively modest structural transformation: EU-Mercosur (2)



Note: Bars indicate the medium-term change in sectoral GDP relative to the baseline in 2030.
Source: Martínez Licetti et al. (2018).

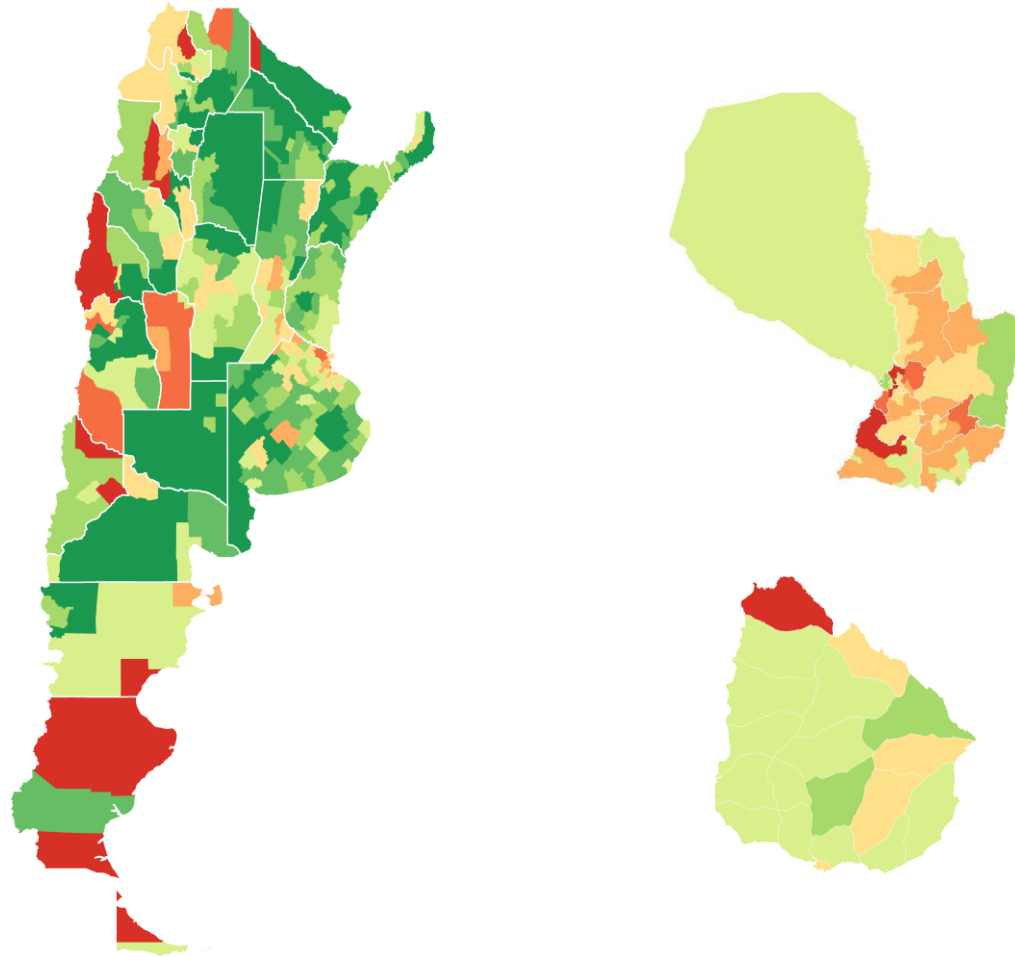
An uneven spatial distribution of the gains (1)



Note: Color indicates the change in local employment relative to the baseline in 2030.

Source: Own estimates based on IPUMS, Licetti Martínez et al. (2018)., and Estrades (2019).

An uneven spatial distribution of the gains (2)

