

International trade and inclusive development

Building synergies



UNITED NATIONS

ECLAC

International trade and inclusive development

Building synergies



UNITED NATIONS



Economic Commission for Latin America and the Caribbean (ECLAC)
Santiago, September 2014

Alicia Bárcena
Executive Secretary

Antonio Prado
Deputy Executive Secretary

Oswaldo Rosales
Chief, Division of International Trade and Integration

Ricardo Pérez
Chief, Publications and Web Services Division

The production of this report was supervised by Oswaldo Rosales, Chief of the Division of International Trade and Integration. Nanno Mulder, Chief of the International Trade Unit and Roberto Urmeneta, Economic Affairs Officer, both of the same Division, were responsible for the technical coordination.

Alicia Frohmann also participated in the preparation of this study. The following staff members and consultants contributed to the publication: Mariano Alvarez, Sebastián Castresana, José Elías Duran, Myriam Echeverría, Tanía García, Sebastián Herreros, Graciela Moguillansky and Dayna Zaclicever (Division of International Trade and Integration), Carlo Ferraro and Octavio Sotomayor (Division of Production, Productivity and Management), Gabriel Pérez and Ricardo Sánchez (Natural Resources and Infrastructure Division), René Hernández and Luis Riffo (Latin American and Caribbean Institute of Economic and Social Planning (ILPES)), Dillon Alleyne and Michael Hendrickson (ECLAC Subregional headquarters for the Caribbean, Port of Spain), and Bruno Antunes and Jorge Mario Martínez (ECLAC subregional headquarters in Mexico City).

Valuable comments were received from Fernando Baizán, Ricardo Ffrench-Davis, Ricardo Infante, Mikio Kuwayama, Jorge Mario Martínez and María Lorena Sepúlveda.

United Nations publication

LC/G.2562

Copyright © United Nations, September 2014. All rights reserved

Printed at United Nations, Santiago, Chile

Applications for the right to reproduce this work, either in whole or in part, should be sent to the Secretary of the Publications Board, United Nations Headquarters, New York, N.Y. 10017, United States. Member States and their governmental institutions may reproduce this work without prior authorization, but are requested to mention the source and inform the United Nations of such reproduction.

Contents

Preface	9
Foreword	13
Summary	17
Chapter I	
International trade: contributions to inclusive development.	23
A. Introduction	23
B. Trade and inclusive development: ECLAC and other organizations.	26
C. Some dimensions of global trade that affect equity	29
D. Channels of transmission between trade, growth and equality	31
E. Trade, growth, productivity and poverty	35
1. Trade and growth	35
2. Trade and productivity	37
3. Trade, growth and poverty	39
4. Trade and gender	44
F. Conclusion: the importance of policies for inclusive trade and development	46
Chapter II	
Latin America and the Caribbean in global trade: an overview from the perspective of equity	49
A. The new map of global trade and investment	50
B. How the external position of Latin America and the Caribbean has evolved in terms of quality	52

C. The inclusive potential of trade agreements	59
D. Trade policy and gender	63
E. High logistical costs as an obstacle to more inclusive trade	65
F. The need to adapt international integration strategies	67
G. Leveraging opportunities	69

Chapter III

The export sector's inclusive potential: employment and firms	73
A. Trade and employment: trends in the region.....	75
1. The export sector's contribution to job creation in the region.....	76
2. Estimation of the levels of employment linked to different trading partners.....	81
3. Import-related job losses	84
4. Gender and export-sector employment.....	87
B. Wages in the export sector	88
C. The region's export firms	89
D. SME exporters	100
1. Relative significance and heterogeneity of SME exporters	100
2. SMEs' contribution to export diversification	103
E. The institutional support structure for SME exporters	103
F. Gender and export entrepreneurship.....	107
G. Conclusions	109

Chapter IV

Inclusiveness in value chains	113
A. Global value chains: participation of the region	114
1. The concept of global value chains	114
2. Evolution of the share of intermediate goods	116
3. The function of maquila activity and export processing zones ...	119
B. Internal chains: the depth of linkages.....	121
C. Factors that affect the inclusiveness of linkages	128
1. Participation of SMEs	128
2. The territorial dimension	129
3. The logistics dimension	130
4. The gender dimension in global value chains	131
D. Public and private initiatives: modalities and incidence	132
1. Complementary coordination modalities: business networks, clusters and territorial projects	134
2. Supplier programmes	137
3. Inclusive businesses.....	137
4. Certifications and fair trade	138
5. Competitiveness factors: partnering and innovation.....	140
E. Aid for trade programmes	141
F. Linkages in different sectors and countries	142

1. Agriculture: strong potential for inclusion of small farmers	142
2. Mining: potential for inclusion through clusters and supplier programmes	146
3. Manufacturing industry: experiences associated with production promotion	147
4. Services: greater potential in tourism, new technologies and outsourcing	150
G. Conclusions	153
Chapter V	
Policy recommendations	157
A. Open regionalism as a means of promoting inclusion	157
B. Promoting integration in different spheres.	161
1. Greater convergence in regional economic integration	161
2. Promoting value chains	162
3. Physical integration: energy, infrastructure and logistics	163
4. Exploiting ties with Asia and the Pacific	165
5. Tackling asymmetries	167
6. Joint action on climate change challenges	168
7. Formulation of common positions in international forums	169
C. National policies	169
1. Strengthening policy coordination for more inclusive development	169
2. Boosting productivity by reducing the costs of trade	171
3. Formulating policies to improve employment associated with international trade	172
4. Building up export SMEs	173
5. Promoting inclusive value chains	175
Bibliography	179
ECLAC recent publications	195
Tables	
Table 1	Selected countries: selected indicators of the export gap between Latin America and industrialized countries 20
Table I.1	Organizations: definitions of trade and inclusive development. . . 27
Table II.1	Breakdown of south-south trade, 2008-2010 52
Table II.2	Latin America and the Caribbean: indicators of export specialization pattern, 2000-2010 54
Table II.3	Selected members of the World Trade Organization (WTO): average most-favoured-nation tariffs. 59
Table III.1	Selected countries: indicators of export performance, export firms, export-related jobs and SME support. 74

