



Assessment Report on Intra-Regional Trade in Latin America and the Caribbean, 1980-2013

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Assessment Report on Intra-Regional Trade in Latin America and the Caribbean, 1980-2013

Intra-Regional Relations

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F O R E W O R D

This document has been prepared in compliance with Activity I.1.3 of the Work Programme of SELA for the year 2015, entitled "Assessment report on Intra-regional Trade in Latin America and the Caribbean: 1980-2013".

This is a descriptive research and its main objective is to assess the evolution of trade flows of goods in Latin America and the Caribbean over the period 1980-2013, by updating the "Assessment report on regional free trade agreements in Latin America and the Caribbean: 1980-2011" prepared during the year 2013.

The study comprises an Executive Summary and three sections. The first section provides a description of the performance of trade flows in Latin America and the Caribbean under a comparative perspective with the performance of world trade and of the Association of the Southeast Asian Countries (ASEAN).

The second section studies the evolution of trade of the traditional mechanisms for subregional integration: CAN, CARICOM, CACM and MERCOSUR. In this section, the performance of each country in the trade dynamics of the bloc to which they belong is also analysed.

The third section of this work assesses the performance of trade relations among the traditional subregional integration blocs, as well as the evolution of their exports within the economic context of Latin America and the Caribbean.

The Permanent Secretariat of SELA expresses its gratitude to the officials from the Direction of Studies and Proposals Eduardo Piña, in charge of drafting the study, and Dylan Castillo, who assisted in the research, for their dedication in preparing this document.

EXECUTIVE SUMMARY

Promoting intra-regional trade flows has been both an objective as well as a key tool in the integration process of Latin America and the Caribbean. The nations of the region, recognizing the important benefits associated with the expansion of their national markets, have gradually established preferential terms for regional trade.

Since 1960, with the creation of the Latin American Free Trade Association (LAFTA), the configuration of spaces has been fostered to facilitate trade exchange in the region, through the progressive elimination of tariff barriers. That is why, in 1960 itself, the Central American nations decided to strengthen ties of cooperation and complementarity, and created the Central American Common Market (CACM). Then the regional integration project continued to move forward with the establishment of the Andean Community of Nations (CAN) in 1969, the creation of the Caribbean Community (CARICOM) in 1973 and, subsequently, the creation of MERCOSUR in 1991.

The scope and depth of the trade agreements established in the region have been heterogeneous; each subregional integration mechanism has adopted a particular trade dynamics, influenced by the inequalities of the economies that comprise them. As time goes by, these asymmetries have deepened, making it difficult to achieve higher levels of regional integration.

In addition, these asymmetries within the region have been a determining factor in the proliferation of bilateral type trade agreements among Latin American and Caribbean nations and the world. This situation determines the scope and effect of the preferential trade instruments established in the region. In addition to this, the persistence of non-tariff trade barriers and weaknesses of the region in terms of logistics and infrastructure have limited the growth of intraregional trade, as well as the participation of Latin American and Caribbean nations in world trade.

For a better understanding of the dynamics of trade integration in the region, SELA undertakes the task of assessing the performance of trade flows of goods in Latin America and the Caribbean during the period 1980-2013, thereby updating the "Assessment Report on regional free trade agreements in Latin America and the Caribbean: 1980-2011", prepared by the Permanent Secretariat in the year 2013. This document specifically describes the performance of trade in goods of the region as a whole and also describes the behaviour of trade flows in goods of traditional mechanisms of sub-regional integration: Andean Community of Nations (CAN), Caribbean Community (CARICOM), Central American Common Market (CACM) and the Common Market of the South (MERCOSUR).

Despite being an update of the "Assessment report on regional free trade agreements in Latin America and the Caribbean: 1980-2011", conducted in 2013, this document contains several elements intended to add value to the analytical instrument previously prepared by the Permanent Secretariat. In particular, the document adds **(i)** an assessment of the performance of each country in the trade dynamics of the subregional integration mechanism to which it belongs. The document also includes **(ii)** a detailed description of the behaviour of exports, by origin and destination, of the traditional subregional integration mechanisms. Additionally, this document makes **(iii)** an assessment of the relative importance of the geographical receptor destinations of exports of each subregional integration mechanism, as well as **(iv)** a description of the temporal behaviour of bilateral trade between the traditional subregional integration blocs.

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The document is basically descriptive in nature and, for a better understanding, it is divided into three thematic sections, plus an introduction. In the first section the export performance of Latin American and Caribbean region as a whole is studied and compared with the evolution of world trade and the evolution of trade flows of the Association of Southeast Asian Nations (ASEAN).

The second section examines the export performance of the traditional mechanisms of subregional integration: CAN, CARICOM, CACM and MERCOSUR. For this purpose the trade flows have been classified into three categories: The exchanges between partners of the same subregional mechanism, called intra-bloc flows; exchanges with other countries in the Latin American and Caribbean region which are not members of the same trade bloc, and trade flows with the rest of the world. In addition, the participation of member countries in the trade dynamics of each integration mechanism is detailed.

In order to enrich the explanatory power of the study, the third section of the study assesses the performance of trade relations between traditional subregional integration blocs, as well as the evolution of exports within the economic context of Latin America and the Caribbean.

Considering the great amount of information that this report groups together and processes, the document drifts from the traditional scheme of assessment, argumentative development and general conclusions. Instead, the report incorporates in each section a set of conclusions pertaining to the subject dealt with. Thus, for example, those readers whose primary interest is focused on the evolution of trade flows in the subregional integration mechanisms can find a section specifically addressing the issue of their interest.

Following are the most outstanding findings of the document, obtained from the study of trade flows in the region and its integration mechanisms in the period 1980-2013:

On the evolution of trade flows in Latin America and the Caribbean and its participation in the global economic context, the study found that:

- During the period 1980-2013, the average annual growth rate of exports from the region in nominal terms was 8.24%, ranking above the average annual variation reported by trade in real terms of 5.53%. Therefore, a notable impact of the increase in the prices of raw materials is evident, with the highest incidence occurring in the last two decades due to accelerated growth in global demand.
- During the period studied (1980-2013), the rate of intra-regional exports accelerated, on average, at an annual rate of 9.33%, higher than the annual average variation of the extra-regional exports which was reported at 8.09%.
- In the series described, the average annual rate increase in the volume of intra-regional exports, measured by exports in real terms, was 6.48%, higher than the annual average variation in the volume of extra-regional flows recorded at 5.41%. That is, intra-regional trade grew (on average) faster than extra-regional trade between 1980 and 2013, not only as a result of the increase in prices, but also as a direct result of an increase in volume.
- During the period under study, the dependence on regional exports of primary goods declined progressively. In 1980, the average participation of primary goods in total exports of the region was 83.3%, while in 2013 this ratio dropped to 53%. However, the increase in prices of raw materials, experienced over the last two decades, led to a rise in exports of natural resources, negatively impacting the performance of the flows of manufactured goods.

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- During the period 1980-2013, the average participation of exports in the Gross Domestic Product of Latin America and the Caribbean was 14.86%, lower than the average participation of exports in GDP of the ASEAN, of 47.67%, and the global average of 19.09%. That is, despite its rapid growth, exports from Latin America and the Caribbean remain at low levels, compared to the selected control groups.
- During the period 1980-2013, the share of exports from Latin America and the Caribbean in global trade grew slightly, positioning itself in 1980 at 5.33% and, in 2013, at 5.98%. Whereas, the role of ASEAN trade flows in world trade managed to grow systematically, positioning itself in 1980 at 3.92% and, by 2013, it had already achieved a participation of 6.93% in world trade.

On the performance of trade flows of the traditional sub-regional integration mechanisms and their evolution in the commercial dynamics of the region, it was found that:

- In the sub-period 1998-2013, member countries of the sub-regional integration blocs that were studied, grouped just over half (53.94%) of total exports from Latin America and the Caribbean.
- During the sub-period 1998-2013, MERCOSUR controlled an average of 31.74% of total exports from the region, becoming the sub-regional integration mechanism with greater participation in trade flows in Latin America and the Caribbean. The CAN came second with a share of 15.87% of total exports of the region, followed by the CACM and CARICOM, with shares of 3.63% and 2.7%, respectively.
- In the period 1980-2013, the countries of MERCOSUR controlled an average of 58.75% of total exports of the mechanisms evaluated. For their part, the CAN groups, on average, 29.38%, CACM 6.86% and CARICOM 5.01%.
- The participation of the integration mechanisms in regional trade flows has evident asymmetries. During the sub-period 1998-2013 the participation of MERCOSUR in regional trade is, on average, five times the sum of the quotas of CACM and CARICOM.
- In the period 1980-2013, all assessed subregional integration mechanisms assigned a major proportion of their exports to the rest of the world. Also, in the period 1998-2013, the CAN (75.75%) and CARICOM (72.75%) were the subregional integration mechanisms that destined a higher proportion of their total exports to the rest of the world.
- In the period 1980-2013, the integration bloc with the highest average annual growth of trade flows to the rest of the world was MERCOSUR, with a rate of 9.39%. On the contrary, the mechanism with the lowest average annual growth of its exports to the rest of the world was the CAN, with a rate of 5.65%.
- In the sub-period 1998-2013, the sub-regional integration bloc that, on average, controlled a higher proportion of their exports to the rest of the region was the CAN (14.75%).
- During the period 1980-2013, the integration mechanism with the highest average annual growth of its export flows to the rest of Latin America and the Caribbean was CARICOM, with a rate of 12.58%. For the same period, the CAN was the subregional integration mechanism with the lowest dynamics in exports to the rest of the region, with an average annual growth rate of 9.80%.
- During the period 1980-2013, exports of primary goods from MERCOSUR reached an annual average participation of 57.6% of its total exports, making it the subregional integration mechanism with the lowest average reliance on its exports of natural resources. With regard to other trade blocs, the participation of primary exports in total exports in the CACM reached a quota of 64.4%, 62.9% in CARICOM and 80.7% in the CAN, the latter being the mechanism with greater reliance on exports of natural resources.

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- During the period under review, exports of CARICOM were, on average, 37.53% of the bloc's GDP, making it the integration mechanism whose exports report a greater dynamism in its economic activity. Secondly, the CACM is positioned with an export sector which accounts, on average, for 20.28% of the bloc's economy, followed by CAN with exports that group, on average, 18.38% of GDP and, finally, MERCOSUR with an export sector that accounts for 10.02% of the GDP of the trading bloc.
- During the period 1980-2013, the subregional integration mechanism whose exports have the highest average annual participation in global trade is MERCOSUR, accounting for 1.64% of global exports. Meanwhile, CAN reached an average of 0.99% of world trade, CARICOM 0.22% and CACM 0.19%.

On the performance of trade flows between traditional integration mechanisms and the behaviour of its member countries, findings are:

- In the sub-period 1998-2013, the mechanism of integration that, on average, assigned the highest proportion of its exports to intra-bloc trade was the CACM (21.25%).
- The subregional integration mechanism with the highest rate of average growth in its intra-bloc exports was MERCOSUR, with an average annual rate of 11.08%. On the contrary, the trade bloc with the lowest average annual variation in internal flows was the CACM, with a rate of 6.89%.
- MERCOSUR is the main destination of exports from the CAN and CARICOM.
- The CAN is the regional destination with the higher demand for exports from MERCOSUR.
- Exports from the CACM, with the most diversified destinations, have major regional markets such as CAN and CARICOM. However, although historically CACM exports to MERCOSUR have been relatively low, since 2010 they have expanded significantly.

INTRODUCTION

The promotion of intra-regional trade flows has been both an objective as well as a key tool in the integration process of Latin America and the Caribbean. The nations of the region, recognizing the important benefits associated with the expansion of their national markets, have gradually established preferential terms for regional trade.

Since 1960, with the creation of the Latin American Free Trade Association (LAFTA), spaces to facilitate trade exchange in the region have been promoted, through the progressive elimination of tariff barriers. That is why, in 1960 itself, the Central American nations decided to strengthen cooperation and complementarity links and created the Central American Common Market (CACM). Then, the regional integration project continued to move forward with the establishment of the Andean Community of Nations (CAN) in 1969, the creation of the Caribbean Community (CARICOM) in 1973 and, subsequently, the creation of MERCOSUR in 1991.

The scope and depth of the trade agreements established in the region have been heterogeneous; each subregional integration mechanism has adopted a particular trade dynamic, influenced by the inequalities of the economies that comprise them. As time goes by, these asymmetries have deepened, making it difficult to achieve higher levels of regional integration.

In addition, these asymmetries within the region have been a determining factor in the proliferation of bilateral type trade agreements among Latin American and Caribbean nations and the world. A situation that determines the scope and effect of the preferential trade instruments established in the region. Added to this, the persistence of non-tariff trade barriers and weaknesses of the region in terms of logistics and infrastructure have limited the growth of intra-regional trade, as well as the participation of Latin American and Caribbean nations in world trade.

Within the global context, Latin America and the Caribbean have improved their external position over the past decade as a result of increased demand for raw materials resulting from the drive of emerging economies. However, this situation has led to the productive and exporting specialization of the region towards commodities with little added content and have increased external dependence of the region.

With the progress of globalization and the development of value chains, international trade has become an important source of economic growth. Countries that have strengthened a productive transformation towards production of goods with higher technological content have largely taken advantage of the benefits of greater external aperture. In this area, the region still faces significant challenges as regards logistics infrastructure and greater coordination in regulatory matters, on which work should be done in order to improve their inclusion into global trade.

For a better understanding of the dynamics of trade integration in the region, SELA undertakes the task of assessing the performance of trade flows of goods in Latin America and the Caribbean during the period 1980-2013, thereby updating the "Assessment report on regional free trade agreements in Latin America and the Caribbean: 1980-2011", prepared by the Permanent Secretariat for the year 2013. This document specifically describes the performance of trade in goods of the region as a whole and also describes the behaviour of trade flows in goods of traditional mechanisms of sub-regional integration: Andean Community of Nations (CAN), Caribbean Community (CARICOM), Central American Common Market (CACM) and Common Market of the South (MERCOSUR).

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The research is descriptive and is mainly divided into three sections. The first section deals with the performance of exports from the Latin American and Caribbean region as a whole, and compares them with the evolution of world trade and the evolution of trade flows of the Association of Southeast Asian Nations (ASEAN).

The second section examines the performance of exports from the traditional sub-regional integration mechanisms: CAN, CARICOM, CACM and MERCOSUR. For this purpose, trade flows have been classified into three categories: The exchanges between partners of the same sub-regional mechanism, called intra-bloc flows; exchanges with other countries in the Latin American and Caribbean region (which are not members of the trade bloc) and trade flows with the rest of the world. In addition, the participation of member countries in the trade dynamics of each integration mechanism is detailed.

In order to enrich explanations in the study, the third section of the study assesses the performance of trade relations between traditional subregional integration blocs, as well as the evolution of exports within the economic context of Latin America and the Caribbean.

Considering the great amount of information that this report groups together and processes, each section contains its own set of conclusions, which summarize the most relevant findings of the assessment.

I. PERFORMANCE OF EXPORTS AND IMPORTS IN LATIN AMERICA AND THE CARIBBEAN

This section describes the performance of aggregate trade flows in Latin America and the Caribbean.¹ For this purpose, a detailed study is carried out on the performance of intra-regional trade relations (between the Latin American and Caribbean countries) and extra-regional trade (to the rest of the world), valued in nominal and real terms.² The use of both estimates will ensure a more robust approximation that allows for distinguishing the behaviour of the volume of traded goods and the impact that price variations have on trade in the region.

Likewise, this section aims at developing comparative exercises where trade performance of the region is evaluated in the global economic context and against the behaviour of international trade in the Association of Southeast Asian Nations (ASEAN).

The research comprises an evaluation of the 1980-2013 period through the use of data on an annual basis. To do this, and in order to facilitate access to the information, the description of the results will be divided into three sub-periods: 1980-1989, 1990-1999 and 2000-2013, concentrating greater efforts on the study of the commercial dynamics during the years 2012 and 2013.

a) Exports in nominal terms

Charts 1 and 2 show the behaviour of intra and extra-regional exports in nominal terms. During the sub-period 1981-1989, intra-regional exports grew at an average annual rate of 1.36% while exports to the rest of the world accelerated at an annual rate of over 2.69%. Then, for the sub-period 1990-1999, exports among Latin American and Caribbean countries grew at an average annual rate of 11.39% while flows to the rest of the world was 10.28%. Finally, during the sub-period 2000-2013, intra-regional exports reached the highest increase of the period, achieving an average annual growth rate of 12.99% which was above the 9.99% obtained by the extra-regional exports. Intra-regional exports indeed report a higher volatility in their performance, even though a strong correlation (0.783) can be observed in the behaviour of the annual rates of growth of both flows.

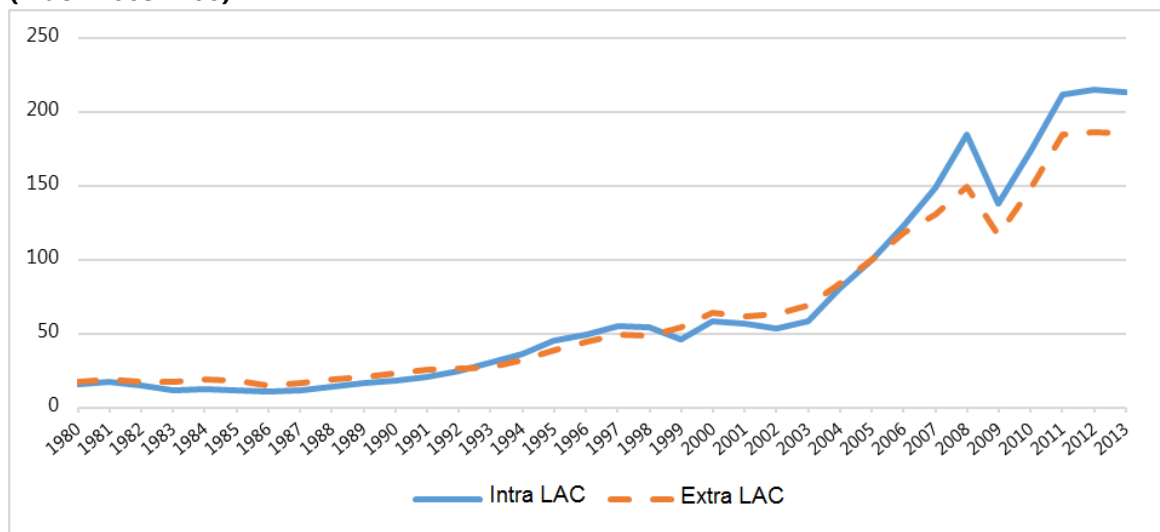
The growth of the world economy experienced since the late 1990s, driven mainly by the strong dynamism of emerging economies has led to a steady improvement in terms of trade in the region, supported by the increase in global demand for raw materials. As shown in Charts 1 and 2, the global economic slowdown experienced during 2008 and 2009 negatively impacted internal business flows and the rest of the world, suffering the most significant drop of the period evaluated (below -20 %). However, since 2010, the global economy began to experience signs of recovery, reactivating, although at a slower pace, the demand for raw materials and trade flows in the region.

¹ The study includes the following countries: Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Dominican Republic, Suriname, Trinidad and Tobago, Uruguay and Venezuela. Due to lack of information, the export data for Antigua and Barbuda were not included in the analysis.

² In nominal terms, the exports are valued at current prices; that is, at prices of the year under analysis. Whereas, in real terms, exports are valued at prices from a selected base year. For the purposes of this study, the base year for real flows will be 2005.

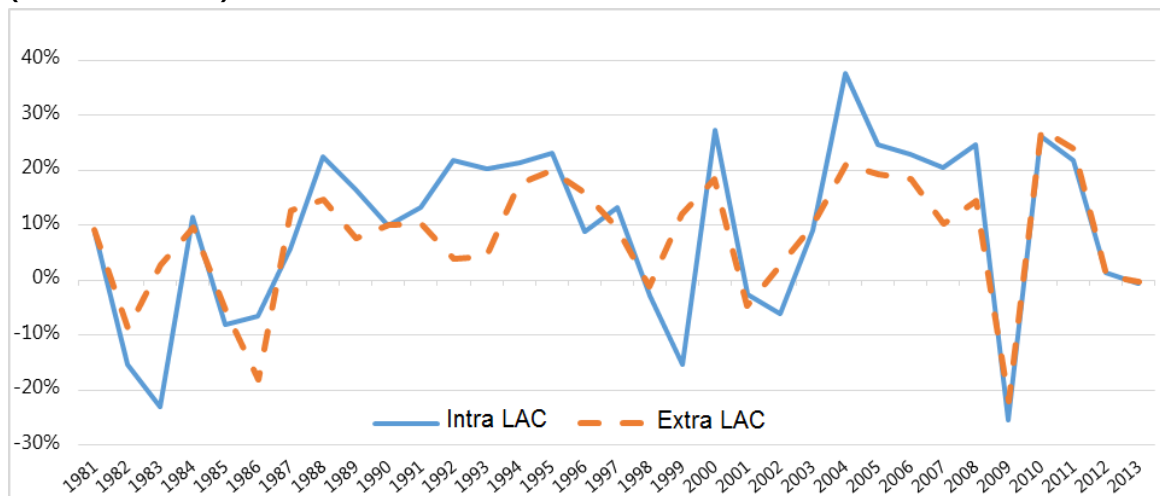
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CHART 1
Latin America and the Caribbean: Exports in nominal terms
(Index 2005=100)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

CHART 2
Latin America and the Caribbean: Exports in nominal terms
(Variation rate %)

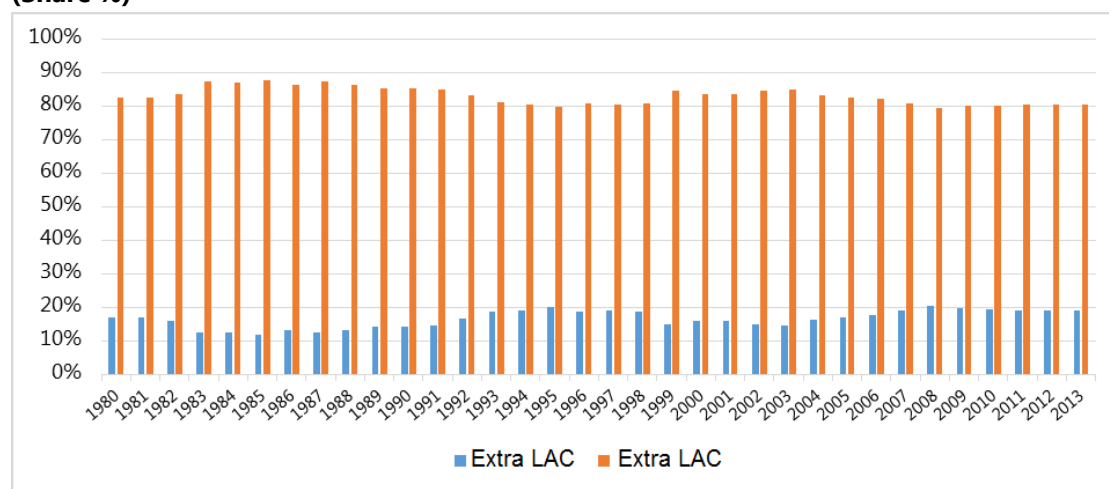


Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

Chart 3 shows the participation of intra-regional exports and exports to the rest of the world in total exports from Latin America and the Caribbean. It is clear that extra-regional exports greatly exceed the internal flows in the region. In the sub-period 1980-1989, extra-regional exports represented, on average, 86% of the total, while intra-regional flows averaged the remaining 14%. As for the sub-periods 1990-1999 and 2000-2013, exports to the rest of the world represented, on average, 82% of the total, and the intra-regional exports the remaining 18%.

According to SELA (2014), the main causes of the weakness in intra-regional trade are the persistence of applying non-tariff barriers, deficiencies in internal logistics infrastructure and the increase in global demand for raw material. Overcoming this situation would require higher levels of regional cooperation and coordination.

CHART 3
Latin America and the Caribbean: Intra/Extra-regional Trade
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

b) Exports in real terms³

Charts 4 and 5 show the behaviour of the intra-regional and extra-regional exports in real terms. During the period 1980-2013, real intra-regional exports averaged an annual growth of 6.48%, while the extra-regional exports increased at an average rate of 5.41% each year. During the sub-period 1981-1989, domestic exports in real terms grew by an average of 2.33% annually, while extra-regional exports grew at an average annual rate of 3.73%. For the sub-period 1990-1999, internal flows grew by 10.39% a year, exceeding the average of 9.26% of external flows. Finally, in the sub-period 2000-2013, intra-regional flows grew at an average of 6.75% exceeding the annual average of 3.75% of extra-regional exports.

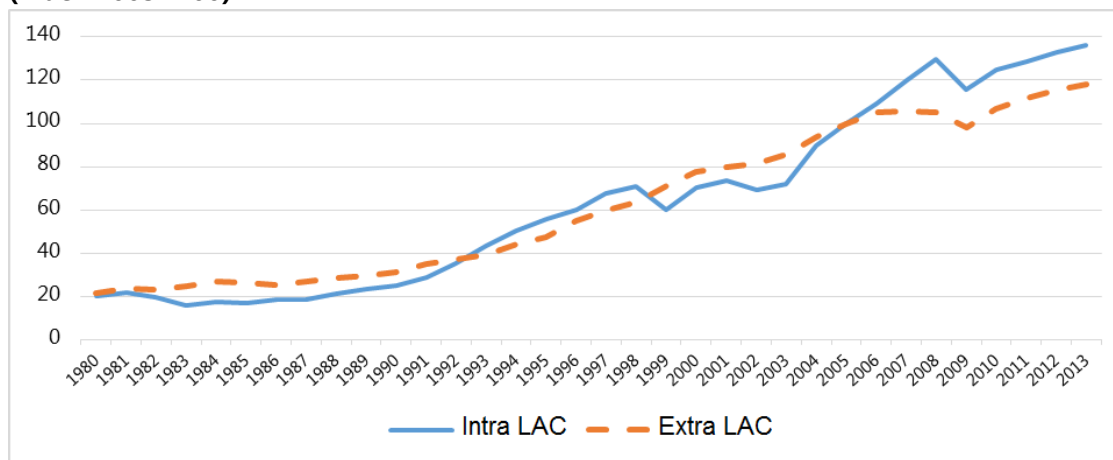
As in the case of nominal exports, intra-regional trade shows greater volatility, with annual behaviours that rated at -18% (1983) and 24% (2004).

³ Exports in real terms are obtained by dividing the nominal exports into the deflators of foreign trade (with base year 2005), with data obtained from CEPALSTAT, ECLAC.

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CHART 4

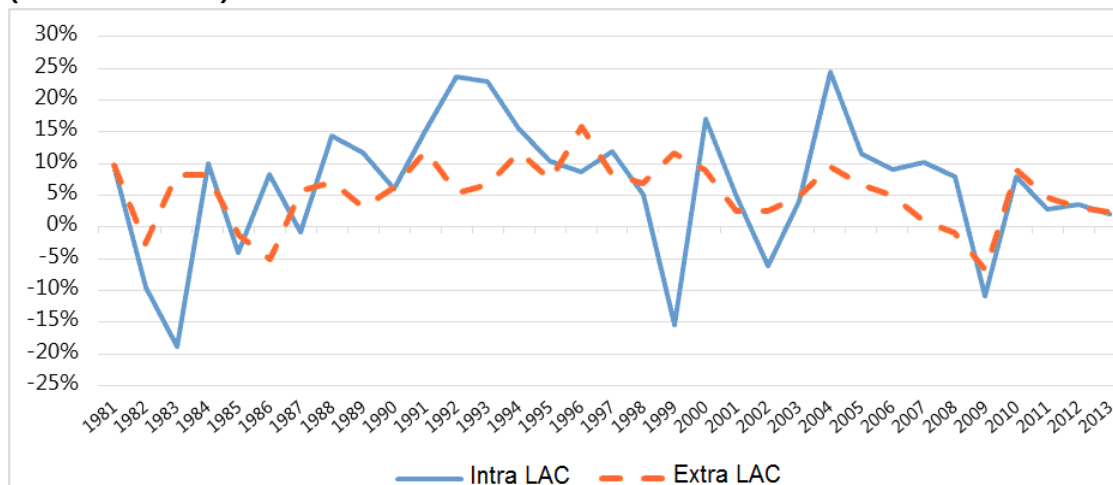
Latin America and the Caribbean: Exports in real terms (Index 2005=100)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

CHART 5

Latin America and the Caribbean: Exports in real terms (Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

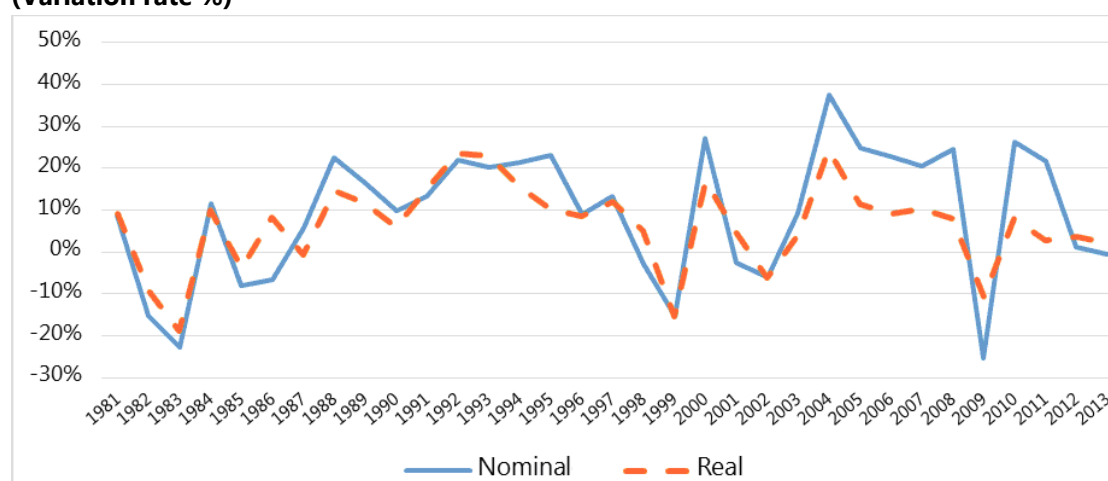
c) Real exports versus nominal exports

Charts 6 and 7 compare the performance of nominal and real intra-regional and extra-regional exports. With regard to exports within the region, during the sub-period 1981-1989, export in nominal terms grew at an annual average of 1.36%, ranking below the performance in real terms of 2.33%. In the sub-period 1990-1999, the behaviour varied, showing a higher increase in nominal exports that reported an annual average of 11.39%, as opposed to 10.39% reported for real exports. Finally in the sub-period 2000-2013, the average growth of nominal exports was 12.99% per year, twice the average rate increase for real exports of 6.35%.

Similarly, in terms of extra-regional exports (Chart 7), during the sub-period 1981-1989, nominal exports grew 2.69% per year, ranking below the average increase of real exports of 3.76 % in the same period. Also, during the sub-periods 1990-1999 and 2000-2013, the average growth of exports in nominal terms stood at 10.28% and 9.99% respectively, exceeding the average annual performance of real exports whose growth was 9.26% and 3.75% for the same sub-periods.

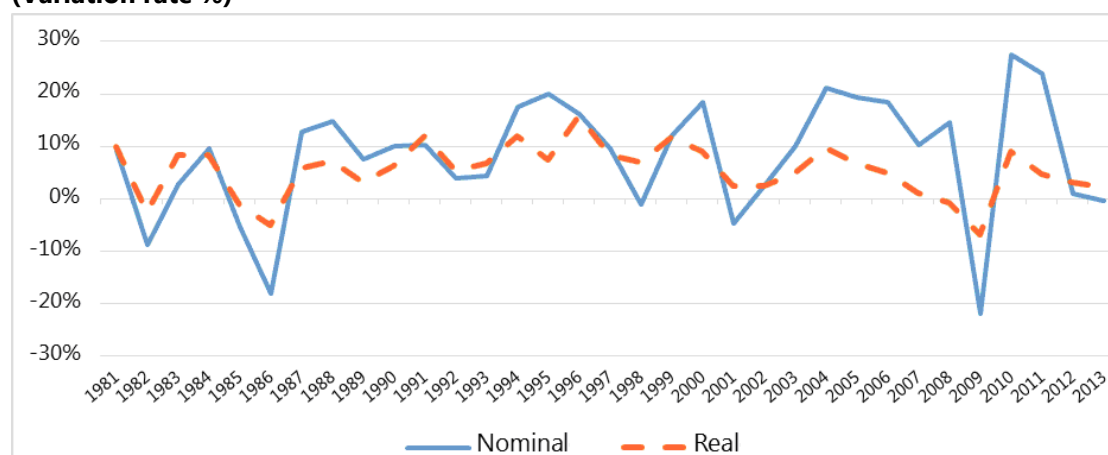
The performance of nominal exports (both intra-regional and extra-regional) presents a more erratic and volatile evolution, given that the behaviour of the prices of traded products magnifies the joint impact of market changes on trade flows.

