

Embracing Economic Openness and Global Integration to Address Slow Growth and Development

The international context appears complex, with slow global progress, geopolitical divisions, and lingering pandemic effects. Rising global funding costs challenge emerging economies, and the Israel-Hamas conflict adds to global uncertainties. As policymakers anticipate encountering external headwinds rather than favorable conditions, the focus should shift away from relying on historical patterns of external factors to drive growth and should instead explore new opportunities. This presents a significant opportunity for Latin America and the Caribbean to enhance its trade links with emerging markets and substantially liberalize its economies, fostering integration with developed nations. This LMV Regional Report examines potential pathways for LAC countries to strengthen their trade partnerships with key economies and enhance their connections with the developed world, including the potential for OECD membership.

International Outlook

As the previous LMV Regional Report (March 2023) presented, the international context shows signs of complex resilience. The main indicators show that the world will keep moving forward slowly, in a much more geopolitical divided scenario, and with some aftereffects from the pandemic crisis. The global cost of funding has surpassed expectations, creating challenges for the region's economies in accessing borrowing. While it is premature to forecast the economic ramifications of the Israel-Hamas conflict, it represents a fresh challenge that compounds the prevailing uncertainties in a global economy where severe disruptions are becoming more frequent. Hence, the focus should be on something other than expecting external conditions to foster growth as it happened historically. It is an excellent opportunity for the region to enhance commercial relationships with new markets and open its economies in an unprecedented manner.

United States

In the United States (US), economy is performing better than initially expected. Inflation taming could end up without hitting a recession. Expectations of a "soft landing" could be shifted to not landing at all. According to the International Monetary Fund (IMF), growth

is expected to maintain last year's 2.1% at the end of 2023 (see Table 1). Forecasts were revised upward as consumption growth kept momentum, and core inflation eased by the accurate monetary policy. As presented in Figure 1, accumulated growth rates are yet to achieve the trend of the last pre-pandemic years (2014-2019).

The Federal Reserve's recent decision to implement the most significant rate increase in 22 years has significantly impacted its inflation control since the previous year's initial hike. As a result of this unfolding scenario, there is a growing consensus that the Fed may no longer need to pursue the same level of aggressiveness it has displayed in recent months. Inflation has come downward during 2023 since the decade's historical peak of June 2022 (9.1%). The most recent months have evidenced the slowest pace in more than two years on the core inflation, which excludes food and energy costs because of its high volatility. With a couple of months ahead, core inflation has been estimated at 2.4% throughout the year. Thus, the Fed's targeted level of 2% will not be achieved until late 2024.

The Federal Open Market Committee (FOMC) has taken the Federal Funds Rate to a targeted range of 5.25%-5.50%, affording the Fed some room to maneuver.

This scenario hints at the possibility of maintaining interest rates relatively steady, providing flexibility to resume one of the steepest hiking cycles in the past four decades. At the start of the year, the Fed had projected closing 2023 with an interest rate of around 5.0%. However, these projections were revised upward during the Fed's September meeting, underscoring that the US economy has proven more robust than anticipated. Considering this resilience and the continued elevated inflation, the possibility of another rate increase towards the end of the year remains.

Conversely, the cost of borrowing, as indicated by the US 10-year Bond Yield in Table 2, is approaching its highest level since September 2007. Elevated interest rates could benefit the US economy by encouraging a more disciplined allocation of resources, as higher borrowing costs incentivize prudent financial decision-making. Therefore, higher rates might be better than initially thought as they boost productivity more significantly than free money. However, this potential benefit for the American economy is not applicable for Latin American economies that suffer a decline on its financial conditions.

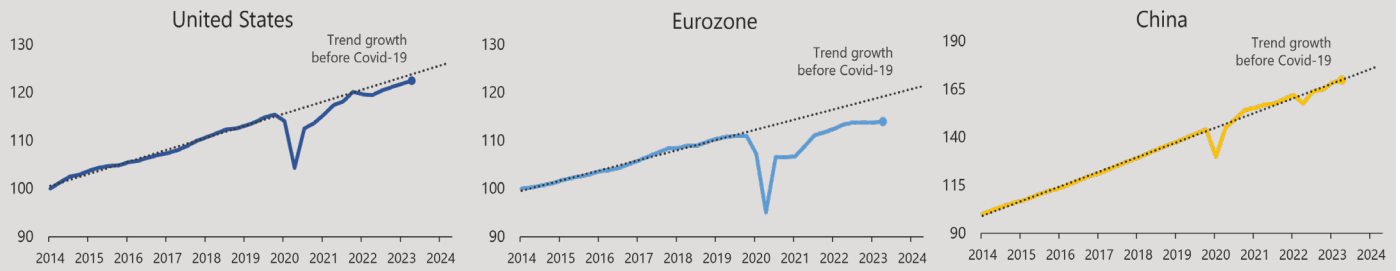
The Purchasing Managers' Index (PMI) for manufactures has been under the expansion zone since the beginning of 2023. This indicator is a weighted average of different variables that follow the activity in the manufacturing sector. A value above 50 signifies industry growth compared to the prior month, while a value below 50 denotes entry into the contraction zone. Alternatively, there is a PMI for services too, which has been in the expansion zone throughout the current year but is slowly converging into a neutral zone. As shown in Table 1, the estimated composite PMI has been falling since May but remained steady if compared with the previous month. Nowadays it finds itself still slightly above the expansion zone.

Table 1. Real GDP growth for 2023

	Projection Oct 2022	Projection Apr 2023	Projection Oct 2023	Composite PMI Set 2023*
Global Economy	2,7%	2,8%	3,0%	50.5 ↓
United States	1.0%	1.6%	2,1%	50.2 =
Eurozone	0.5%	0.8%	0,7%	47.2 ↑
China	4.4%	5.2%	5,0%	50.9 ↓

Source: International Monetary Fund (IMF) – World Economic Outlook, Trading Economics. Note: The Eurozone countries for the GDP projection are Germany, Austria, Belgium, Cyprus, Slovakia, Slovenia, Spain, Estonia, Finland, France, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands and Portugal. The composite Purchasing Managers' Index (PMI) is the weighted average of manufacturing and service sector PMIs. The Eurozone countries for the composite PMI are Germany, France, Italy, Spain, Netherlands, Austria, Ireland and Greece. *The arrow reflects the variation compared to the previous month.

Figure 1. Real GDP: United States, Eurozone and China
Index, Mar-14=100, seasonally adjusted



Source: International Monetary Fund (IMF) – World Economic Outlook, Organization for Economic Co-operation and Development (OECD), Federal Reserve Bank of St. Louis., Eurostat, and IHS Markit.
 Note: The Eurozone countries are Germany, Austria, Belgium, Cyprus, Slovakia, Slovenia, Spain, Estonia, Finland, France, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands and Portugal (the annual GDP values correspond to a subgroup of 17 European countries). Pre-pandemic trend estimated over 2014-2019.

Europe

Europe presents a contrasting economic landscape. Throughout the summer months, the region grappled with extreme conditions, and the specter of stagflation looms as a potential outcome. According to the latest projections from the IMF, the Eurozone will grow at a modest rate of just 0.7% in 2023, followed by a slightly improved 1.2% growth rate in 2024. As of the second quarter of 2023, the Eurozone continues to tread a path of moderate growth, which falls short of a favorable comparison to pre-Covid-19 growth rates, as depicted in Figure 1. Previous forecasts had presented lower figures for the current year, but moderation persists when contrasted with the robust 3.3% growth in 2022. Moreover, a consistent decline in the industrial Purchasing Managers' Index since September 2022 indicates that the sector is experiencing its weakest point since the onset of the Covid-19 crisis.

The primary factor contributing to the deceleration of economic activity in the region is the ongoing recession in Germany, Europe's largest economy. The country has experienced consecutive economic contractions in the last three quarters, marking a recession for the leading economic powerhouse on the continent. According to the most recent projections from the IMF, Germany will be the sole G7 economy to witness a decline in 2023, with an approximate 0.5% contraction compared to the previous year.