Table III.2	Selected countries: total employment and export-related employment.	77
Table III.3	Selected countries: export-related employment (direct and indirect).	77
Table III.4	Export-related employment (direct and indirect), by branch of activity.	79
Table III.5	Export-related employment, by type of sector and destination market, around 2005.	84
Table III.6	Employment associated with differing degrees of trade openness, by country.	86
Table III.7	Export-related employment (direct and indirect), by sex.	87
Table III.8	Latin America and the Caribbean (selected countries): number of export firms, 2002-2011.	91
Table III.9	Latin America (selected countries): indicators of export firm concentration.	92
Table III.10	Major exporters in the region: export coefficients and shares of total exports, 2010.	94
Table III.11	Exporters in the region: indicators for destination markets, number of firms, average exports, average number of products and concentration indices, 2010.	95
Table III.12	Selected countries: SME export indicators, 2010.	102
Table III.13	Trade promotion agencies, by country.	105
Table IV.1	Latin America and the Caribbean and selected countries: share of intermediate goods in total and intraregional exports, 2000, 2005 and 2011.	118
Table IV.2	Latin America (selected countries and groups): exports from maquila and export processing zones, 2011.	120
Table IV.3	Selected countries: leading export products, 2011.	122
Table IV.4	Employment and linkages in the largest export sectors.	123
Table IV.5	Main export sector: indirect jobs and linkages.	127
Table IV.6	Chile: type of farm operation, share of exports and employment, 2007.	143
Table V.1	Latin America and the Caribbean: indicators of inclusive trade by export destination.	160
Table V.2	Methods for reducing trade costs with a view to boosting productivity.	171
 Figures		
Figure I.1	Selected countries: variation in exports, GDP and poverty reduction, 2000-2010.	40
Figure I.2	Latin America: exports, share of employment and wage gap, 1994-2010.	45
Figure II.1	Trend and projection of exports, by type of country, 1985-2020.	51

Figure II.2	Latin America and the Caribbean: structure of worldwide exports, 1981-2011	57
Figure II.3	Structure of exports by subregion, 2010.....	58
Figure II.4	Latin America and the Caribbean: average cost of exporting and importing, 2011	66
Figure III.1	Selected countries: export-related employment (direct and indirect), by sector, around 2005.....	78
Figure III.2	Structure of exports and export-related employment, by destination market	81
Figure III.3	Features of export firms in the region, around 2010	98
Figure IV.1	Selected groups: evolution of intermediate goods	117
Boxes		
Box II.1	Concentration of the region's export basket by destination	55
Box II.2	Agricultural natural resources gain renewed value	68
Box III.1	Import firms	99
Box IV.1	Central America: working conditions for women in value chains	133
Box IV.2	The dairy production cluster in São Luis de Montes Belos	136
Box IV.3	Natura: case study of an inclusive business	138
Box IV.4	Colombian Coffee Growers Federation	144
Diagram		
Diagram I.1	Channels of transmission between trade, growth and equality.....	33
Map		
Map V.1	Projected regional contributions to world economic growth, 2011-2017	165

Preface

This document is part of The Time for Equality collection, which aims to deepen the analysis and proposals put forward by the document *Time for equality: closing gaps, opening trails*. This document was submitted to the Governments of Latin America and the Caribbean at the thirty-third session of ECLAC, which was held in Brasilia from 30 May to 1 June 2010. To some extent, it represents a milestone in the development of the ECLAC approach.

On that occasion, the country representatives of the region welcomed the viewpoints expressed in the document. On other occasions, several stakeholders requested the Commission to extend the analysis and develop further the proposals set forth therein. These requests confirm our conviction that this document successfully laid out a development strategy keeping up with our times and the Commission's commitment to equality. Hence the relevance of this collection as a means of pursuing this reflection and formulating policy proposals.

Our starting point at the time was that the deepening of democracy as a collective order and as a shared global imaginary calls for greater equality of opportunities and rights. We argued that social equality and economic growth that transforms the production structure are not incompatible, and that the challenge lies in finding the synergies between them. We underscored that there is no contradiction, but rather convergence: equality for growth and growth for equality.

As a guiding principle for shaping future development, we have advocated growth with less structural heterogeneity and more productive development and the pursuit of equality through the enhancement of human capacities and

the mobilization of State policies. Our purpose is to reverse huge disparities in the region by building more cohesive societies around structural transformation, constructing social and territorial synergies, and strengthening the protection of individuals through improvements in labour markets, stronger financial capacities and better public administration. Just as the idea of equality entails addressing social vulnerabilities, we believe that a macroeconomic framework that protects people against external volatility will play a key role.