CHART 6
Latin America and the Caribbean: Nominal vs Real Intra-Regional Exports
(Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

CHART 7
Latin America and the Caribbean: Nominal vs Real Extra-Regional Exports
(Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

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d) Exports as a percentage of GDP

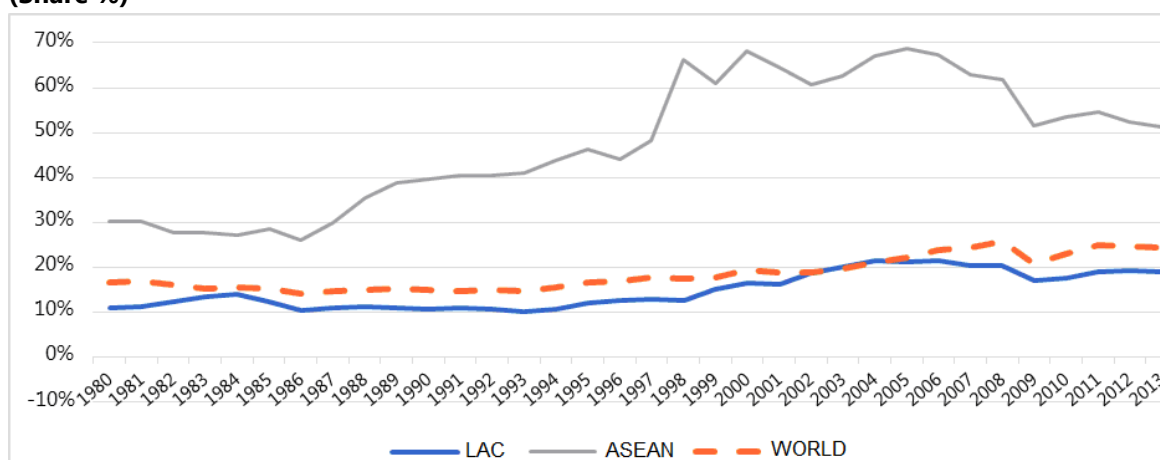
Chart 8 shows the participation of exports for Latin America and the Caribbean, the Association of Southeast Asian Nations (ASEAN)⁴ and the World in their respective Gross Domestic Product (GDP) at current prices. With regard to Latin America and the Caribbean, during the sub-period 1980-1989, exports averaged an annual participation of 11.81% with respect to regional production. Then, in the sub-period 1990-1999, the share remained at an average of 11.89%, while increasing to 19.15% in the sub-period 2000, driven by the improvement in the prices of raw materials.

Regarding the ASEAN countries, during the period 1980-1989, exports averaged an annual participation of 30.1% of GDP. Then, between 1990 and 1999, the commercial activity of these countries increases to an average of 47.12% of GDP. Finally, in the period 2000-2013, the commercial dynamics continued its upward trend, reaching their highest participation rates and averaging a quota of 60.54% of GDP.

With respect to global trade, during the years 1980-1989, world exports averaged a share of 15.5% of global GDP. Regarding the sub-periods 1990-1999 and 2000-2013, trade flows rose to average quotas of 16.18% and 22.3% respectively.

These data prove the backwardness of Latin American and Caribbean countries compared to the rest of the world in promoting exports as one of the main components of their economies. Meanwhile, the ASEAN countries, through a profound transformation process of its productive structures, have driven their export activities of products with high-added value contents to become one of the blocs with greater external dynamism in the global economic context.

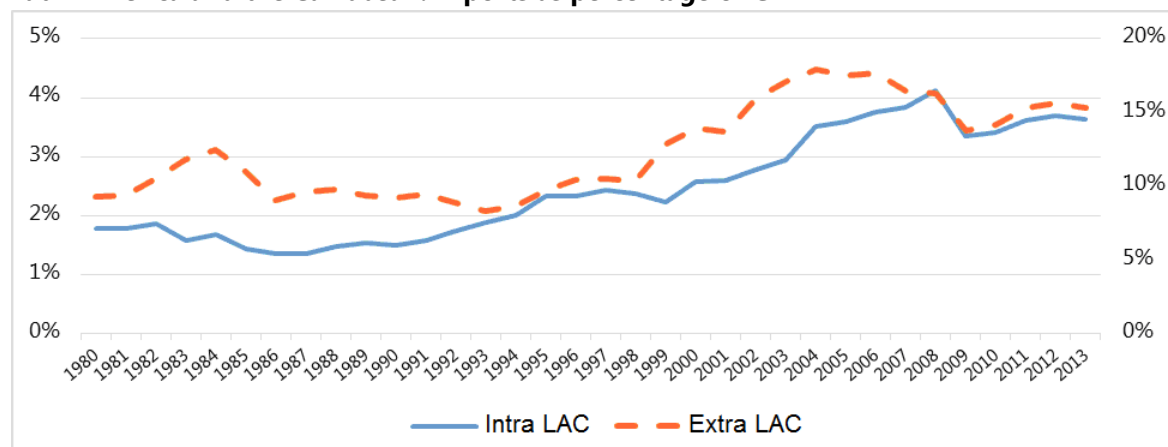
CHART 8
Exports/ GDP in LAC vs ASEAN and World
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

⁴ The Association of Southeast Asian Nations (ASEAN) comprises: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, The Philippines, Singapore, Thailand and Vietnam.

CHART 9
Latin America and the Caribbean: Exports as percentage of GDP



Source: Data from the *Direction of Trade Statistics (DOTS)* and the *World Economic Outlook of April 2015 (WEO)* of the International Monetary Fund (IMF). Calculations by the author.

Chart 9 shows the participation of intra-regional and extra-regional exports in the Gross Domestic Product of the region.⁵ Regarding intra-regional exports, whose participation may be seen in the main axis of the ordinates (left side of the chart), during the period 1980-2013 its annual average participation is 2.46% of GDP, while extra-regional exports (as shown in the secondary axis, located on the right side of the chart) represented, on average, 12.39% of GDP.

In the sub-period 1980-1989, intra-regional exports averaged a share of 1.59% of regional GDP, being the lowest level reported during the period under study. Then, during the sub-periods 1990-1999 and 2000-2013, internal trade with regard to GDP increased slightly to average an annual participation of 2.05% and 3.39%, respectively.

Regarding the behaviour of the average participation of exports to the rest of the world in the regional GDP, in the sub-period 1980-1989 this resulted in an average of 10.23% and for the sub-periods 1990-1999 and 2000-2013 it reached 9.85% and 15.75%, respectively.

e) Latin American and Caribbean Exports in world trade

In Chart 10, a comparative exercise is carried out to assess the participation of exports in nominal terms from ASEAN and Latin America and the Caribbean in global trade during the period 1980-2013. The average annual participation of both economic blocs during the period of study is very similar and is set at 5.09% for Latin America and the Caribbean and 5.54% in the case of ASEAN.

At the beginning of the sub-period 1980-1989, Latin America and the Caribbean report a participation quota higher than that of ASEAN in international trade. However, at the end of the decade, the largest international dynamism of the ASEAN and the contraction of export flows from Latin America and the Caribbean, led to a convergence in participation levels of total exports. In this sub-period, exports from Latin America and the Caribbean averaged an annual participation of global trade of 4.82%, while the ASEAN reached an annual average of 3.91%.

⁵The comparison was carried out by dividing the value of current prices of intra-regional and extraregional exports into the value of current prices of total production in the region.

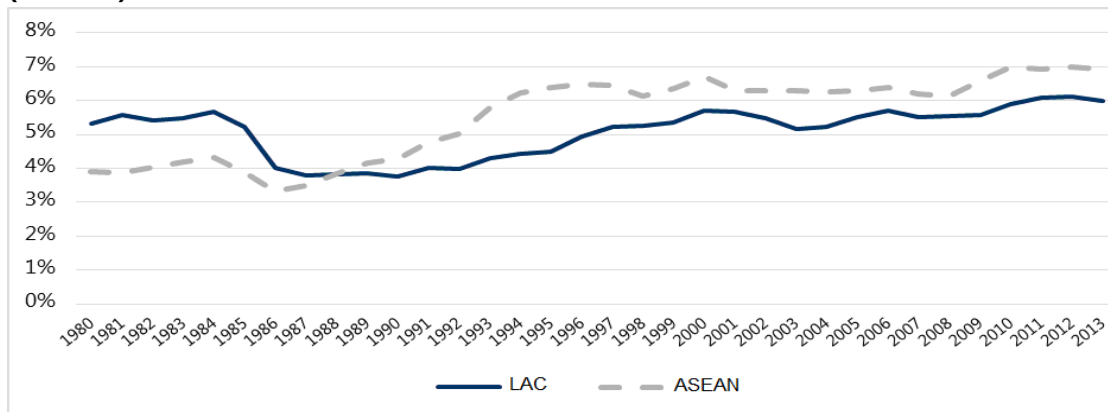
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At the time of the sub-period 1990-1999, exports from ASEAN accelerated at a faster rate than regional exports, accumulating an average annual participation rate of 5.79% in world exports while Latin America and the Caribbean managed to reach an average of 4.58% of global trade. From this decade, the participation of ASEAN in world trade separated from Latin American and Caribbean performance, creating a gap whose improvement is yet an outstanding task for the region.

Finally, in the sub-period 2000-2013, ASEAN consolidates its participation in global trade by averaging 6.52% of the total world exports, while the region accumulates an annual average of 5.66%.

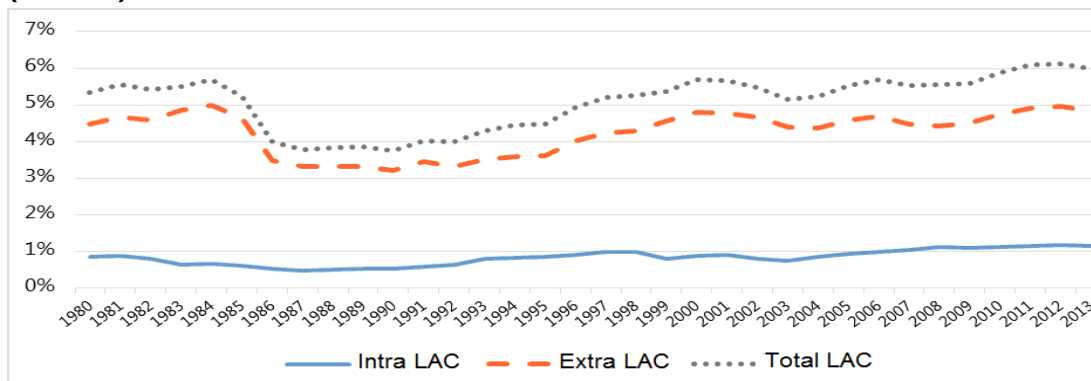
Reading these data requires a considerable degree of caution in view of the structural differences between the compared economic blocs. In the case of Latin America and the Caribbean, exports from the 33 countries in the region were consolidated while, in ASEAN, trade flows from the 10 full member countries were considered. Similarly, the characteristics of the goods exported by each economic bloc are not reviewed because such analysis is beyond the scope of this research.

CHART 10
Exports in global trade: Latin America and the Caribbean vs ASEAN
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

CHART 11
Latin America and the Caribbean: Exports in global trade
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

Chart 11 shows the share of Latin American exports in total world exports. Regarding intra-regional exports, the tendency during the series 1980-2013 was stable and averaged an annual participation of 0.84% in world trade. Meanwhile, extra-regional exports reported a more dynamic behaviour, averaging in the sub-period 1980-1989 an annual participation of 4.17% in global trade, later dropping to an average of 3.78% during the sub-period 1990-1999, and rebounding, once again, in the sub-period 2000-2013 at an annual average of 4.65% of global trade.

This performance of trade flows in the region has meant, during the period 1980-2013, an average annual participation of 5.09% in world trade. In this sense, it is during the sub-period 2000-2013, with an average annual participation of 5.66%, where the region was able to increase its relevance in world trade flows, positioning itself above the average annual participation of 4.82% that the region had historically reported in the sub-period from 1980-1989, and 4.58% in the sub-period 1990-1999.

f) Exports of primary products versus manufactured products⁶

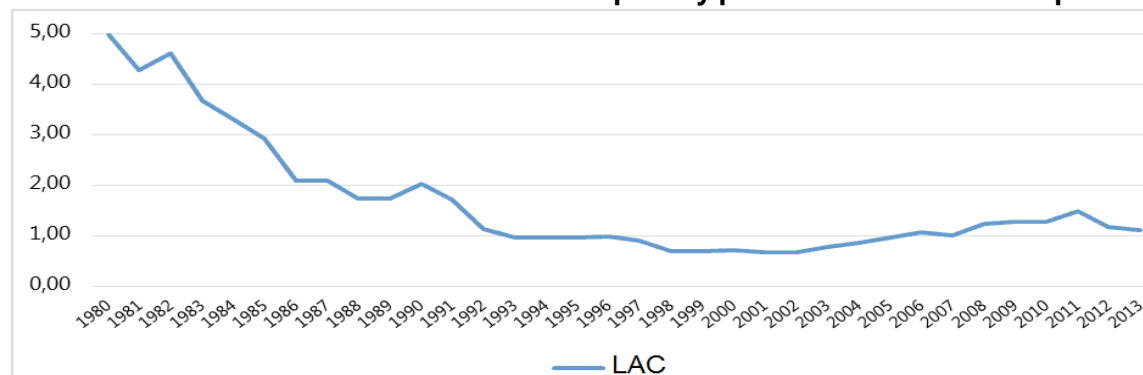
The existence of natural and energy resources in Latin America and the Caribbean has fostered economic specialization in the region towards the extraction of primary products, which are utilized in the global industry for the production of items that require greater processing. In this sense, historically, exports of primary products in the region have exceeded industry exports although progressively at a lower rate.

As shown in Chart 12, during the sub-period 1980-1989, exports of primary products exceeded, on average, 3.15 times the total value of exports of manufactured goods. In the sub-periods 1990-1999 and 2000-2013, the ratio dropped considerably to settle, respectively, at an average of 1.12 and 1.03 times industrial exports.

The increase experienced by manufacturing exports during the review period reflects advances in the region in terms of structural changes to promote industrialization as a source to generate economic growth. However, the economic sectors of greater growth are part of the processing of raw materials and manufacture of products with low technological and added content that have not achieved eradication of the leadership of raw materials as main exports.

CHART 12

Latin America and the Caribbean: Share ratio of primary products vs manufactured products



Source: Data from CEPALSTAT, ECLAC. Calculations by the author.

⁶This indicator is obtained by dividing the current value of primary products exports into the current total value of manufactured product exports.

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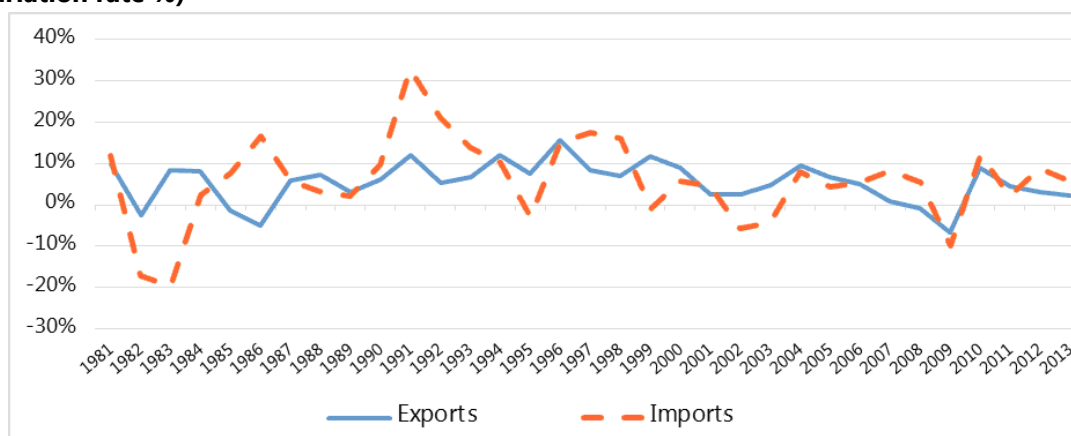
g) Extra-regional exports versus imports in real terms

The purpose of this section focuses on studying the behaviour of exports and imports from the region by mitigating the effect of variations in prices, to thereby obtain an approximation of the variation rate in volume experienced by each flow. Specifically, Chart 13 illustrates the changes in the external position of the region and the variation in the relative dependence of the region, with regard to the rest of the world, in terms of volumes of traded goods.

Chart 13 shows that, during the sub-period 1981-1989, the variation rate of imports reported a more volatile performance than that of exports, averaging an annual variation of 1.39%, while the average variation in exports resulted in 3.06%. Then, the sub-period 1990-1999 is the period in which both flows show a higher annual growth rate, averaging a variation of imports of 13.25% and exports of 10.82%. Finally, in the sub-period 2000-2013, the impact of the global financial crisis negatively affected both trade flows, significantly reducing the annual rate of import growth to an average of 3.64% and exports to 5.99%.

CHART 13

Latin America and the Caribbean: Exports/Imports to the rest of the world in real terms (Variation rate %)



Source: Data from the *Direction of Trade Statistics (DOTS)* of the International Monetary Fund (IMF) and CEPALSTAT. ECLAC. Calculations by the author.

h) Summary and Conclusions

The descriptive study carried out on the performance of trade flows in Latin America and the Caribbean during 1980-2013 gives some interesting results that facilitate the understanding of the trade dynamics of the region. In this regard, and by way of summary and conclusion, we find that:

- In the period 1980-2013, the average annual growth rate of exports from the region in nominal terms was 8.24%, ranking above the average annual variation reported by trade in real terms of 5.53%. Therefore, the significant impact of the increase in the prices of raw material can be observed, with the highest incidence occurring in the last two decades by rapid increase of global demand.
- During the period studied (1980-2013), nominal intra-regional exports accelerated, on average, at an annual rate of 9.33%, higher than the annual average variation of the extra-regional exports which stood at 8.09%.
- The decade 2000-2010 is the period with the highest annual average expansion of exports from Latin America and the Caribbean in nominal terms, reaching a variation rate of 12.99%. The favourable global economic context and the increased demand for raw materials,

- experienced more firmly from the year 2000, forced the increase in prices of exports from the region and created the conditions that allowed the most prosperous sub-period for Latin American and Caribbean trade.
- The rapid recovery of exports from Latin America and the Caribbean, after the global financial crisis of 2008 and 2009, suffered a sharp slowdown during the years 2012 and 2013 as a result of less dynamism in the global economy.
 - In the series described, the average annual rate of the volume increase of intra-regional exports, measured by exports in real terms, was 6.48%, higher than the average annual variation in the volume of extra-regional flows which stood at 5.41%. That is, intra-regional trade grew (on average) faster than extra-regional trade between 1980 and 2013, not only as a result of the increase in prices, but also as a direct result of an increase in volume.
 - The sub-period 1990-1999 is the period with the highest average growth in the volume of trade in the region, measured by exports in real terms.
 - In the period 1980-2013, intra-regional exports to the rest of the world reported rates of variation rates with a strong, positive correlation. In this regard, it is evident that international trade determinants have the same impact (in direction but not necessarily in size) on exports within the region and those directed to the rest of the world, discarding a compensatory effect on the dynamics of trade flows.
 - The volatility of intra-regional, nominal and real trade flows is higher than that observed in extra-regional trade. This reality demonstrates the greater sensitivity of the internal trade relations to regional and global economic dynamics.
 - In the period 1980-2013, the growth rates of intra-regional, nominal and real exports, maintain a much greater marked co-movement than those of extra-regional exports.⁷
 - During the period 1980-2013, the annual average participation of exports from the region to the rest of the world in total exports (83.3%), greatly exceeded the annual average participation of intra-regional trade (16.7%). This situation proves that, despite the encouraging efforts of greater trade integration, there are still outstanding tasks, such as the modernization of logistics infrastructure and a greater coordination in regulatory matters that could help in boosting trade flows between Latin American and the Caribbean countries.
 - In the period 1980-2013, the average participation of exports in the Gross Domestic Product of Latin America and the Caribbean was 14.86%, lower than the participation of exports in GDP of ASEAN which reached 47.67 % and the global average of 19.09%. That is, despite its rapid growth, exports from Latin America and the Caribbean remain at low levels, in terms relating to the selected control groups.
 - During the period 1980-2013, the participation of exports in Latin America and the Caribbean in global trade grew timidly, positioning in 1980 at a quota of 5.33% in 2013 and a participation of 5.98%. On the contrary, the role of ASEAN trade flows in world trade managed to grow systematically, positioning in 1980 at a rate of 3.92% and, by 2013, achieved a participation of 6.93% in world trade.
 - During the period studied, the dependence of regional exports on primary goods declined progressively. In 1980, the average participation of primary goods in total exports of the region was 83.3%, while in 2013 this ratio dropped to 53%. However, the increase in prices of raw materials, experienced during the last two decades, led to a rise in exports of natural resources adversely impacting the performance of the flows of manufactured goods.

⁷ This finding could mean that the price elasticity of demand for goods destined to the rest of the world is lower than the price elasticity of demand for goods traded within the region.

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II. PERFORMANCE OF EXPORTS AND IMPORTS OF TRADITIONAL INTEGRATION MECHANISMS

This section describes the performance of the trade flows of the traditional subregional integration schemes. It specifically describes the development of the trade flows – valued in nominal and real terms – of the Andean Community (CAN), the Caribbean Community (CARICOM), the Central American Common Market (CACM) and the Common Market of the South (MERCOSUR).

This detailed assessment of foreign trade of the traditional subregional integration mechanisms provides an approximation of their performance within the context of world trade and Latin America and the Caribbean, while enabling the study of its internal trade dynamics, recognizing individual participation and commercial relations of the member countries.

With respect to trade relations between the integration mechanisms, these were divided according to the destination of flows, and in general terms, three classifications are recognized:

- **Intra-mechanism Exports:** Comprises exports from countries of the mechanism whose destination is another member of that same trade bloc.
- **Exports from the Mechanism to the Rest of LAC:** Refers to exports from member countries of the integration bloc whose destination is another country in Latin America and the Caribbean that does not belong to the same integration mechanism.
- **Exports from the Mechanism to the Rest of the World:** Comprises exports from the countries of bloc studied directed beyond the Latin American and Caribbean borders.

1. Performance of exports and imports of the Andean Community (CAN)

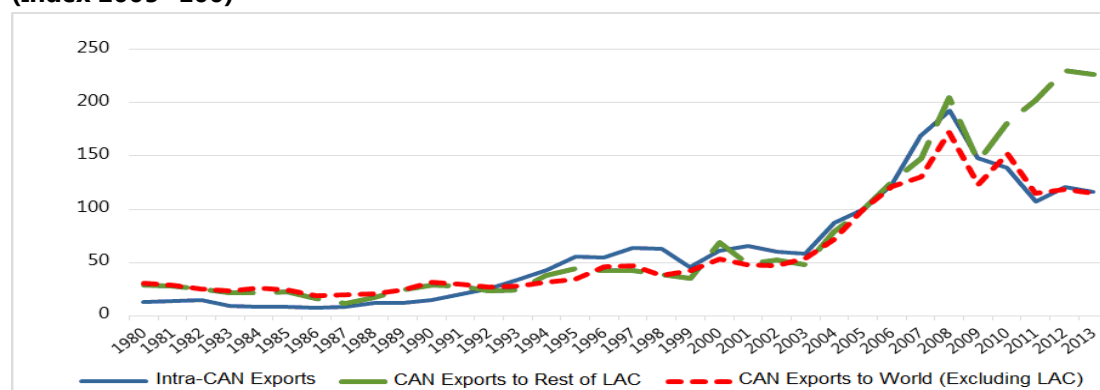
This section evaluates the performance of trade flows in the Andean Community of Nations (CAN), established in 1969. The founding members are Bolivia, Colombia, Ecuador and Peru. However, in 1976 the entry of Venezuela is formalized to complement the operation of the mechanism, although in 2006 it requested exit from the bloc, which was finalized in 2011. For the purpose of describing the behaviour of trade flows from CAN, Venezuela will be considered to form part of this mechanism during the period 1980-2010.

a) Exports in nominal terms

Charts 14 and 15 show the performance of exports by the Andean Community of Nations (CAN) in nominal terms. During the period studied, 1980-2013, exports with destination to countries from the rest of Latin America and the Caribbean experienced greater volatility and their average annual growth rate was 9.8%, contrary to the behaviour of intra-mechanism exports and to the rest of the world, whose annual variation averages were 8.82% and 5.65%, respectively.

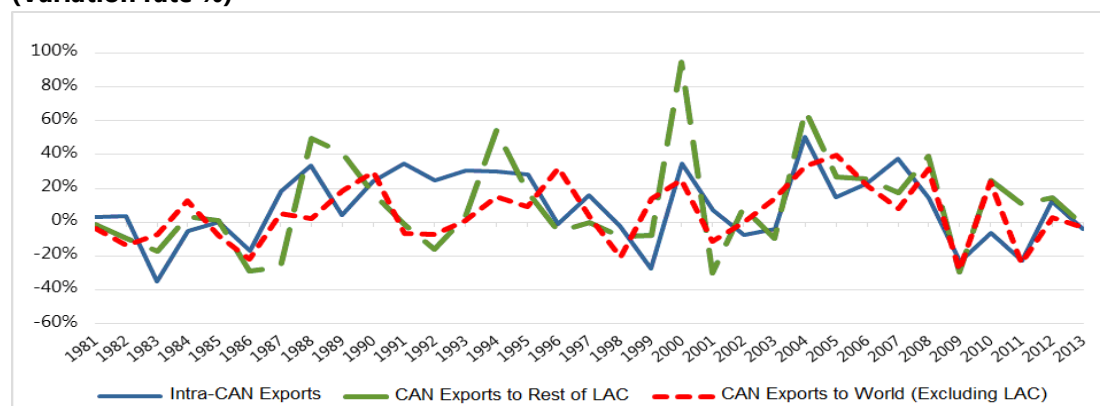
During the sub-period 1981-1989, the average variation in exports to the rest of Latin America and the Caribbean was the highest, standing at 1.24% per year, as opposed to the average behaviour reported for intra-mechanism exports and to the rest of the world, at 0.72% and -1.68% respectively. In the following sub-period, 1990-1999, trade between the countries of the mechanism accelerates at a faster rate and its average annual growth rate stands at 15.84%, while that of exports to the rest of the countries of the region and the world is at 5.41% and 6.99%, respectively. Finally, in the sub-period 2000-2013, exports to the rest of the region resumed their growth rate, with their average variation being 18.44% per year, while exports between countries of the trading bloc accelerated and averaged 9.01% and those to the rest of the world stood at 9.4%.

CHART 14
CAN: Exports in nominal terms
(Index 2005=100)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

CHART 15
CAN: Exports in nominal terms
(Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

Figure 16 shows the share of exports among the countries of the mechanism to the rest of Latin America and the Caribbean and to the rest of the world in the total exports made by the Andean Community countries. In general terms, the superiority of the rest of the world as the main destination of exports from the nations of the Andean Community can be seen. During the period between 1980 and 2013, exports to the rest of the world averaged a participation of 79.32% with respect to the total exports, while exports to the rest of the region accounted for 13.25% and flows among the countries of the mechanism, 7.43%.

In the sub-period 1980-1989, the dependence on international markets as a destination for exports is at its highest point, reporting an average participation of 84.41% of the total exports from the integration bloc, while exports to the rest of Latin America and the Caribbean averaged only 11.73% and intra-bloc flows 3.86%.

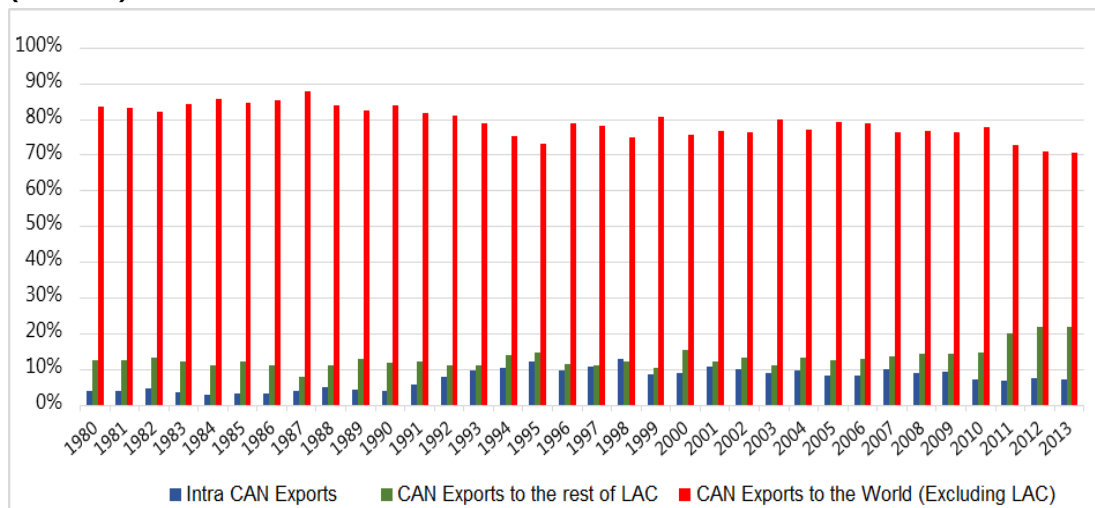
During the sub-period 1990-1999, exports to the rest of the world reported a slight drop in their share to average 78.69% of total exports. This decrease is capitalized by the intra-mechanism flows

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whose average increased to 9.22%, while exports to the rest of the region remain technically unchanged, averaging 12.09%. Finally, in the sub-period 2000-2013, exports to the rest of the world represented an average of 76.14% of total exports, while the average participation of exports to the rest of the region increased to 15.16% and the intra-mechanism flows to 8.7%.

CHART 16

CAN: Intra-bloc Exports, Exports to the rest of LAC and Exports to the rest of the World (Share %)



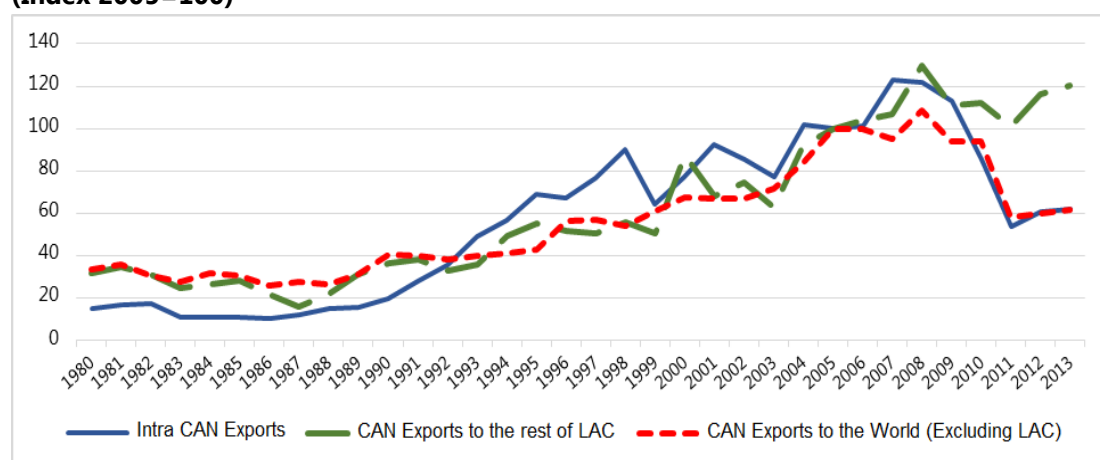
Source: Data from the *Direction of Trade Statistics (DOTS)* of the International Monetary Fund (IMF). Calculations by the author.

b) Exports in real terms

Charts 17 and 18 show the behaviour of exports by the countries of the CAN in real terms. As in the case of nominal exports, the regional flows are the ones that report higher average annual rates. In this regard, during the period 1980-2013, the intra-mechanism exports increased at an average rate of 6.42%, followed by the average participation of exports to the rest of the region with an average growth rate of 6.18% and, finally, flows to the rest of the world with an average variation of 2.8%.

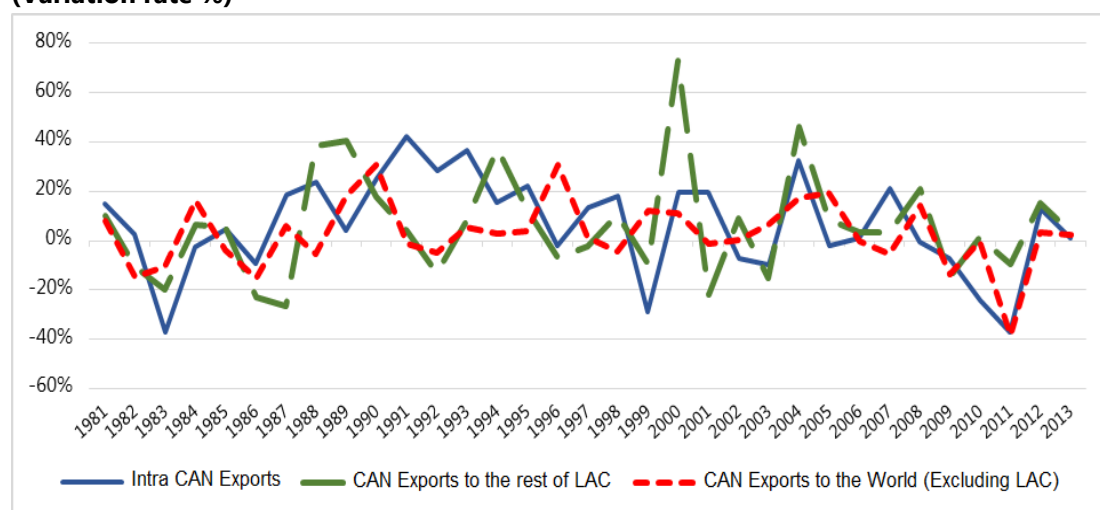
During the period between 1981 and 1989, real exports to the rest of Latin America and the Caribbean reported the highest average annual growth rate, standing at 2.4% while the real exports by the intra-mechanism increased an average of 2.24% and exports to the rest of the world decreased by -0.1%. Then, the period 1990-1999 was the fastest growing, led by the increase in the average growth rate of real exports among nations belonging to the CAN, which stood at 17.6%, as opposed to the average growth of real exports to the rest of the region and the world with 5.93% and 7.6%, respectively. Finally, in the period 2000-2013, the dynamics of growth slows down and, as a result, the real exports to the rest of Latin American and Caribbean increased at an average annual rate of 8.79%, while intra-bloc exports and to the rest of world stood at 1.42% and 1.2%, respectively.