Inflation remains a significant concern in Europe, with a more challenging backdrop than in the advanced economies due to its proximity to the Russia-Ukraine war. The European Central Bank (ECB) has raised interest rates to 4.5% on September, marking an increase of 2 percentage points since the beginning of the year (Table 2). Although headline inflation has declined since October 2022, it exhibits stubborn resilience. Underlying inflationary pressures persist without showing signs of abating. The

ECB's stance is clear: their intentions remain unchanged until core inflation is controlled. Considering these factors, Europe is grappling with a distinct inflationary reality compared to the United States. The chances of hitting a hard landing on the activity creates a different outcome than expected for the US economy, which makes room for divergence in the Advanced World. Such difference in the growth rates exhibited can be appreciated in Figure 1. It remains a problem for the world's leading economies to reintegrate the growth path during the post-pandemic era, and, in comparative terms, Europe is losing the race.

China

China deals with several challenges on various fronts. As highlighted in the previous LMV Regional Report, the policy shift initiated at the beginning of the year heralded a

profound transformation accompanied by heightened political tensions (see Box I). Internally, the nation grapples with significant discord, as Xi Jinping's vision only partially aligns with the aspirations of the newest generations. Externally, geopolitical challenges persist, particularly emphasizing relations with the United States. Notably, new restrictions have been imposed recently, barring investments in critical high-tech sectors, including AI, quantum computing, and other areas of paramount importance in security and military advancement.

China is exhibiting indications of an economic deceleration (Table 1). During the year's first half, its year-over-year growth rate stood at 5.5%. However, when examining the quarter-to-quarter performance, China's Gross Domestic Product (GDP) only expanded by 0.8% in the second quarter. Exports have also experienced a decline in the

Box I. Xi Jinping's Ideology

Since Mao's death, the Chinese Communist Party (CCP) has avoided creating a new all-powerful leader who dominates the political system and remains in power indefinitely. However, things changed in the last two National Congress of the Chinese Communist Party: first in 2017, when Xi's ideology was enshrined in the Party's constitution, and then in 2022, when the age limit for presidents was removed. Xi's rise to power marks the return of an absolute leader to China; it can be compared with Mao, but it is more complex as it combines ideological purity with technocratic pragmatism.

Inspired by historical and dialectical materialism, Xi's thinking centers on China's successful deterministic model and the conflicts it faces. Domestically, there is a struggle against reactionary forces, such as the private sector and civil and religious organizations. Externally, there is a conflict with the West. Xi communicates to the CCP

that China is more powerful than ever and intends to wield this power effectively.

China's head of state trusts a new generation of educated elites who assume significant positions and see themselves as the vanguard of the revolution. At the same time, he employs surveillance technology to control dissent. In Xi's words: "The disintegration of a regime often begins in the realm of ideas." In 2019, he launched an ideological propaganda campaign with the slogan "Do not forget the original purpose of the party, always keep in mind our mission", aimed at indoctrinating party members.

Xi's ideas significantly influence China's public policy and foreign policy. His statements define how the CCP and its 100 million members perceive the nation and its global role, which is why the rest of the world should also take Xi's words seriously.

Table 2. International Prices and Rates

	Average 2017-2019	Max 2020-2023	Latest available*
Food Prices (Index, 2017-19=100)	100	142	115 ↓
Metal Prices (Index, 2017-19=100)	100	112	81 ↓
Oil Price (Brent, USD/Barrel)	64	120	93 ↑
US Inflation	2.10%	9.1%	3.7% ↑
Fed Rate (US)	1.76%	5.5%	5.5% ↑
US 10-Year Bond Yield	2.46%	4.8%	4.6% ↑
Europe Inflation	1.5%	10.6%	4.3% ↓
ECB Rate (Europe)	0%	4.5%	4.5% ↑
Germany 10-Year Bond Yield	0.2%	2.97%	2.7% ↑

Source: Board of Governors of the Federal Reserve System, European Central Bank (ECB), Chicago Mercantile Exchange (CME), Food and Agriculture Organization of the United Nations (FAO), World Bank, Bureau of Economic Analysis U.S. Department of Commerce, and Eurostat. *The arrow reflects the variation compared to the previous month.

first half of the year, and the dynamics of trade associations are shifting as emerging markets outpace advanced economies. In particular, there has been a substantial 41% annual increase in trade with Russia and a 33% surge with Central Asia.

In contrast, Latin American countries saw a less favorable trend, with a slight 0.1% decline in trade with the world's second biggest economy. Furthermore, China's international trade is impacted by the Renminbi (Yuan) depreciation relative to the US dollar, reducing its purchasing power. This currency depreciation affects both the volume of imports and exports, contributing to a more restrictive economic landscape.

Consequently, the Chinese economy is shining less brightly than it once did. In addition to the competitiveness challenges stemming from its currency, the real sector is facing significant turmoil. This is especially true for the real estate sector, which has historically accounted for approximately 20% of the GDP but is now grappling with financial difficulties. As a result, the struggles in the real estate market are instilling concerns of deflation and defaults. Despite government stimulus efforts, these conditions are eroding confidence in the sector.

China's PMI also reflects a notable absence of optimism. The manufacturing index has remained below the expansion threshold for five consecutive months, only recovering to 50 in September. Consequently, the composite PMI also shows deterioration signs but still remains expansive due to the service sector, as shown in Table 1. Such contraction in the manufacturing sector carries substantial implications for global commodity demand, dampening the prospects for countries that rely on exporting raw materials to the sector. The weakening Chinese economy and

currency depreciation will have repercussions for nations that have grown by supplying commodities and machinery. This categorization applies to a great extent to Latin American and Caribbean countries.

Such a shake in confidence has also resulted in a tepid investment in the private sector. Fixed asset investment has slowed down due to weakened growth prospects. For instance, worldwide private-equity capital raised for investments in China has fallen since 2017. Yet, the fall has been more intense in the last quarters. In other words, a shift in the game's rules has made China too hot to handle for many investors worldwide.

Commodities

Latin America and the Caribbean boast a rich history of being major suppliers of raw materials to the global market. The region holds the distinction of having the world's largest surplus in the agricultural trade balance, effectively nourishing the world like no other. Of the thirty-three countries in this region, twenty-one derive over half of their export revenue from commodities. In general terms, the exports of such goods account for 12.2% of the regional GDP.

Given the region's heavy reliance on commodities, known for their high price elasticity, 2023 offers a relatively favorable context. According to the World Bank's commodity price index, the remarkable increase observed in the past year, driven by exceptional circumstances, saw a 27% decline by September of the current year. However, the steepest drop since the pandemic is anticipated to stabilize, offering a more consistent outlook for 2024, all else equal.