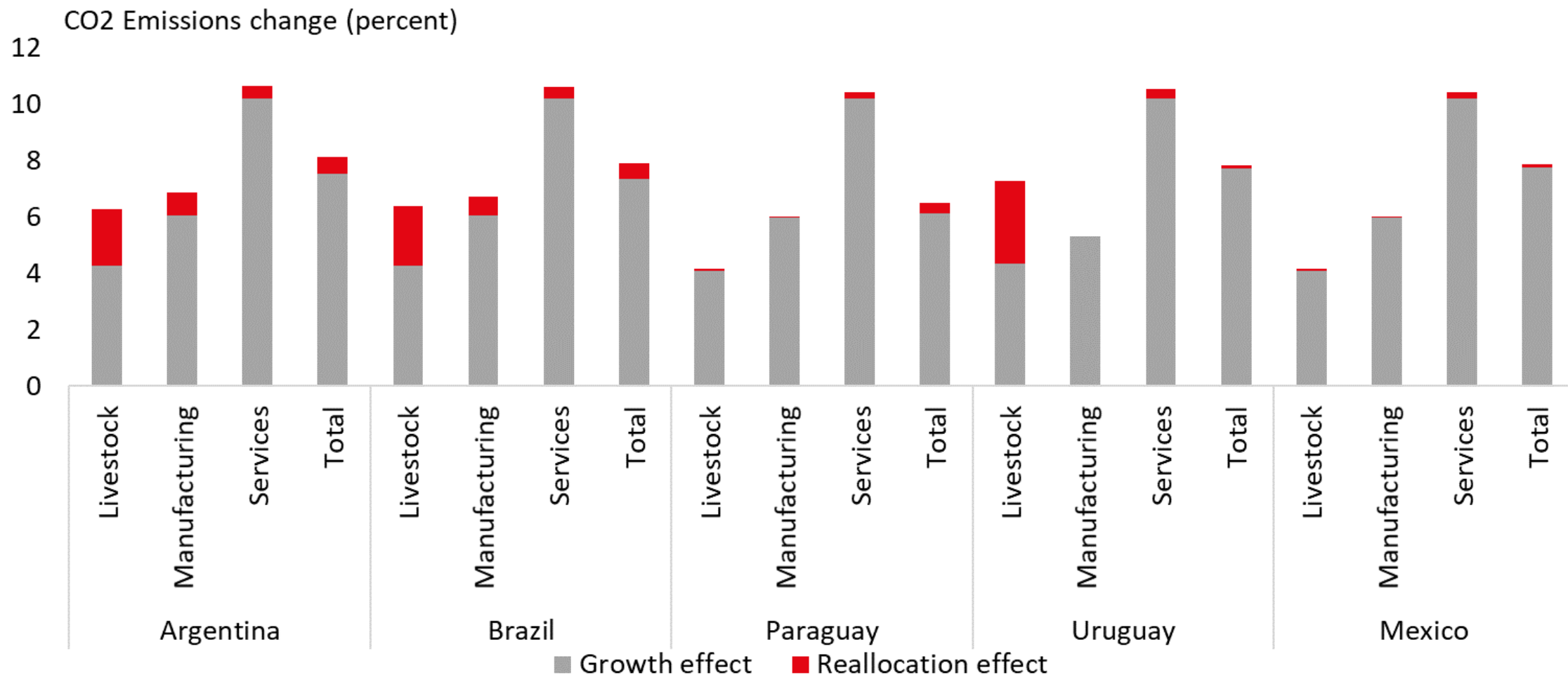


Note: Color indicates the change in local employment relative to the baseline in 2030.

Source: Own estimates based on IPUMS and Licetti Martínez et al. (2018).



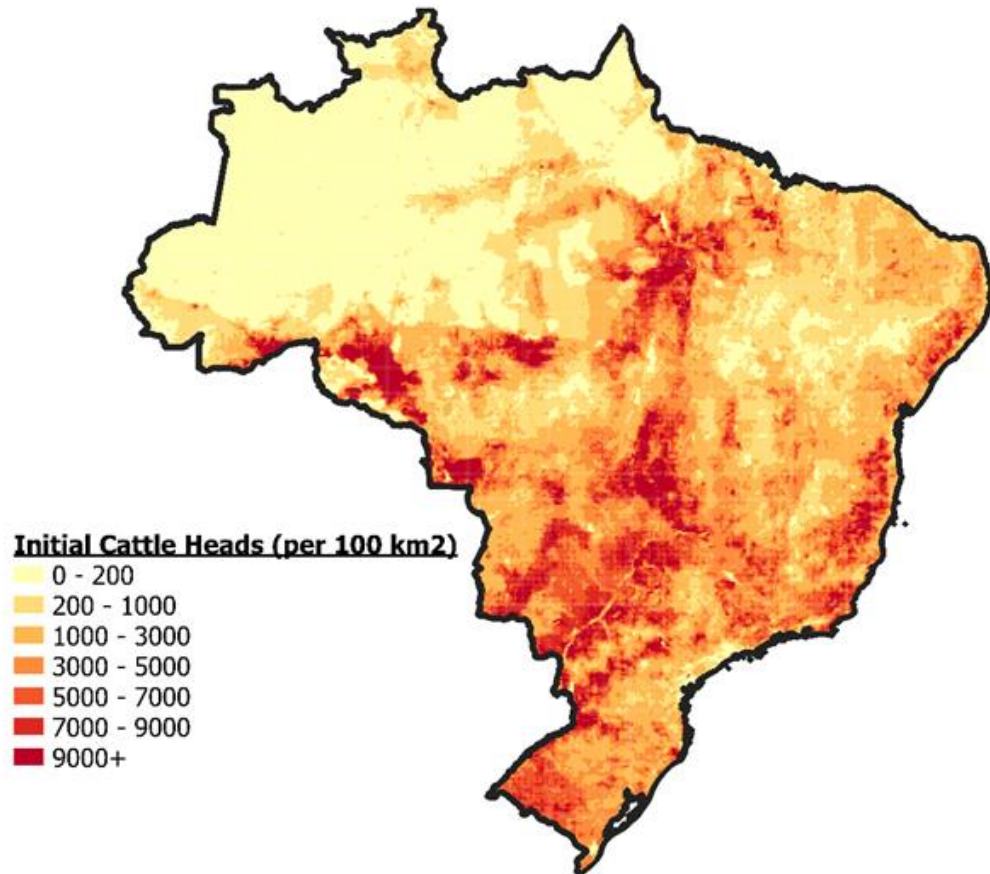
Larger CO2 emissions mainly as a result of faster economic growth