Lastly, in considering the value of equality in combination with growth, we cannot ignore climate change. This phenomenon will impact substantially the future of mankind. Equality also means mitigating the impact of climate change and respecting the principle of common but differentiated responsibilities to avoid the poor or poor countries having to bear the brunt of the costs of climate change. It means rethinking the development paradigm on the basis of more benevolent relationships among people and more respect for nature.

In terms of the challenges mapped out in the new global context and the value of equality underscored in *Time for Equality: closing gaps, opening trails*, we have formulated proposals relating to the fiscal compact, productivity growth, social protection, territorial convergence and capacity-building through education and employment opportunities. The equality agenda binds together different dimensions. An attempt is made to forge a strategic vision of the kind of development we want in today's world, leading to a revision of the role of the State in different spheres.

First, we have highlighted the need for a State that guarantees a sound macroeconomic framework to prevent or reduce volatility, increase the growth potential, enhance productivity and provide a more secure labour environment.

Second, the State should promote changes in the production system to enhance the incorporation of technological progress. Also, it could promote policies for reducing productivity gaps between different sectors and levels of the production base.

Third, the State should reduce territorial disparities in production capacities, promote coordination with extended markets, broaden access to services, and reduce inequality in levels of well-being.

Fourth, the State must promote active and passive labour market policies to increase unemployment protection, close gaps in labour income to promote equality, and increase labour force participation rates and employment rates.

Fifth, the State could intervene more in the social sphere to promote access to well-being and greater development of capacities for those lagging behind or in vulnerable situations, aiming to close such social gaps.

Lastly, in the political sphere, the State has to live up to its leadership role that it needs to play. It should ensure greater democracy and greater equality, these being two sides of the same coin. In terms of democracy, the State needs to improve the quality of politics by adopting strategic agendas that reflect a broad

spectrum of actors and the will of the people. These in turn would translate into compacts that provide legitimacy and guarantee medium- and long-term policies. As regards equality, the State must extend the benefits of growth to excluded and vulnerable sectors. To this end, the equality of citizens—in terms of the right to voice their opinion publicly and to exercise their citizenship fully—is the link between politics and social equality.

The idea is to reassert and reconfigure a State that guides development and allocates resources and act as regulator. This must occur within the framework of new relationships with society, with a system of representation and the basis for the constitution of social actors or, at best, civil society.

In the context of the publication *Time for Equality: closing gaps, opening trails*, development in Latin America and the Caribbean takes place in a globalized world and within the framework of the challenges of this historic turning point. Thus ECLAC has built its stock of technological knowledge over a period of more than six decades. This proposal seeks to underpin these values with the technical rigour that is part this institution's legacy.

The studies in this collection are, to use the subtitle of the key document, "trails" that need to be opened up. Such studies do not arise spontaneously. They are part of the development of ideas within ECLAC. Each document in the collection corresponds to an interdisciplinary group of high-ranking professionals, and is the fruit of extensive discussion and research. These working groups were set up by the Office of the Executive Secretary of ECLAC in order to deepen thematically the different components of the proposal launched by ECLAC in Brasilia in 2010. Moreover, they fill the voids which the original document did not address and which on that occasion were identified as new issues. Each new document in the collection seeks to add new pieces to the puzzle of equality.

Foreword

This document examines the contribution international trade can make to the renewed approach to development proposed in two key documents by the Economic Commission for Latin America and the Caribbean (ECLAC): *Time for equality: closing gaps, opening trails*, which was published in 2010 on the occasion of the thirty-third session of ECLAC, held in Brasilia; and *Structural Change for Equality: An Integrated Approach to Development*, published in August 2012 for the thirty-fourth session of ECLAC, held in San Salvador. Both documents stress the need for growth combined with structural change, geared to improving equality and environmental sustainability, respecting different realities faced by the respective countries.

This study finds that international trade does not automatically contribute to inclusive development. The latter depends crucially on the quality of the public-private policies that direct and complement it. Inclusive development is a type of growth that generates a more equitable labour force, production structure and society. This outcome depends mainly on policies that promote production convergence and institutional reforms and guarantee social protection.

This document seeks in particular to evaluate how international trade impinges on growth and equality in the region. To the extent that exporters account for a substantial proportion of total businesses, international trade can help reduce structural heterogeneity in terms of productivity gaps between different strata of enterprises. This is because export firms in the region have higher productivity levels and better wages than other enterprises, which in turn is the result of a higher degree of formality, better access to financing, larger-scale production and a higher level of human capital. The greater the number of globalized companies,

the smaller production and social gaps. In contrast, the greater the concentration of export companies and the fewer their linkages with the rest of the economy, the larger the productivity gap.

Imports are another vehicle through which international trade can enhance the productivity of companies, as they provide access to capital goods and intermediate inputs at the world's best available quality-price ratio. In addition, imports of consumer goods add to the well-being of households by providing access to a more diversified basket of goods and services at international prices.

The contribution of trade to inclusive growth also depends on the net impact of international trade on employment. The net impact depends on two forces: job creation in the export sector and job destruction resulting from the substitution of domestic products for imports. This publication suggests that direct and indirect employment in the export sector account for between 10% and 25% of total employment in the countries of the region. In the past decade, the number of jobs created in the export sector has outweighed the number of jobs lost through higher imports. Every US\$ 1 million exported to other countries in the region or to the United States generates more employment than the same amount exported to Asia or Europe. This is because exports to the two first destinations have a higher manufacturing content, which generates relatively more employment, while exports to Asia and Europe have a higher content of (processed) commodities and generate fewer jobs. In other words, trade within the region is more inclusive. In addition, exports to Asia-Pacific show an as-yet unexploited potential for job creation to the extent that the linkages associated with export of natural resources are stimulated.