Oil prices are once again at the levels

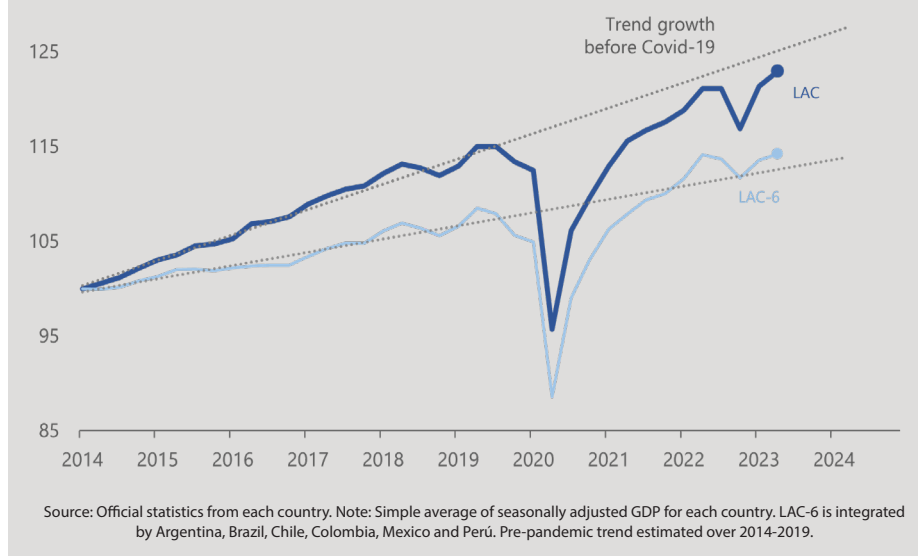
of the past year. As expressed in the latest LMV Regional Report, "Perspectives 2023: Better than expected, but not so much," the financial crisis of the banking sector unsettled the fear caught up in financial markets and oil prices. Moreover, the developing military clash between Hamas and Israel could affect oil supply from the Middle East and add fuel to the fire. The Brent crude barrel price is now at USD 94 per barrel, marking a substantial increase over the past four months (Table 2). For the region, this has two-sided effects. Considering that most countries are net oil importers, the accumulated growth of 7.8% throughout the year presents a challenge for consumers and producers who rely intensively on this energy source. On the other hand, the rise of oil prices benefits countries with a structure of net exporters.

Nevertheless, there is an enormous room for improvement with the increase in demand for the green transition. The need for metals is much higher for low-carbon technologies. For instance, producing a single electric car requires up to three to four times more copper than an internal combustion one. For such a scenario, the continent has the resources to fulfill the needs of a boom that will come eventually. Estimates indicate that 60% of the lithium reserves are held in the continent, while only Peru and Chile possess more than 30% of the copper ones. Luckily for the region, the demand for minerals for green transitioning will be durable and offer many countries a new commodities boom.

However, as previously mentioned, China's industrial sector's slowdown presents a near-term threat to the international demand for metals. Metals and minerals have seen a substantial decline of nearly 29% compared to their historical peaks. Minerals like copper, iron ore, steel, and aluminum could witness further reductions if China's demand experiences a significant contraction. Meanwhile, most metals, except iron, are trading at higher values than before the boom. In the case of gold, it reached a record price of USD 1,999 per troy ounce in April. This surge in price responds to the extensive expansions undertaken by Central Banks since last year, which significantly boosted demand in an unprecedented manner. Consequently, gold has been sought after as a means of de-dollarization.

The reality of the food sector is similar to the rest. While fertilizers have fallen drastically compared to the latest year

Figure 2. Real GDP: Latin America
Index, Mar-14=100, seasonally adjusted



peak (46%), the food index remains 19% below, like the 16% fall presented by the agriculture index. The prevalence of natural disasters, becoming more common year after year, is strictly associated with food insecurity in least-developed countries. Therefore, it is challenging to predict for sure in a scenario of such volatility in weather conditions due to climate change. According to the Economic Commission for Latin America and the Caribbean (ECLAC, 2023b), the region faces a significant challenge regarding the level of investment required to avoid the negative impact of global warming. Notably, the estimations for a group of Central American countries indicate that in 2050, GDP could expect a fall between 9% and 12% if compared with a scenario of trend growth. Thus, an exceptional increase in the level of investment, around 5.3% to 10.9% of GDP per year, is necessary to achieve the trend level at the beginning of the second half of the century. Such a foster would imply a significant change in the public debt structure.

The impact on the price reductions of commodities is expected to be unequal for the different regions of LAC. According to the Inter-American Development Bank (IDB), the estimated effect on the trade balance, in terms of GDP, gives a contraction of 0.2% for LAC in 2023. However, the Andean states would suffer the more significant impact of 0.5%, followed by the Mercosur member states, which are estimated to lose 0.4%. Central American economies benefited by 0.5%, as well as Caribbean economies, with a 0.4% gain due to price change.

CERES External Factors Index

The CERES External Factors Index (CEFI) assesses the global economic outlook by combining international food prices (based on the World Bank's food index), international metal prices (such as iron ore and copper prices in global markets), international interest rates (specifically, the 10-year US treasury bond yield), oil prices (i.e., Brent crude oil), and global economic activity (i.e., seasonally adjusted GDP for China and the US). The CEFI was introduced in the LMV Regional Report "Tailwinds in the Short Run Coupled with Long Run Challenges" (October 2021) and can be considered a measure of the economic climate that Latin American economies face.

External conditions continue to be negative for Latin America in 2023 and are not expected to improve dramatically in 2024. However, the CEFI reports slight improvement compared to the perspectives presented a year ago in the LMV Regional Report "Clouds on the Horizon, Opportunities Beyond." On the other hand, the updated version of the CEFI suggests external conditions deteriorated compared to what CERES expected in April 2023 (i.e., CEFI decreased by 4 percentage points). While 2024 appears to be a year with a more optimistic outlook than the one expected in 2022, this is primarily attributed to the recovery underway since the first quarter of the year.

LAC Outlook

The LAC region is expected to grow by 2.3% in 2023 and 2024, with most of the economies growing (except Argentina

and Chile in 2023; see Table 3 and Box II). This performance estimated by the IMF in October's issue of the World Economic Outlook (WEO) places LAC economies midway between the developed and emerging worlds. The growth rate forecasted for emerging economies is around 4.0% for both years. Advanced countries are expected to grow at 1.5% and 1.4% for 2023 and 2024, respectively. The global economy will grow 3.0% in 2023, well below the average of 3.8% reported for the last decade.

Thanks to a favorable adjustment in 2023, Brazil and Mexico demonstrated more robust growth than initially anticipated in April on the WEO. However, the two largest economies in the region face important economic and political challenges. Brazil still needs to exhibit clear indicators of economic performance. Although the recent presidential election pitted two very different economic views against each other, Lula's government has yet to signal a solid change of course for Brazil. Recent upward revisions in growth forecasts for 2023 suggest that the country's economy is consolidating a better performance than before the global pandemic (see Table 3). Brazil had a previous estimated growth rate of 0.9% for the current year and surpassed expectations due to a fruitful first quarter in agricultural production that had a positive spillover effect on other sectors. Consequently, the country's growth rate is estimated at 3.1%.

A record in Foreign Direct Investment (FDI) suggests market confidence in the direction of Lula's economic policy. Latin America saw a record in foreign direct investment (FDI) in 2022. According to ECLAC (2023a), FDI surpassed USD 224 billion and represented 4.0% of LAC's GDP, with South America being the subregion of the world with the most significant increase in contrast with 2021. Such levels are higher than in the past decade and significantly boost the economy. More specially, 41% of the FDI went to Brazil in 2022, followed by 17% to Mexico. Most of this investment goes to the service sector (54%), with homogeneous growth among the countries. In the second place, the manufacturing sector accounted for almost 30%. Finally, FDI in natural resources was approximately about 16% of the total.