CHART 17
CAN: Exports in real terms
(Index 2005=100)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

CHART 18
CAN: Exports in real terms
(Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

c) Real vs Nominal Exports

A comparison of the intra-mechanism exports, exports to other countries in Latin America and the Caribbean and exports to the rest of the world, in real and nominal terms, is made in Charts 19, 20 and 21. Again, the purpose of this comparative exercise focuses on assessing the impact of variation in the terms of trade on export flows.

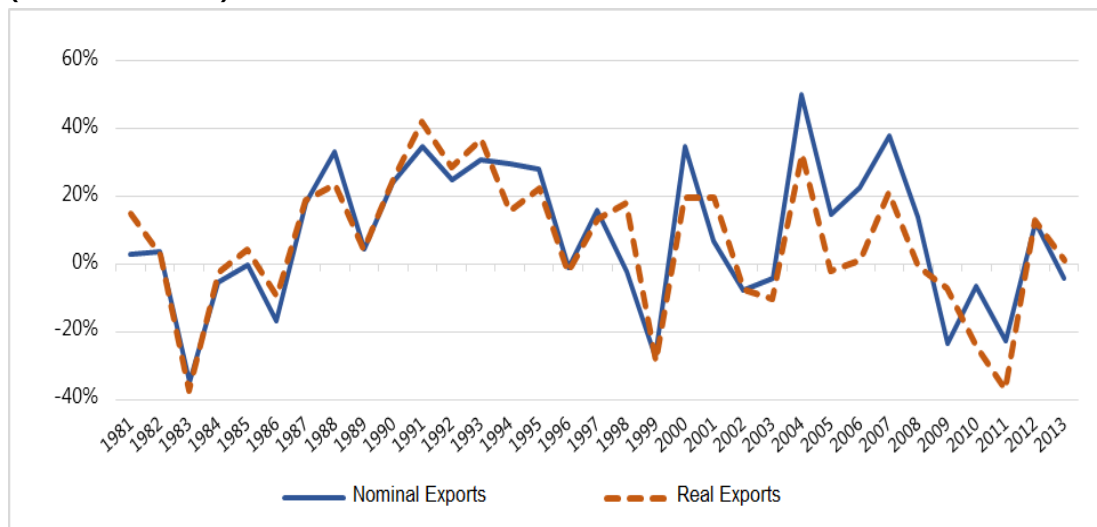
Chart 19 shows the evolution of the growth rate of nominal and real exports between the countries of CAN. During the period 1981-2013, nominal exports grew at an average annual rate of 8.82%, higher than the performance of flows in real terms, whose average variation was 6.42%. During the sub-period 1981-1989, the exports in real terms are those which reported a higher average

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variation standing at 2.24%, while nominal exports grew at 0.72%. Then, in the sub-period 1990-1999, real exports again accelerated at an average annual rate of over 17.6%, as opposed to 15.84% in nominal exports. Finally, during the period 2000-2013, nominal exports are the ones which increased at a higher average rate of 9.01% as opposed to 1.42% in real exports.

CHART 19

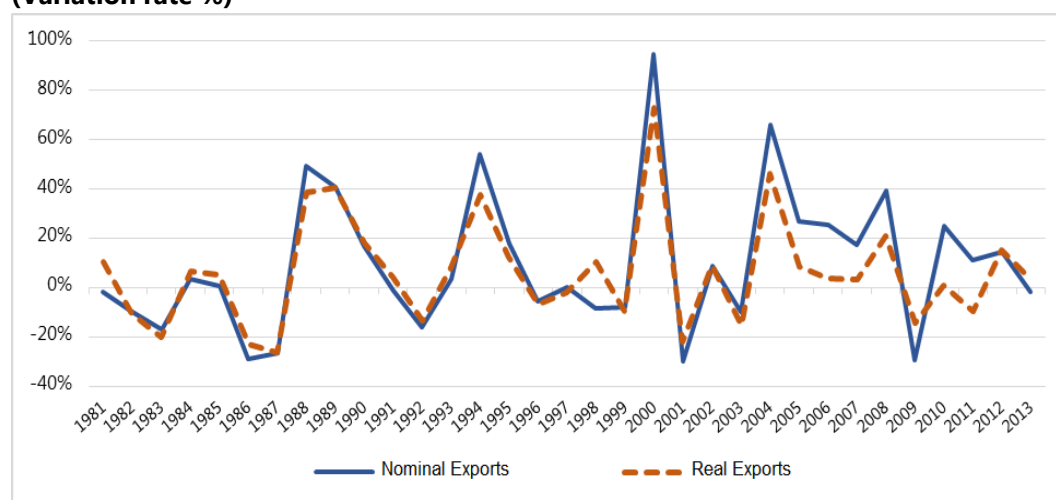
CAN: Real vs Nominal Intra-Bloc Exports
(Variation rate %)



Source: Data from the *Direction of Trade Statistics (DOTS)* of the International Monetary Fund (IMF) and *CEPALSTAT, ECLAC*. Calculations by the author.

Chart 20 shows the performance of exports in nominal and real terms, with destination to the rest of the countries of Latin America and the Caribbean. The average growth over the period 1981-2013 proves that the variation in the prices of traded goods fostered the growth of nominal exports, to set its average annual growth rate at 9.8%, while real exports reached 6.18%. During the 1981-1989 and 1990-1999 sub-periods, real exports expanded at an average annual rate of 2.4% and 5.93%, respectively, exceeding nominal exports, which stood at 1.24% and 5.41%, respectively. However, during the sub-period 2000-2013, improvement in terms of trade promoted the growth of nominal exports at an average annual rate of 18.44%, as opposed to 8.71% reported by real exports.

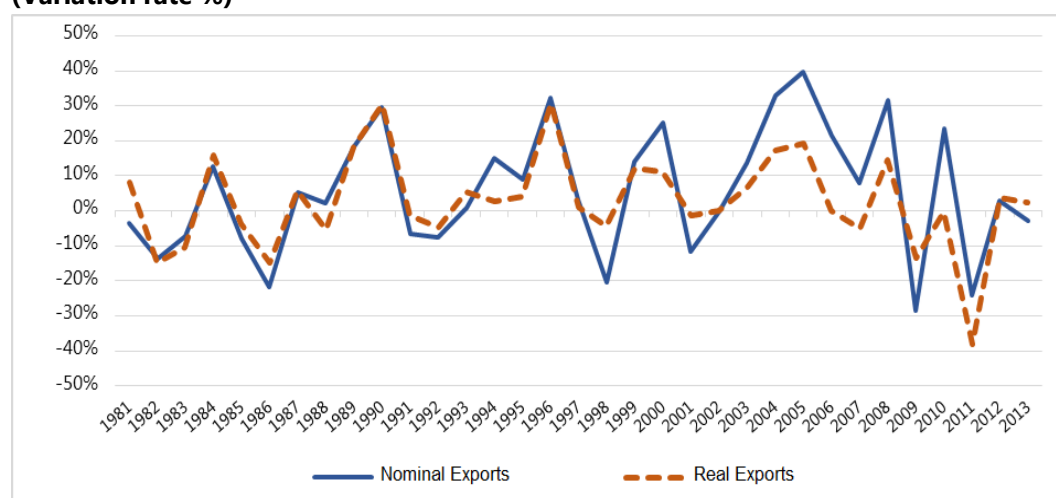
CHART 20
CAN: Real vs Nominal Exports to the rest of LAC
(Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

Chart 21 reveals the behaviour of the growth rate of real and nominal exports to the rest of the world. During the period studied, 1981-2013, the average annual variation rate for nominal exports stood at 5.65%, surpassing the variation in real exports that reached 2.8%. During the sub-period 1981-1989, nominal exports fluctuated with higher volatility falling, on average terms, to -1.68% while real exports made a rate of -0.1%. Then, in the sub-period 1990-1999, exports in real terms increased at an average annual rate of 7.6% as opposed to 6.99% in nominal exports. Finally, and highlighting the impact of the increase in prices of raw materials, driven by a favourable global economic context, during the sub-period 2000-2013, exports in nominal terms expanded at an average annual rate of 9.4%, as opposed to 1.14% for real exports.

CHART 21
CAN: Real vs Nominal Exports to the rest of the World
(Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

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d) Exports as percentage of GDP

Charts 22 and 23 show the share participation of current exports in the Gross Domestic Product of each economic conglomerate, at current prices.

Chart 22 provides details on the participation of current exports, by destination, in the Gross Domestic Product (GDP) of the integration bloc at current prices. To do this, and in view of the magnitude of the differences in the relative weight of each flow, the figure includes two ordinate axes, representing in the main ordinate axis (left axis) the level of participation in intra-mechanism and intra-regional exports relative to GDP, and in the secondary ordinate axis (right axis) the measuring scale of exports to the rest of the world over GDP.

As can be seen, exports to the world report superiority over regional trade, reaching an average participation of 14.51% of Gross Domestic Product in the region during the period 1980-2013, while intra-region and intra-mechanism exports barely managed to average a participation of 2.48% and 1.39%, respectively.

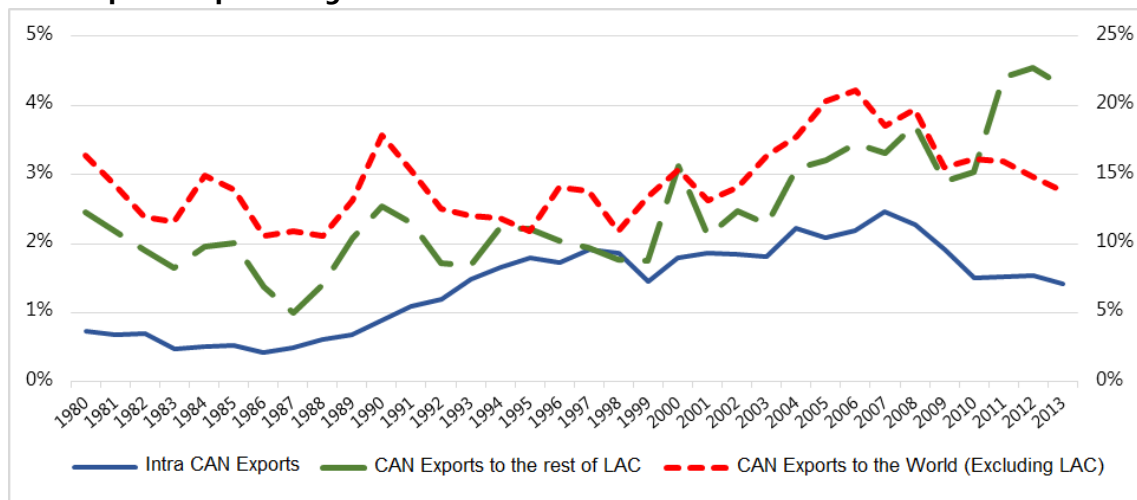
In the sub-period 1980-1989, intra-mechanism exports averaged a participation of 0.58% of Gross Domestic Product in the region and, although its performance achieved a slight improvement over time, the efforts were insufficient to overcome the average barrier of 2% of GDP, reaching the sub-periods 1990-1999 and 2000-2013 an average participation of 1.51% and 1.89%, respectively.

Regarding the flows to the rest of Latin America and the Caribbean, during the sub-period 1980-1989, they averaged a share of 1.80% of the GDP of the member countries of CAN. During the following sub-periods, that reality did not change significantly given that, despite efforts to promote trade on preferential terms, during the periods 1990-1999 and 2000-2013 the CAN countries averaged, respectively, exports to rest of the region in the order of 2.02% and 3.29% of the trading bloc's GDP.

Finally, regarding exports to the rest of the world, during the sub-period 1980-1989, they averaged a share of 12.81% of GDP, and then increased significantly over the sub-periods 1990-1999 and 2000-2013, to account for 13.25% and 16.62%, respectively.

CHART 22

CAN: Exports as percentage of GDP



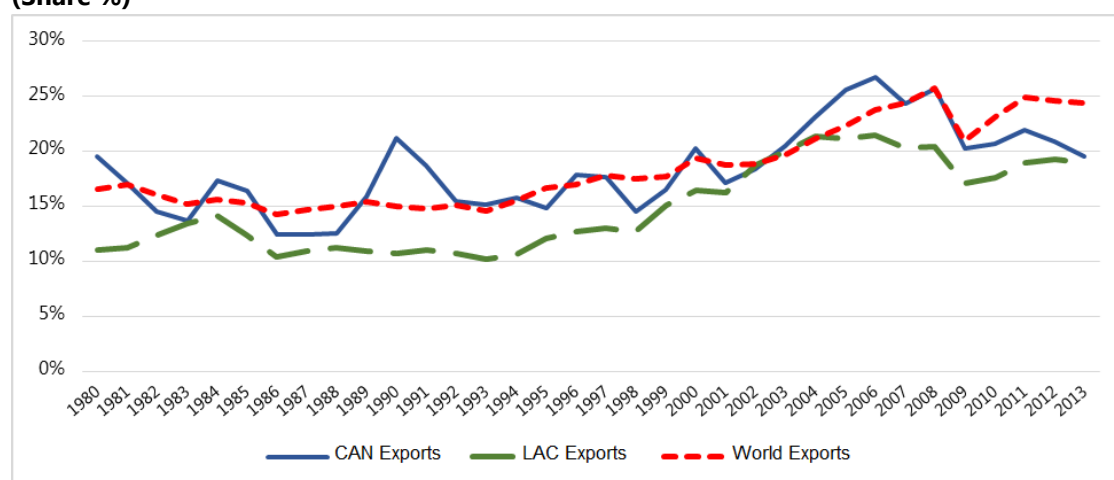
Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook (WEO) of the International Monetary Fund (IMF). Calculations by the author.

Chart 23 shows the participation of exports at current prices within CAN, to LAC and to the World relative to Gross Domestic Product at current prices of each group. In this connection, the purpose of this comparative exercise focuses on identifying the relative importance of exports as a structural component of the dynamics of the economies.

During the period 1980-2013, exports from CAN represented, on average, 18.38% of the mechanism's GDP. This performance is slightly below the world average of 18.5% of GDP and notably above the regional average of 14.86% of their respective GDP.

In the sub-period 1980-1989, exports by CAN accounted for an average of 15.2% of the GDP of the countries of the mechanism, ranking above the regional average of 11.81%, and slightly below the average global performance of 15.5%. In the next sub-period 1990-1999, exports by CAN reached an average of 16.77% of the GDP of the mechanism, while the overall average was 16.18% and the regional average stood at 11.89%. Finally, in the sub-period 2000-2013, the region's exports relative to GDP reported a marked growth with an average participation of 19.15% of GDP, while exports by CAN averaged 21.79% and the rest of the world 22.3%.

CHART 23
Exports / GDP. CAN, LAC, World
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook (WEO) of the International Monetary Fund (IMF). Calculations by the author.

e) Exports as percentage of World trade

Chart 24 shows the share of exports made by CAN in global trade, by destination. In this Chart, the commercial dynamism of the mechanism in global trade flows can be seen.

As for the intra-mechanism exports, their participation in global trade was relatively stable during the period 1980-2013, averaging a quota of 0.07%. During this period, the highest level of participation was 0.11%, achieved in 2007. Contrarily, the lowest level reported was 0.03%, occurring during 1986 and 1987.

Likewise, exports to the rest of Latin America and the Caribbean showed a sluggish behaviour, reaching an average participation in world trade of 0.13% between 1980 and 2013. The maximum participation was 0.21%, achieved in 1980, while its lowest level was 0.06%, reported in 1987.

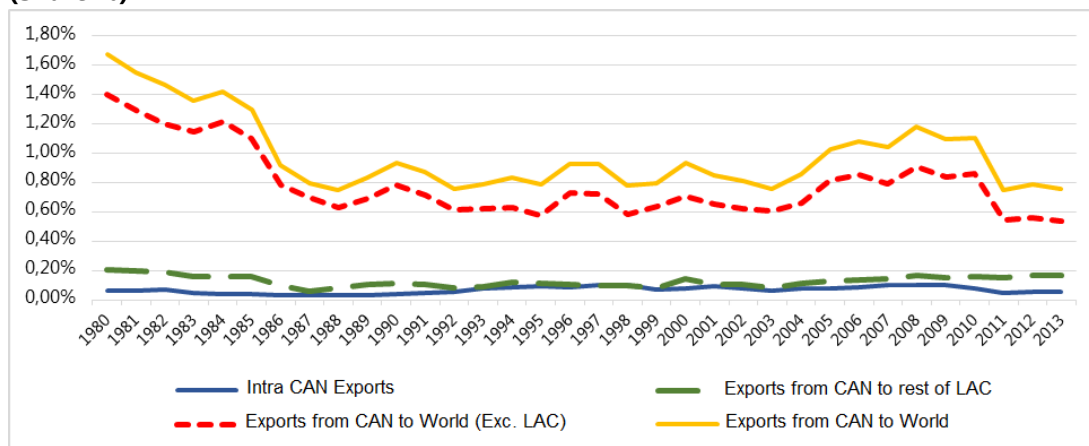
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Meanwhile, exports to the rest of the world have reported increased dynamism, being those that have marked the repeated behaviour and trend of participation of total exports by CAN in world trade.

During the sub-period 1980-1989, exports by CAN to the rest of the world averaged a participation of 1.02% of global trade, while its total exports meant, on average, 1.21% of global exports. Then, in the sub-period 1990-1999, the average participation of exports to the rest of the world in global trade fell significantly to 0.66% and, with it, the relative importance of CAN in global trade, whose average was 0.84%. Finally, during the sub-period 2000-2013, the average participation of exports by CAN to the world increased to 0.71%, while the average participation of total exports grew to 0.93% of global trade.

CHART 24

CAN: Exports in World Trade (Share %)



Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook (WEO) of the International Monetary Fund (IMF). Calculations by the author.

f) Exports of Primary Products vs Manufactured Goods

Chart 25 shows the relationship between the total value of exports of primary and manufactured goods, in current prices. It specifically expresses the ratio at which primary exports from the integration mechanism represent their manufactured exports.

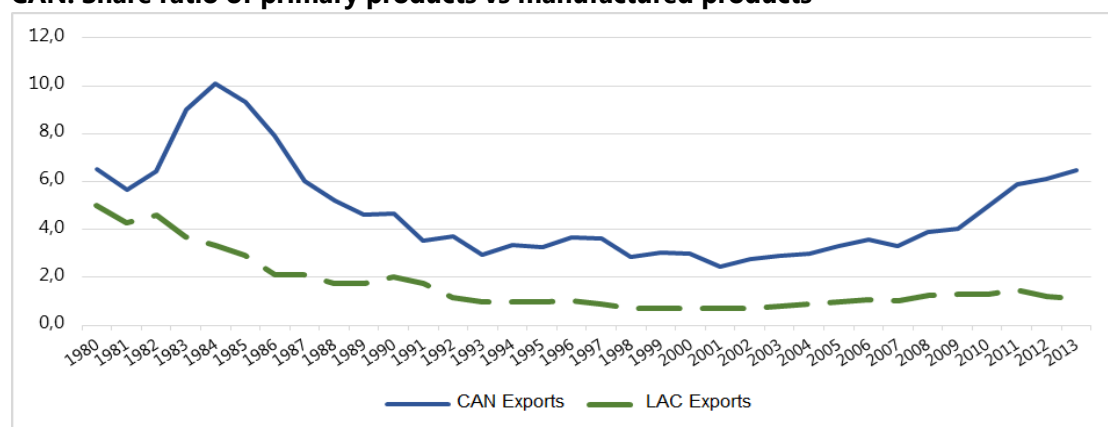
As shown in the Chart, the dependence of the Andean Community on the exports of raw materials significantly exceeds the average of the rest of the region. During the sub-period 1980-1989, this relation of dependence is clearly seen in the fact that it averaged a ratio of 7.1 for primary to manufactured products, while the average of other Latin American and Caribbean economies averaged a ratio of 3.15. In this regard, the trade performance of CAN countries was strongly supported by the flows of primary goods, among which crude oil and coffee are highlighted as main export products.

During the following sub-period, 1990-1999, despite the significant drop in dependence on exports of primary goods, the average of the CAN countries stood at a ratio of 3.15, also exceeding the average performance of the region of 1.12. Finally, in the sub-period 2000-2013, the increase in global demand for primary goods boosted the dependence on primary exports from the CAN countries, averaging a ratio of 4.00, as opposed to the regional average of 1.03.

Such greater dependence on primary exports, places the CAN countries in a position of greater vulnerability to the performance of international raw material markets, thus increasing the volatility of its foreign income and its macroeconomic results.

CHART 25

CAN: Share ratio of primary products vs manufactured products



Source: Data from CEPALSTAT, ECLAC. Calculations by the author.

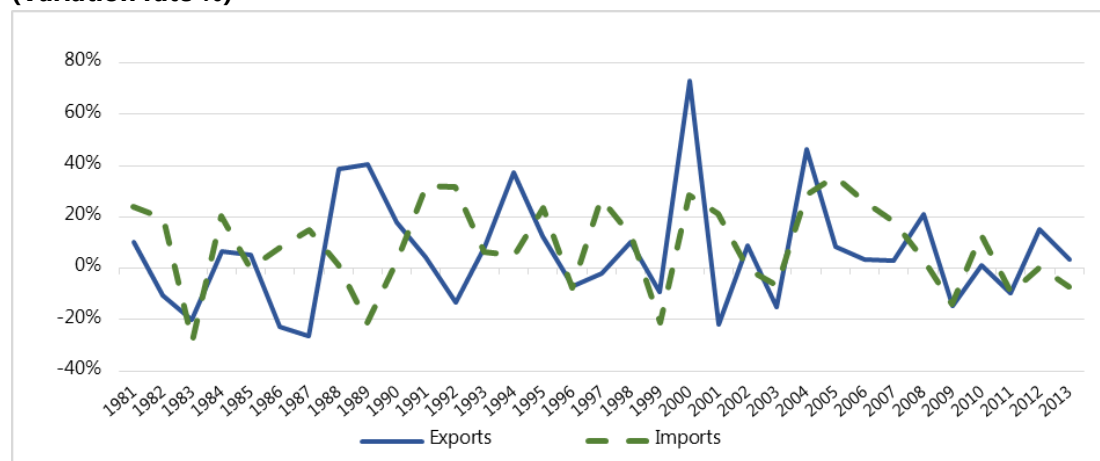
g) Extra-bloc imports and exports in real terms

In Charts 26 and 27, a comparative exercise of the performance of extra-bloc exports and imports from CAN in real terms is carried out. Specifically, they individually describe the behaviour of trade flows with the rest of Latin America and the Caribbean and with the rest of the world.

Regarding the behaviour of real imports and exports to the rest of Latin America and the Caribbean (Chart 26), during the period 1980 to 2013, the average annual expansion of imports, mitigating the effect of variation in prices of goods, resulted in 8.82%, while exports increased at an average rate of 6.18%. These data show that, in terms of trade volumes, the regional flows of the CAN countries increased, even though they did more imports.

CHART 26

CAN: Exports/Imports with the rest of LAC in real terms (Variation rate %)



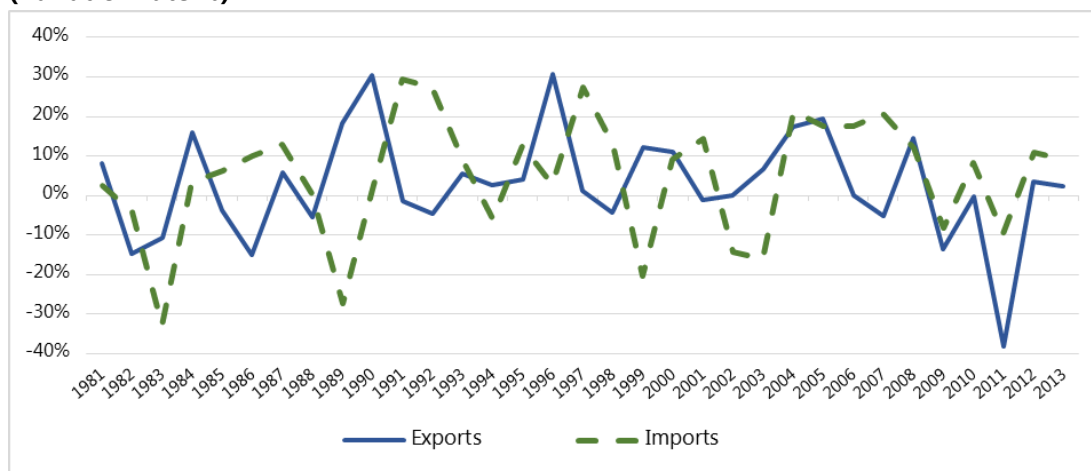
Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook (WEO) of the International Monetary Fund (IMF). Calculations by the author.

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Chart 27 shows the evolution of real exports and imports from the countries of CAN to the rest of the World through time. In this connection, the average rate of annual growth of imports stood at 4.91%, exceeding the average performance of exports of 2.79%. As in the case of flows to the rest of the region, during the period analysed, the average variation rate in real imports exceeded exports performance.

CHART 27

CAN: Exports/Imports with the rest of the world in real terms (Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

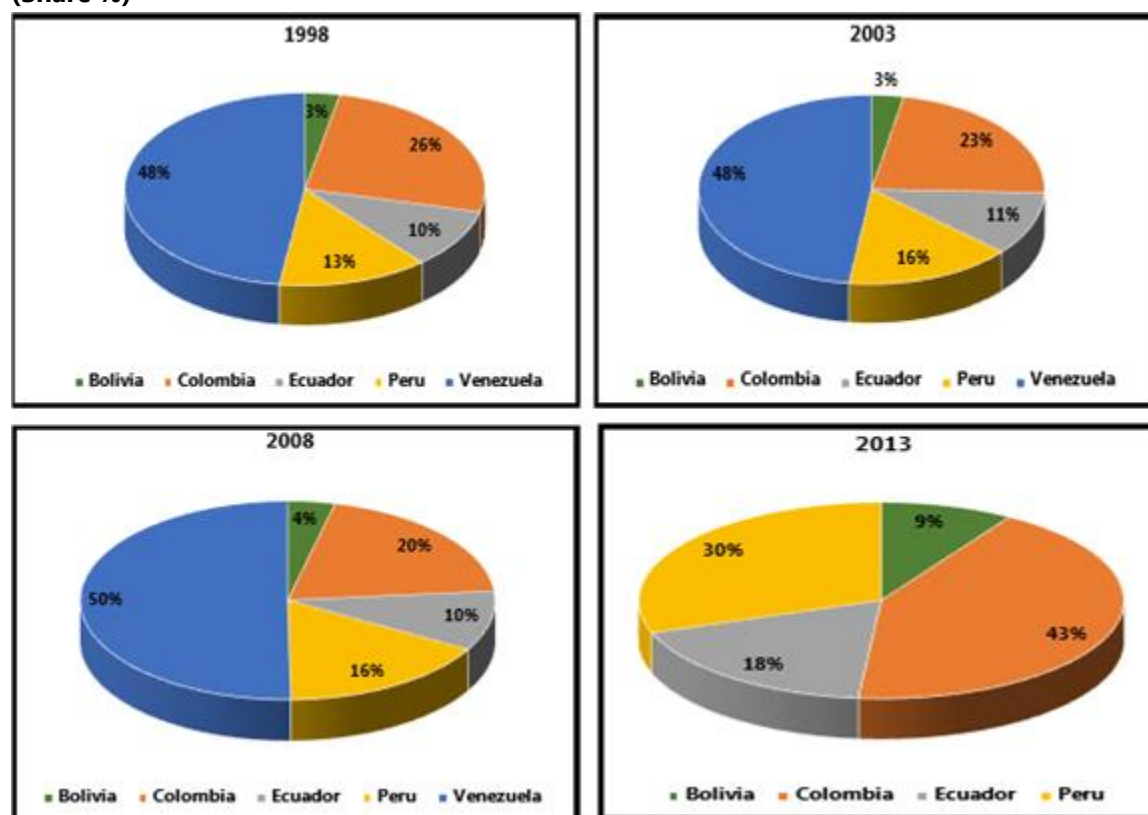
Leaving aside the differences in the magnitude of negotiated flows, the average growth of the flows within the region exceeded the average behaviour of trade to the rest of the world, demonstrating to some extent the efforts to foster intra-regional trade.

h) Exports by origin and destination

Chart 28 shows the participation of each member country of CAN in total exports at current prices of the mechanism. In this regard, we have selected the years 1998, 2003, 2008 and 2013 as reference periods to establish the chronology of the behaviour of export quotas of the member countries of the mechanism.

In 1998, the country with the greatest participation of total exports of CAN was Venezuela, accounting for 48% of the total, followed by Colombia with 26% of the total, then Peru with 13% and finally Ecuador and Bolivia with 10% and 3%, respectively. After five years, the distribution of export quotas remains technically unchanged, with Venezuela leading the group with a quota of 48% of the total, followed by Colombia with 23% and then by order Peru, Ecuador and Bolivia.

CHART 28
CAN: Exports by country of origin
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

By 2008, the increase in raw material prices favoured exports from Venezuela, which would then consolidate 50% of total exports, while the remaining countries kept their previous quotas.

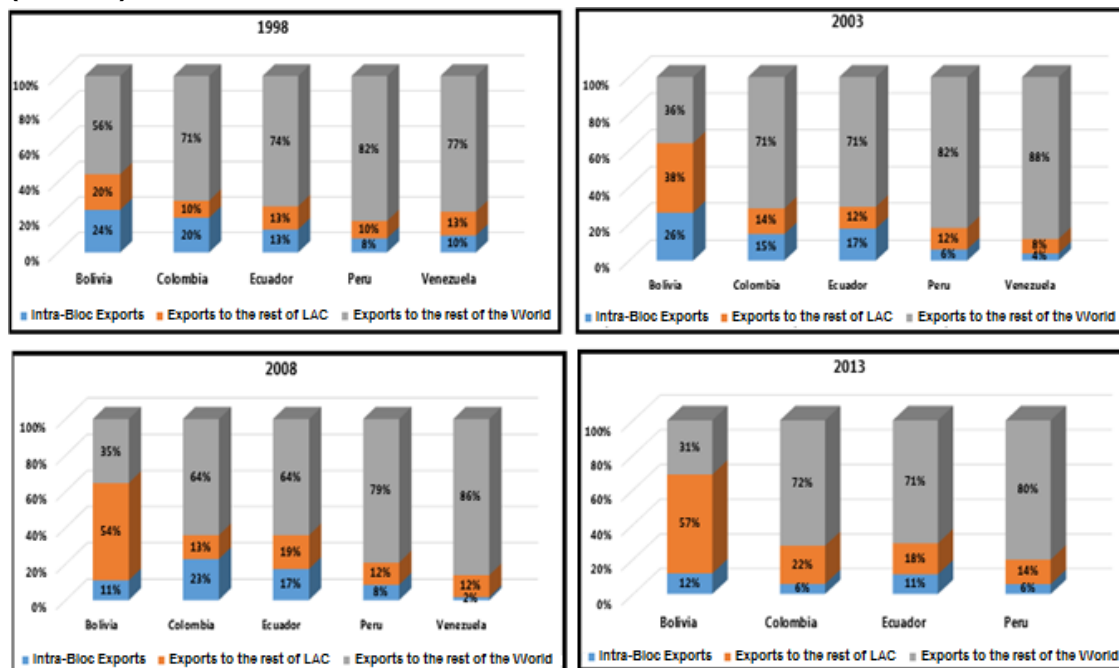
Finally, in 2013, the distribution of exports changed radically as a result of the formal exit of Venezuela from the trade bloc. In view of this situation, Colombia became the largest exporter in the trade bloc, grouping 43% of total exports, followed by Peru with 30%, then Ecuador with 18% and finally Bolivia with a 9% share.

As can be observed, throughout the series described, technically, one of the countries grouped 50% of the export flows of the mechanism, while the remaining countries disputed the remaining 50%, with a high dispersion.

Chart 29 shows the structure of the shares of exports made by CAN countries according to the destination of the flows. The purpose of this comparative exercise focuses on recognizing the magnitude of the intra-mechanism flows to the rest of Latin America and the Caribbean and to the rest of the world, by country, during the years 1998, 2003, 2008 and 2013.

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CHART 29

CAN: Exports by destination
(Share %)

Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

During 1998, exports from all the CAN countries reported the rest of the world as main destination, followed by mixed results with respect to the relative importance of exports to the rest of the region and other members of the trading bloc. Outstanding in this year's export results are exports from Peru and Venezuela, with more than 82% and 77%, respectively, being intended for the rest of the world. On the contrary, Bolivia stands out with more than 44% of its exports being destined to other business partners in the region.

In 2003, the general situation did not vary significantly, and again Peru and Venezuela were the countries whose exports were mostly destined to the rest of the world, with 82% and 88% of their respective exports. Doubtlessly, exports from Bolivia are reported with a major change in the structure of their destinations, with the rest of Latin America and the Caribbean being the counterpart with greater relative importance, with 38% of its total exports.

By 2008, while regional exports earned a greater role, exports to the rest of the world continued to gain greater participation, especially in Peru and Venezuela with 79% and 86% of their respective exports. Another element that calls for attention is the increase in participation of exports to the rest of Latin America and the Caribbean in countries like Bolivia and Ecuador, accumulating 54% and 19% of their respective exports, a trend that proves an overturn of these nations towards intra-regional trade.

Finally, in 2013, although the previous behaviour did not suffer major disruptions in maintaining predominance of the rest of the world as the main destination of exports from CAN countries, the structure of exports within Latin America and the Caribbean suffered certain changes. In the case of Bolivia, the share of flows to the rest of Latin America and the Caribbean increased to 57%. Similarly, in the case of Colombia, the participation of exports to the rest of Latin America and the Caribbean increased from 13% in 2008 to 22% in 2013.