Despite the positive results, the region's foreign trade reflects its own external and internal shortcomings and gaps, which dampen its contribution to equality. The main external gap is the lower per capita value of exports in Latin America and the Caribbean in relation to the industrialized economies, which reflects, in part, the region's lower productivity. Other external gaps refer to the fewer export firms per million inhabitants, the low participation of small and medium-sized enterprises (SMEs) in exports and their high turnover rate, as well as the limited public support to the export sector. External and internal linkages are smaller, in particular for some commodities such as energy products and minerals, which tend to be produced in enclaves. The internal gaps between the export sector and the sector geared to the domestic market relate mainly to the fact that few enterprises and products account for the bulk of foreign sales with the well-known differences in productivity and income associated with this concentration.

This document proposes regional and national policies to enhance the export sector's contribution to structural change and reduction of productivity gaps. A first set of proposals promotes open regional integration. This is because, compared

with extraregional trade, intraregional trade contributes more to inclusive growth due to the higher manufacturing content, number of SMEs involved and number of jobs generated. The deepening of regional integration also enhances Latin America's global competitiveness. Urgent steps must be taken to deepen intraregional value chains through the creation of an enabling environment through harmonizing trade rules and regulations to facilitate the trade in goods and services, foreign investment and closing of the physical infrastructure gaps, as well as gaps in connectivity and logistics.

A second group of proposals is concentrated in the national sphere. Efforts need to be made to strengthen coordination and foster an integrated policy approach. The organizations responsible for negotiating international trade agreements should collaborate more with those entities responsible for export development. These include institutions that promote exports and their diversification, create a favourable environment for attracting foreign direct investment, foster technological innovation and dissemination, and promote production and business development and human resource training, including secondary and university education. Policies and programmes should be structured around shared plans that consider territorial interests with well-defined responsibilities in the areas of financing, coordination and performance. Policies must bear in mind the ultimate goal, which is to achieve a higher level of development and equality and to ensure mutual feedback with social policies.

Another major set of policies relates to trade facilitation. They aim to lower trade costs and increase productivity, which may positively impact workers' wages and equality. In this respect, there are various proposals relating to the harmonization of administrative procedures, the use of modern business instruments (inter-agency single windows and electronic billing and certificates of origin, among others) and cooperation with donors (Australia, China, European Union, Japan and Republic of Korea) in order to strengthen national and regional capacities.

To enhance the inclusive character of trade, policies should promote the development of the production structure with emphasis on creating good quality jobs. More and better jobs (both direct and indirect) need to be generated in the export sector and steps must be taken to facilitate the participation of women and youth in the workforce. This includes supporting the export sectors and promoting education and labour policies as well as social policies that provide better opportunities for those who can benefit from trade openness. Also, governments need to assist those who lose their job due to import competition, so they can develop new skills and seek other opportunities.

Support for the integration of SMEs in value chains through direct export or the development of linkages with export companies is another important policy area for promoting inclusion. Long-term production support programmes will need to be designed to guarantee greater institutional continuity.

Emphasis must be placed on training human resources in SMEs, boosting female entrepreneurship in the export sector, encouraging innovation and horizontal and vertical integration between producers to enhance their appeal as suppliers.

Alicia Bárcena
Executive Secretary of the
Economic Commission for
Latin America and the Caribbean (ECLAC)

Summary

This publication, which is an offshoot of the 2010 position document of the Economic Commission for Latin America and the Caribbean, entitled *Time for equality: closing gaps, opening trails*, seeks to provide evidence of the linkage between international trade—and in particular export sector development—and some aspects of equality (export employment, export firms, gender and trade, export linkages) and to propose some public policy guidelines capable of reinforcing this link.

The marked expansion in international trade in Latin America and the Caribbean over the past decade does not by itself guarantee balanced economic, social and territorial development but presents opportunities that should be seized. The challenge for the region is to enhance the quality of its international integration and to boost the inclusive impacts of trade, thereby contributing to more equitable development. This does not occur automatically. The central idea of this study is that the benefits of international trade depend to a great extent on the quality of the public-private policies that underpin and complement it as well as on regional cooperation.

In a globalized world, the possibility of achieving growth and reducing inequalities is linked to contexts that enhance the international integration of our products and enterprises and that are accompanied by policies promoting innovation, competitiveness, production development, employment and training. Another requirement is the existence of a macroeconomic and institutional environment that is conducive to development and the achievement of greater social equity.

Inclusive international trade, a concept that has been gaining prominence in academic and political circles and among multilateral agencies, is defined here as a type of trade that facilitates growth while reducing structural heterogeneity and increasing equity. Reference is made in this publication to studies on the relationship between trade, growth, productivity, poverty and equity, on the one hand, and the transmission channels to the different public policy levels, on the other. The conclusion is that burgeoning international trade can boost growth, but to ensure inclusiveness, targeted policies are needed along with a closer connection between different levels of macro- and microeconomic policies, including also other areas, such as policies for gender equality and infrastructure development (see chapter I).

The quality of the international integration of Latin America and the Caribbean is analysed from the viewpoint of inclusion (see chapter II). The new global context and major trends are underscored and the quality of exports and patterns of trade specialization are assessed along with the principal types of integration in the region. In addition, there is an analysis of the changes in the composition and the destination of exports in value and quantity and the degree of concentration. The conclusion is that the traditional natural resource-based comparative advantages are increasing and that progress is still unsatisfactory. In several cases, trade has done little to diminish the imbalances or structural heterogeneity, especially at the territorial level. The same applies to gender equality gaps and logistical inadequacies.