Mexico exhibited delayed post-pandemic recovery, resulting in an upward revision from 1.8% to 3.2% for 2023. However, the North American country shows signs of institutional weakness

Table 3. Main Economic Indicators for Latin American countries

	Real GDP (annual growth)			Inflation Jan 2020 - Set 2023	Interest Rate Set 2023	Fiscal Balance % of GDP, latest available
	Average 2014-2019	Projection 2023	Projection 2024			
Argentina	-0.6%	-2.5%	2.8%	52.9%	118.0%	-4.3%
Bolivia	4.2%	1.8%	1.8%	1.2%	8.3%	-8.5%
Brazil	-0.3%	3.1%	1.5%	4.2%	12.8%	-7.3%
Chile	2.0%	-0.5%	1.6%	3.5%	9.5%	-0.3%
Colombia	2.8%	1.4%	2.0%	3.6%	13.3%	-2.6%
Costa Rica	3.4%	4.4%	3.2%	1.6%	6.5%	-2.3%
Dominican Rep.	6.2%	3.0%	5.2%	4.2%	7.5%	-1.2%
Ecuador	1.1%	1.4%	1.8%	-0.3%	9.5%	-1.1%
El Salvador	2.3%	2.2%	1.9%	-0.1%	-	-1.0%
Guatemala	3.6%	3.4%	3.5%	1.8%	5.0%	-1.8%
Honduras	3.7%	2.9%	3.2%	4.3%	3.0%	-1.5%
Mexico	2.1%	3.2%	2.1%	3.2%	11.3%	-3.9%
Nicaragua	1.9%	3.0%	3.3%	6.4%	7.0%	4.6%
Panama	4.7%	6.0%	4.0%	0.4%	4.9%	-4.8%
Paraguay	3.4%	4.5%	3.8%	2.8%	8.0%	-3.4%
Peru	3.1%	1.1%	2.7%	1.9%	7.3%	-2.5%
Uruguay	1.3%	1.0%	3.2%	8.7%	9.5%	-4.0%

Source: International Monetary Fund (IMF) – World Economic Outlook (October 2023 projections) and official statistics from each country.

derived from a series of policies implemented by President Manuel Andrés López Obrador. Notably, there has been a detrimental impact on democracy due to electoral rules that favor his party, fiscal policies designed to "accumulate power", and the armed forces' participation in public works. Hence, a robust economy expected to grow at 2.1% in the following year is subject to the deterioration of democratic institutions that could lead to future struggles.

Despite challenges on various fronts, as shown in Table 3, most LAC economies have managed to contain inflationary pressures, which peaked in 2022. The current average over-year inflation rate is 4.3% (excluding Argentina). This indicates a significant decrease of 3.1 percentage points since the latest revision of February in the previous issue of the LMV Regional Report. The early and determined efforts by Central Banks are paying off. For instance, in May 2021, Brazil was the first country to increase the SELIC rate. The interest hike is 10.25 percentage points higher since the initial

raise and has remained constant since August 2022. Likewise, other Central Banks showed independence as their primary focus and moved against inflation earlier than in the Advanced World. Table 3 also reveals ample room for improvement in fiscal matters. Nearly all countries exhibit weaknesses in their fiscal accounts (except for Nicaragua, with a 4.7% surplus), which means that inflationary issues, like those we recently experienced, remain a constant concern until stability is achieved on this front. In view of rebuilding fiscal policy space, on the IMF's latest Regional Economic Outlook for the Western Hemisphere (2023), it is estimated that LAC's public debt by 2028 would remain above peer countries. Yet, most countries in the region have developed plans to strengthen public finances in order to reduce debt in the medium term. Without doubts, there is significant room for improvement.

Although some promising economic indicators exist, Latin America still grapples with an underwhelming economic performance that falls short of its

medium- and long-term development aspirations. The region has yet to recover to its pre-Covid-19 economic paths, as illustrated in Figure 2. Notably, there is a significant variation in economic performance among the region's economies. Latin America and the Caribbean's major economies, including Brazil, Mexico, Argentina, Peru, Chile, and Colombia, already show signs of regaining economic performance in line with pre-pandemic growth trends. This divergence underscores the region's varying degrees of economic progress, with the stronger economies outpacing their lagged counterparts.

Moreover, the performance before the pandemic was far from meeting the region's requirements. If we focus on the last 30 years before the pandemic (1990-2019), the per-capita GDP annual growth rate averaged only 1.7%. This rate is merely half of the growth achieved by countries in Emerging Asia over the same period.

As outlined in the report presented by The Group of 30 (G-30)¹ on Latin Ame-

Box II. The Resurgence of Pro-Market Ideas in Argentina

In recent years, Argentina has grappled with over-indebtedness and high inflation rates (in August, it reached 124.4% year-over-year) due to persistent macroeconomic imbalances (see Table 3). This, combined with distortionary taxation and over-regulation in a relatively closed economy, has led to low growth rates and expectations, rising poverty rates, and growing social unrest.

Nonetheless, the results of the August presidential primaries (Simultaneous and Mandatory Open Primaries, PASO) indicate a notable resurgence of economically libe-

ral ideas in Argentina. Javier Milei, drawing inspiration from the Austrian School of Economics, secured the largest share of votes at 30%. Patricia Bullrich, backed by a team of liberal economists, led the opposition coalition "Juntos por el Cambio," which received 28% of the vote. Both candidates are committed to pursuing orthodox policies encompassing significant state reforms, including fiscal adjustments, an open trade policy, and business-friendly regulations and taxation.

Should either Milei or Bullrich emerge victorious in the October elections (or the second

round in November), they will face a fiscal challenge in a fragmented Congress, as neither will hold a parliamentary majority. Their task will entail reducing public spending to restore the country's credibility, and implementing new taxes is not a viable option. A credible fiscal program will be essential for Argentina to access foreign financing and attract investment in the productive sector. Nevertheless, it is worth noting that a significant portion of the Argentine population has once again embraced liberal initiatives to propel the country's development.

rica (2023), the region's underperformance is attributed to structural issues rather than temporary, short-term ones (e.g., lackluster accumulation of capital per capita, a marginally negative contribution of total factor productivity during the period). Following economic theory, achieving convergence with the Advanced World in the long term requires not only increasing labor input (which has traditionally been the primary driver of GDP per capita growth) but also enhancing the accumulation and utilization of capital. Even though estimations indicate that there is room for growth driven by the increase of the labor force and its skills, total factor productivity cannot be a holding back factor for the future.

To accomplish sustained development in the long run, policymaking should focus on tackling such a problem that has been solved in Advanced Economies and Emerging Asia. Given the global economic scenario does not look as attractive as it used to be, policymakers should expect headwinds rather than tailwinds. Therefore, instead of relying on historical patterns of external conditions to stimulate growth, the emphasis should shift to exploring new avenues.

In the aftermath of the global commerce shock triggered by Covid-19, a prevailing sentiment emerged: the need for greater resilience in global supply chains.² Contrary to the past, where the least developed countries often employed industrial policy to stimulate local growth, today, the wealthiest nations are reverting to such measures. Paradoxically, as they seek to leverage the benefits of globalization while fortifying against its inherent risks, the world is witnessing inefficient industries perpetuating from the misguided allocation of subsidies.

The current soar tries to avoid the multiple pitfalls of the past, but from an objective point of view, there are other paths for Latin American countries to follow. Industrial policy might present a risk to trade without providing a safer horizon for Western economies. Eventually, it would likely fail and ultimately be a disappointment again for the world.³ Therefore, the region must not focus on failed policies from the past and needs to open to trade and new markets once and for all. This presents a great opportunity for Latin America to strengthen its trade connections with emerging markets and to significantly open up its economies, fostering integration with the developed world, in line with the views presented in the last Western Hemisphere Report of the IMF (2023). In the upcoming sections, this LMV Regional Report explores pathways that would allow LAC countries to solidify their trade relationships with key economies and strengthen their ties with the developed world, including the prospect of securing a seat at the OECD table.

Strengthening Ties: EU and LAC Trade Agreements

During our latest LMV Regional Report we examined the importance of near-shoring and specially the concept of "friendlyshoring" with relation to the United States. In particular, the Americas Partnership for Economic Prosperity (APEP) has been a crucial agreement in view of strengthening the relationship among countries committed to the values of liberal democracy. The American countries which have established during the twenty-first century bilateral relationships with United States were Chile, Peru, Colombia, Panama, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Dominican Republic, Mexico, and Canada. This allows these countries to

achieve free and fair trade and economic development. Thus, there is a considerable commitment already established with the world's largest economy. Then, it is time to examine the past and ongoing trade agreements with other crucial business partners.

The European Union (EU) is the third largest trading partner of the LAC region and the primary source of FDI. European companies invest more than in China, Japan, Russia, and India combined.⁴ Currently, the EU has agreements with 26 countries in the LAC region (blue countries in Figure 3). The following describes the agreements between LAC and the EU.