As for intra-mechanism trade, in assessing the evolution of the structure of export shares, a progressive decrease in trade among countries of the bloc can be observed. Clear examples of this trend are the behaviours of Bolivia, where the intra-bloc exports accounted for 24% of the total in 1998, and in 2013 they barely reached 12% of its total exports. Similarly, intra-mechanism exports from Colombia decreased from 20% in 1998 to 6% of its total exports in 2013.

This structural analysis of the origin and destination of exports also allows for identifying that those countries with a higher relative participation in total exports of the mechanism maintain a firm bias to direct their exports to the rest of the world, while countries with lower export dynamics in relative terms show a greater reliance on regional trade. In this trend of thoughts, it also proves that the slight drop in the participation of exports to the rest of the world is capitalized by flows to the rest of Latin America and the Caribbean and not by taking advantage of the preferential conditions established in the Andean Community of Nations.

i) Summary and Conclusions

For a better understanding of the performance of the Andean Community trade flows, this section summarizes the most relevant characteristics of the behaviour of the analysed variables.

- During the period 1980-2013, exports from CAN to the rest of Latin America and the Caribbean experienced a higher average annual growth rate (9.08%), higher than those reported for intra-bloc flows (8.82%) and to the rest of the world (5.65%).
- The sub-period 2000-2013 is the one with the highest average expansion of exports in nominal terms of CAN, during the analysed period.
- The average annual growth rate of the volume of intra-bloc trade (6.42%) and to the rest of the region (6.18%), measured by exports in real terms, exceeds the average performance of the volume of goods exported sent to the rest of the world (2.8%).
- The sub-period 1990-1999 is the one with the highest average expansion in the volume of exports from the CAN.
- During the period 1980-2013, the average annual intra-bloc exports (8.82%) and to the rest of the region (9.08%) by the countries of CAN were lower than the annual variation average of the total intra-regional exports to Latin America and the Caribbean (9.33%).
- During the period under study, the average annual growth of exports from the CAN countries to the rest of the world (5.65%) was below the average annual acceleration of extra-regional exports from Latin America and the Caribbean (8.09%).
- During the period 1980-2013, the dependence of CAN on exports of primary goods (80.7% of its total exports) was higher than the average dependence on Latin America and the Caribbean (57.4% of its total trade). This reality incorporated a higher content of volatility into the dynamics of foreign trade by the countries of CAN and revealed a greater need to promote productive transformation in order to foster the development of goods with higher value-added content.
- In the period under study, the average participation of exports from CAN in its GDP (18.38%) exceeded the average percentage participation of Latin America and the Caribbean in the regional GDP (14.86%). This highlights the dynamism of trade in the economies of CAN countries and the impact that the expansion of preferential trade relations has on the economic results of the members of this trading bloc.
- The share of world exports in the global product (18.5%) is slightly higher than the quota of CAN exports have on the GDP of the trading bloc (18.38%).
- The share of exports made by CAN in global trade has fallen considerably, dropping from a participation of 1.67% in 1980 to report a participation of 0.67% in 2013.
- The size of the exporting sectors of the CAN countries could be classified into three categories. First, we locate the most dynamic countries comprising Venezuela and Colombia;

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then, members with an intermediate participation, highlighting Peru and Ecuador; and finally Bolivia as the country with less trading activity.

- In 2013, with the exit of Venezuela and the changes in the trade dynamics of the members of the bloc, the gaps in terms of the participation of the countries in total exports of the mechanism dropped.
- All the countries of the mechanism, except for Bolivia, destined a greater proportion of their exports to the rest of the world.
- In the period 1980-2013, the participation of intra-regional exports in total trade flows of each country was higher in those countries with smaller relative export sectors. This fact also shows that countries with greater magnitude of exports have a higher dependence on their partners located outside the region.

2. Performance of exports and imports of the Caribbean Community (CARICOM)

This section assesses the trade flows of the Caribbean Community (CARICOM), an integration mechanism established in 1973 through the Treaty of Chaguaramas whose members are: Antigua and Barbuda,⁸ Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago.

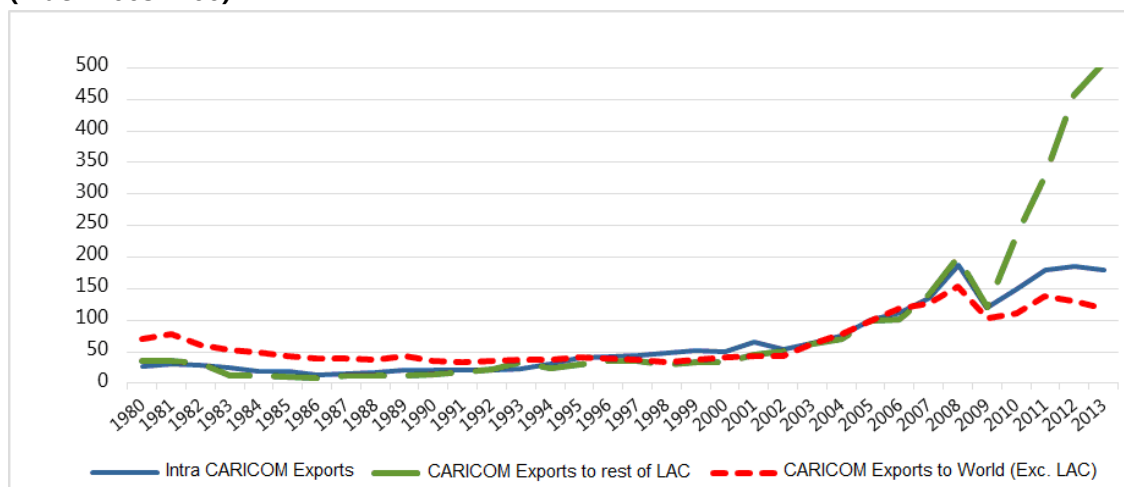
a) Exports in nominal terms

Charts 30 and 31 show the evolution of CARICOM exports in nominal terms, from a simple index (based on 2005) and the growth rate of the series. In the assessment, three sub-periods are differentiated: 1980-1989, 1990-1999, and 2000-2013; selected on the basis of the evolution of the regional and global contexts.

During the first sub-period, 1980-1989, CARICOM exports in nominal terms to other countries comprising said mechanism dropped to an average annual rate of -0.79% and, more sharply, nominal exports from CARICOM to countries of Latin America and the Caribbean and to the rest of the world dropped in average -5.91% and -4.43%, respectively.

CHART 30

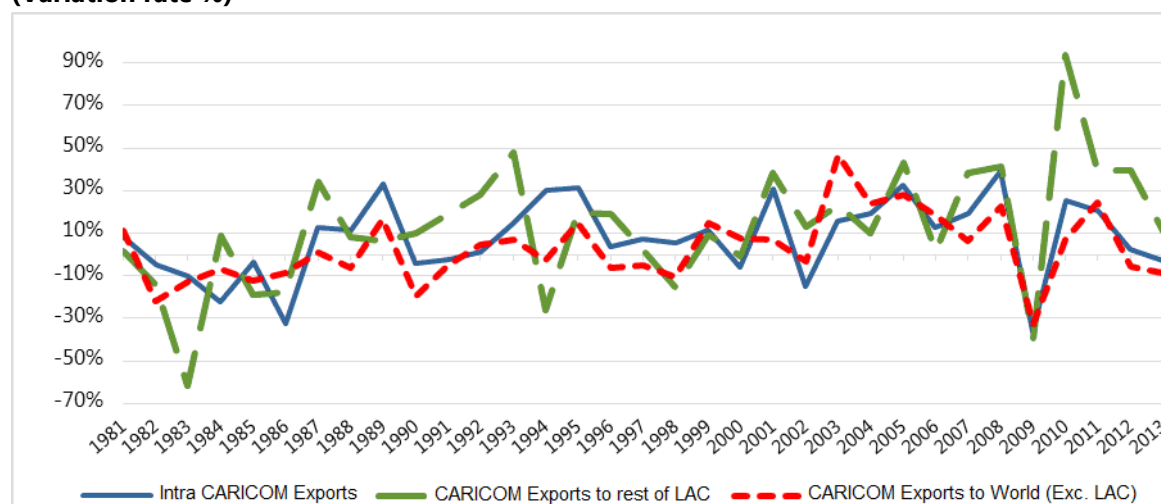
CARICOM: Exports in nominal terms (Index 2005=100)



Source: Data from the *Direction of Trade Statistics (DOTS)* of the International Monetary Fund (IMF). Calculations by the author.

⁸ Due to lack of information, data on export from Antigua and Barbuda were not considered in this study.

CHART 31
CARICOM: Exports in nominal terms
(Variation rate %)



Source: Data from the *Direction of Trade Statistics (DOTS)* of the International Monetary Fund (IMF). Calculations by the author.

Later on, between 1990 and 1999, nominal intra-bloc exports from CARICOM grew sharply, reaching an average annual rate of 9.82%, following the creation of the CARICOM Single Market and Economy (CSME).⁹ Meanwhile, the growth rate of nominal exports to the rest of Latin America and the Caribbean also increased rapidly, reaching 11.53%; however, to the rest of the world it continued to decline but at a slower pace, averaging an annual fall of -0.79%.

Finally, during the sub-period 2000-2013, the intra-bloc exports from CARICOM grew at an average annual rate of 11.21%, responding to the high growth rates achieved by the flows to the rest of Latin America and the Caribbean and to the rest of the world, 25.21% and 10.15%, respectively. The acceleration of these growth rates, and particularly the increase of nominal exports to the rest of the world, are related to the increase in world demand and the prices of mineral fuels and food during the last decade.

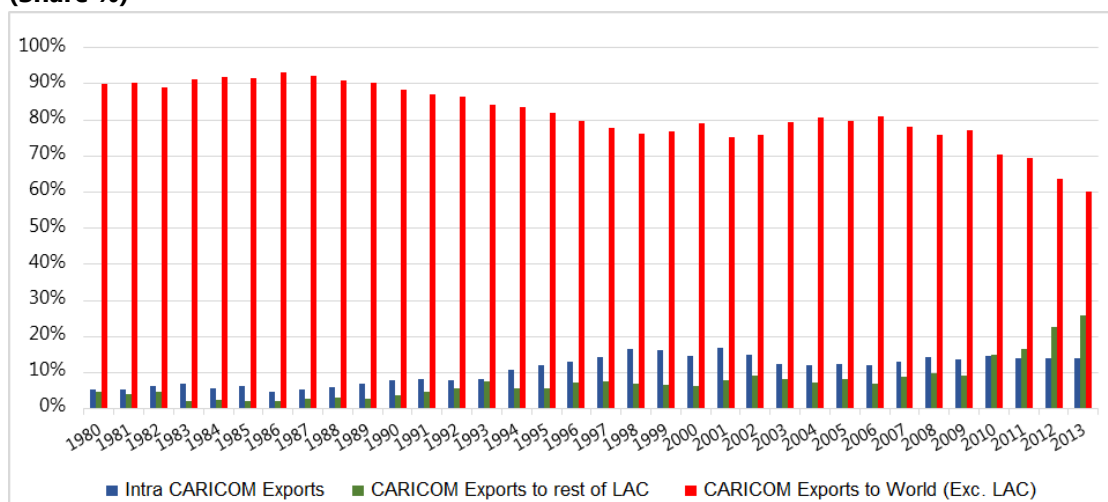
Chart 32 shows how the composition of exports from CARICOM has varied according to their destinations. In general terms, an upward trend is observed in intra-bloc exports and exports to the rest of Latin America and the Caribbean; as the exports to the rest of the world lowered considerably. In 1980, intra-bloc exports and exports to the rest of Latin America and the Caribbean represented 5% of total exports, while the rest of the world averaged 90%. This panorama contrasts with what happened in 2013, when intra-bloc exports represented 14% of the total, to the rest of Latin America and the Caribbean 26%, and to the rest of the world 60%.

⁹Mesquita, M and Mendoza, E. (2006). "Regional Integration. What is in it for CARICOM?"

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CHART 32

CARICOM: Intra-Bloc Exports, Exports to the rest of LAC and Exports to the rest of the World (Share %)



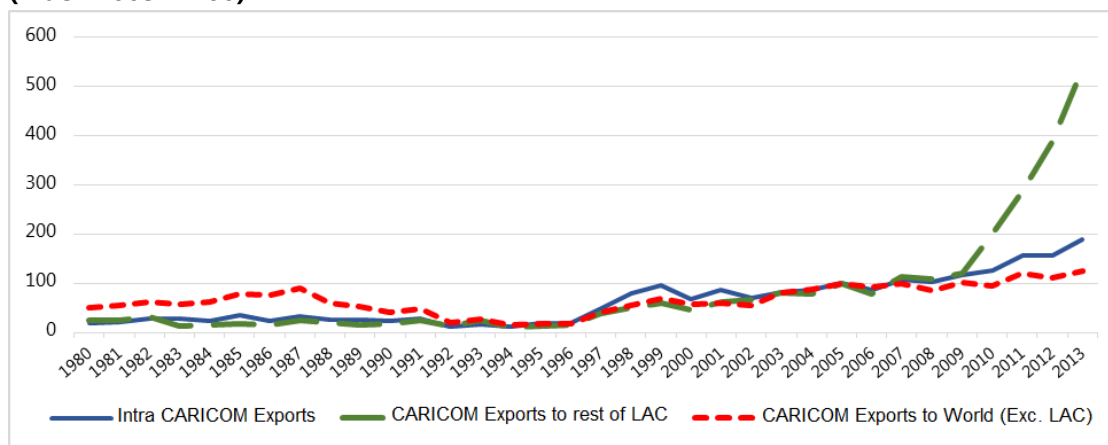
Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

b) Exports in real terms

Charts 33 and 34 show the evolution of CARICOM exports in real terms, by using a simple index (based on 2005) and the growth rate of the series. In accordance with the assessment so far, same sub-periods and said export destinations were used.

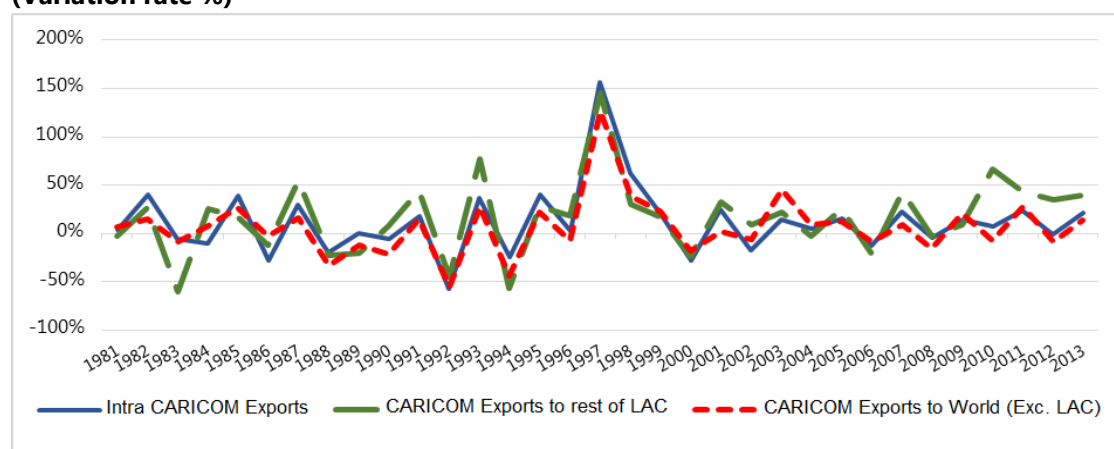
CHART 33

CARICOM: Exports in real terms (Index 2005 = 100)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

CHART 34
CARICOM: Exports in real terms
(Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

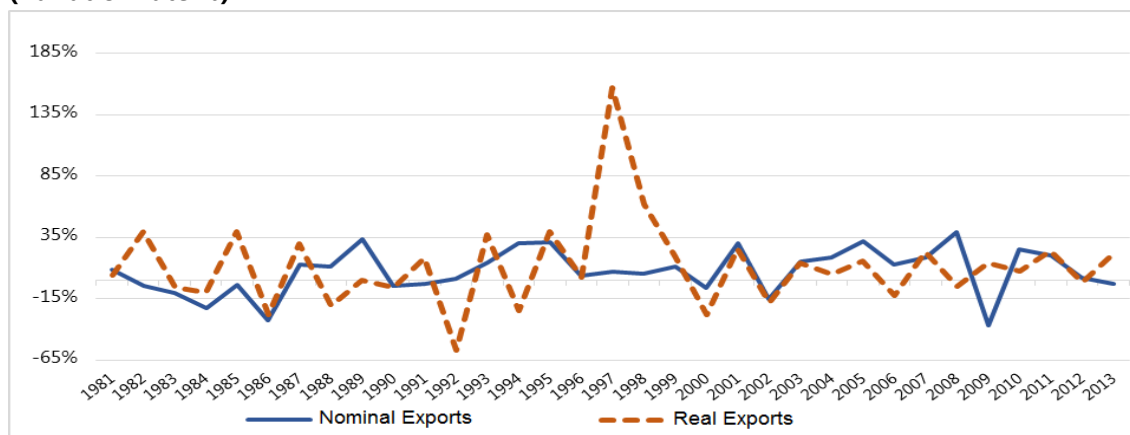
In the first sub-period, 1980-1989, CARICOM exports in real terms with destination to countries comprising that bloc increased at an average annual rate of 5.67%, while exports to other countries in Latin America and the Caribbean and to the rest of the world averaged annual growth rates of 1.89% and 0.89%, respectively. Then, between 1990 and 1999, real intra-bloc exports from CARICOM grew strongly, reaching an average annual rate of 25.13%. Likewise, real exports to the rest of the region grew 26.84% annually on average and to the rest of the world 12.87%. Finally, during the sub-period 2000-2013, CARICOM exports with destination to countries comprising the same bloc grew at an average rate of 6.34% per year, ranking below the 19.69% recorded for exports to the rest of Latin America and the Caribbean and slightly above the 5.63% average achieved by the average annual growth rate of exports to the rest of the world.

c) Real vs Nominal Exports

In the sequence of Charts 35 to 37, a comparison is made of the performance of CARICOM exports, in real and nominal terms and according to their destination. In the first instance, in Chart 35 it can be seen that for the sub-period 1980-1989, nominal exports decreased at an average annual rate of -0.79%, while real exports grew by 5.67%. Then, between 1990 and 1999, nominal exports grew on average 9.82%, while real exports grew 25.13% on average each year. In the following section, between 2000 and 2013, nominal exports grew on average 11.21%, while real exports grew on average 6.34%.

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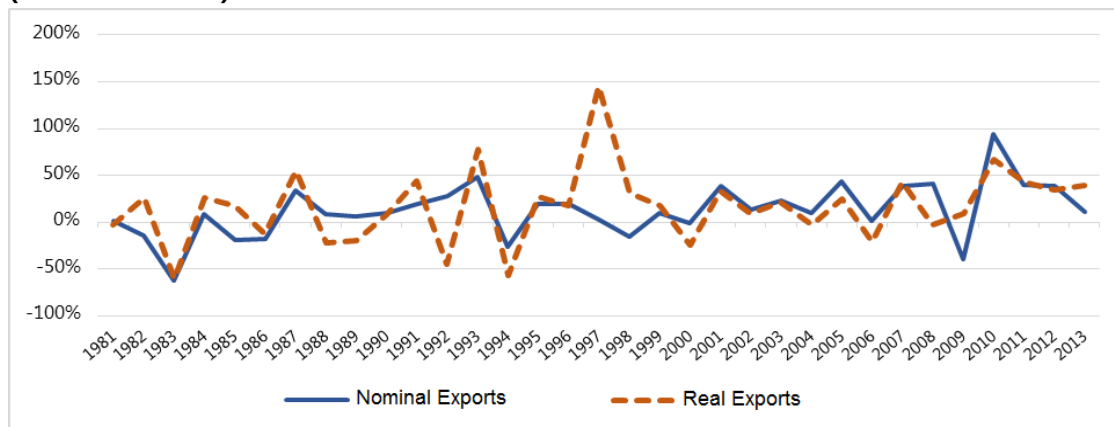
CHART 35
CARICOM: Real vs Nominal Exports
(Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

Chart 36 covers the case of CARICOM exports that are destined to the rest of Latin America and the Caribbean. For the sub-period 1981-1989, nominal exports decreased at an average annual rate of -5.91%, while real exports grew on average 0.89%. However, between 1990 and 1999, nominal exports grew at an average annual rate of 11.53%, while real exports increased more rapidly at an annual average rate of 26.84%. In the following period, between 2000 and 2013, nominal exports grew at an annual average rate of 25.21%, while real exports grew at an average rate of 19.69%.

CHART 36
CARICOM: Real vs Nominal Exports to the rest of LAC
(Variation rate %)

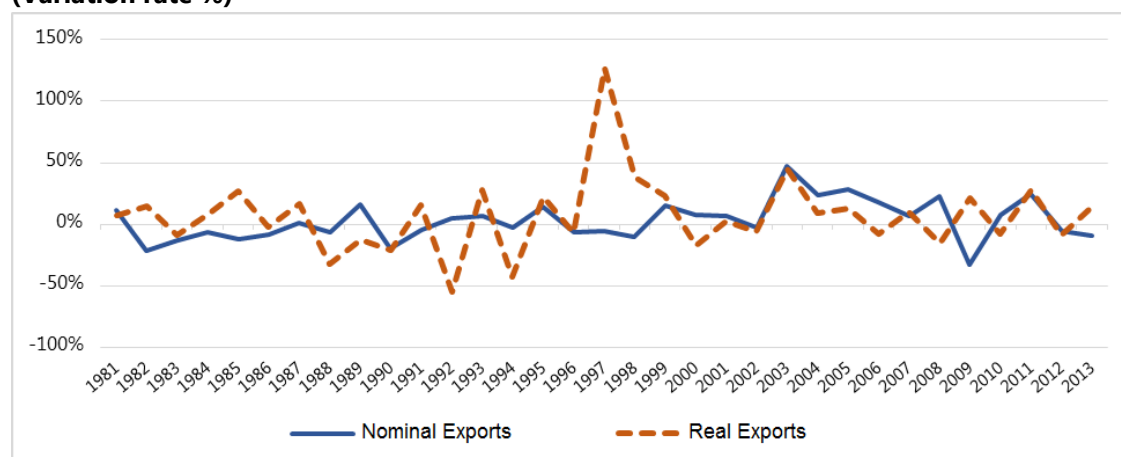


Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

Chart 37 shows the exports that are shipped to the rest of the world. A similar behaviour of flows to the rest of the region can be seen but, in this case, with lower average annual growth rates. For the sub-period 1980-1989, the average nominal exports decreased on average -4.43%, while real exports grew 1.89%. However, between 1990 and 1999, nominal exports decreased at an average annual rate of -0.79%, while real exports grew at an accelerated rate of 12.87%. In the following

period, between 2000 and 2013, nominal exports grew on average 10.15%, while real exports grew at a rate of 5.63%.

CHART 37
CARICOM: Real vs Nominal Exports to the rest of the World
(Variation rate %)

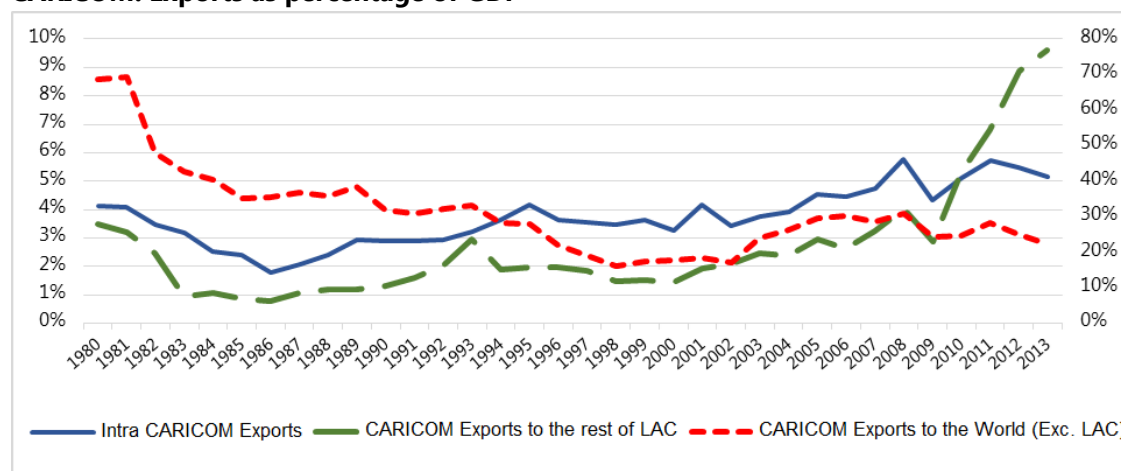


Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

d) Exports as percentage of GDP

Chart 38 shows the evolution of the participation of CARICOM exports by destination in the total GDP of the trade bloc. The intra-bloc exports by CARICOM and the rest of Latin America and the Caribbean (left axis of ordinates), show an increasing trend during the period under study; demonstrating that in the case of the rest of the region, this tendency becomes more pronounced as of 2009. In contrast, CARICOM exports to the rest of the world (right vertical axis) notably decrease during the period under study, representing 69% of GDP in 1980, while in 2013, they only reached 22% of GDP. However, exports to the rest of the world are still higher than those to the rest of the region.

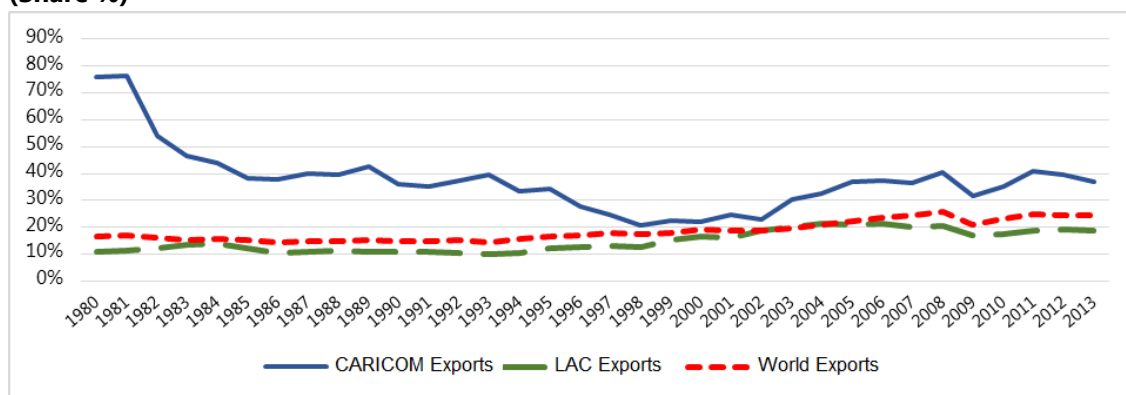
CHART 38
CARICOM: Exports as percentage of GDP



Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

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CHART 39
Exports/GDP for CARICOM, LAC, World
(Share %)



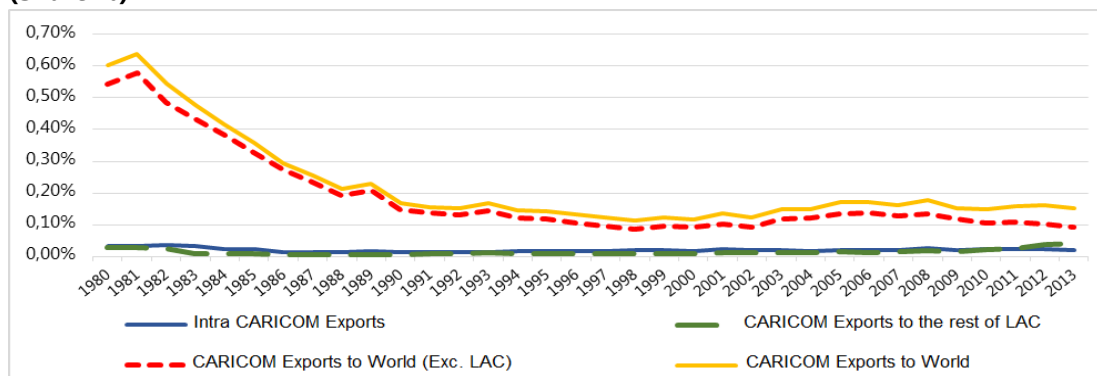
Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

In Chart 39, total exports are represented as percentage of GDP, comparing the performance of CARICOM with the average behaviour of exports to Latin America and the Caribbean and to the world. It can be noted that throughout the period under study the participation of CARICOM exports as a percentage of its GDP has been higher than the same indicator for Latin America and the Caribbean and the world. However, in the case of CARICOM, we see a notable decline in exports as a percentage of GDP; dropping from 76.16% in 1980 to 37.03% in 2013. On the other hand, the series of Latin America and the Caribbean and the world denote, during the period under study, an upward trend, rising from 11.05% of GDP in 1980 to 18.98% in 2013, while in the rest of the world this participation increased from 16.95% in 1980 to 24.40% in 2013.

e) Exports as percentage of World trade

Chart 40 presents CARICOM exports (according to their destinations) as a percentage of total world exports. As can be seen, the contribution of CARICOM exports to world trade has declined steadily during the period under study, dropping from 0.60% in 1980 to 0.15% in 2013. In addition, it shows that the destination of the largest volume of exports is to the rest of the world, and its average participation in world trade was 0.19%, while intra-bloc exports and exports to the rest of the region averaged 0.02%.

CHART 40
CARICOM: Exports in world trade
(Share %)



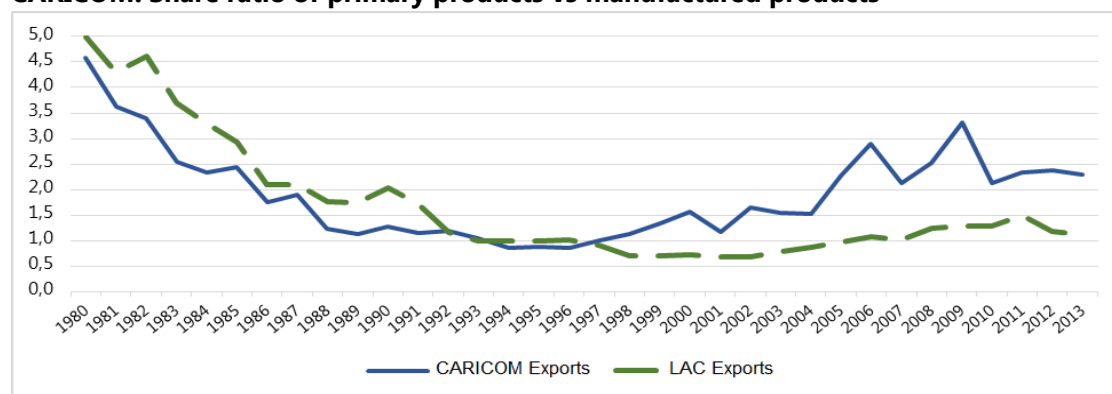
Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

f) Exports of Primary Products vs Manufactured Goods

Chart 41 shows the participation ratio of primary products versus manufactured products within the total exports in the case of CARICOM¹⁰ and the average for Latin America and the Caribbean. For the sub-period 1980-1989, the average rate of primary products to manufactured products was 3.1 for Latin America and the Caribbean, while for CARICOM it was 2.50. This means that, in this period, exports from CARICOM members depended less on raw materials than the average country in Latin America and the Caribbean. However, over time, the trend has reversed. Between 1990 and 1999, the average ratio of primary products to manufactured products was 1.1 for Latin America and the Caribbean and 2.17 for CARICOM. Subsequently, the average value of the indicator between 2000 and 2013 reached 1.92 for CARICOM, while for Latin America and the Caribbean it was at 1.03.

CHART 41

CARICOM: Share ratio of primary products vs manufactured products



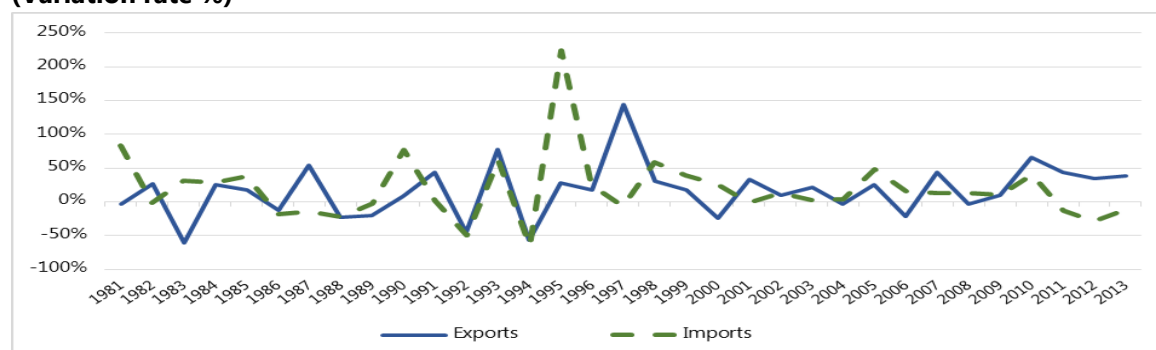
Source: Data from CEPALSTAT, ECLAC. Calculations by the author.

g) Extra-bloc imports and exports in real terms

CHART 42

CARICOM: Exports/Imports with the rest of LAC in real terms

(Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

¹⁰ In the case of CARICOM, the consolidated data is not available for primary and manufactured exports made by the entire mechanism. Therefore, a particular calculation methodology was adopted, consisting of an estimation of a weighted average. Once the information became available for the quota of participation of primary and manufactured exports in total exports by the countries, through CEPALSTAT, they were weighted with its participation in the total exports of the mechanism. Then, having obtained the ratio of participation of each kind of export in the total, a division was done to obtain the objective ratio. However, the data are only available for Barbados, Belize, Guyana, Haiti, Jamaica and Trinidad and Tobago, thus only these countries are included in the estimate.