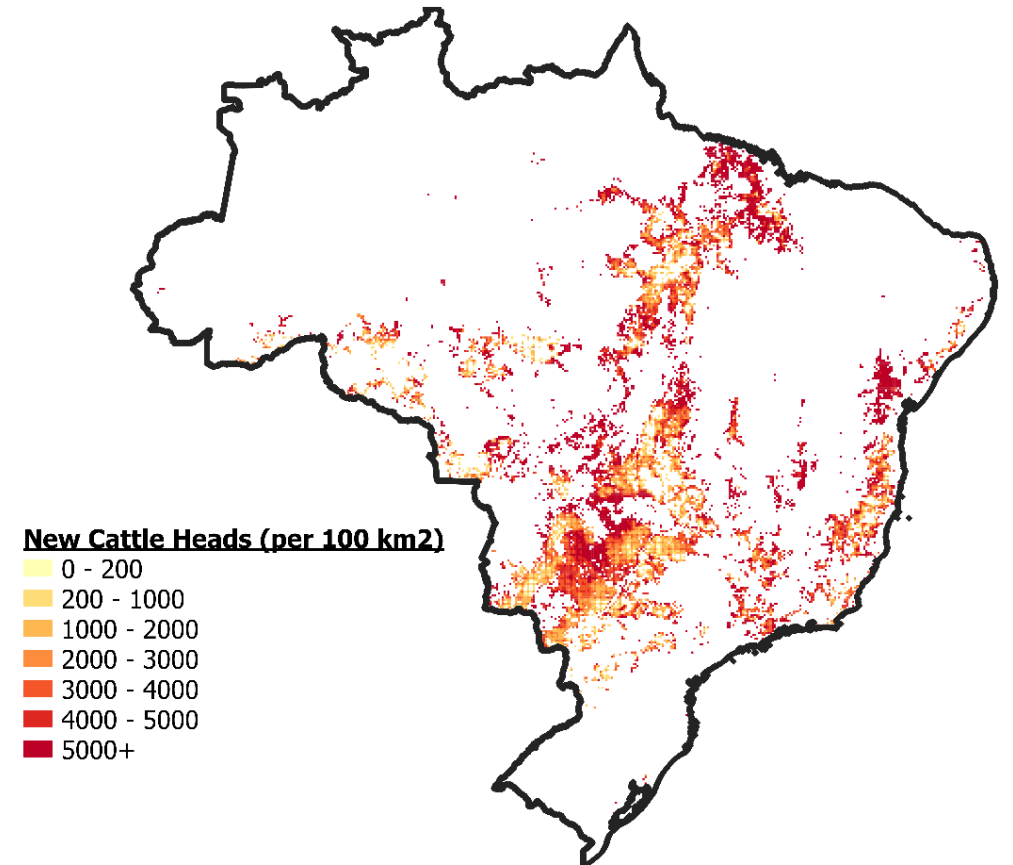
Source: Own estimates based on World Development Indicators, Estrades (2019) and Martínez Licetti et al. (2018).
In the case of Mexico, the assumption is the tighter regional value content requirements are not met.

The spatial distribution of cattle heads in Brazil

Current distribution



Distribution of additional cattle heads



Source: Own estimates based on Gilbert et al. (2018) and IBGE (2018).

Thank you!