Mexico and the EU solidified their relationship through the "Global Agreement" in 1997, which advocated for free trade and cooperation. Since its enactment, bilateral trade has experienced substantial growth. In 2016, negotiations were initiated to modernize this agreement to adapt to the challenges of the 21st century. This endeavor culminated in an agreement in 2020, which is yet to be formally signed. The updated agreement is designed to reduce tariffs further, streamline customs procedures, establish sustainable development standards, combat corruption, expand access to government procurement markets, safeguard intellectual property rights, facilitate trade in services, and enhance investment conditions.

In June 2023, the President of the European Commission, Ursula von der Leyen, and Mexico's President, Andrés Manuel López Obrador, jointly committed to expediting negotiations to conclude the modernization of the trade and cooperation agreement before the year's end.

Relations between the EU and Central America (Costa Rica, El Salvador, Gua-

temala, Honduras, Nicaragua, and Panama) began with the "San José Dialogue" in 1984, initially focused on economic and social development. In 2012, an Association Agreement was signed and ratified that same year, seeking to strengthen the political and economic relationship between the regions. The trade chapter of this agreement was activated in 2013 and, since then, has boosted bilateral trade. The agreement liberalized trade in industrial and fisheries products and eliminated most tariffs on trade in agricultural products. In 2023, the agreement's progress was reviewed in San Salvador, highlighting Costa Rica as the leading exporter to the EU, with 35% of total exports.⁵ However, issues such as regulating deforestation-free products remains a point of discussion and collaboration between both parties.

The EU has maintained strong relations with the Caribbean due to the colonial presence of European countries in the region, structured through agreements such as the Cotonou Agreement of 2000 (signed with 79 African, Caribbean, and Pacific countries) and the EU-Cariforum Economic Partnership Agreement of 2008 (implemented by 14 Cariforum countries including the Dominican Republic, Barbados, Jamaica, Trinidad and Tobago, among others; Haiti signed the agreement but has not yet implemented it). The latter deal addresses trade in goods and services, investment, and sustainable development.

The relationship between the EU and the Andean Community (Bolivia, Colombia, Ecuador, and Peru) has been strengthened since the 1983 Cooperation Agreement, followed by a Framework Cooperation Agreement in 1993. Negotiations for an Association Agreement began in 2007, culminating in a trade agreement with Peru and Colombia, which entered in 2013. Ecuador joined the agreement in 2017. Approximately 12% of Andean Community exports went to the European Union between 2021 and 2022.

On the other hand, the relationship between the EU and Chile was consolidated with the Association Agreement in 2002. Since then, bilateral trade has grown at an annual rate of 5%.⁶ The EU has established itself as the leading investor in Chile and its third-largest trading partner. In December 2022, negotiations were finalized for a New Advanced Framework Agreement, which seeks to strengthen the bilateral relationship further. For instance, 99.9% of EU exports to Chile will be tariff-free. The new agreement will also facilita-

te EU access to crucial minerals, such as lithium and copper, essential for the EU's renewable energy industry.

In July 2023, a new EU-CELAC summit took place in Brussels, Belgium, with the participation of 60 countries: 33 from the Community of Latin American and Caribbean States (CELAC) and 27 from the European Union (EU). This meeting, which had not been held since 2015, sought to resume treaties, renew commitments, and establish multilateral agreements. The summit culminated in a 41-point declaration, touching on key areas such as environment, climate change, renewable energy, health, and education. Von der Leyen announced an investment of 45 billion euros for LAC up to 2027, with 135 projects under development. The new cooperation and investment agenda will focus on projects ranging from producing clean hydrogen and critical raw materials or expanding the high-performance data cabling network to producing more advanced mRNA vaccines.

In addition, the relationship between the EU and LAC has been strengthened by the Spanish presidency of the Council of the European Union in 2023, with new agreements and investment agendas that could result extremely beneficial for the region.

One agreement that has yet to be finalized is the one between Mercosur and the EU. Although negotiations on an Association Agreement began in 1999, it was in June 2019 that a political agreement was reached. However, since then, the agreement has faced challenges

due to EU demands for additional deforestation and labor rights guarantees. At the same time, there is disagreement over government procurement policies and protections for the agricultural sector in Europe. Mercosur's internal divisions have also worsened the situation.

The stance of leading Argentine candidate Javier Milei (Box II) contrary to Mercosur, the end of Spain's six-month presidency of the EU—the agreement's main supporter—and the upcoming European Parliament elections in 2024 further complicate the outlook. The annoyance in the South American countries with Brussels is evident because the agreement is still not progressing. The president of Paraguay, Santiago Peña, stated that if it is not concluded before December 6, the South American bloc will withdraw and begin negotiations with Asian countries. The agreement will likely be shipwrecked if it does not materialize this year.

If concluded, the agreement would be the most ambitious trade pact in the world. It would give Mercosur countries access to a critical market and Europeans the possibility of obtaining food, but above all, energy, to compensate for the one they no longer receive from Russia due to the conflict with Ukraine.

In contrast to the complexities of the Mercosur-EU agreement, the EU's alliance with Canada has been a model of successful collaboration. The bilateral relationship between the EU and Canada dates to the 1950s, evolving into a strategic partnership. The EU-Canada Strategic Partnership Agreement (EPA),

Figure 3. Agreements of American Countries with EU

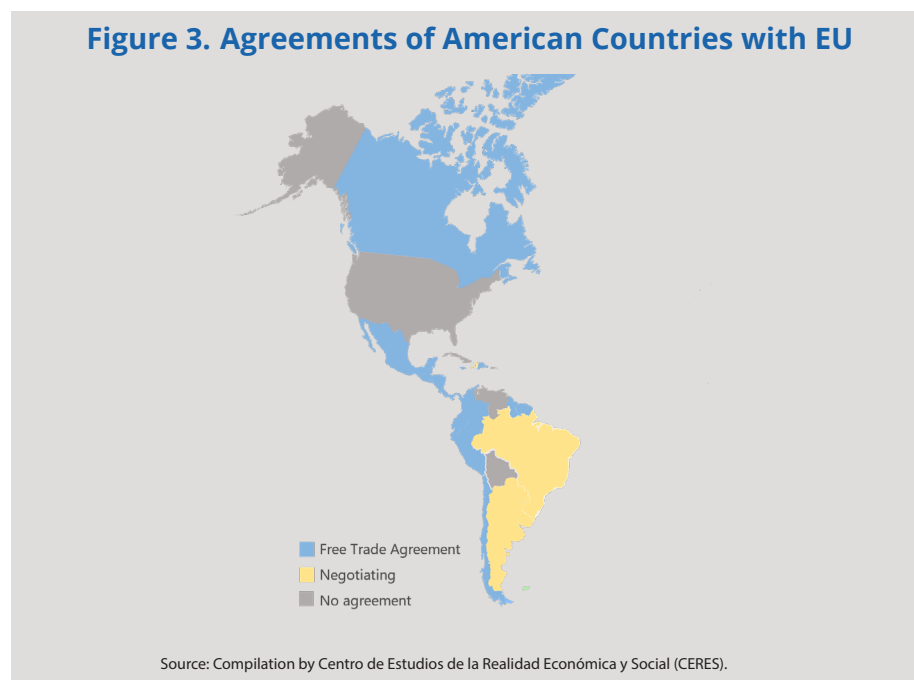
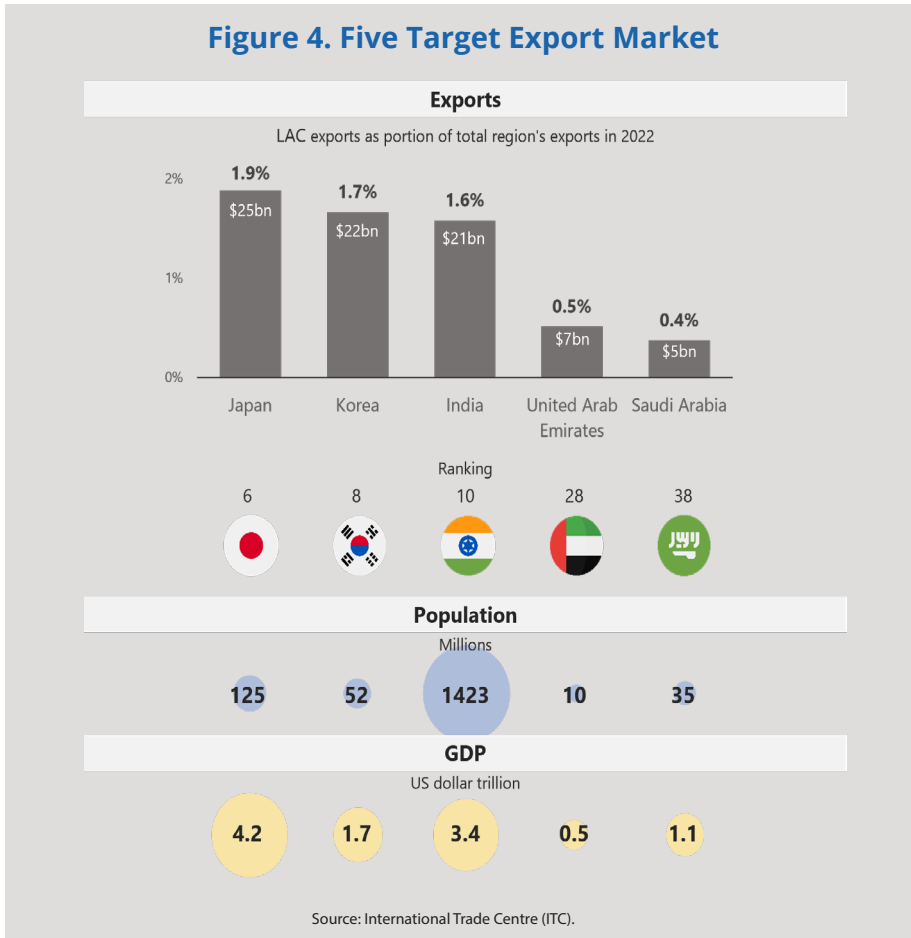