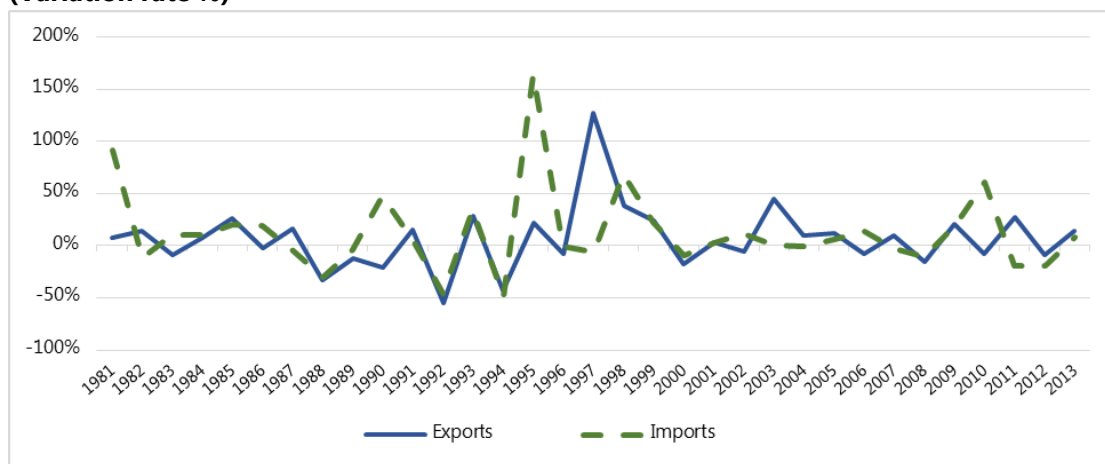
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Chart 42 illustrates the behaviour of trade flows, in real terms, between CARICOM and the rest of Latin America and the Caribbean. During the sub-period 1980-1989, the volume of imports to CARICOM from the rest of Latin America and the Caribbean increased at an average annual rate of 13.81%, while exports from CARICOM to the rest of Latin America and the Caribbean averaged a slight annual increase of 1.62%. Then, between 1990 and 1999, CARICOM imports from the rest of the region accelerated further, increasing an average of 36.83% annually, while the growth rate of exports from CARICOM to the rest of Latin America and the Caribbean increased considerably and reached 24.50%. Finally, during the sub-period 2000-2013, CARICOM imports from the region continued to increase, but at a lower average annual rate of 9.55%, while exports from CARICOM to any other country in Latin America and the Caribbean increased sharply to 19.69% per year.

Chart 43 shows the evolution of trade flows between CARICOM and the rest of the world, from the variation rate of real flows. In the sub-period 1980-1989, CARICOM imports from the rest of the world increased by an average of 11.35% per year, while exports from CARICOM to the rest of the world declined -0.38%. Then, between 1990 and 1999, imports increased at an average annual rate of 24.06%, while exports averaged an increase of 12.28%. Finally, during the sub-period 2000-2013, CARICOM imports from the rest of the world increased on average 4.29% per year, while exports to the rest of the world averaged an annual growth of 5.63%.

CHART 43

CARICOM: Exports/Import with the rest of the World in real terms (Variation rate %)

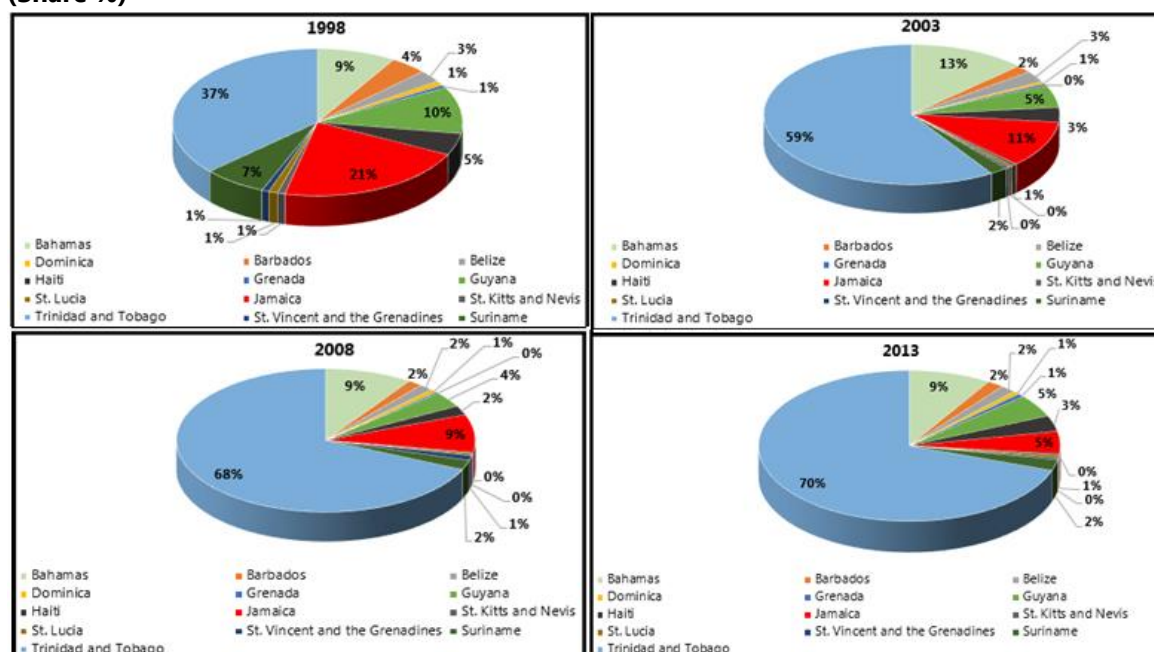


Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

h) Exports by origin and destination

Chart 44 shows the evolution of the participation by member countries of CARICOM in the total exports of the mechanism. This comparison is done through cross-sections of the series in four years: 1998, 2003, 2008 and 2013. In this regard, it must be noted that, during all the years studied, Trinidad and Tobago was the country with the highest participation of the bloc's exports and, over time, it has acquired a higher quota, from 37% of total CARICOM exports in 1998 to 70% in 2013. Then, Jamaica and the Bahamas follow; even though Jamaica has posted a downturn in the relative importance of its exports within the bloc, from 21% in 1998 to 5% in 2013; while the Bahamas has remained constant at about 9% during the four years studied. Meanwhile, the remaining countries represented a relatively small percentage of CARICOM's total exports.

CHART 44
CARICOM: Exports by country of origin
(Share %)



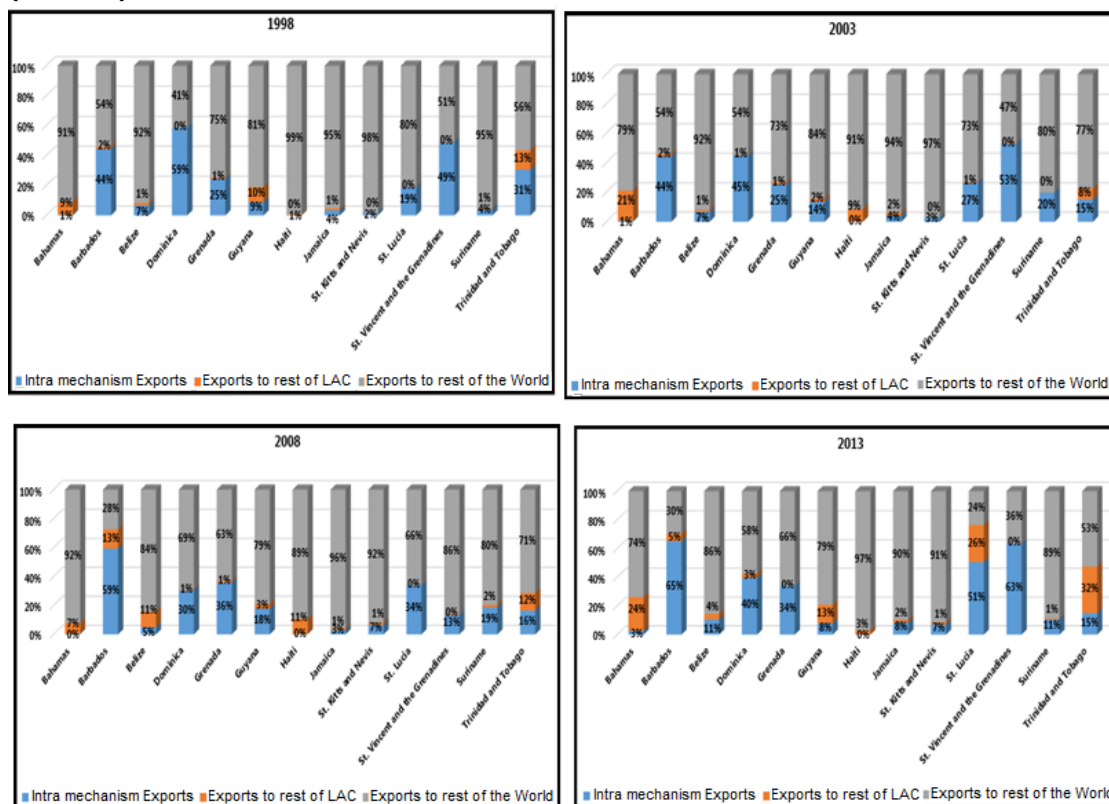
Source: Data from the *Direction of Trade Statistics (DOTS)* of the International Monetary Fund (IMF). Calculations by the author.

Chart 45 shows the evolution of exports from the CARICOM countries, according to the destination of their exports, distinguishing between trade flows by intra-bloc, intra-regional and to the rest of the world. The comparison is made over the years: 1998, 2003, 2008 and 2013. In general terms, it can be observed that the composition of exports by destination is very heterogeneous for the countries considered. In some cases, such as St. Lucia, significant variations are observed in intra-bloc exports, starting at just 19% of their total exports in 1998 to represent 51% of the total in 2013. On the other hand, some countries with great difficulty managed to diversify their exports receptors (according to destinations considered in this analysis), as in the cases of Haiti and Jamaica, as exports to the rest of the world account for almost all -with minimal variations- of their exports during the four years considered.

In general terms, the largest proportion of CARICOM exports is destined to the rest of the world, followed by the participation of intra-bloc trade and, lastly, trade with the rest of the region, whose magnitude, except in Trinidad and Tobago, St. Lucia and the Bahamas in 2013, shows a considerable gap compared to other destinations.

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CHART 45
CARICOM: Exports by destination
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

i) Summary and Conclusions

Based on the analysis of the evolution of trade flows within CARICOM during the period 1980-2013, the following relevant aspects stood out:

- In the period under review, CARICOM exports with destination to other countries of Latin America and the Caribbean grew at an average annual rate of 12.58%, higher than the average annual variation of intra-bloc trade, at 7.52%, and the average annual growth of trade flows to the rest of the world, at 2.86%.
- Until the year 2009, intra-bloc exports increased by an average rate similar to that shown by the exports to the rest of the Latin American and Caribbean countries. Subsequently, from 2010, the growth rate of exports to the rest of Latin America and the Caribbean increased sharply, creating a significant gap with regards to the growth rate of exports to other destinations.
- The sub-period 2000-2013 was the one with the highest average growth in CARICOM exports in nominal terms.
- The average annual growth rates in the volume of exports to the rest of the region (16.7%), as measured by the variation in exports in real terms, were higher than the average annual variation rate in intra-bloc exports (11.85%) and the average increase of trade to the rest of the world (6.8%).
- The sub-period 1990-1999 was the period with the greatest expansion in the volume of exports by CARICOM.

- In the period 1980-2013, the average annual variation rate of exports by CARICOM countries to the rest of the region (12.58%) was higher than the average variation of total intra-regional trade in Latin America and Caribbean (9.33%). Meanwhile, the average annual variation of intra-bloc trade by CARICOM (7.52%) fell below the average annual growth of intra-regional trade flows in Latin America and the Caribbean.
- In the period 1980-2013, the average growth rate of CARICOM exports to the rest of the world (2.86%) was lower than the average variation of total extra-regional exports from Latin America and the Caribbean (8.09%).
- During the period 1980-2013, the average dependence of CARICOM on exports of primary products (62.9% of its total exports), was higher than the average dependence of Latin America and the Caribbean as a whole (57.4% of its total exports). It is important to note that an accentuated instability was evident in the composition of trade flows by CARICOM, encouraging the participation of natural resources during the sub-period 1980-1991, then in the period of 1992-1998, trade in manufactured goods increased and, finally, in the sub-period 1999-2013, a surge in the dependence on exports of raw materials was experienced.
- During the period under study, the average participation of CARICOM exports in GDP (37.53%) significantly exceeded the average quota of participation in exports from Latin America and the Caribbean on the level of regional production (14.86%). This situation shows the dynamism of foreign trade in the countries of CARICOM and the structural importance of exports in their economies.
- In the period 1980-2013, the share of CARICOM exports in the Gross Domestic Product of the mechanism (37.53%) doubled the participation of world exports in the overall level of production (18.5%).
- The share of CARICOM exports in global trade has dropped significantly, reducing its quota from 0.60% of world exports in 1980 to 0.15% of total world trade flows in 2013.
- The sizes of the export sectors of CARICOM countries can be classified into three categories. First, with the greatest commercial dynamism of the bloc, is Trinidad and Tobago, whose leadership in the participation in total exports of the mechanism has expanded considerably over the last decade. Second, with an intermediate trading activity, are Jamaica and the Bahamas, whose performance is higher than that of the countries of the third group, where the rest of the CARICOM member nations are included.
- In the period 1998-2013, all CARICOM countries, except for Barbados and St. Vincent and the Grenadines, allocated the largest proportion of their exports to the rest of the world. Likewise, the dynamism of intra-bloc trade stands out as a second source of foreign trade by CARICOM countries. For their part, exports to the rest of Latin America and the Caribbean report a lower relative participation, showing the pending tasks for expanding areas of complementarity and trade integration.

3. Performance of exports and imports of the Central American Common Market (CACM)

This section assesses the performance of exports of the Central American Common Market during the period 1980-2013. This integration bloc, established in 1960, is made up by Costa Rica, El Salvador, Honduras and Nicaragua. To facilitate the description of trade flows behaviour in this subregional integration bloc, the period of study will be divided again into three sub-periods: 1980-1989, 1990-1999 and 2000-2013.

a) Exports in nominal terms

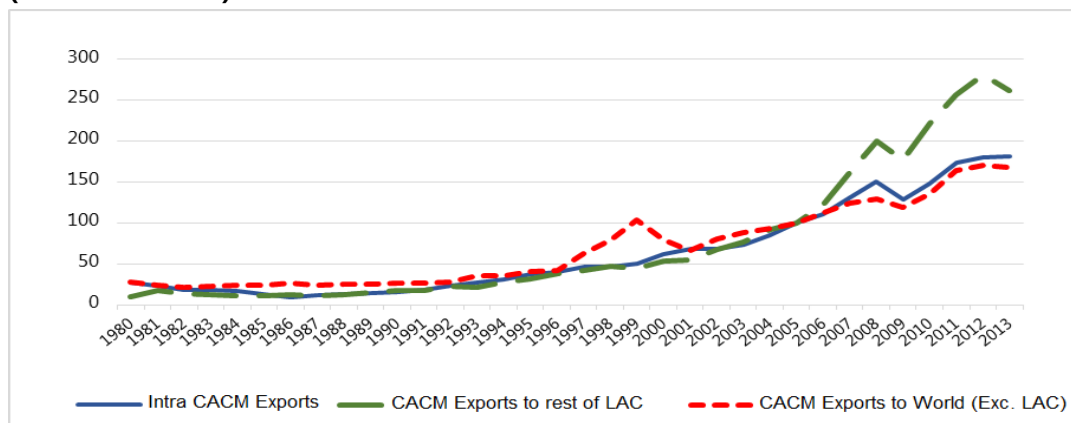
Charts 46 and 47 show that during the 1980-2013 period the Central American Common Market's total exports grew at a 6.7% average annual rate. However, when assessing the performance of exports by destination it can be seen that exports to the rest of Latin America and

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the Caribbean were expanding further, as they reported an average annual growth of 11.5% whereas intra-mechanism flows and those to the rest of the world grew at an average annual rate of 6.89% and 6.6%, respectively.

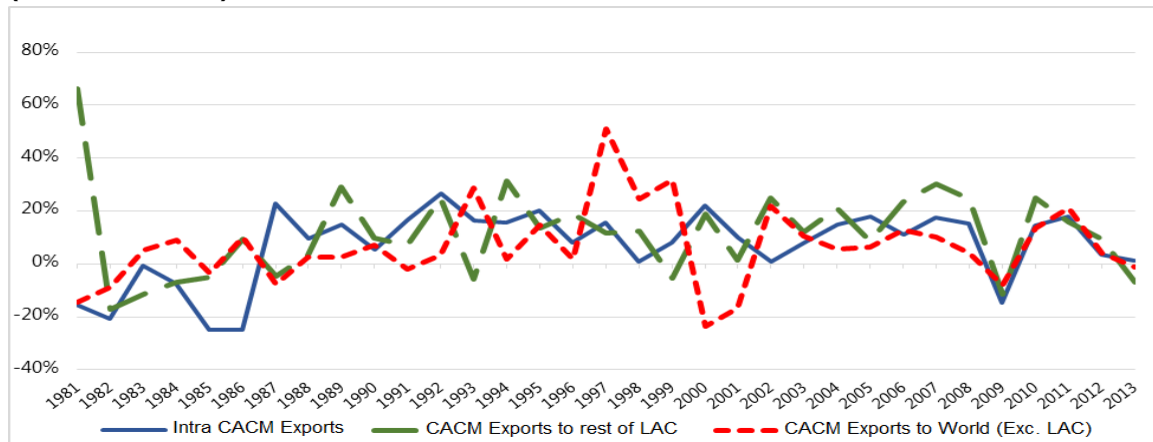
A study by sub-periods indicates that during the 1980-1989 sub-period, intra-bloc exports and those to the rest of the world showed an average decline of -5.14% and -0.55% respectively, unlike exports to the rest of Latin America and the Caribbean, whose average variation rate was positive and above 7% per year. Nevertheless, in the 1990-1999 sub period, the CACM dynamics of exports improved considerably towards all destinations, reaching an average growth rate of 13.35% for intra-bloc trade, whereas flows to the rest of the region and the rest of the world increased by 11.8% and 16.22%, respectively. This evolution took place in the 1990s, and was maintained in the 2000-2013 sub period, in which intra-mechanism exports increased at a 10.2% average annual rate, exports to the rest of the region at 14.1% and flows to the rest of the world at 4.34%.

CHART 46
CACM: Exports in nominal terms
(Index 2005=100)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

CHART 47
CACM: Exports in nominal terms
(Variation rate %)

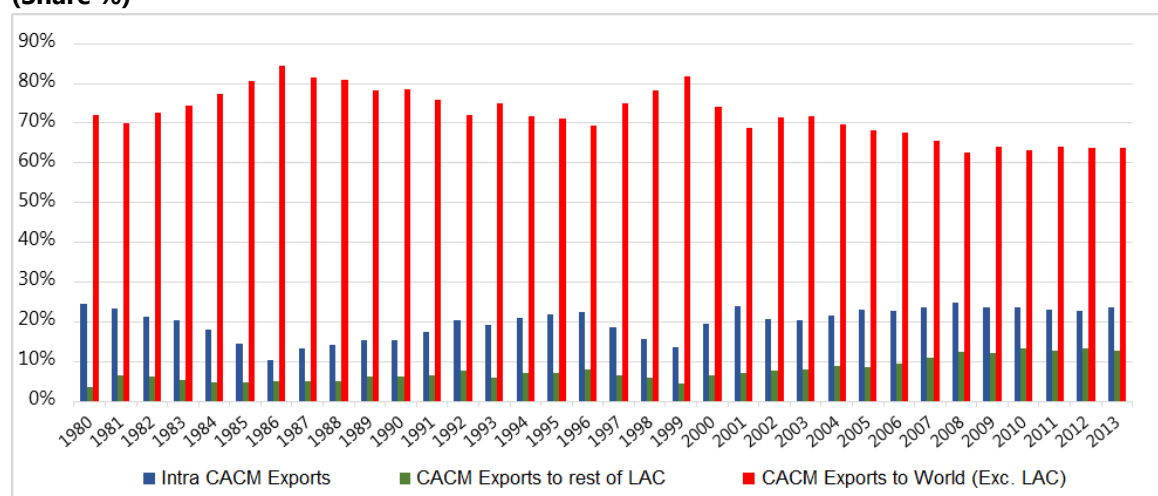


Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

Chart 48 shows the share structure of each of the destinations in total exports at the CACM current prices during the 1980-2013 period. The superiority of the rest of the world as the main destination of the CACM flows is one of the most outstanding elements, because during such period it reached a 72.3% average annual share. Similarly, another element to emphasize is the share of intra-bloc trade, whose 19.97% average annual magnitude in total exports surpassed, during all the sub-periods, the total flow directed to the rest of Latin America and the Caribbean, whose average barely reached a 7.7% share.

CHART 48

CACM: Intra-Bloc Exports, Exports to the rest of LAC and Exports to the rest of the World (Share %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

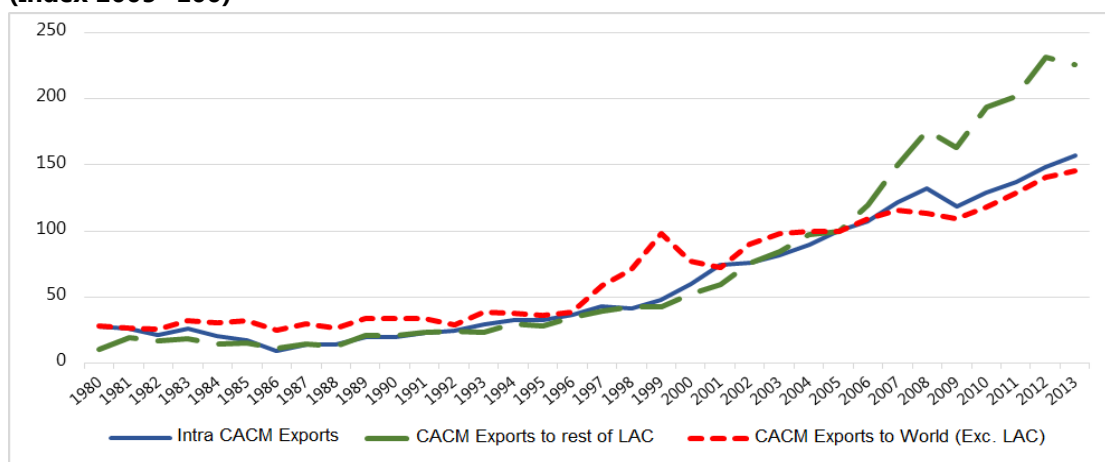
With some ups and downs typical of international trade flows, exports to the rest of the world maintained their leading position with a wide margin during the whole period. Specifically, during the 1980-1989 sub-period, exports to the rest of the world averaged a 77.2% share of the total, whereas exports within the trade bloc and to the rest of Latin America and the Caribbean reached average shares of 17.5% and 5.3%, respectively. In the following sub-period, exports to the rest of the world continued surpassing to a great extent the rest of flows by averaging a 74.8% share of the total, while intra-bloc exports and those to the rest of the region continued to lag behind representing 18.6% and 6.6%, respectively. Finally, during the 2000-2013 sub-period, exports to the rest of the world slightly slipped their share, although the leading position was maintained, by averaging 67.07% of total exports. This variation in destination of exports benefited regional exports where intra-bloc exports increased their share to 22.06% and flows to the rest of Latin America and the Caribbean to 10.3% of the total.

b) Exports in real terms

Charts 49 and 50 show the evolution of trade bloc exports in real terms. During the period 1980-2013, CACM total real exports grew annually 6.44% on average, driven mainly by exports to the rest of Latin America and the Caribbean, whose average annual increase was 11.35%. Furthermore, intra-bloc exports and those to the rest of the world, in real terms, reported an average positive evolution of 7.09% and 6.29%, respectively.

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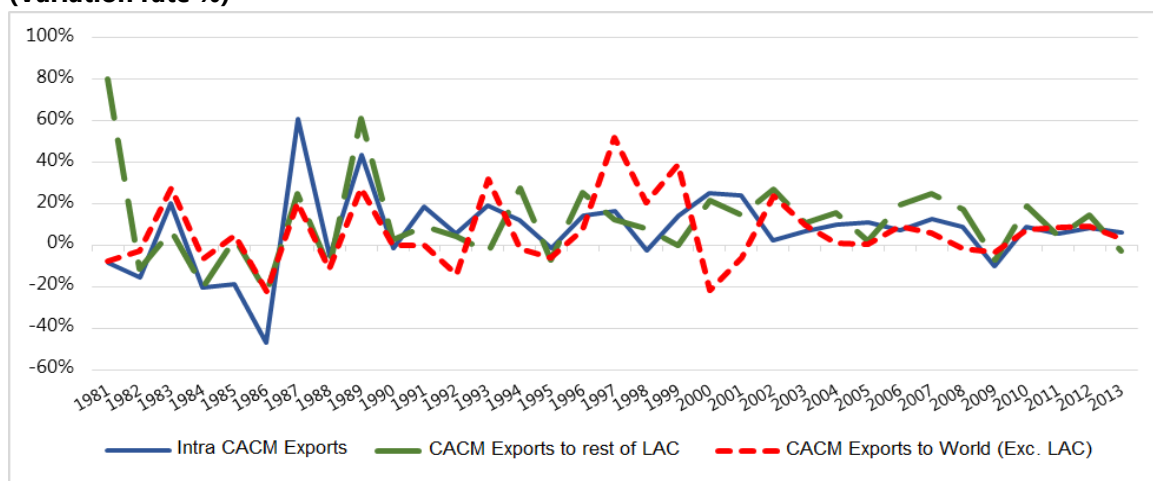
CHART 49
CACM: Exports in real terms
(Index 2005=100)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

A more detailed analysis indicates that during the 1980-1989 sub-period, exports to the rest of the region showed a higher average annual growth rate of 12.41%, followed by the performance of exports to the rest of the world with a 3.47% average annual increase, and lastly, the performance of intra-bloc exports showed a 1.12% average increase. Nevertheless, in the 1990-1999 sub-period, the average growth in exports in real terms to the rest of the world exceeded the behaviour of flows directed to other destinations, with a 12.98% average annual rate of variation against 9.55% and 7.99%, respectively, reported by intra-bloc exports and those to the rest of Latin America and the Caribbean. By way of conclusion, in the 2000-2013 sub-period, the growth in CACM exports in real terms was driven by the growth in flows to the rest of the region with a 13.08% average annual rate of variation, whereas intra-bloc real exports and those to the rest of the world reached an average annual rate of variation of 9.17% and 3.32%, respectively.

CHART 50
CACM: Exports in real terms
(Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

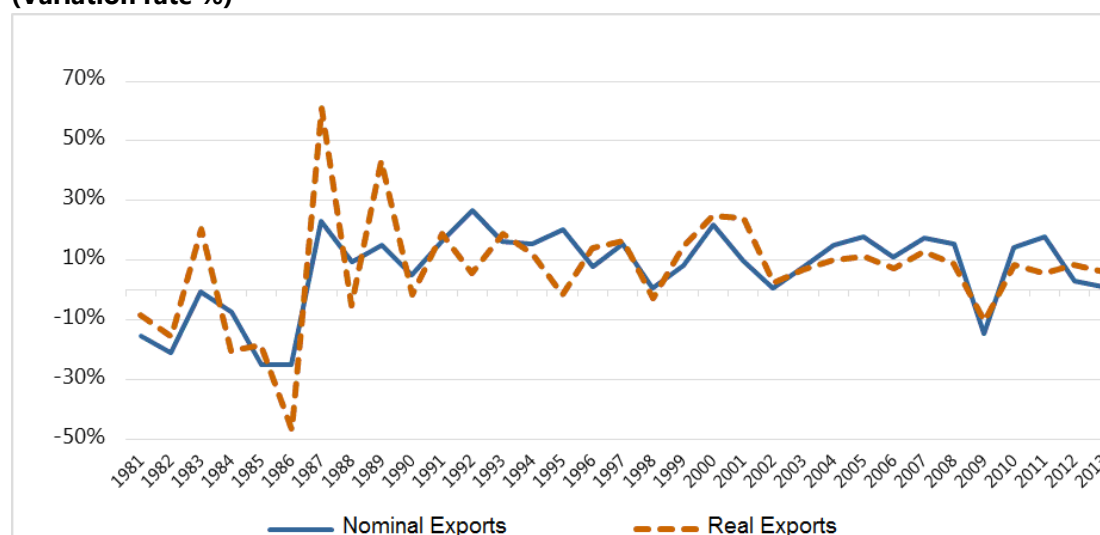
c) Real vs Nominal Exports

Charts 51, 52 and 53 present a comparative exercise on the performance of nominal and real exports according to destination of flows. Again, this section focuses on an assessment of the performance of CACM exports by analysing the impact of price variation on export flows. In particular, exports in nominal terms consider the variations on prices and volumes interchanged, whereas in regard to real flows the aim is to mitigate the effect of variation on prices and only consider changes in the volumes traded.

Chart 51 points to the evolution of intra-bloc exports in real and nominal terms. In the 1980-2013 period, the flows in real terms reported a greater growth with a 7.09% average annual rate of variation against 6.89% obtained by nominal flows.

During the sub-period 1980-1989, even though real exports reported a higher volatility, they showed a 1.12% increase in their average annual growth rate, whereas nominal exports declined at a -5.14% average rate. Nevertheless, in the 1990-1999 sub-period, both flows boosted their performance, but at the time, nominal exports were leading the average annual growth by reporting a 13.35% against 9.55% rate of flows in real terms. In closing, during the 2000-2013 sub-period, both flows continued growing at a 10.2% similar average rate for nominal flows and 9.17% rate for trade flows in real terms.

CHART 51
CACM: Real vs Nominal Intra-Bloc Exports
(Variation rate %)

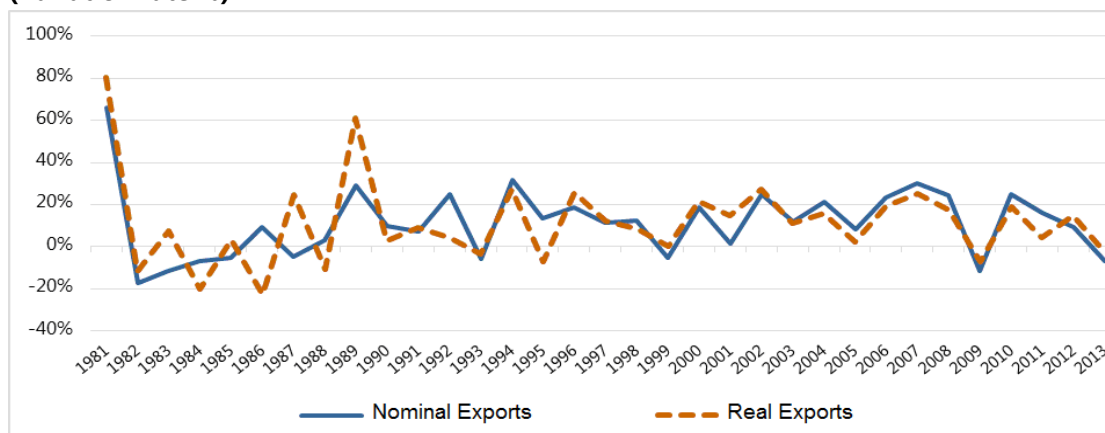


Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

Chart 52 shows the behaviour of the variation rate of exports, in real and nominal terms, to the rest of Latin America and the Caribbean. During the whole 1980-2013 period of study, both flows grew at a technically similar average annual rate that reached 11.5% for exports in nominal terms and 11.35% for real exports.

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CHART 52
CACM: Real vs Nominal Exports to the rest of LAC
(Variation rate %)

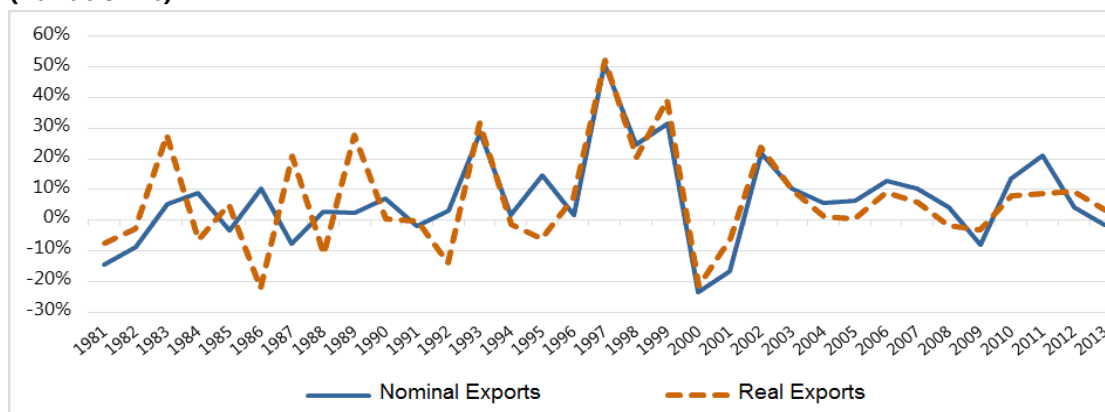


Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

During all the sub-periods analysed, both nominal and real flows reported average positive variation rates, which reflected a greater regional dynamism of the CACM countries with increases in prices and volumes of traded goods. In the 1980-1989 sub-period, exports in real terms to the rest of Latin America and the Caribbean expanded by 12.41% on average, above the 7% growth in nominal exports. In the 1990-1999 sub-period, variations on prices favoured an increase in nominal exports by growing 11.8% on average, whereas real exports grew 7.99%. Lastly, in the 2000-2013 sub-period, nominal and real exports reached their highest average annual growth rate at 14.1% and 13.08%, respectively.