The new context modifies the determinants of competitiveness and the linkages between trade and equality. The closer interaction between intense technological change and changes in the global economic power landscape underscores the role of emerging regions (in particular that of developing Asia) in the world economy. Hence the need to define new strategies for international linkages geared to harnessing the opportunities offered by the economies of Latin America and the buoyancy of the developing countries in more general terms. In the case of the relationship with Asia-Pacific region, steps must be taken to diversify trade and to strengthen its inclusive character.

The export sector's potential for inclusion can be developed by increasing its internal and external linkages and by increasing the number of enterprises and jobs associated with it. This document analyses the direct and indirect employment generated in the export sector on the basis of input-output matrices, including gender-disaggregated data for several countries in the region (see chapter III). The wage levels of workers in the export sector are usually higher than the average for the economy as a whole, although female employment in the export sector is often precarious in different sectors and countries. While this study does not analyse in depth the impact of imports, it estimates (for the middle of the first decade of this century) job creation or loss attributable to the more intense export and import activity. It shows a net positive effect. In addition, the characteristics

of the region's export firms are examined thoroughly, especially in the case of small and medium-sized enterprises and the export-promotion agencies and programmes. A look at the characteristics of the companies and jobs generated by destination reveals that trade with neighbouring countries and with other destinations within the region contributes more to inclusiveness. The authors conclude that the structural concentration of shipments in a few enterprises is notable and that small and medium-sized enterprises (SMEs) receive less support than in the developed countries. Export-oriented employment could be expanded and improved qualitatively by promoting greater product diversification and by fostering export companies, especially SMEs. This calls for coordinated programmes that increase the productivity of SMEs and facilitates their direct or indirect integration in value chains.

The reinforcement and expansion of domestic and international value chains are crucial for boosting the inclusive impact of trade. An analysis reveals the limited participation of companies in global value chains and the shallowness of domestic linkages in some sectors (see chapter IV). Public or private initiatives that promote linkages and associativity are described on the basis of studies conducted in recent years in the different export sectors and in subregions of Latin America and the Caribbean. The inclusiveness of the linkages is studied with respect to the participation of SMEs, job creation, employment conditions (linked to wages, contracts and the inclusion of women) and the link with local territories. SMEs have a low degree of participation in value chains. The failure to develop inclusive chains and the companies' difficulty in upgrading to higher value added segments are attributable to several causes. These may have to do with the nature of the SMEs themselves (such as insufficient human skills) or with external causes (such as technical barriers or logistical obstacles). Policies have had varying degrees of success or failure in seeking to overcome the bottlenecks through a greater association between enterprises, improve linkages with the national innovation system, promote selectivity in attracting foreign direct investment and intensify certification. The authors conclude that SMEs can become integrated in linkages through different routes with the support of different types of public policies.

On the basis of the empirical analyses in this document, a series of indicators can be constructed to illustrate the inclusive nature of trade and show the gaps that exist in comparison with developed countries (see table 1). For example, per capita exports show a significant gap. The same occurs with the participation of enterprises in exports, with the participation of SMEs in the export value, with general support to SMEs as a proportion of the product and, in several countries with product diversification. The same may be observed in other dimensions, such as stability of export enterprises measured in terms of turnover rates, the magnitude of programmes to support the international integration of SMEs, logistical costs, the infrastructure deficit and others.

Table 1
SELECTED COUNTRIES: SELECTED INDICATORS OF THE EXPORT GAP BETWEEN LATIN AMERICA AND INDUSTRIALIZED COUNTRIES

Country	Per capita exports (2010)	Export firms/ Total firms (2010)	Participation of SMEs in total value of exports (last available year)	Diversification of products (Herfindahl- Hirschman index) (2011)	Export employment/ Total employment ^a (2005)	Support to SMEs ^b (as a percentage of GDP)
	(dollars)	(percentages)	(percentages)	(2011)	(percentages)	(as a percentage of GDP)
Argentina	1 683	...	6.0	0.04	15.1	...
Brazil	1 010	0.5	7.5	0.05	14.5	0.085
Colombia	860	0.4	4.5	0.19	12.2	0.008
Chile	4 813	0.8	7.0	0.18	24.1	0.03
Mexico	2 695	0.7	4.0	0.04	13.4	0.015
Uruguay	1 999	1.6	5.3	0.06	18.0	0.024
Spain	8 019	3.4	15.8	0.02	14.1 (direct)	0.41
Belgium	27 685	5.8	...	0.03	...	...
Republic of Korea	10 875	2.7	30.8	0.03	21.2	0.27
United States	5 758	4.5	31.0	0.02	6.9 (direct) ^c	(0.39)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, United Nations Commodity Trade Statistics Database (COMTRADE), United States Census Bureau and estimates on the basis of official data from the countries.

^a Export employment includes direct and indirect jobs associated with exports.

^b The annual budgets of agencies that support SMEs are taken into account. Eleven states of the United States are included.

^c Total industrial export companies are taken into account.

Job creation in the export sector —one of the most important dimensions— does not seem less important proportionally compared with developed countries, as the levels of export-oriented employment are usually similar. This is because the number of jobs generated per US\$ 1 million of exports shipped from the countries of the region is higher than that existing in the developed countries (in other words, the employment generated in export-oriented companies in the region is more labour-intensive although exports are concentrated in few products and few firms).