Figure 4. Five Target Export Market



signed in 2016, seeks to strengthen cooperation in various fields, including energy, transport, research, and development. In addition, the Comprehensive Economic and Trade Agreement (CETA) has boosted economic, trade, and investment relations since its signing in 2016. Like the EPA, all member states will fully implement CETA upon ratification. Building on the closer relationship established by CETA, the EU and Canada also signed a strategic partnership on raw materials in June 2021 to further advance the integration of raw materials value chains and improve collaboration on science, technology, and innovation, as well as environmental, social and governance criteria and standards between the parties. In 2022, the European Union was Canada's third largest trading partner, behind the US and China. After five years of the CETA, there is 30% more trade between Canada and the EU (65% for Canada).

Charting New Horizons: LAC's Venture into New Markets and the Role of Promotion

Given the present international geopolitical context, LAC holds the potential to broaden its footprint in global trade, exploring new markets beyond traditio-

nal partners. India, Japan, Korea, Saudi Arabia, and the United Arab Emirates (UAE) offer significant prospects in this respect. These nations present vast export opportunities for the region and provide avenues for beneficial imports and investments, fostering a complementary relationship.

The Potential of Target Economies

India, Japan, Korea, Saudi Arabia, and the UAE have robust economies and large or wealthy populations that demand a wide range of products and services. They collectively house more than 1.6 billion people and account for an 11% share of the global GDP.

Due to its vast population and fast-growing economy, India poses a huge potential market. In 2023, it overtook China to become the world's most populated nation, reaching 1.4 billion people, and it stands as the fifth-largest economy globally, projected to grow by 6.3% this year and in 2024 too. Demonstrating its ambitions to transition from an emerging country to a global power, India has stabilized its macroeconomy and invested in infrastructure and human capital. It also paves its path on the world stage, emphasizing enhanced multilateral cooperation.

Japan and Korea, with their advanced economies, have a GDP per capita that is over three and a half times higher than the LAC average, highlighting their strong purchasing power. Japan, the world's fourth-largest economy, is navigating a strategic shift in its international stance, focusing on trade openness and tariff reductions to boost its economic growth. On the other hand, Korea has risen as an economic powerhouse in recent decades. Its swift industrialization, strong focus on technology, and dedication to innovation have solidified its status as a global leader in numerous sectors. The relationship between Korea and LAC stands distinct from other Asia-LAC dynamics. LAC's exports to this country are more diversified than the average, including a higher percentage of manufacturing products. Moreover, Korea established an extensive network of free-trade agreements in the region, complemented by a broad cooperation agenda.

Fueled by their oil- and gas-backed economies, Saudi Arabia and the UAE also have a growing demand for food and consumer goods to meet the needs of their expanding populations. These nations have virtually no arable land or food production despite their vast wealth. With a per capita income between three and six times higher than the LAC average, they represent enormous potential for the region, which holds the world's largest reserves of cultivable land. Under its ambitious "Vision 2030" development plan, Saudi Arabia is fully expanding, aiming to stimulate the non-oil sectors in collaboration with private investment. The UAE, strategically located and equipped with modern infrastructure, is diversifying its horizons, actively seeking global alliances.

Opportunities for Latin America and the Caribbean

LAC has a major opportunity to diversify and expand its exports to these markets. With an abundance of natural resources and agricultural products, from staple foods to minerals, the region could address the demands of these countries. Given recent disruptions in global trade, such as the Covid-19 pandemic and geopolitical tensions like the conflict in Ukraine, the importance of LAC in contributing to global food security has been amplified. As nations in Asia and the Middle East are eager to diversify their import sources to decrease their dependence on some regions, LAC presents a viable alternative to this strategy. Additionally, the region can offer high-value-added manufactured products and

services and consumer goods for the growing middle class in these countries.

However, the current export volume suggests that LAC's trade relationship with these markets is below its potential. Exports from the region to these countries added up to USD 81 billion in 2022, representing only 6% of LAC's total exports. As shown in Figure 4, Japan alone accounted for 1.9%, ranking sixth among the region's export destinations, while Korea took in 1.7% (ranking eighth) and India 1.5% (ranking tenth). In comparison, the UAE and Saudi Arabia accounted for just 0.6% and 0.4% respectively.

Within the LAC region, certain countries have demonstrated significant involvement with these markets. For instance, Bolivia directs as much as 31% of its total exports towards these five countries. Similarly, Chile and Peru account for 15% and 14% of their total exports to these destinations, respectively.

Specific Products and Opportunities

A product analysis highlights specific categories with substantial export potential from LAC to each of these countries, identified by the methodology of the International Trade Centre (ITC) (see Figure 5). It is based on countries' supply, demand, and ease of trade.⁷ Commodities such as copper, gold, and crude

soya-bean oil possess significant export potential. A closer look at the aggregate analyzed data suggests that the exports of copper ores and concentrates exhibit the largest gap, leaving room to realize an additional USD 5.7 billion in exports.

Across all the main products for the five target countries, there is an opportunity to increase exports by an estimated USD 12.3 billion. India alone could account for USD 5.9 billion of this increase. The actual exports for these product-market combinations show that the region is achieving only 62% of its export potential, indicating a clear opportunity for LAC to strengthen its trade development in these destinations.