Chart 53 shows the performance of nominal and real exports, whose destination was the rest of the world. In this case, during the 1980-2013 period, the average annual growth rate in nominal exports was 6.6%, which surpassed the 6.29% average variation of exports in real terms.

CHART 53
CACM: Real vs Nominal Exports to the rest of the World
(Variation %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

In the 1980-1989 sub-period, real exports, in spite of showing a more volatile performance, managed to grow at a 3.47% average rate against the -0.55% average drop in exports in nominal terms. Next, in the 1990-1999 sub-period, exports in nominal terms reported the highest average

annual rate of expansion of the whole period of analysis at 16.22%, above the 12.98% average variation in real terms. Finally, the decline in international demand from the CACM countries along with the financial crisis in 2008 and 2009, reduced the average annual rate of expansion of nominal and real exports to the rest of the world, which positioned at 4.34% and 3.32%, respectively.

d) Exports as percentage of GDP

Chart 54 indicates the share of exports by destination in nominal terms, in GDP at CACM current prices. The main ordinate axis (left side) refers to the share of intra-bloc exports and exports to the rest of the region, while the secondary axis of ordinates (right side) shows the measurement scale of the share of exports to the rest of the world.

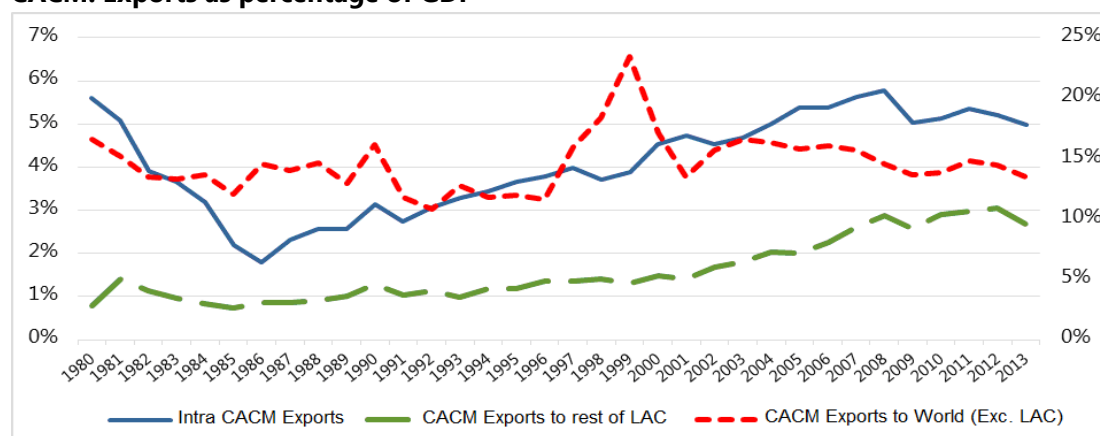
In the 1980-2013 period, intra-bloc exports accounted for 4.09% on average of CACM's GDP, whereas exports to the rest of the region barely reached an average of 1.6% of total production. Flows to the rest of the world showed a large superiority by representing 14.6%, on average, of the bloc's GDP.

The average share of trade flows by destination reported a relatively stable behaviour. Intra-bloc exports, during the 1980-1989 and 1990-1999 sub-periods, represented a GDP's average share of 3.29% and 3.47%, respectively. Just in the 2000-2013 period, the GDP's average share overcame the historical average share and reached 5.1%.

Exports to the rest of Latin America and the Caribbean were the smaller trade flows and, as a result, had a reduced share in the bloc's product. Therefore, during the 1980-1989 and 1990-1999 sub-periods, the share averages were merely 1% and 1.2%, respectively. Once again, the 2000-2013 sub-period presented growth in exports that allowed for increasing the average share to 2.3%.

Nevertheless, trade flows to the rest of the world showed a greater share in total exports, exhibiting a GDP' share, during the 1980-1989 and 1990-1999 sub-periods, of 14.03% and 14.47%, respectively. In the 2000-2013 sub-period, the historical average was surpassed and exports to the rest of the world reached 15.1% of the total product.

CHART 54
CACM: Exports as percentage of GDP



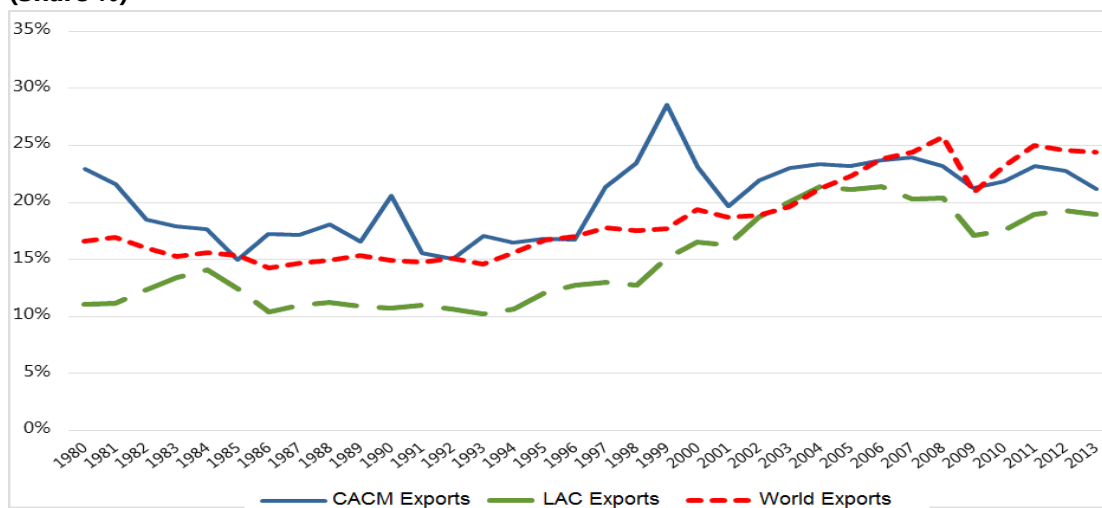
Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

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In order to compare the performance of CACM exports regarding the behaviour of trade flows of the world and Latin America and the Caribbean, Chart 55 shows the relative share of exports by origin in GDP at current prices of each conglomerate studied. Along these lines, the average share of CACM exports with respect to its GDP is 20.28%, which surpassed the 18.5% average share of world exports and that of the region, as a whole, positioned at 14.86%; which explains the importance of international trade for the CACM economies.

In an assessment by sub-periods, it is observed that in the 1980-1989 sub-period, CACM exports accounted for an 18.27% average of its GDP, whereas world and total regional exports barely reached averages of 15.5% and 11.81%, respectively, in their economies. Similarly, in the 1990-1999 sub-period, the average share of CACM exports with respect to GDP was 19.17% against 11.89% and 16.18% reached by Latin America and the Caribbean as a whole and the world average, respectively. Lastly, the positive performance of the world economy and the Latin American and Caribbean economies improved the performance of global and regional exports, placing the average share of the region's exports at 19.15% of its GDP, while the world average reached a 22.3% share and CAMC exports got 22.51% of the total economy.

CHART 55
Exports/GDP for CACM, LAC, World
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

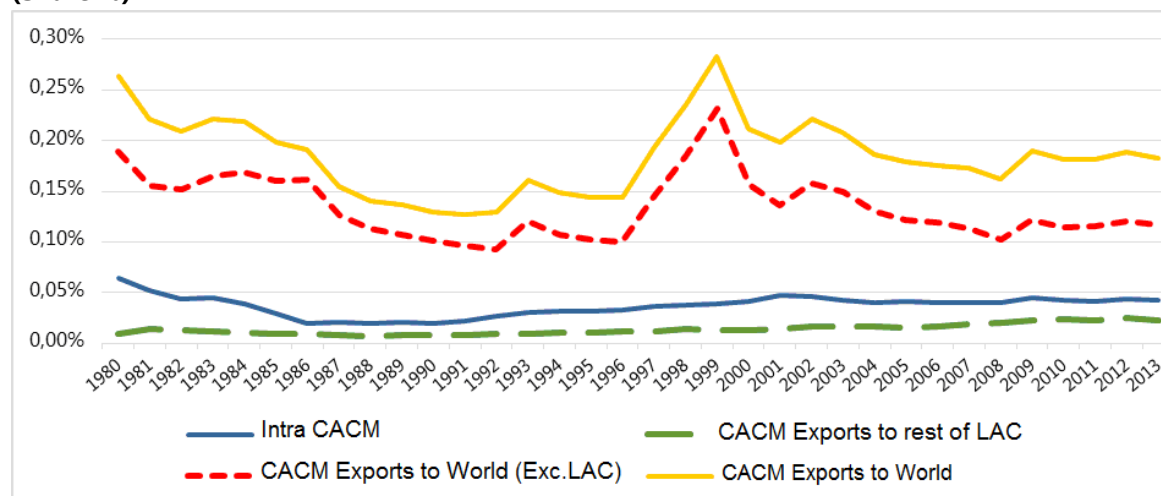
e) Exports as percentage of World trade

Regarding the share of CACM exports in world trade, in Chart 56, a comparative exercise is conducted, which would allow for assessing the importance of exports by destination in total global trade flows. With reference to intra-bloc exports and exports to the rest of Latin America and the Caribbean, in the 1980-2013 period, they barely reached average shares of 0.04% and 0.01%, respectively, in world trade. Likewise, exports to the rest of the world (excluding Latin America and the Caribbean) and CACM total exports showed an average annual share of 0.13% and 0.19%, respectively, in world trade.

As can be seen in the Chart, the evolution of the average share of CACM flows remained somewhat stable through time. Additional treatment should only be given to the performance of exports to the rest of the world, because it defines the trend of CACM total trade. In the 1980-1989

sub-period, exports to the rest of the world, showing a visible downward trend, averaged a 0.15% share in world trade, whereas total trade represented 0.2%. In the following 1990-1999 sub-period, in spite of the upward trend in trade flows, these barely reached a 0.13% average share, causing the average share of CACM total exports to be 0.17%. Finally, in the 2000-2013 sub-period, exports remained almost undisturbed to average a share of 0.13% in exports to the rest of the world, whereas CACM total exports reached 0.19% of global trade.

CHART 56
CACM: Exports in World Trade
(Share %)

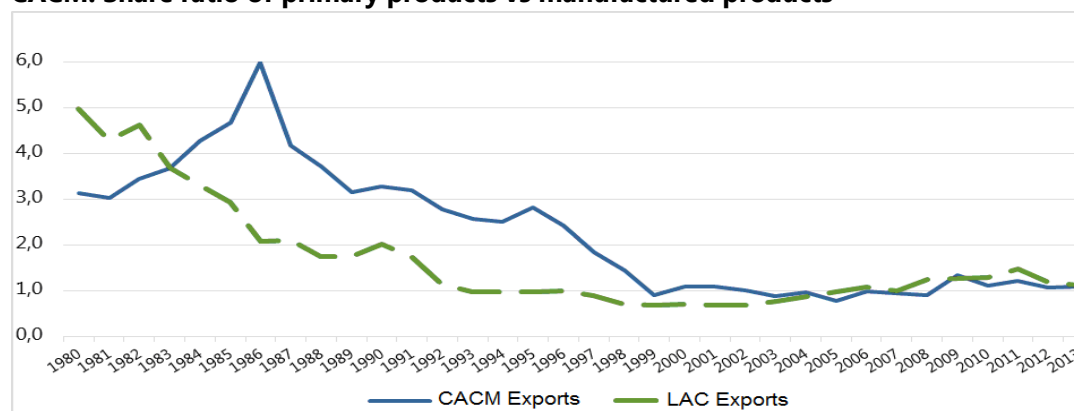


Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

f) Exports of Primary Products vs Manufactured Goods

In Chart 57, CACM exports are assessed according to the types of exported goods. To this end, a ratio of exports of raw materials to exports of manufactured goods is calculated to see how much those represent. In the 1980-2013 period, the annual average ratio of raw materials exports to manufactured exports was 2.3, above the 1.6 regional average ratio.

CHART 57
CACM: Share ratio of primary products vs manufactured products



Source: Data from CEPALSTAT, ECLAC. Calculations by the author.

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In a time analysis, during the 1980-1989 sub-period, the ratio of CACM exports of raw materials to manufactured exports was 3.9, whereas the region's average ratio was 3.15. Next, in the 1990-1999 sub-period, CACM maintained a dependence on raw materials exports higher than the regional average, because it reported a 2.4 ratio against 1.12 of Latin America and the Caribbean. Lastly, in the 2000-2013 sub-period, CACM exports reported a larger industrialization when the average share ratio of raw materials exports to manufactured exports dropped to 1 below the 1.03 regional average ratio.

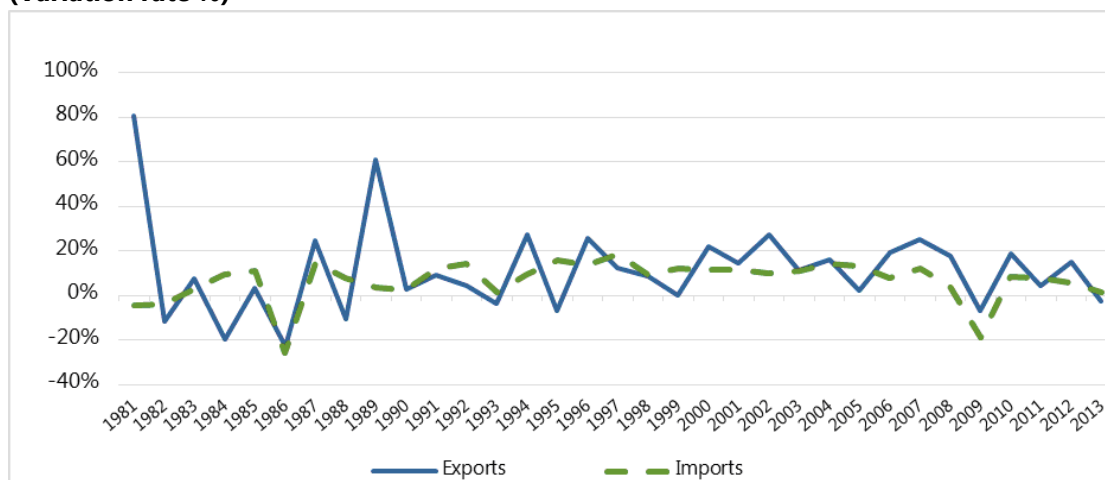
g) Extra-bloc imports and exports in real terms

Chart 58 shows a comparative exercise conducted to assess the performance of the CACM export and import volumes to the rest of the region during the 1980-2013 period. As can be seen, although the evolution of real exports presented a greater volatility compared with the performance of imports, those reported a higher average annual rate of growth placed at 11.35% against 6.76% of imports.

In the 1980-1989 sub-period, real exports accelerated at a 12.41% average annual rate surpassing the average performance of imports that barely managed a 1.6% average rate. In the 1990-1999 sub-period, CACM real imports from the rest of the region increased strongly, reaching a 10.88% average rate of growth against 7.99% attained by exports. In conclusion, during the 2000-2013 sub-period, exports again took over the leadership with a 13.08% average annual growth rate and exceeded the 7.14% average rate of imports.

CHART 58

CACM: Exports/Imports with the rest of LAC in real terms (Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

Chart 59 shows the performance of CACM real exports and imports with the rest of the world. As can be seen, the performance of exports was more volatile than that of imports, especially during the 1980-1995 period, in which the superiority of the export sector of raw materials was at the top. In the 1980-2013 period of study, the average annual rate of growth of imports was 7.02%, surpassing the 6.29% average variation of exports.

CHART 59
CACM: Exports/Imports with the rest of the World in real terms
(Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

During the 1980-1989 sub-period, the 3.47% average annual growth in exports was above the 3.32% average performance of imports. Next, in the 1990-1999 sub-period, the dynamics of imports adopted an increasingly rapid pace of growth to obtain a 13.81% average annual rate that exceeded the 12.98% average performance of exports. Finally, during the 2000-2013 sub-period, imports continued their path of growth, although at a 4.54% smaller average rate, whereas exports also with a less accelerated evolution, managed to grow at a 3.32% average rate.

h) Exports by origin and destination

Charts 60 and 61 present an assessment of the performance of the CACM's exports by country of origin and destination. To this end, 1998, 2003, 2008 and 2013 have been selected to verify at different points in time, the evolution of the relative size of the CACM national export sectors, and the relative importance of each one of the destinations in the countries' total exports.

Specifically, Chart 60 shows the relative importance of national exports in CACM total exports. Therefore, it can be seen that in 1998 the country with the larger share in exports from CACM was Costa Rica, concentrating 43% of the bloc's total exports, followed by Guatemala with 30%, and Honduras, El Salvador and Nicaragua gathered the remaining 27%.

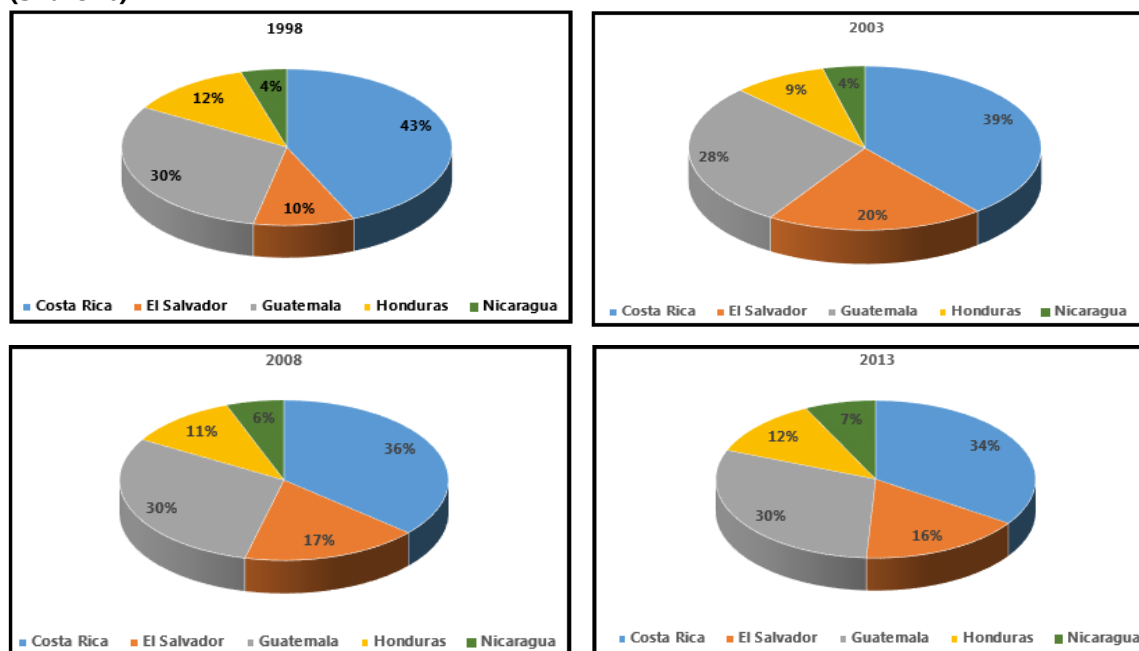
By 2003, the share distribution of global exports slightly changed, although Costa Rica maintained its leadership as the country whose export sector had the bigger relative size in CACM, concentrating 39% of total exports. Second, once again exports from Guatemala reached 28% of the total and accompanied then by El Salvador, whose export sector grew 10% in a relative share against the total, to have then 20% of CACM exports. Lastly, Honduras and Nicaragua are found with a relative share of 9% and 4%, respectively.

In 2008, relative shares technically remained with small variations that did not create structural changes in the distribution of national shares in total exports. The superiority of Costa Rica was maintained as the larger export economy of the bloc, followed by Guatemala with an increasing export sector, and immediately after, El Salvador, Honduras and Nicaragua.

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Lastly, in 2013, the superiority of the economies that have historically shown an export sector of a larger relative size within CACM, such as Costa Rica and Guatemala, maintained their advantage in the bloc and demonstrated the challenges posed to economies that lagged behind in the task of promoting their exports.

CHART 60
CACM: Exports by country of origin
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

Chart 61 indicates the share of exports from the CACM countries by destination of flows. In particular, it shows the relative importance of intra-bloc exports to the rest of Latin America and the Caribbean and the rest of the world in total exports of each country, during 1998, 2003, 2008 and 2013.

In 1998, for most countries of the bloc, the main destination of exports was the rest of the world. Nevertheless, the cases of Costa Rica and Honduras were highlighted due to their 85% share, followed by Guatemala and Nicaragua with 77% and 74%, of their respective total exports. In the end, the case of El Salvador was emphasized, whose 49% of exports was concentrated in its parties of the integration bloc.

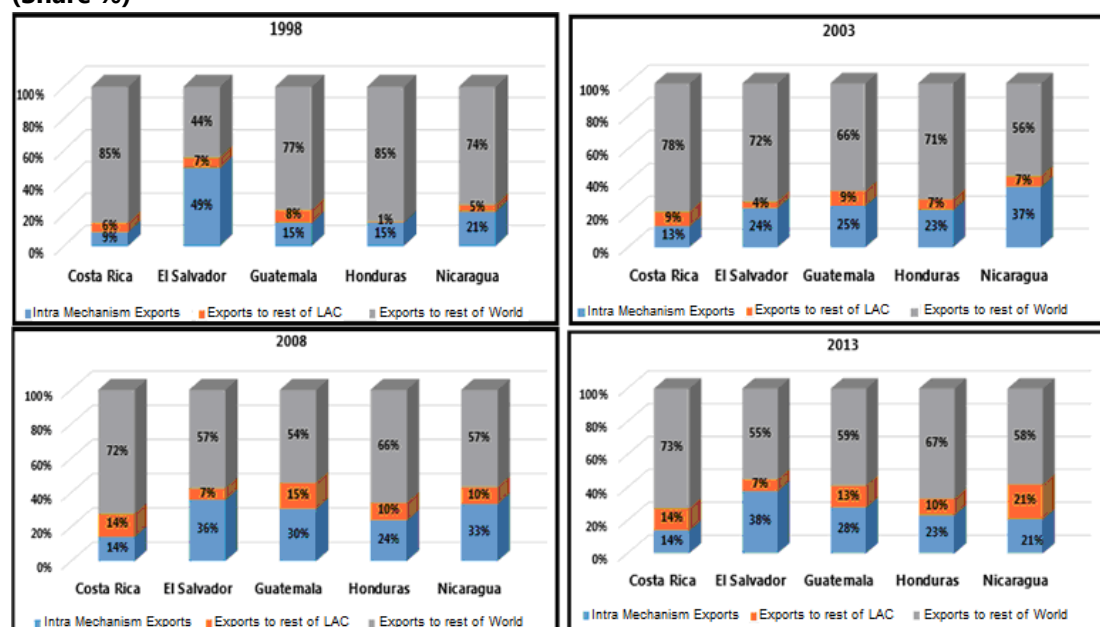
In 2003, the superiority of exports to the rest of the world was consolidated in all the countries of the bloc, the cases of Costa Rica, El Salvador and Honduras were emphasized because more than 70% of their exports were allocated outside Latin America and the Caribbean. The behaviour of El Salvador deserved an additional consideration because in its share structure of exports, flows to the rest of the world displaced the relative importance of intra-bloc flows.

In 2008, the fact remained that the rest of the world continued to be the destination that gathered the larger share of exports from the CACM countries, intra-bloc trade acquired a greater relevance and became established as the second destination of a greater relative importance in CACM

exports. The cases of El Salvador, Guatemala and Nicaragua were highlighted, because the relative share of exports to the parties of the bloc exceeded 30% of their total exports.

By 2013, the relative shares of 2008 were technically maintained, showing slight changes that mostly favoured exchanges with the rest of the world. On average, in 2013, around 62.4% of total exports were allocated to the rest of the world, the cases of Costa Rica and Honduras were underlined as the nations with a larger share of trade flows directed outside Latin America and the Caribbean.

CHART 61
CACM: Exports by destination
(Share %)



Source: Data from the *Direction of Trade Statistics (DOTS)* of the International Monetary Fund (IMF). Calculations by the author.

With respect to intra-bloc exchanges, these gathered 24.8% on average of total exports from the CACM countries and became established as the second destination with a larger share of trade flows, the cases of El Salvador and Guatemala stood out as the countries with a greater relative share of exports directed to another party of CACM in their total exports.

Finally, an increasing trend in the magnitude of the flows was found in the exchanges with the rest of the region, which gathered 13%, on average, of total exports from the bloc. In this case, Nicaragua and Costa Rica were the countries that presented a larger relative share of exports to the rest of the region in their total exports.

In the analysis of this sequence, it can be seen that even though the superiority of the rest of the world is maintained as the main destination of exports from the CACM countries, intra-region flows have obtained a larger share in total exchanges through time. This situation reveals the results of efforts focused on promoting a further trade integration, although there are deficiencies still persisting that must be overcome by the CACM countries.

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i) Summary and Conclusions

This section summarizes the most relevant aspects of the performance of trade flows of the Central American Common Market.

- In the 1980-2013 period, CACM exports to the rest of Latin America and the Caribbean posted an average annual growth rate of 11.5%, higher than the average annual rate of variation reported by intra-bloc flows as 6.89% and flows to the rest of the world as 6.7%.
- The 1990-1999 sub-period was the term that had the larger average expansion of CACM exports in nominal terms.
- The average annual rate of growth of the trade volume to the rest of the region (11.35%), measured through exports in real terms, is higher than the (7.09%) average annual variation of intra-bloc trade flows and to the (6.29%) average annual growth in exports to the rest of the world.
- The 1990-1999 sub-period is the term that shows the larger average expansion of volume of exports from CACM.
- In the 1980-2013 period, the (11.5%) average annual growth in exports from CACM to the rest of the region exceeded the (9.33%) performance of intra-regional total exports from Latin America and the Caribbean. Likewise, the (6.89%) intra-bloc trade flows are expanding at an average annual rate smaller than the internal total trade of the region.
- During the period under study, the (6.29%) average rate of growth in exports from the CACM countries to the rest of the world is lower than the (8.09%) average variation of extra-regional exports from Latin America and the Caribbean.
- During the 1980-2013 period, the dependence of CACM on raw materials exports (64.4% of total exports) is higher than the average dependence of Latin America and the Caribbean (57.4%). However, as of 2005 the dependence on raw materials exports from CACM declines considerably.
- During the period under study, the (20.28%) average share of exports from CACM in its GDP was higher than the (18.5%) average share of world exports and that (14.86%) of Latin America and the Caribbean in their corresponding economies. This fact underlined the relevance of international trade in the countries that belong to CACM and revealed an awareness of these economies to policies promoting a broader trade integration.
- During the period under study, the share of exports from CACM in global trade has been reduced, starting from 0.26% of world exports in 1980 to 0.18% of global exchanges in 2013.
- The sizes of export sectors of the CACM countries might be grouped in two categories. In the first group are the bloc's most dynamic countries in international trade, driven by Costa Rica and Guatemala. In the second group, there are the countries that present a lower level of trade activity such as El Salvador, Honduras and Nicaragua.
- During the period analysed, it is acknowledged that despite the noticeable predominance of Costa Rica in CACM total exports the gaps in the share of bloc's exports have been significantly reduced and, as a result, the drop in asymmetries in the access to the gains of an expanding open trade.
- All the countries of the CACM allocate the largest share of their exports to the rest of the world. Nevertheless, intra-regional trade has an outstanding share in total exports, and during the 1998-2013 sub-period, all the member countries of CACM, with some ups and downs, managed to increase their trade within the region.

4. Performance of exports and imports of the Common Market of the South (MERCOSUR)

The Common Market of the South (MERCOSUR) was established in 1991 under the Treaty of Asuncion signed by Argentina, Brazil, Paraguay and Uruguay. In 2012, the accession of Venezuela to MERCOSUR was formally accepted, changing its status from associate to full member.

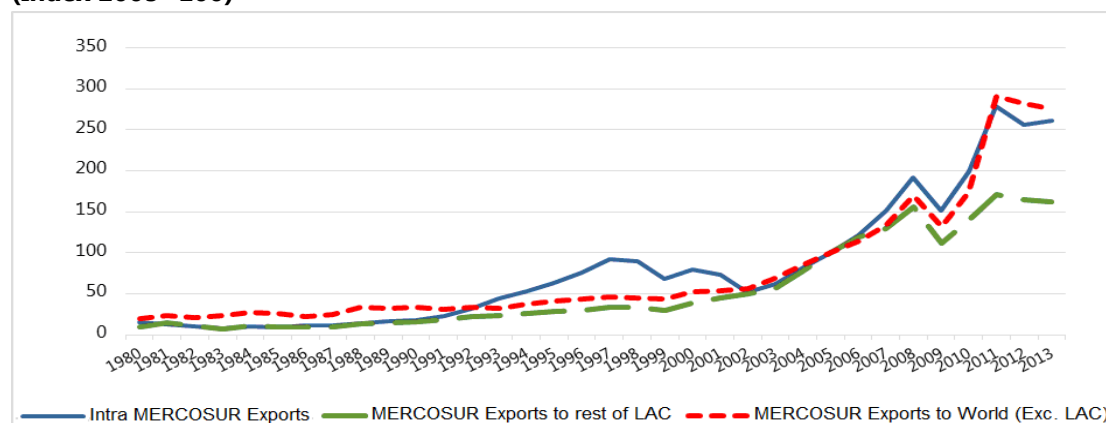
For this study, Venezuela was considered a party of MERCOSUR since 2011, after its formal exit of CAN [Andean Community of Nations] in April of that year, because this nation maintained a tight link with the Common Market by being an associate member since 2004.

a) Exports in nominal terms

Charts 62 and 63 show the evolution of exports from MERCOSUR in nominal terms, starting with a simple index (base year 2005) and the series rate of growth. For the analysis, three sub-periods are differentiated: 1980-1989, 1990-1999 and 2000-2013, which were selected on the basis of the evolution of the regional and global economic context.

In the first sub-period, 1980-1989, MERCOSUR intra-bloc exports in nominal terms grew at a 2.90% average annual rate, while nominal exports to the rest of Latin America and the Caribbean and the rest of the world experienced average annual rates of growth equal to 8% and 6.34%, respectively. Afterwards, between 1990 and 1999, MERCOSUR intra-bloc nominal exports grew sharply, and reached a 16.84% average annual rate of growth, which can be explained to a great extent by the signing of the Treaty of Asuncion in 1991. On the other hand, the annual rate of growth in nominal exports to the rest of Latin America and the Caribbean was maintained at 8% and the rest of the world at 3%, this showed some deceleration in regard to the previous sub-period. At last, in the 2000-2013 sub-period, MERCOSUR nominal exports, whose destination was the parties of the same bloc, grew at a 12.24% average rate, below the 13% and 15.64% rates that were reached by nominal exports to the rest of Latin America and the Caribbean and the rest of the world, respectively. The acceleration of these growth rates and, particularly, the increase in nominal exports to the rest of the world, were related to the increase in world demand and prices of raw materials over the past decade.

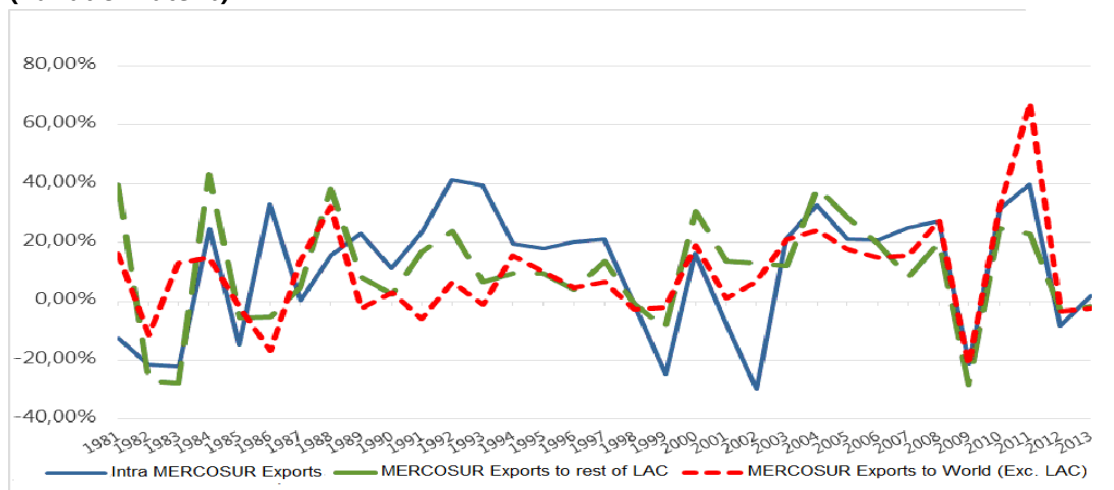
CHART 62
MERCOSUR: Exports in nominal terms
(Index 2005=100)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

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CHART 63
MERCOSUR: Exports in nominal terms
(Variation rate %)

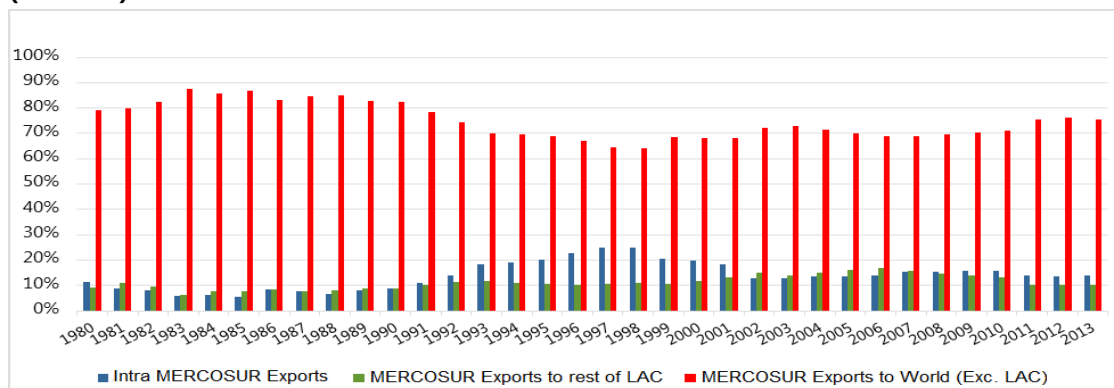


Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

Chart 64 shows how the composition of exports from MERCOSUR has varied according to their destination. In broad terms, significant variations in the series are not observed. In 1980, intra-bloc exports represented 11.6% of total exports from the bloc, 9.27% to the rest of Latin America and the Caribbean and 79.13% to the rest of the world. Similarly, in 2013, intra-bloc exports represented 13.98% of the total, 10.40% to the rest of Latin America and the Caribbean and 75.62% to the rest of the world.