Trade within Latin America has greater inclusive impacts. The relationship with Asia-Pacific shows a great potential that Latin America should exploit. Another conclusion is that there is a clear difference between inclusive trade indicators depending on the export destination. This difference is due to the products that predominate in the shipments to each market. Intraregional exports and, to a lesser extent, exports to the United States are more diversified, create more employment and exhibit greater domestic linkages. In contrast, shipments to Asia-Pacific are highly concentrated in just a few products and in the hands of a few enterprises. While the domestic linkages of some export sectors are significant (for example, foodstuffs in Brazil), external linkages are limited, even though there are some interesting examples of participation in global value chains.

A range of national approaches and policies (see chapter V) are proposed to allow trade to be more equitable. Trade policy must include this objective especially and promote open and inclusive regionalism. Nevertheless, a trade policy is not enough. To harness the inclusive potential of international trade, Governments need to promote a national strategy for international integration in innovation networks and technological businesses, put education and training into the core of structural reform, carry out programmes in order to incorporate SMEs into internal and external value chains, strengthen inter-agency coordination and the integrated policy approach and improve competitiveness through active policies that foster equality.¹

The policies must emphasize regional integration as the key to improving Latin America and the Caribbean's international competitiveness and to promoting equality. To promote a more inclusive participation in world trade, the countries of the region should define joint criteria with respect to their relationship with Asia (for example, in order to address together the challenges of innovation and technological change in the sectors associated with natural resource exports and to reduce the carbon intensity of exports). It is also necessary to redouble efforts to foster intraregional trade by adopting realistic commitments, improving connectivity in the region and creating regional cooperation forums.

¹ Such a strategy must include not only the production development policy but also the Government's financial, exchange-rate, fiscal and other policies. These issues are analysed in other recent ECLAC publications, which are listed in the bibliography.

CHAPTER I

International trade: contributions to inclusive development

A. Introduction

This document is one of several studies that build on the vision set out in the book *Time for equality: closing gaps, opening trails*, which was published in 2010 on the occasion of the thirty-third session of the Economic Commission for Latin America and the Caribbean (ECLAC). One of this publication's key arguments is that the structural heterogeneity of Latin American and Caribbean economies is one of the main causes of the social inequality that exists in the region's countries, and which partly accounts for the region's low growth over recent decades.

Structural heterogeneity is expressed by large productivity differences between small and large enterprises operating in the same economic sector, between sectors, and between different geographical areas within a country. These gaps also exist in advanced countries, but are of much smaller magnitude than those observed in Latin America and the Caribbean. While the productivity levels of the region's large corporations are relatively close to those of their peers in industrialized countries, the productivity of the region's SMEs is much lower. In short, the region is marked by large asymmetries among segments of enterprises and workers, and the fact that the bulk of jobs are concentrated in very low productivity sectors.

Wide internal gaps reinforce and depend on the external gap in relation to industrialized countries. Since low-productivity sectors find it very difficult to innovate, adopt technology and promote learning processes, internal disparities exacerbate systemic competitiveness problems. This in turn causes a major difference in the level of Latin American countries' productivity, compared

with industrialized countries such as the United States (this is known as the external gap).

Structural heterogeneity is responsible for much of the region's deep social inequality. The fact that productivity gaps are larger in Latin America than in the developed countries means that the region also suffers from wider wage gaps and worse income distribution. Moreover, productivity gaps reflect and deepen the differences in capabilities, in the incorporation of technical progress, in bargaining power, in access to social safety nets, and in options for labour mobility. This creates vicious circles not only of poverty and low growth, but also of slow learning and weak structural change.¹

Simultaneously addressing internal and external structural gaps is therefore essential to achieving faster and more inclusive development. Since the convergence of sectoral levels of productivity (internal convergence) should improve income distribution and reduce social exclusion, ECLAC proposed three types of policy: (i) industrial, with emphasis on innovation; (ii) technological, focused on the creation and dissemination of knowledge; and (iii) support for SMEs.² A trade policy in favour of equality should therefore strengthen its functional link with these policies, including macroeconomics for development, accompanied by an appropriate real exchange rate.

On examining the causes of structural heterogeneity and its remedies, a connection to international integration is made in *Time for equality: closing gaps, opening trails*. This publication describes Latin American countries' lack of competitiveness in a number of manufacturing sectors, especially technology- and labour-intensive ones, compared with China and other Asian developing countries. Amid sustained growth in domestic demand, industrial trade balances are either running higher deficits or posting much smaller surpluses, a trend that has been partly offset by higher growth in exports and in the commodity trade balance. This export boom mainly reflects rising commodity prices rather than an increase in volumes. The unsustainable nature of this situation in the medium and long term, given the degree of openness of the region's economies and the volatility of raw materials prices, was confirmed by the recent international crisis. This analysis links structural change to trade dynamics, but does not address the subject in greater detail or investigate, for example, how these trends affect inequality.

In the past two decades, the region has experienced an intense process of de jure liberalization (measured by a reduction in barriers to trade and capital flows) and de facto internationalization (measured by stronger trade and capital flows

¹ See ECLAC (2012b).

² See ECLAC (2010b).

in relation to GDP). This process has involved profound changes, which must be assessed, especially in terms of whether they allowed the region to improve its levels of equity.