Recommended Actions

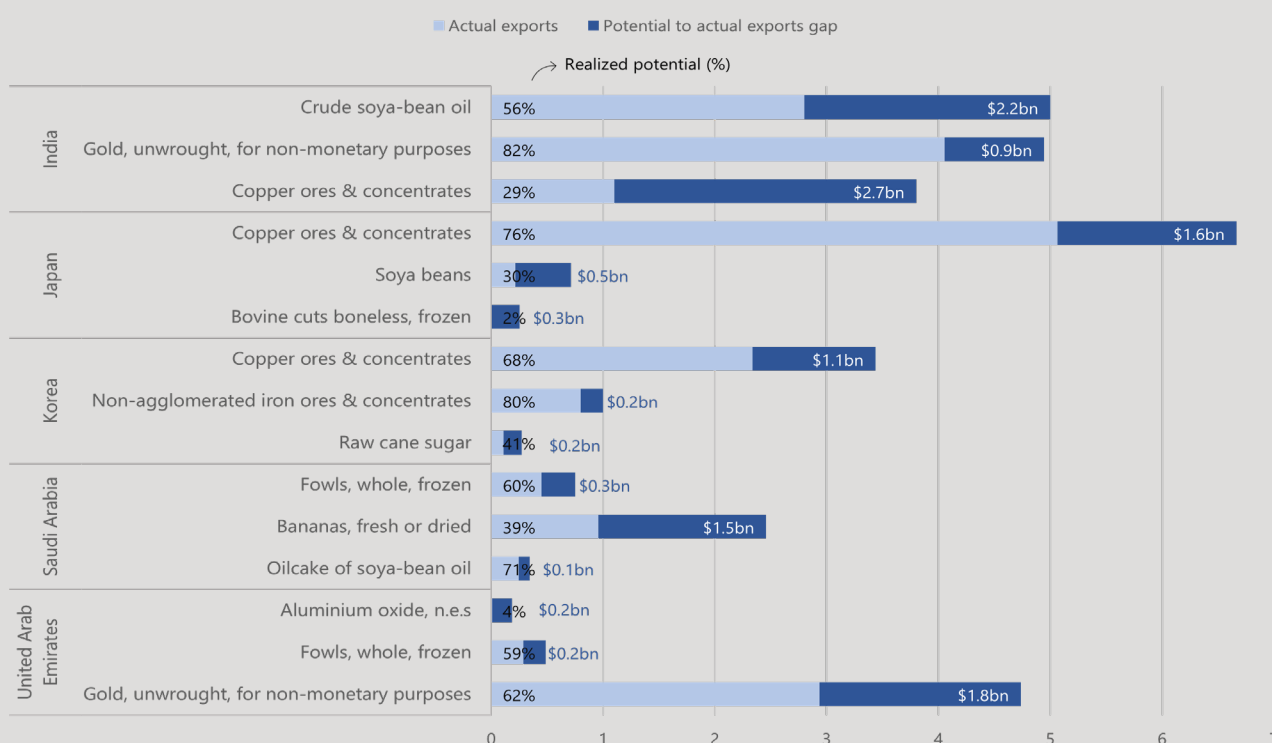
A series of well-planned strategic actions must be taken to capitalize on these opportunities and firmly position LAC nations in prominent global markets. These actions encompass signing and promotion of trade agreements, the enhancement of logistical infrastructure, investments in quality improvement and standards compliance, diversifying their economies, and cultivating stronger commercial and diplomatic ties. Furthermore, actively promoting their products and identifying market niches can be effective strategies for successfully penetrating these markets.

Numerous negotiations and implementations of trade agreements have recently been observed in the region. For instance, Korea has negotiated with various countries, including Chile, Ecuador, Mexico, Panama, and the Mercosur bloc. The UAE has similarly interacted with countries such as Chile, Costa Rica, and Colombia. Also noteworthy are the initiatives and advances related to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a trade agreement encompassing Japan, Chile, Mexico, Peru, Australia, Brunei, Canada, Malaysia, New Zealand, Singapore, and Vietnam. Several countries in the region and beyond have applied for membership, including Costa Rica, Ecuador, Uruguay, Korea, China, and the United Kingdom—scheduled to join in 2024.

The development of new trade agreements and the expansion of existing ones can yield several benefits, including reducing average tariffs, eliminating other trade barriers (which are particularly significant in sectors like agriculture), and allowing exporters to broaden their sales diversification.

Export and investment promotion can also help deepen trade relations and exploit these opportunities. In this regard, promotion agencies have a central role to play, as well as activities

Figure 5. Export Potential
Top 3 products, US dollar billion



Source: Export Potential Map - International Trade Centre (ITC). Note: "South & Central America" data, including "Caribbean" for products with notable values, such as Gold.

that facilitate connections between stakeholders. The upcoming World Exposition in 2025 in Osaka, Japan, expected to receive 28 million visitors, is a suitable platform for LAC countries to amplify their international visibility in new markets.

Worldwide, most nations, including those in the LAC region, have established investment promotion agencies to draw the attention of potential investors. The current global environment, marked by digital transformations, evolving trade and investment policies, increased demand for timeliness, and heightened awareness of supply chain vulnerabilities, positions LAC countries as attractive investment destinations for multinational corporations. However, significant information barriers stand as substantial obstacles. Investment promotion agencies are crucial in bridging these information gaps, consequently attracting global companies to establish their operations in their countries. They primarily do this through national image-building, investment generation initiatives, and facilitation and policy advocacy activities to address public-sector resource provision challenges.

According to the IDB (2021), assistance from investment promotion agencies increases the probability of a new company settling in the region by an average of 8.2 percentage points. Furthermore, investment promotion has proven cost-effective for LAC countries. Each USD 1 spent on it has generated up to USD 56 of additional foreign direct investment (FDI), while each USD 10,000 assigned has been related to the creation of 5.5 jobs. Yet, the impact of these agencies varies considerably across countries.⁸

Moreover, LAC investment promotion agencies, overall, need to catch up to their non-LAC OECD (Organization for Economic Cooperation and Development) counterparts: they are typically smaller and less specialized, and their assistance is less targeted. This discrepancy is further exemplified when considering the presence of overseas offices. While the median OECD agency operates through a network of over ten overseas offices, most LAC agencies have no foreign office representation. There are exceptions within the region, with Ecuador, Mexico, and Colombia, for instance, leading the pack in terms of the number of overseas offices.

In their role of export promotion, these agencies abroad favor an increase in the number of differentiated goods exported. Meanwhile, more diplomatic representations are associated with exports of a greater number of homogeneous goods.⁹

In light of the evolving global dynamics, LAC nations must prioritize the development and fortification of their promotion agencies and broaden their global presence to seize foreign investment and export opportunities. With a well-devised strategy, the region has the potential to tap into these prospects, fostering economic growth, improving the well-being of its citizens, and ensuring sustainable development.

OECD: A Pathway to Progress for LAC Countries

Established in 1961, the OECD plays a crucial international role in shaping better policies to enhance people's lives worldwide. Its primary objective is to develop policies that promote prosperity, equality, opportunities, and overall well-being. Collaborating with governments, think tanks, and global organizations, the OECD develops and promotes evidence-based policies on a case-by-case basis, fostering values of democracy based on the rule of law and human rights and adherence to open and transparent market-economy principles.¹⁰

For countries worldwide, the OECD serves as a platform for knowledge sharing and data exchange, aiming to improve economic performance, enhance education quality, and combat tax evasion, and presents an opportunity to address essential reforms, promoting economic development in tandem with global challenges. Adopting OECD best practices empowers countries to tackle issues like low productivity and limited competitiveness, requiring institutional-level reforms to encourage economic growth, support local businesses, and expand global trade.

The OECD offers LAC countries a unique opportunity to advance their development by adopting and adapting international standards. This approach can positively influence their economic growth trajectories while accounting for specific regional features and challenges. Being an OECD member acts as a seal of quality for foreign investors, who have a guarantee that their property rights and the rules of the game between the state and the market will be respected.