In the 1980-1989 sub-period, intra-bloc exports represented 7.73% of the total, whereas 8.51% was destined to the rest of Latin America and the Caribbean and 83.76% to the rest of the world. Later, in the 1990-1999 sub-period, intra-bloc exports increased significantly by representing 18.51% of the total, whereas the flows to the rest of Latin America and the Caribbean reached 10.44% of the total, and exports, whose destination was the rest of the world, turned into 70.80%. Finally, in the 2000-2013 sub-period, intra-bloc exports grouped 14.24% of the total, exports to the rest of the region 13.82% and those to the rest of the world 71.94%.

CHART 64
MERCOSUR: Intra-Bloc Exports, Exports to the rest of LAC and Exports to the rest of the World
(Share %)



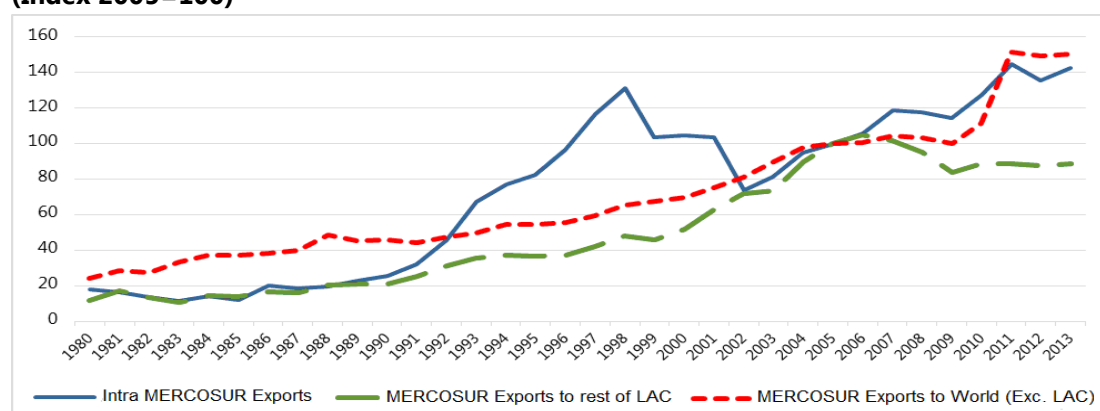
Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

b) Exports in real terms

Charts 65 and 66 depict the evolution of MERCOSUR exports in real terms, by making use of a simple index (base year 2005) and the rate of growth of the series.

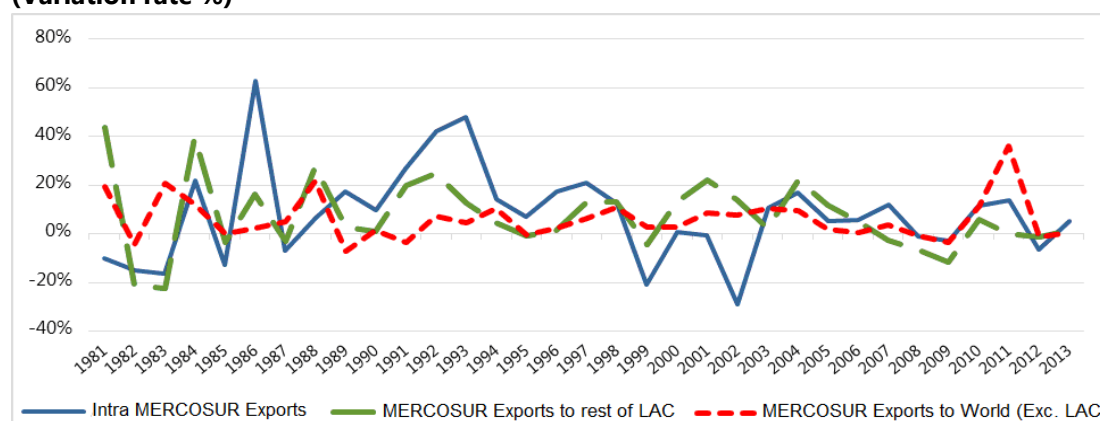
During the first 1980-1989 sub-period, MERCOSUR intra-bloc exports in real terms grew at a 5.22% average annual rate, whereas exports to the rest of Latin America and the Caribbean and the rest of the world presented slightly higher average rates of growth equal to 8.86% and 7.80%, respectively. Later, in the 1990-1999 sub-period, MERCOSUR intra-bloc real exports were sharply accelerated and reached a 17.72% average rate of growth; while the growth in real exports to Latin America and the Caribbean remained stable at 8.55% and to the rest of the world presented a 4.18%, on average, per year. Finally, in the 2000-2013 sub-period, MERCOSUR exports, whose destination was the countries of the same bloc grew at a 2.97% average rate, which is below the 5.29% and 6.29% rates that were reached by exports to the rest of Latin America and the Caribbean and the rest of the world, respectively.

CHART 65
MERCOSUR: Exports in real terms
(Index 2005=100)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

CHART 66
MERCOSUR: Exports in real terms
(Variation rate %)



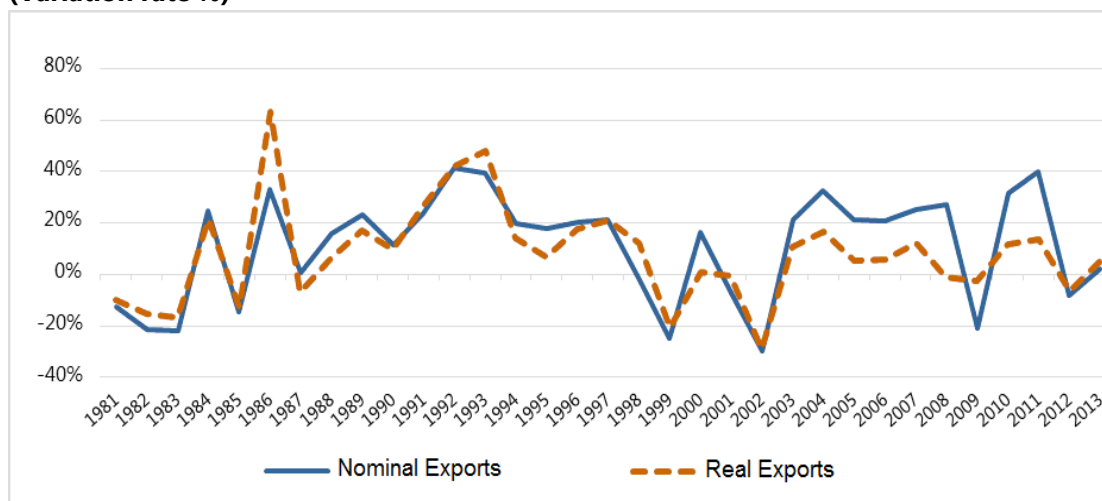
Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

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c) Real vs Nominal Exports

The sequence from Chart 67 to 69 presents exports from MERCOSUR compared in real and nominal terms, according to their destination. First, Chart 67 indicates that intra-bloc exports, in nominal and real terms, maintained a very similar performance during the period of study. In the 1980-1989 sub-period, nominal exports grew at a 2.90% average annual rate, whereas real exports did at a 5% average rate. Later, in the 1990-1999 sub-period, nominal exports grew at a 16.84% average annual rate, whereas real exports did so at an 18.90% average annual rate. In the following 2000-2013 sub-period, the average annual rate of growth in nominal exports was 12.24%, whereas real exports barely reached a 3% average annual rate.

CHART 67
MERCOSUR: Real vs Nominal Intra-Bloc Exports
(Variation rate %)

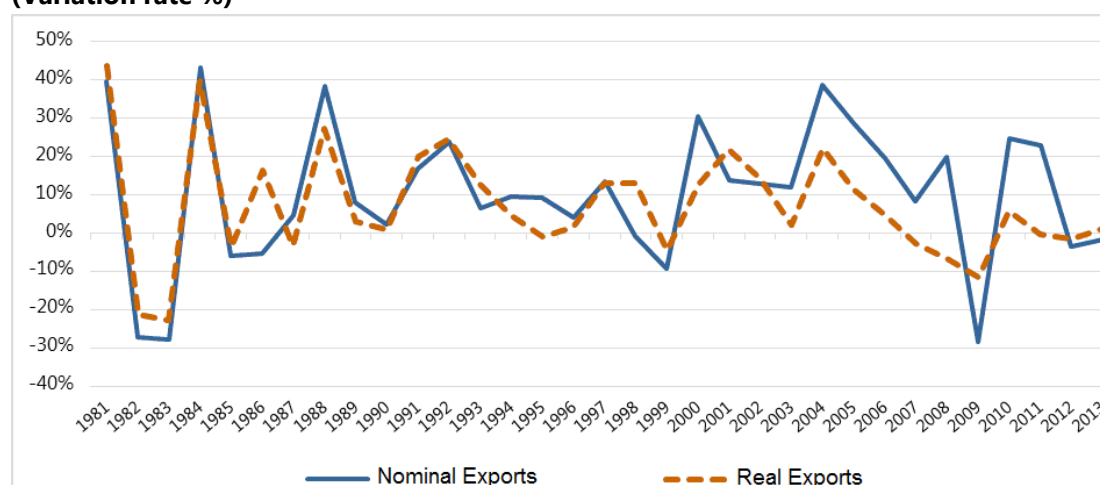


Source: Data from the *Direction of Trade Statistics (DOTS)* of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

Chart 68 shows the performance of exports in nominal and real terms, whose destination is the rest of Latin America and the Caribbean. In the 1980-1989 sub-period, nominal exports grew at a 7.60% average annual rate, whereas real exports did at an 8.86% annual rate. Then in the 1990-1999 sub-period, nominal exports grew yearly 7.62% on average, whereas real exports reached a higher rate averaging a 9.41% annual variation. Lastly, in the following 2000-2013 sub-period, nominal exports grew a 14% average annual rate, whereas real exports reached a 5.29% average annual rate.

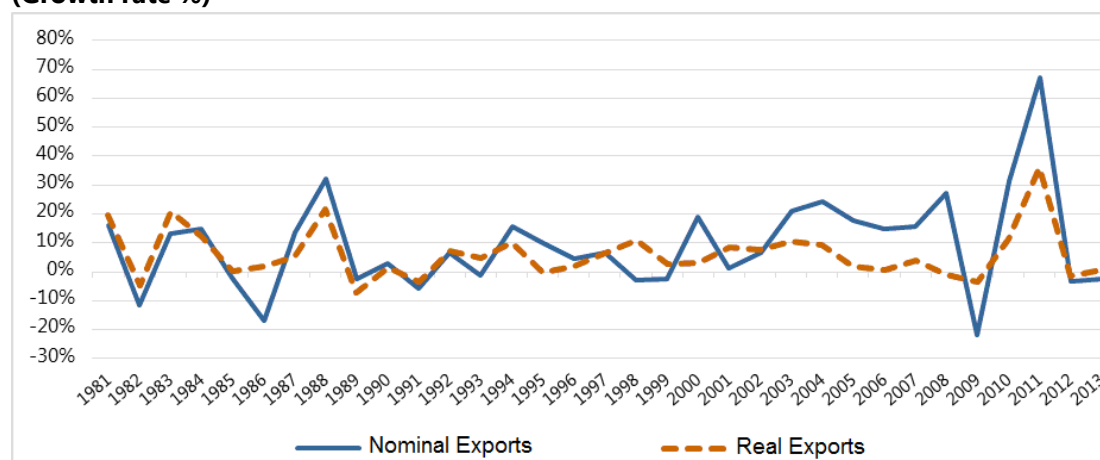
In turn, Chart 69 indicates to the performance of MERCOSUR exports, in nominal and real terms, whose destination is the rest of the world. In the 1980-1989 sub-period, nominal exports to the rest of the world grew a 6.34% average annual rate, whereas real exports reached a higher rate, 7.20% on average. In the 1990-1999 sub-period, nominal exports decreased the average annual rate to 3.39%, whereas real exports grew yearly 6.22% on average. In the following 2000-2013 sub-period, the trend was reversed and nominal exports grew 15.64% on average, which exceeded noticeably the 5.42% average annual rate of growth in real exports.

CHART 68
MERCOSUR: Real vs Nominal Exports to the rest of LAC
(Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

CHART 69
MERCOSUR: Real vs Nominal Exports to the rest of the World
(Growth rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

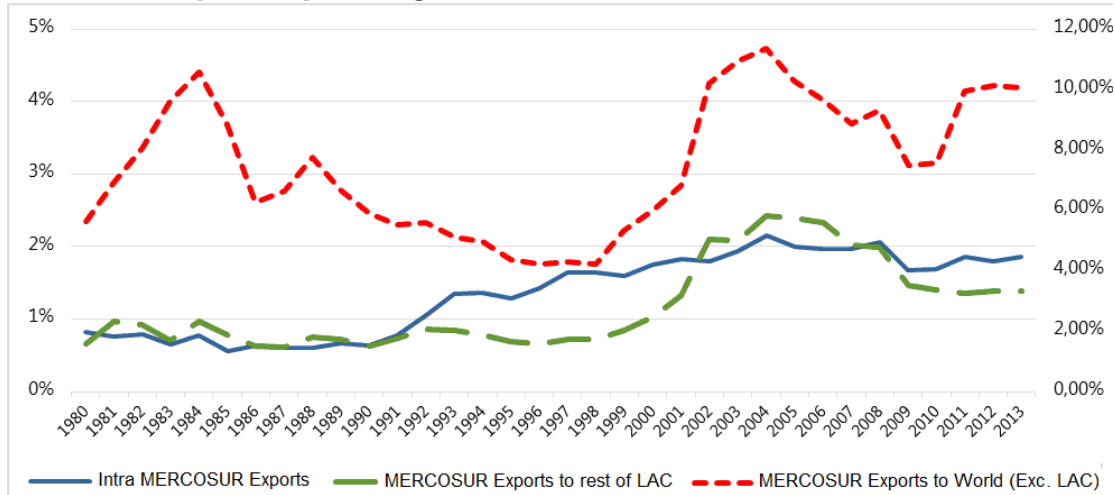
d) Exports as percentage of GDP

Chart 70 shows MERCOSUR exports classified by destination, as a percentage of total GDP of the trade bloc. Therefore, in the 1980-1989 sub-period, intra-bloc exports obtained a 0.69% average share of the trade bloc's GDP, whereas the flows to the rest of Latin America and the Caribbean reached a 0.77% average share of the bloc's GDP. In the 1990-1999 sub-period, intra-bloc exports grew significantly and reached 1.65% of the bloc's GDP, by doubling the export share to the rest of Latin American and the Caribbean that reached 0.71%. Finally, in the 2000-2013 sub-period, intra-bloc exports were positioned at 1.88%, on average, of the bloc's GDP, whereas exports to the rest of the region reached a 1.76% average share of the bloc's GDP.

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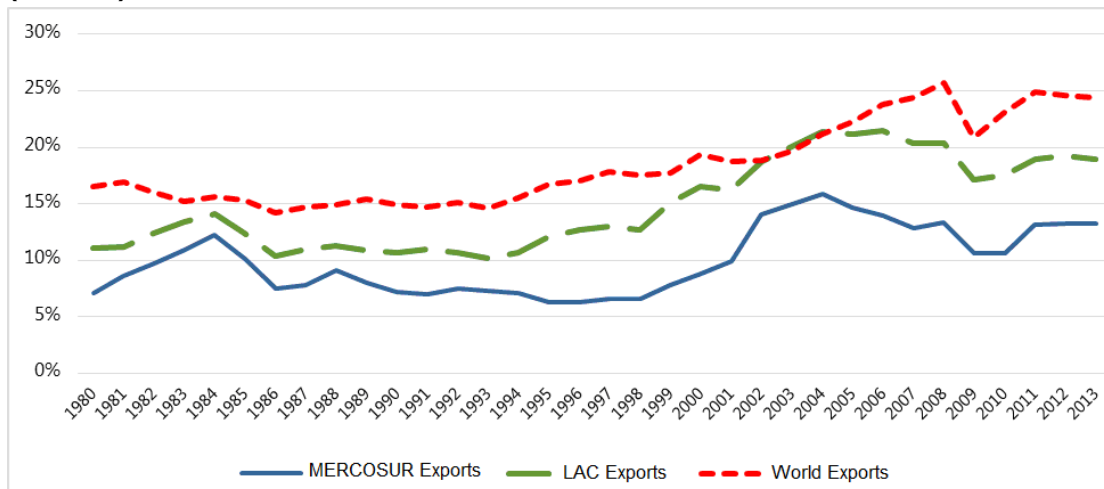
On the other hand, exports from MERCOSUR whose destination was the rest of the world (with a measuring scale in the right vertical axis) were considerably greater during the whole period of study and averaged a 7% share of the trade bloc's GDP.

CHART 70
MERCOSUR: Exports as percentage of GDP



Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

CHART 71
Exports/GDP for MERCOSUR, LAC, World (Share %)



Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

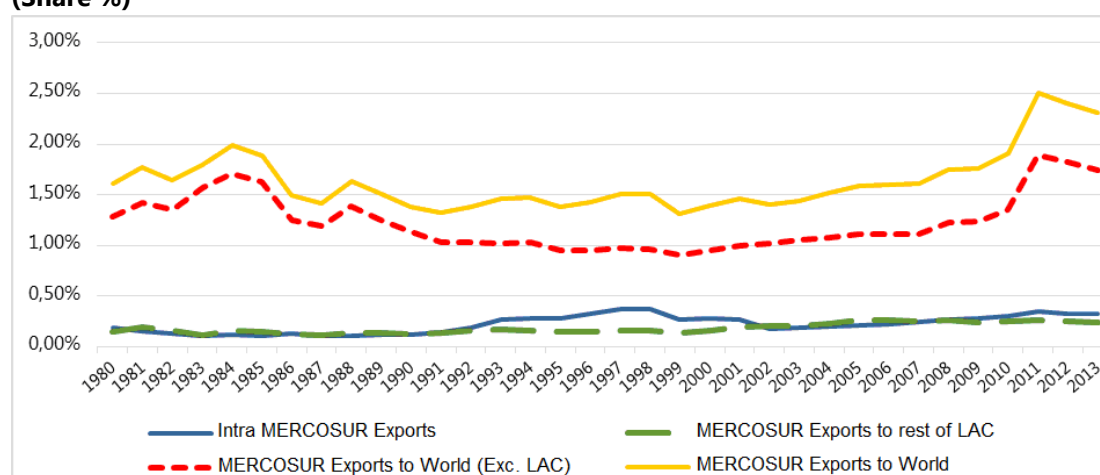
In Chart 71, total exports are shown as a percentage of GDP, by comparing MERCOSUR with the average in Latin America and the Caribbean and the world. In the 1980-2013 period, the average value of exports from MERCOSUR as a percentage of GDP had always been lower than the equivalent indicator for Latin America and the Caribbean and the world. In the three sub-periods, a slight upward trend is observed, where exports as a percentage of MERCOSUR GDP go from 7.13%

in 1980 to 13.31% in 2013, whereas the average in Latin America and the Caribbean goes from 11% to 18.98% and in the rest of the world from 16.57% in 1980 to 24.40% in 2013.

e) Exports as percentage of World trade

Chart 72 shows the share of exports from MERCOSUR by destination in total world exports. It can be seen that the contribution of MERCOSUR to world trade had not varied significantly during the period of study, going from 1.61% in 1980 to 2.31% in 2013. Likewise, exports to the rest of Latin America and the Caribbean went from 0.15% in 1980 to 0.24% in 2013 and intra-bloc's exports in the same periods went from 0.19% to 0.32%.

CHART 72
MERCOSUR: Exports in World Trade
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) and the World Economic Outlook of April 2015 (WEO) of the International Monetary Fund (IMF). Calculations by the author.

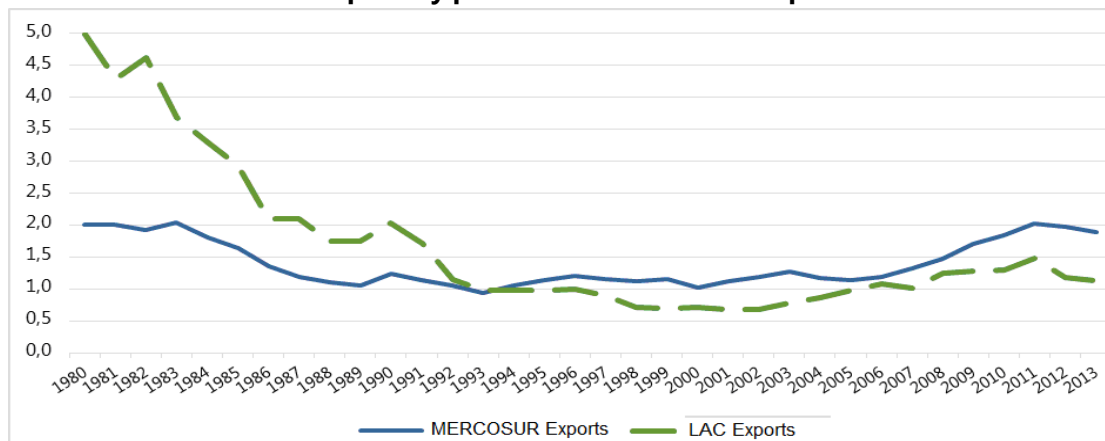
f) Exports of Primary Products vs Manufactured Goods

Chart 73 shows a comparative exercise of the ratio of the share of raw materials to manufactured products in total exports, between MERCOSUR and the average in Latin America and the Caribbean. This indicator reveals the importance of raw materials in relation with manufactured goods in total exports. In the 1980-1989 sub-period, the ratio of raw materials to manufactured products was 3.1 for Latin America and the Caribbean, whereas for MERCOSUR was 1.6; this means that in the period of study, exports from the MERCOSUR members depended on raw materials to a lesser extent than the average of Latin America and the Caribbean. However, over time, the trend has been slightly reversed. In the 1990-1999 sub-period, the ratio averaged the same 1.1 value for MERCOSUR and the average of Latin America and the Caribbean. Next, in the 2000-2013 sub-period, the average value of the indicator in MERCOSUR reached 1.5, which is above the 1.03 regional average.

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CHART 73

MERCOSUR: Share ratio of primary products vs manufactured products



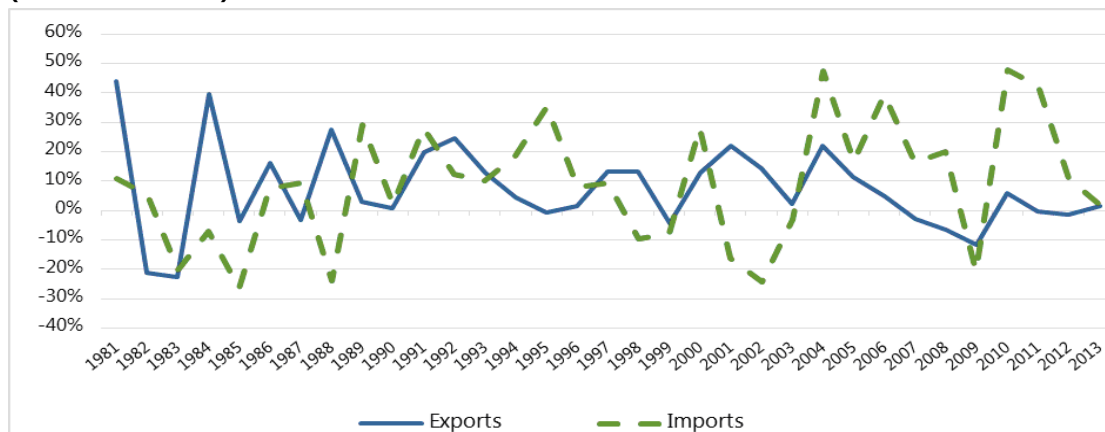
Source: Data from CEPALSTAT, ECLAC. Calculations by the author.

g) Extra-bloc imports and exports in real terms

Chart 74 shows the evolution of the trade flow of MERCOSUR and the rest of Latin America and the Caribbean, based on the rate of growth in exports and imports in real terms.

CHART 74

MERCOSUR: Exports/Imports with the rest of LAC in real terms (Variation rate %)



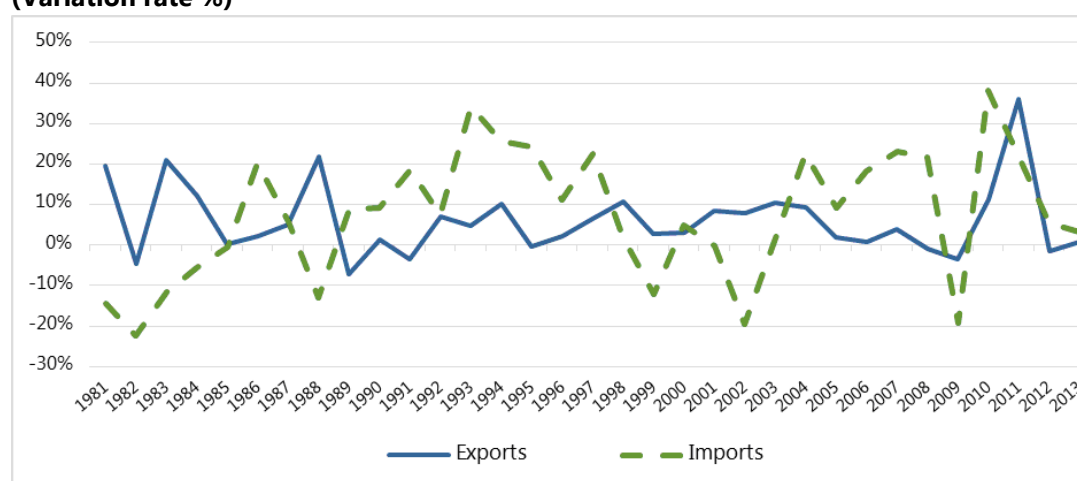
Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

During the 1980-1989 sub-period, MERCOSUR imports from the rest of Latin America and the Caribbean decreased -1.67% on average per year, whereas MERCOSUR exports to the rest of the region reached an 8.89% average growth. Then, in the 1990-1999 sub-period, MERCOSUR imports from the rest of Latin America and the Caribbean recovered and grew 10.66% on average, whereas the MERCOSUR export rate of growth to Latin America and the Caribbean remained almost unchanged and averaged 8.55%. Finally, in the 2000-2013 sub-period, MERCOSUR imports from the rest of the region continued to grow at a 14.73% average rate, whereas exports grew slower than in the previous sub-periods, at a 3.73% annual rate.

Chart 75 shows the evolution of the trade volume of MERCOSUR and the rest of the world, based on the rate of growth in exports and imports in real terms. In the 1980-1989 sub-period, MERCOSUR imports from the rest of the world decreased -3.63% on average, whereas MERCOSUR exports to the rest of the world reached a 7.80% average rate of growth.

Afterwards, in the 1990-1999 sub-period, MERCOSUR imports from the rest of the world grew at a 14.27% average rate, whereas MERCOSUR exports to the rest of the world reached a 4.18% average rate of growth. Last, in the 2000-2013 sub-period, the bloc's imports from the rest of the world maintained their increasing trend to average a 9.34% rate of variation, whereas the bloc's exports to the rest of the world reached a 6.26% average rate of growth.

CHART 75
MERCOSUR: Exports/Imports with the rest of the World in real terms
(Variation rate %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF) and CEPALSTAT, ECLAC. Calculations by the author.

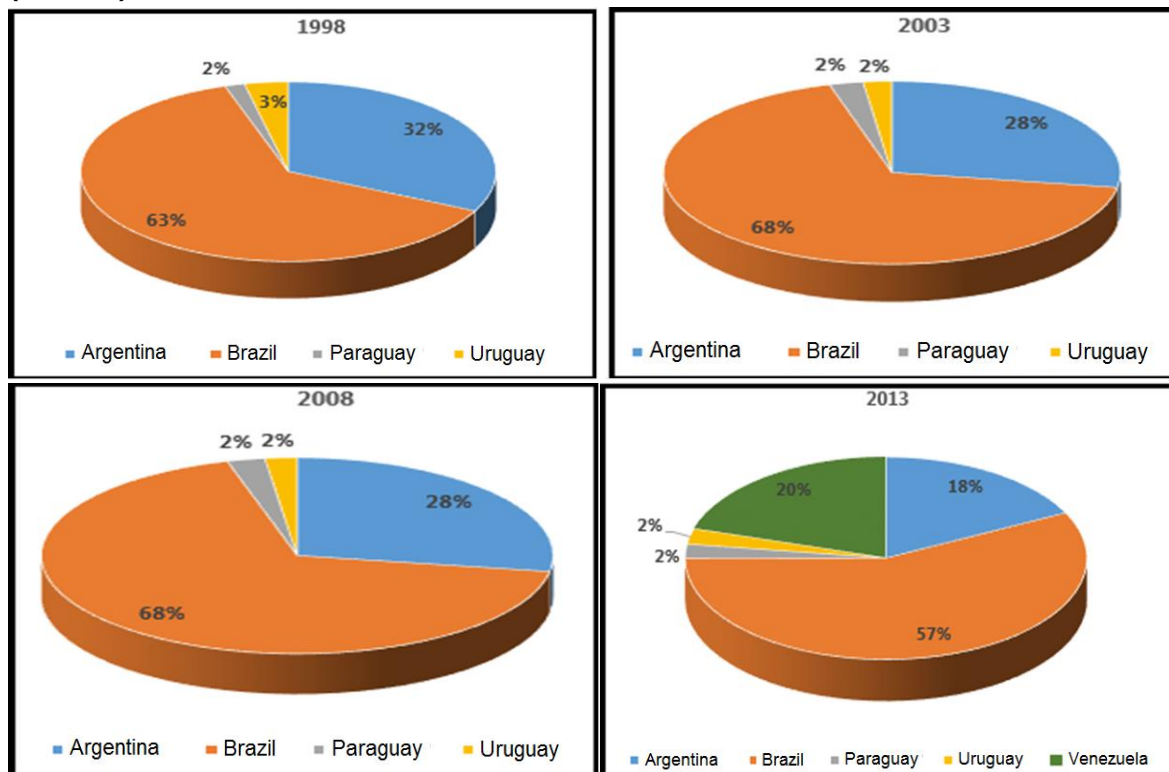
h) Exports by origin and destination

Chart 76 shows the evolution of the composition of MERCOSUR total exports, according to the country of origin: Argentina, Brazil, Paraguay, Uruguay and Venezuela. The comparison is made specifically in four years: 1998, 2003, 2008 and 2013.

During the years analysed, Brazil had always been the country with the largest export share (64% on average) of the bloc. Likewise, Argentina remained in the second place during the first three years considered, it was displaced because of the accession of Venezuela to the bloc in 2012, and moved to third place in 2013. In the end, Paraguay and Uruguay are found somewhat delayed, and their average contribution is 2% during the four years considered.

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CHART 76
MERCOSUR: Exports by country of origin
(Share %)

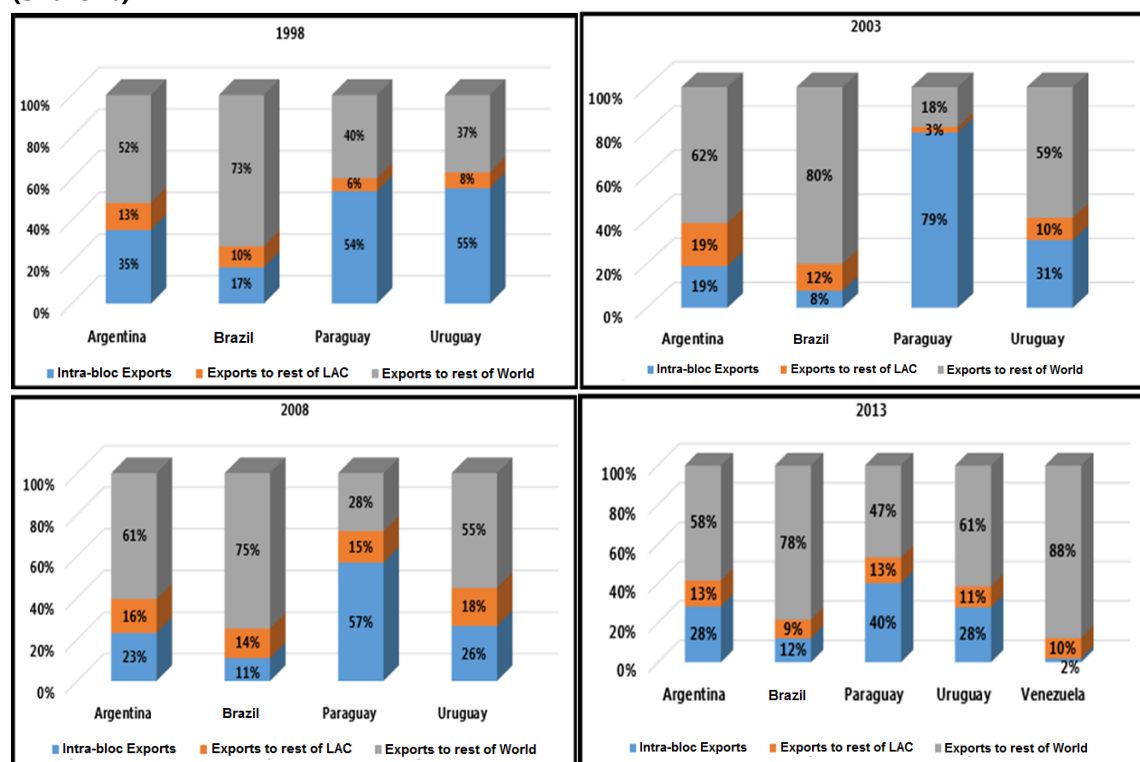


Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

Chart 77 shows the share by destination in total exports from the MERCOSUR member countries. This comparison is made for the years 1998, 2003, 2008 and 2013.