Latin American and Caribbean integration in the world economy presents a number of diverging trends. Some are positive, such as the boom in trade, both in relative and absolute terms. Exports and imports accounted for a 28% share of GDP in 1990, a figure that rose to 40% in 2010, with the share of goods exports rising from 13.8% in 1980 to 22.9% in 2011, despite shrinking in 2009 (CEPALSTAT database). Some indicators of integration are the highest among low-income and middle-income regions. For example, financing through the international capital markets currently represents 2.9% of GDP, and the use of broadband Internet in the region is surpassed only by the high-income countries. Other trends have been negative and the region's integration in the world economy has been lacking in some areas (for example, Latin America and the Caribbean has experienced considerable losses of human capital). The region is experiencing the largest negative migration flows of the low- and middle-income countries (5.2 million people emigrated between 2005 and 2010), and the highest rates of emigration to the countries of the Organization for Economic Cooperation and Development (OECD) among individuals with tertiary education (10.6% of people in this category).³

Since it is difficult to discuss all of the conceptual and empirical issues related to trends in the international integration of Latin America and the Caribbean, and their relationship with structural heterogeneity and inequality, certain dimensions have been prioritized in this document. On the conceptual level, a definition of inclusive trade is proposed and some considerations are presented regarding the transmission mechanisms between trade, growth and equality. Certain indicators of the quality of international integration are also examined in order to evaluate changes in international trade in the region. Furthermore, new evidence and methods are used to analyse three relevant dimensions of the region's trade situation in relation to equity: direct and indirect job creation, the participation of firms in trade, and internal and external linkages. The ultimate goal is to propose policies able to expand the inclusive potential of international trade in the region.

³ Based on 2010 data from the World Bank (World Development Indicators 2011). For more detailed information on this subject, see Martínez (2011).

B. Trade and inclusive development: ECLAC and other organizations

ECLAC is not the only international institution concerned with analysing how trade can help improve equity (see table I.1). The World Bank considers that trade is one area that should foster inclusive growth, defined as long-term, sustained growth in productivity and employment for a broad group of workers and firms. Trade can contribute to this process when workers and firms are able to adjust to enter growing economic activities and adopt new technologies.⁴ The World Bank strategy for the period 2011-2021 is to promote “trade for development and inclusive growth”, through four areas of work.⁵ The United Nations Conference on Trade and Development (UNCTAD) is carrying out several activities to promote globalization and inclusive development, with trade considered a key pillar. This institution is leading a network for the least developed countries, with the participation of various United Nations agencies, whose purpose is to design tools for the development of trade and production capacity in support of sustainable growth.

In the document entitled *Making Globalization Socially Sustainable*, the World Trade Organization (WTO) and the International Labour Organization (ILO) (2011) propose that globalization is an engine for growth and development, but recognize some concern regarding its effects on jobs and wages. Ways in which trade can improve access to jobs, wages and employment stability are also examined. Some institutions, such as OECD, are promoting trade and pro-poor growth, which is a narrower definition of inclusiveness.

Other organizations —including the Inter-American Development Bank (IDB), the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Development Programme (UNDP)— are concentrating on inclusive value chains or inclusive business. Inclusive value chains are a set of activities that promote the involvement of SMEs or other vulnerable groups in taking a product or service from the creation and production stage (combining productive transformation with multiple business services) to the end consumer. Inclusive businesses are activities that promote a better quality of life for low-income groups, by including producers in disadvantaged positions in their value chains. In addition, some private initiatives, such as fair trade in industrialized countries, promote trade under guarantees of better conditions and ensure the rights of marginalized producers and workers, especially in developing countries.

⁴ The contribution of trade to inclusive growth is thought to depend on (direct and indirect) behavioural changes as a result of trade liberalization, both in households (changes in consumption and sources of income) and enterprises (changes in factors of production and the basket of goods and services sold) (Lederman, 2011b).

⁵ These areas are: (a) trade competitiveness and diversification; (b) trade facilitation, transport logistics and trade financing; (c) support for market access and international trade cooperation, and (d) managing shocks and promoting greater inclusion (World Bank, 2011).

Table I.1
ORGANIZATIONS: DEFINITIONS OF TRADE AND INCLUSIVE DEVELOPMENT

Concept	Organization	Definition
Leveraging trade for development and inclusive growth	World Bank (2011)	A type of trade that facilitates the movement of workers and enterprises to growing sectors, and the adoption of new technologies in order to promote the growth of productivity and employment in a broad group of workers and enterprises.
Globalization and inclusive development	United Nations Conference on Trade and Development (UNCTAD) (2007)	A process of globalization that benefits countries and population segments that were previously excluded.
ILO Declaration on Social Justice for a Fair Globalization	International Labour Organization (ILO) (2008)	A type of globalization that achieves improved and fair outcomes, to meet the universal aspiration for social justice, to reach full employment, to ensure the sustainability of open societies and the global economy, to achieve social cohesion and to combat poverty and inequality.
Socially sustainable globalization	World Trade Organization (WTO) and International Labour Organization (ILO) (2011)	A type of trade that improves access to jobs, wages and stability.
Trade and pro-poor growth	Organization for Economic Cooperation and Development (OECD) (2010)	A kind of trade that is harnessed for growth and poverty reduction, based on five categories of policy: trade policy and regulations, trade development, trade-related infrastructure, building productive capacity, and trade-related adjustment.
Growing inclusive markets	United Nations Development Programme (UNDP) (http://www.growinginclusivemarkets.org/)	The contribution of businesses to human development by including the poor in value chains as consumers, producers, business owners or employees.