OECD's Relationship with LAC Countries

In 2021, Costa Rica became the 38th member of the OECD, the fourth country in LAC to join the organization, following Mexico (1994), Chile (2010) and Colombia (2020). Additionally, The OECD Council—the organization's overarching decision-making body—opened accession discussions with Argentina, Brazil, and Peru on January 25, 2022. Nevertheless, the relationship between the OECD and LAC countries extends beyond full membership. These countries, along with several others, including the Dominican Republic, Ecuador, El Salvador, Guatemala, Panama, Paraguay, and Uruguay, are members of the OECD Development Centre and the LAC Regional Programme Steering Group (in addition to Honduras).

The Council highly values active participation in various committees and other OECD bodies in assessing potential members.

Roadmap for the OECD Accession Process

Becoming a member of the OECD requires a country to formally express its desire and then navigate through a rigorous, structured process according to the 2022 civil society guide to influencing the OECD accession process. If the discussion succeeds, the Secretary-General formulates an Accession Roadmap for the prospective member, which outlines the terms, conditions, and the accession process for adoption by the Council. Each country follows its accession process and is assessed independently, although the processes are generally very similar.

The accession process involves a comprehensive examination carried out by over 20 technical committees across various policy areas, which will be described below. These reviews assess the candidate country's adherence to OECD instruments and evaluate its policies and practices compared to OECD standards. This process serves as a potent driver for reform.

There is no set deadline for the completion of the accession process, and timelines vary based on the candidate country's responsiveness. Typically, the process lasts 2 to 3 years, although in the case of Colombia, it extended to 7 years.

Upon the culmination of their technical reviews, each committee furnishes a "formal opinion" to the OECD Council, which subsequently extends an invitation to the candidate country to become

Table 4. OECD Committees for Brazil and Peru

▪ Investment Committee and the Working Party on Responsible Business Conduct
▪ Working Group on Bribery in International Business Transactions
▪ Corporate Governance Committee
▪ Committee on Financial Markets
▪ Insurance and Private Pensions Committee
▪ Competition Committee
▪ Committee on Fiscal Affairs
▪ Environment Policy Committee
▪ Chemicals and Biotechnology Committee
▪ Public Governance Committee
▪ Committee of Senior Budget Officials
▪ Regulatory Policy Committee
▪ Regional Development Policy Committee
▪ Committee on Statistics and Statistical Policy
▪ Economic and Development Review Committee
▪ Education Policy Committee
▪ Employment, Labour and Social Affairs Committee
▪ Health Committee
▪ Trade Committee and the Working Party on Export Credits
▪ Committee for Agriculture
▪ Fisheries Committee
▪ Committee for Scientific and Technological Policy
▪ Committee on Digital Economy Policy
▪ Committee on Consumer Policy
▪ Steel Committee*
▪ Council Working Party on Shipbuilding*

Source: Organisation for Economic Cooperation and Development (OECD). *Reserved for Brazil

an OECD Member. An Accession Agreement is formalized, and the candidate country undertakes the necessary domestic procedures to achieve formal membership status.

Technical Reviews by Committees

The final decision on membership is based on the committee's reviews that will cover two principal elements:

1. An evaluation of the applicant countries' willingness and ability to implement OECD legal instruments within the committee's competence.
2. An evaluation of the applicant countries' policies and practices compared to OECD best policies and practices in the relevant area.

Using the roadmaps for Brazil's and Peru's accession to the OECD as examples, seven special interest areas to the Council can be identified:¹¹

- **Structural Reform:** Shaping the candidate country's structural reform agenda ambitiously, serving as the foundation for robust, sustainable, environmentally conscious, and inclusive growth.
- **Open Trade and Investment:** Reinforcing the candidate country's commitment to an open trade and investment system, emphasizing the value of open-

ness, competitiveness, sustainability, and transparency in market economies.

- **Inclusive Growth:** Implementing efficient and effective social and equal opportunity policies to achieve inclusive growth that benefits all citizens.
- **Governance:** Strengthening public governance, integrity, and anti-corruption efforts.
- **Environment, Biodiversity, and Climate:** Ensuring effective environmental and biodiversity protection while taking action on climate change in line with the Paris Agreement's objectives.
- **Digitalization:** Advancing an inclusive digital economy through international collaboration.
- **Infrastructure:** Investing in high-quality infrastructure in a transparent, accountable, and inclusive manner.

These areas of interest will be evaluated based on a comprehensive list of Committees and Working Groups established for each country (see Table 4), which are adapted to each case's particular characteristics and specificities. However, they generally have significant similarities across cases. These bodies are responsible for preparing and delivering a formal opinion on the country's statement, the progress made over time, and a final assessment to be discussed by the Council.

The current geopolitical context, which pits Western countries against autocracies such as Russia and China, will likely persist in the medium term. In this situation, the OECD approach serves a dual purpose: it enables countries not only to uphold the principles of liberal democracy but also to align themselves with the strategies of multinational corporations that seek to produce inputs from closer and more reliable countries. However, this journey requires a series of ambitious state-level reforms to meet the OECD's rigorous standards. To succeed, political consensus within each country is essential.

Final Remarks

Global economic conditions are not what they used to be decades ago. External tailwinds were replaced with consistent and unprecedented headwinds from a world currently marked by slow post-pandemic recovery and escalating geopolitical tensions. Local policymakers have no option but to shift their focus from historical patterns to explore new opportunities to foster development in Latin America and the Caribbean.

LAC countries should enhance their trade relationships with key economies by seeking improved agreements with Europe and the United States while also exploring new markets. Countries like India, Japan, Korea, Saudi Arabia, and the United Arab Emirates present substantial trade and investment prospects for the region. To leverage these opportunities, LAC nations should strengthen their promotional agencies and expand their global reach, thereby driving economic growth, improving the well-being of their citizens, and ensuring sustainable development.

OECD membership can propel the development of LAC economies by enabling them to adopt international standards tailored to their needs, thus attracting foreign investment and fostering economic growth while ensuring rule-based stability. Special interest areas for the OECD include structural reform, open trade and investment, inclusive growth, governance, environmental and climate action, digitalization, and infrastructure development. Despite the demanding nature of the reforms required by the OECD, they are all in crucial areas where Latin America and the Caribbean must enhance their capabilities to ensure sustainable long-term development.

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Notes

- ¹The group G-30 is a nonprofit group of economists, bankers, and other influential leaders that discuss global economics.
- ² See The Economist (2023): “Homeland economics will make the world poorer.”
- ³ See The Economist (2023): “Attempts to make supply chains “resilient” are likely to fail.”
- ⁴ According to the estimations presented by the Development Bank of Latin America and the Caribbean (CAF) (2023).
- ⁵ Foreign Trade Information System from The Organization of American States (OAS).
- ⁶ European Union (2021, July 29).
- ⁷ Export potential indicator: calculated as supply × demand (corrected for market access) × bilateral ease of trade. Supply and demand are projected based on GDP and population forecasts, demand elasticities, and forward-looking tariffs. The estimated dollar value is a benchmark for comparison with actual exports and should not be interpreted as a ceiling value. The actual trade value may be below or above the potential value. Potential to actual exports gap: the extent to which potential exports deviate from actual exports. When potential exports exceed actual exports, the unrealized potential value signals room for export growth if frictions, such as regulations or buyer-seller mismatches, can be overcome.
- ⁸ Volpe, C.; Marra de Artiñano, I.; Sztajerowska, M.; Carballo, J. (Inter-American Development Bank, IDB) (2021). Making the Invisible Visible: Investment Promotion and Multinational Production in Latin America and the Caribbean.
- ⁹ Volpe, C.; Estevadeordal, A.; Gallo, A.; Luna, J. (Inter-American Development Bank, IDB) (2010). Information Barriers, Export Promotion Institutions, and the Extensive Margin of Trade.
- ¹⁰ On account of the 2017 framework for the consideration of prospective members.
- ¹¹ OECD (2022b, 2022c).