Broadly speaking, it is observed that intra-bloc exports had decreased considerably, most of all in the case of Paraguay. For Argentina and Brazil, exports to the rest of the world had always prevailed over all the other destinations. Whereas in Uruguay and Paraguay, intra-bloc exports initially prevailed, but in less than 15 years, exports to the rest of the world started to prevail in the composition of total exports. Likewise, for Venezuela in 2013, 88% of exports were sent to countries outside Latin America and the Caribbean.

CHART 77
MERCOSUR: Exports by destination
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

i) Summary and Conclusions

Based on the study that was conducted on the evolution of MERCOSUR trade flows during the 1980-2013 period, the following aspects stand out:

- During the 1980-2013 period, the (11.08) average annual rate of growth of intra-bloc exports and (10.4%) exports to the rest of Latin America and the Caribbean exceeded the (9.39%) average annual variation of exports to the rest of the world. However, since 2010, the recovery of the world economy had boosted exports to the rest of the world, outpacing the performance of intra-regional trade flows.
- The 2000-2013 sub-period had the greatest average growth of MERCOSUR exports in nominal terms.
- In the period under study, the (8.05%) average rate of growth of intra-bloc export volume was higher than the (7.25%) average annual variation of exports to the rest of Latin America and the Caribbean and to the (6.05%) average growth in volume of trade flows channelled to the rest of the world.
- The 1980-1989 sub-period presented the greatest growth in MERCOSUR export volume.
- In the 1980-2013 period, the (11.08%) average growth in exports from MERCOSUR countries, whose destination was another member of the bloc, and (10.4%) to the rest of the region, was higher than the (9.33%) average annual variation of intra-regional total trade in Latin America and the Caribbean.

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- In the period under study, the (9.39%) average growth in exports from MERCOSUR countries, whose destination was the rest of the world, was higher than the (8.09) average variation of total extra-regional trade in Latin America and the Caribbean.
- In the 1980-2013 period, the MERCOSUR average dependence on primary exports (57.6% of total exports of goods) was technically equal to the average dependence of Latin America and the Caribbean (57.4% of total exports of goods). However, it is important to say that between 1994 and 2013, the increase in prices of raw materials boosted the export share of primary goods in the total trade of MERCOSUR countries.
- In the period under study, the (10.02%) average share of MERCOSUR exports in the total GDP of the bloc is lower than the total trade average share of Latin America and the Caribbean (14.86%) and the world (18.5%), in their respective economies.
- The share of MERCOSUR exports in world trade has increased from 1.61% of total global trade flows in 1980 to 2.31% of total global trade in 2013.
- The export sectors of MERCOSUR countries can be classified by size in three categories. In the first category, Brazil leads mainly the trade flows of the bloc. In the second one, Argentina and Venezuela are found as countries that have export sectors of intermediate size. Last, Uruguay and Paraguay are found with the trade sectors of relative smaller size of the bloc.
- During the 1998-2013 sub-period, the intra-bloc export share in MERCOSUR total trade reduced considerably, for the benefit of the trade aimed at the rest of the world.
- In the 1998-2013 sub-period, MERCOSUR countries that had export sectors of relative smaller size allocated a higher average share of their exports to intra-regional trade.

III. COMPARATIVE STUDY ON INTEGRATION MECHANISMS

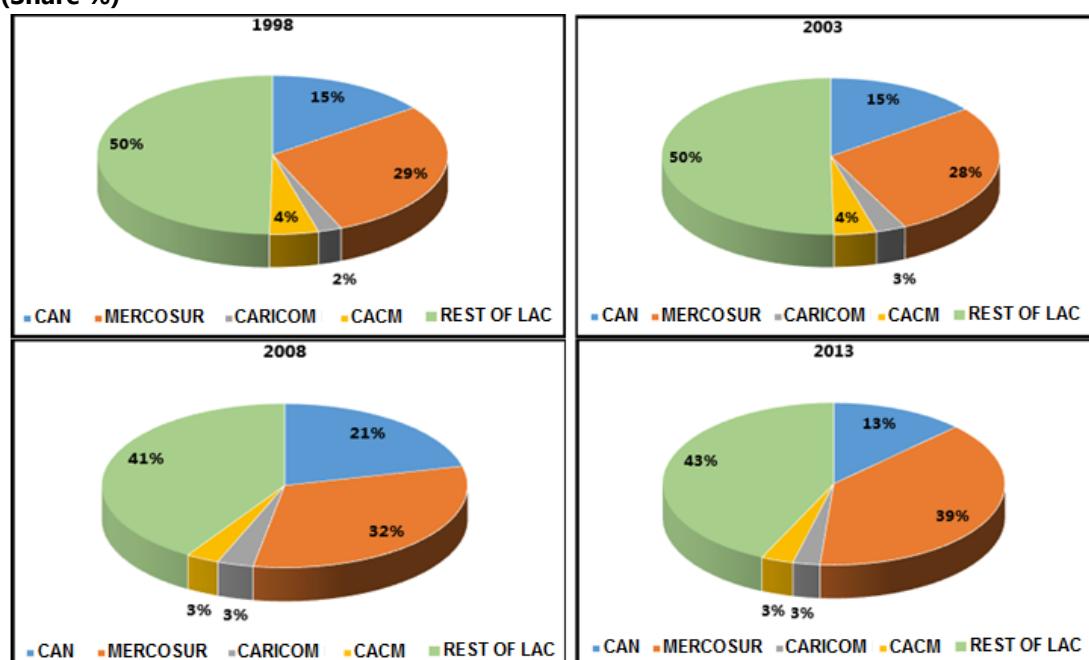
In this section, a comparative exercise is conducted of the eventual performance of the regional integration mechanisms and their predominance in the total trade of Latin America and the Caribbean. In this connection, an assessment is carried out of the relative share of exports from each mechanism in the regional total as a whole, the main destinations of exports and the exchange of trade flows between the traditional mechanisms of subregional integration. In doing so, the following years: 1998, 2003, 2008 and 2013 have been selected as the eventual focuses of study, to obtain an approach to the evolution of the performance of intra-regional trade.

1. Study of exports by origin

Chart 78 shows the relative share of exports from CAN, CARICOM, CACM, MERCOSUR and the rest of the countries of Latin America and the Caribbean¹¹ in total regional exports.

¹¹ With regard to this analysis, the rest of countries of Latin America and the Caribbean comprises all those nations that are not members of CAN, MERCOSUR, CACM and CARICOM mechanisms. Therefore, the countries included in the set Rest of LAC are: Mexico, Chile, Cuba, Panama and Dominican Republic.

CHART 78
Latin America and the Caribbean: Exports by origin
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

As can be seen, in 1998, the countries that belonged to the category rest of the countries of Latin America and the Caribbean accounted for 50% of exports from the region, supported to a great extent by the performance of Mexico and Chile. Secondly, MERCOSUR was found to be concentrating 29% of total exports, followed by CAN with 15% and lastly, CACM and CARICOM that presented 4% and 2%, respectively.

In 2003, the share structure of the groups showed just a slight variation when the MERCOSUR share diminished by 1%, which was capitalized on by CARICOM.

In 2008, exports from the countries that are parties of the mechanisms increased their share by gathering 59% of total exports from the region. Along these lines, the cases of MERCOSUR and CAN stood out because they gathered 32% and 21% of total exports from Latin America and the Caribbean. However, the group of countries of the rest of Latin America and the Caribbean was the one with the largest relative importance in the total trade of the region by concentrating 41% of the total.

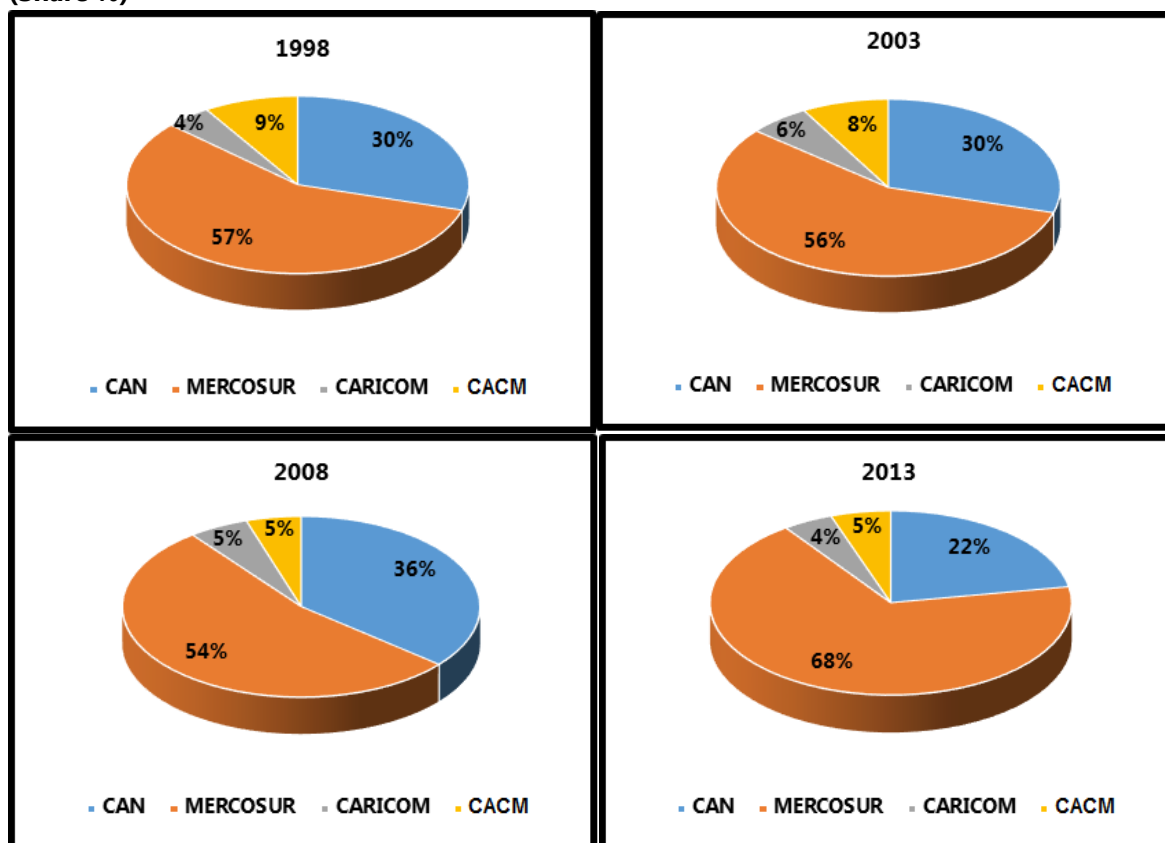
Finally, in 2013, when Venezuela formally left CAN and later on entered MERCOSUR, the share structure of the mechanisms was modified because CAN total exports decreased and MERCOSUR exports increased. For that matter, the share of the Common Market of the South reached 39% while CAN share dropped to 13%. Likewise, the countries of the rest of Latin America and the Caribbean gathered 43% of exports of the region, while CACM and CARICOM maintained their historical 3%.

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Chart 79 shows the share of the integration mechanisms in the total exports that they gather. The objective of this analysis is to observe the relative size of export sectors of traditional integration blocs, and thus, obtain a comparative measure of the trade dynamics of the mechanisms.

During the assessed years, the predominance of MERCOSUR and CAN was seen as the integration mechanisms that had the biggest relative size export sectors. On average, in the 1998-2013 period, MERCOSUR exports accounted for 58.75% of total exports of the assessed mechanisms, whereas CAN exports reached 29.5% of total exports. On the other hand, exports from CACM and CARICOM were seen lagging behind, their relative shares were 6.75% and 4.75% on average, respectively, in total exports of the mechanisms.

CHART 79
Integration Mechanisms: Exports by origin
 (Share %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

In the period from 1998 to 2003, the share structure of the integration mechanisms was maintained technically without variation, it was driven by MERCOSUR, whose share was higher than 55% of total exports and CAN's was 30%. Likewise, CACM and CARICOM reported 9% and 4% shares, respectively, in the total exports of the assessed mechanisms.

By 2008, even though MERCOSUR continued to be the integration mechanism with the largest share, 54%, in total exports, CACM and CARICOM lost part of their trade dimension and each one represented 5% of the total, whereas CAN benefited from this situation and increased its export share to 36% of the total considered.

In 2013, after Venezuela formally left CAN and later on entered MERCOSUR, the share structure of the mechanisms changed, the leadership of MERCOSUR became established as the mechanism that accounted for the largest share, 68%, of exports of the mechanisms. Likewise, CAN diminished its relative importance and gathered 22% of exports, whereas CACM and CARICOM maintained their 5% and 4% shares, respectively.

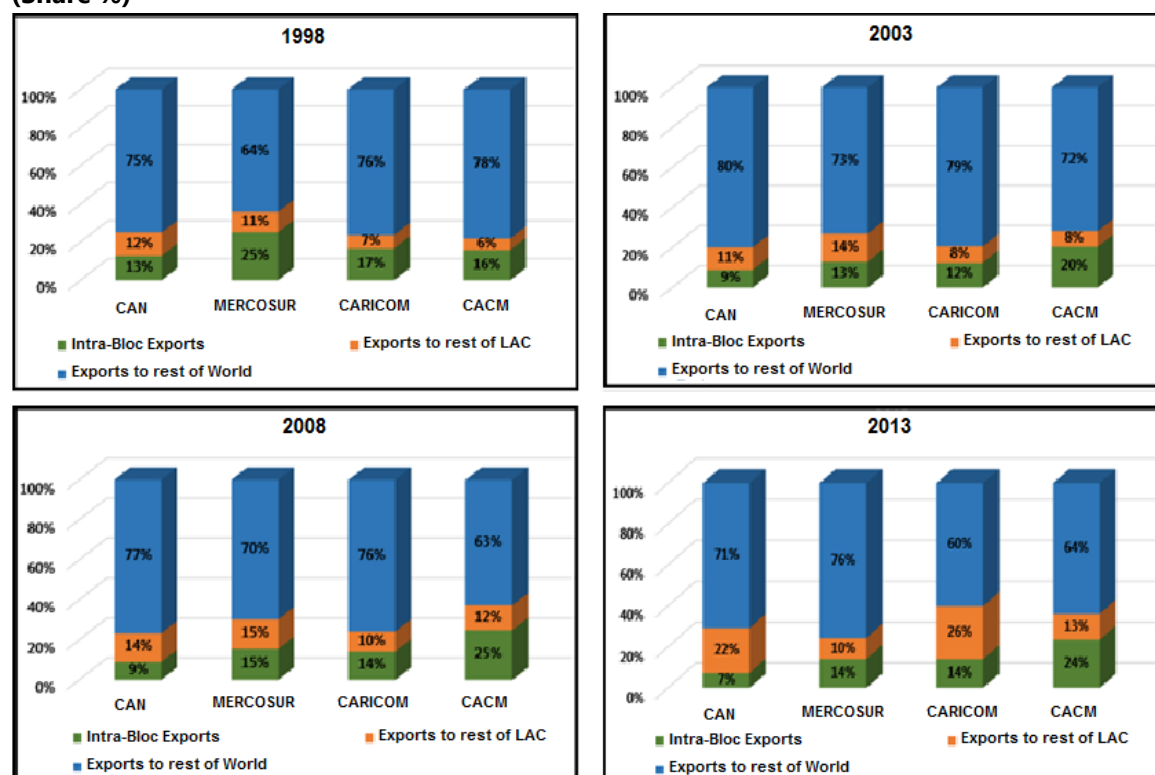
This analysis shows the asymmetries that exist among the traditional integration mechanisms of Latin America and the Caribbean by exhibiting the gap between the performance of MERCOSUR exports and the exchanges of the rest of the assessed mechanisms. This concentration of exports gives more predominance to the MERCOSUR dynamics as a catalyst of regional integration, and makes clear the backwardness of the export sectors of the rest of the mechanisms, to create added value that would increase their share in the trade flows of the region.

2. Study on exports by destinations

Chart 80 shows the trade destination share in the total exports of the subregional integration mechanisms for 1998, 2003, 2008 and 2013.

As can be seen, the rest of the world is by far the main destination of exports from the integration mechanisms, followed by the trade flows to the rest of Latin America and the Caribbean, and in the end, intra-bloc exports.

CHART 80
Integration Mechanisms: Exports by destination
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF).
Calculations by the author.

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In 1998, the subregional integration mechanisms allocated 73%, on average, of their exports to the rest of the world, the results from CACM and CARICOM stood out because more than 78% and 76% of their respective exports were required by countries outside the region. Likewise, intra-bloc exports reported an 18% average share of total exports, MERCOSUR and CARICOM reached 25% and 17% of their respective exports, and were rated as the mechanisms with the larger relative share of intra-bloc exports. Finally, exports to the rest of Latin America and the Caribbean reported the lowest performance by reporting 9%, on average, of the total, CAN and MERCOSUR stood out with 12% and 11% shares of their respective exports.

In 2003, the destination share structure did not change radically, the rest of the world became established as the main destination of exports by averaging 76% of the total exchanges, where cases such as CAN and CARICOM have destined 80% and 79% of their respective exports to countries outside Latin America and the Caribbean. Second, the intra-bloc flows reported 14% on average of total flows, CACM and MERCOSUR stood out with 20% and 13% of their respective exports. Third, the flows to the rest of the region built up 10% on average of total exports.

In 2008, the situation does not change structurally and exports to the rest of the world maintained a 71% average share of total exports, whereas intra-bloc exports reported a 16% average share of the total, and exports to the rest of the world a 13% average share of total exports.

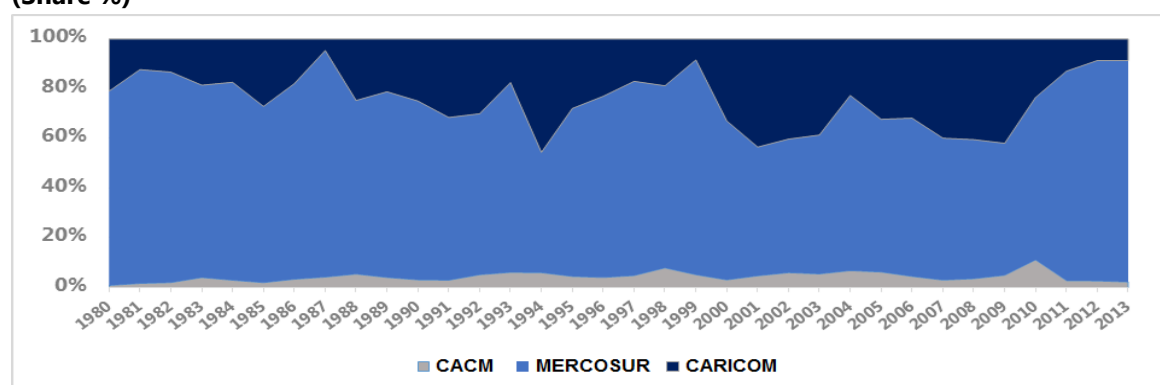
In 2013, even though the rest of the world continued to be the main buyer of regional goods by reporting a 68% average of total exports, the regional trade bore a greater relevance and then, the flows to the rest of Latin America and the Caribbean reported a 18% average share of total exports, whereas the intra-bloc flows averaged a 15% share of the total. In regard to the flows to the rest of Latin America and the Caribbean, CARICOM stood out because it allocated around 26% of its total exports to the rest of the region, whereas in intra-bloc exports CACM reported a larger volume of its exports by allocating 24% of total exports.

The analysed performance shows certain significant patterns about the trade dynamics of the main integration mechanisms of Latin America and the Caribbean. A heavy dependence is noticeable of export sectors on the performance of international demand, what increases the external vulnerability and hinders the attainment of macroeconomic objectives in the region. Therefore, the mechanisms showing export sectors of bigger relative size are the ones that allocate a larger share of their goods to the rest of the world, whereas the mechanisms presenting a smaller relative export capacity depend more on intra-regional trade. In spite of the increase of internal trade flows, and thanks to the preferential conditions promoted in the process of regional integration, there still exist pending tasks to foster the performance of trade agreements and obtain greater benefits.

In Charts 81, 82, 83 and 84, the evolution of trade exchanges between subregional integration mechanisms is examined. Specifically, it is shown the relative share of the bilateral exports in the total flows of each mechanism, whose destination is another trade bloc of the region, during the 1980-2013 period.

Chart 81 analyses the performance of CAN trade relations with the rest of the subregional integration mechanisms. During the period under study, the main trade partner of CAN was by far MERCOSUR, reaching a 70.96% average share of the Andean Community total exports to the integration mechanisms. Furthermore, CARICOM and CACM reported 24.72% and 4.32% average shares, respectively, in this CAN export line.

CHART 81
CAN: Evolution of Exports by destination
(Share %)



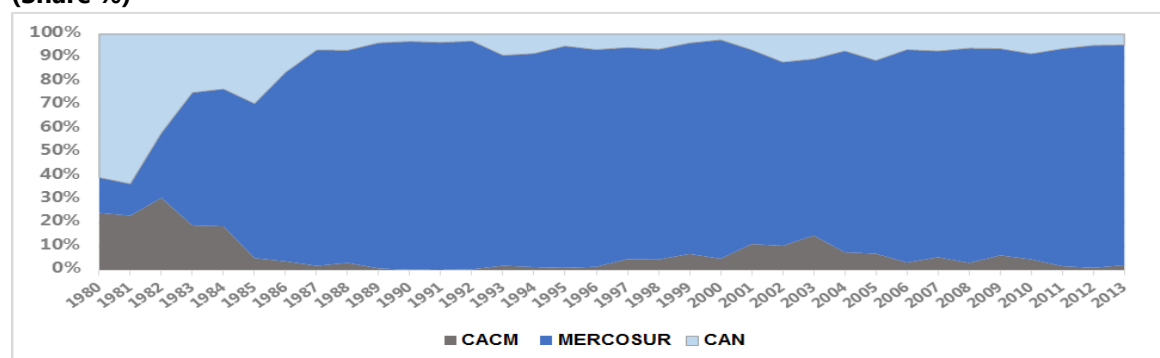
Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF).
Calculations by the author.

In broad terms, the trend of CAN trade relations with the rest of the subregional integration mechanisms has not exhibited big changes over time. In the 1980-1989 sub-period, CAN exports to MERCOSUR averaged 79% of its trade to the rest of the assessed mechanisms, whereas CARICOM gathered a 17.7% on average and CACM, 3.3%. In the 1990-1999, CAN trade to MERCOSUR presented a small drop by accounting for 70%, on average, of exports to the mechanisms, whereas CARICOM increased its average share to 25% and CACM to 5%. In the 2000-2013 sub-period, CAN exports to MERCOSUR reported a drop in its average share of the CAN total flows to the mechanisms, its share was 65%, whereas CARICOM increases its average share to 30% and exports to CACM maintained a technically constant 5% share.

Chart 82 shows the evolution of CARICOM exports to the rest of the subregional integration mechanisms is shown. As can be seen, MERCOSUR, apart from the 1980-1982 period, is the trade bloc that gathered the larger share of CARICOM inter-bloc exports. In the 1980-2013 period, exports to MERCOSUR averaged 80% of the CARICOM inter-bloc flows, whereas CAN and CACM barely reached an average of 13% and 7%, respectively, of the total.

The relative share of the subregional integration mechanisms in CARICOM exports did not report big changes in its trend during the assessed series, what this demonstrates is an ongoing increase of the flows to MERCOSUR that is a loss to the relative share of the rest of the trade blocs.

CHART 82
CARICOM: Evolution of Exports by destination
(Share %)

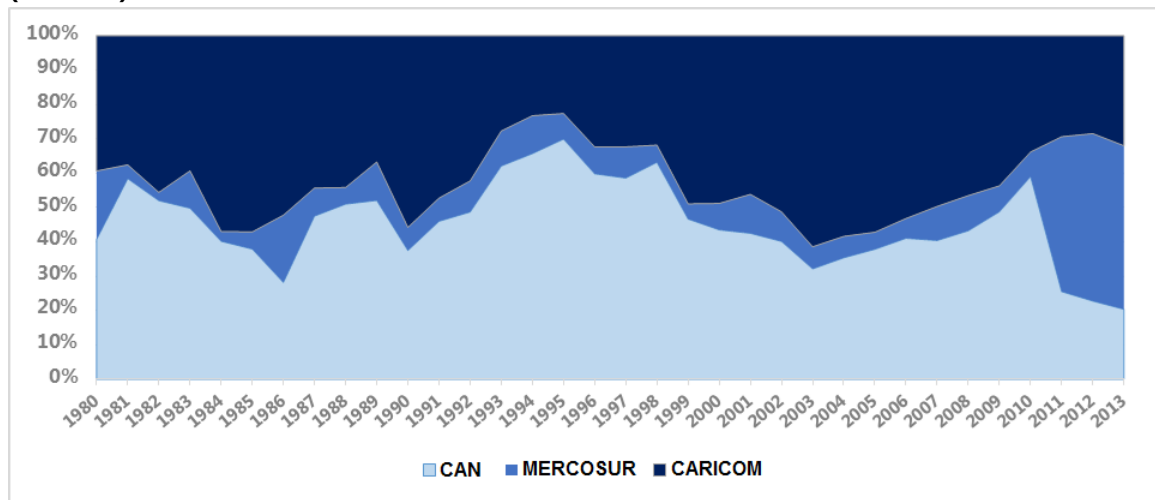


Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF).
Calculations by the author.

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Chart 83 examines the evolution of CACM exports to the rest of the integration mechanisms of the region. Therefore, it can be seen an erratic evolution, where CAN and CARICOM reported a higher demand of CACM exports.

CHART 83
CACM: Evolution of Exports by destination
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

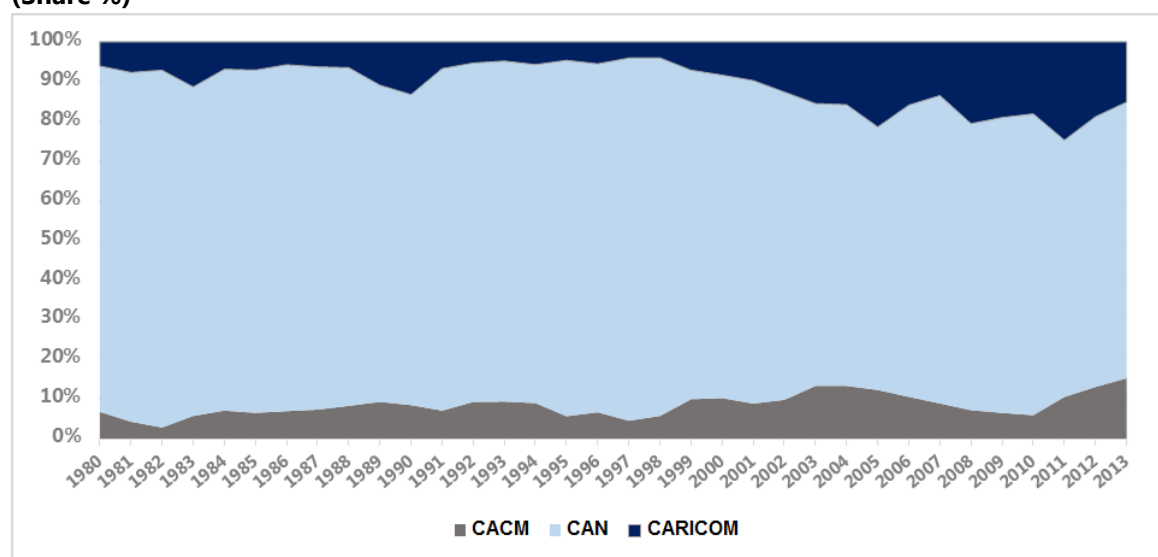
In the 1980-1989 sub-period, CAN and CARICOM were the trade blocs that gathered a higher average share of CACM exports by concentrating both of them, 90% of CACM inter-bloc exports. In the 1990-1999 sub-period, CAN was the subregional integration mechanism with the higher demand of CACM goods by concentrating an average of 56% of CACM inter-bloc exports, whereas CARICOM was in the second place with 36%, and last, MERCOSUR with 8% of the inter-bloc total. Finally, in the 2000-2013 sub-period, CARICOM was positioned as the main bloc demanding CACM goods by concentrating an average of 46% of its inter-bloc exports, whereas CAN concentrated 38% and MERCOSUR 16%.

Meanwhile, in the 2010-2013 sub-period, CACM exports to MERCOSUR expanded considerably, becoming the main regional buyer of CACM products by concentrating an average of 47% of their inter-bloc exports.

Chart 84 shows the evolution of MERCOSUR exports to the rest of the traditional subregional integration mechanisms. As can be seen, the trade bloc with a larger demand of MERCOSUR exports, in the 1980-2013 period, is CAN by gathering an average of 80% of their inter-bloc flows, whereas CARICOM and CACM concentrated an average of 11% and 9%, respectively, of such exchanges.

The performance of the shares of the region's integration mechanisms in MERCOSUR inter-bloc exports is maintained during the period analysed, markedly stable and with a high concentration of exports to CAN.

CHART 84
MERCOSUR: Evolution of Exports by destination
(Share %)



Source: Data from the Direction of Trade Statistics (DOTS) of the International Monetary Fund (IMF). Calculations by the author.

3. Summary and Conclusions

This section highlights the more relevant aspects derived from the study of the evolution of trade flows of the subregional integration mechanisms.

- In the 1998-2013 sub-period, the member countries of the subregional integration blocs that were studied gathered a little more than half (53.94%) of total exports of Latin America and the Caribbean.
- In the 1998-2013 sub-period, MERCOSUR concentrated 31.74%, on average, of total exports of the region, and became the subregional integration mechanism with the larger share in trade flows of Latin America and the Caribbean. Next, CAN had a 15.87% share of total exports of the region, followed by the CACM and CARICOM that reported 3.63% and 2.7% shares, respectively.
- In the 1980-2013 period, MERCOSUR countries concentrated 58.75%, on average, of total exports of the assessed mechanisms. Likewise, CAN gathered 29.38%, on average, CACM 6.86% and CARICOM 5.01%.
- The share of the integration mechanisms in regional trade flows presented noticeable asymmetries. During the 1998-2013 period, a clear example of this fact is observed when an assessment is made of the share of MERCOSUR exports in the total trade of the region, which resulted in a share that was five times over the sum of the trade shares of CACM and CARICOM.
- In the 1980-2013 period, all the assessed mechanisms of subregional integration allocated a larger share of their exports to the rest of the world. Similarly, in the 1998-2013 period, CAN (75.75%) and CARICOM (72.75%) were the subregional integration mechanisms that allocated a larger share of their total exports to the rest of the world.
- In the 1980-2013 period, the integration bloc that reported a greater average annual growth of trade flows to the rest of the world was MERCOSUR, with a 9.39% share. In contrast, CAN

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was the mechanism with the least average annual variation in its exports to the rest of the world, and presented a 5.65% share.

- In the 1998-2013 sub-period, the subregional integration bloc that concentrated, on average, a larger share of its exports to the rest of the region was CAN (14.75%).
- In the 1980-2013 period, the integration mechanism with a greater average annual growth of its export flows to the rest of Latin America and the Caribbean was CARICOM, reaching a 12.58% rate. In the same period, CAN was the subregional integration mechanism with the slower dynamism of its exports to the rest of the region, with a 9.80% average annual variation rate.
- In the 1998-2013 sub-period, the integration mechanism that allocated, on average, a larger (21.25%) share of its exports to intra-bloc trade was CACM.
- The subregional integration mechanism with a higher average rate of growth of intra-bloc exports was MERCOSUR, with an 11.08% average rate of annual acceleration. However, the trade bloc with the smallest average annual variation in its internal flows was CACM, which reported a 6.89% rate.
- During the 1980-2013 period, MERCOSUR exports of raw materials reached a 57.6% average annual share of its total exports, it became the subregional integration mechanism with the smallest average dependence on exports of natural resources. In regard to the rest of the trade blocs, CACM share of exports of raw materials in total exports reached 64.4%, 62.9% in CARICOM and 80.7% in CAN, this last one was the mechanism with the heaviest dependence on exports of natural resources.
- During the period under study, CARICOM exports accounted for 37.53%, on average, of the bloc's GDP, it became the integration mechanism, whose exports reported a greater dynamism in its economic activity. Second was CACM that has an export sector concentrating 20.28%, on average, of the bloc's economy, followed by CAN with exports gathering 18.39%, on average, of the GDP, and finally, MERCOSUR with an export sector that concentrates 10.02% of the trade bloc's GDP.
- During the 1980-2013 period, the subregional integration mechanism whose exports had the largest average annual share in global trade was MERCOSUR, by concentrating 1.64% of the global exports. Likewise, CAN gathered an average of 0.99% of world trade, CARICOM 0.22% and CACM 0.19%.
- With respect to trade flows between mechanisms, MERCOSUR is the main destination of exports from CAN and CARICOM.
- CACM exports, whose destinations are very diversified, had CAN and CARICOM as its main regional markets. However, and even though CACM exports to MERCOSUR had historically been relatively lower, a significant expansion of these flows was observed since 2010.
- The regional destination with the higher demand for MERCOSUR exports is by far, CAN.
- The integration mechanisms with export sectors and economies of bigger relative size are also, the destinations that concentrate the higher demand of regional trade flows.

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