Table 1.1 (concluded)

Concept	Organization	Definition
Inclusive value chains	Food and Agriculture Organization of the United Nations (FAO) (www.fao.org/ag/ags/ivc/cadenas-de-valor-inclusivas/en/)	Value chains that successfully include small farmers, especially in Africa, Caribbean and Pacific regions.
Inclusive business	Inter-American Development Bank (IDB) (2011)	Activities that improve living standards in low-income segments, through the delivery of essential goods and services and the inclusion of disadvantaged groups in value chains.
Fair trade	FINE—a working group of the fair trade networks in countries of the North (Fairtrade Labelling Organizations International (FLO), World Fair Trade Association (WFTO) (formerly the International Fair Trade Association (IFTA)), Network of European Worldshops (NEWS) and European Fair Trade Association (EFTA))	A type of trade that contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers, especially in the South.
Trade and inclusive growth	Economic Commission for Latin America and the Caribbean (ECLAC) (this document)	A kind of trade that generates a virtuous circle between the reduction of structural heterogeneities and growth, thus improving the well-being of the majority and reducing inequality.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Elena Ianchovichina and Susana Lundstrom, "Inclusive growth analytics: framework and application", *Policy Research Working Paper*, No. 4851, World Bank, March 2009; World Bank, *World Development Report 2012: Gender Equality and Development*, Washington, D.C., 2011; ILO, Chile: *Los acuerdos de libre comercio y su impacto en el empleo*, Santiago de Chile, 2008; WTO/ILO, *Making Globalization Socially Sustainable*, Geneva, 2011; UNCTAD, *Enhancing the participation of small- and medium-sized enterprises in global value chains. Note by the UNCTAD secretariat*, Geneva, 18 and 19 October 2007; *Global Investment Trend Monitor*, No. 5, Geneva, 2011; OECD, *Perspectives on Global Development 2010. Shifting Wealth* (online) www.oecd.org/dataoecd/30/18/45452519.pdf, 2010.

In this document, inclusive trade is defined as a type of trade that helps generate a virtuous circle between the reduction of structural heterogeneities and growth in employment, productivity and income, improving the well-being of the majority and reducing inequality. ECLAC considers that the main transmission channels between trade and inequality are the production structure, growth and employment. By reducing structural heterogeneity, boosting growth and creating jobs, trade helps achieve greater inclusion. As is set out below, these effects are not obtained automatically, but rather they depend on initiatives complementary to trade policy. Without these complementary measures, trade might have opposing outcomes, such as greater social exclusion.

In this document, an updated concept of structural heterogeneity, key to the development of ECLAC thinking, is linked with the current situation of international trade, taking into account the remarkable progress achieved in economic thought and empirical research at the world and regional levels, as well as the evolution of research by ECLAC.⁶

C. Some dimensions of global trade that affect equity

Countries must change the way they relate to each other if they are to reduce global inequities and ensure improvements in human development. Boosting the potential of producers and consumers in favour of a more inclusive development will require the modification of forms of international trade unfavourable to developing countries, since the protectionism of industrialized countries and existing asymmetries are beyond their control.⁷ Governments must ensure access to knowledge and new technologies for the vast majority of society, promote training and access to international quality standards in SMEs, and invest in infrastructure, transport and logistics in order to reduce structural heterogeneity.

In recent decades, the world has experienced unprecedented globalization, with international trade playing an essential part. Every day sees increased relations and flows of goods, services, capital and information between countries, which

⁶ See Infante (2011), ECLAC (2012b), and Bielschowsky, Izam and Mulder (2011), among others.

⁷ As Joseph Stiglitz has argued, it is impossible to reduce poverty levels internationally while developed countries that are net food exporters maintain high farm subsidies and continue to undermine agricultural production in many poor countries. Globalization has occurred asymmetrically and to the detriment of developing countries. It must be considered that market liberalization does not automatically reduce poverty, and that integration through exports has a far more convincing record than integration through rapid liberalization. Stiglitz also recommends preparing economies before they liberalize, granting differential treatment to developing countries (facilitating their access to markets and expanding the domestic development strategy to include temporary tariffs and grants that allow greater margin for manoeuvre), eliminating subsidies on agricultural products in industrialized countries, reducing non-tariff barriers (guarantees, antidumping taxes, technical barriers, rules of origin) and promoting institutional reforms to solve global governance problems. It is also argued that the current intellectual property regime is an example of the asymmetries of globalization (Stiglitz, 2007).

form the basis for new, geographically relocated production, distribution and consumption processes. In part, this has been encouraged by the plummeting costs of communication, information and transport, caused by technological revolutions and interconnections between these spheres. The application of economic policies favourable to deregulation and the lowering or elimination of restrictions on international trade, foreign investment and financial transactions, also aided this process.

The offshoring of manufacturing and research and development processes to the developing world, especially China and other Asian countries, linked to the emergence of global value chains, took place during this period on an unprecedented scale. Changes were also evident in the distribution of technological research, which is attracted by fast-growing markets and by the availability of low-cost research facilities. Thus the largest multinationals have stepped up their research and development activities —traditionally concentrated in Europe, Japan and the United States— in middle- and low-income countries.⁸

International trade increases the availability and lowers the price of better quality goods and services. This fall in prices makes their consumption more accessible, and is one of the most direct links between the international market and the poorest population groups. Well-being increases as low-income sectors are able to obtain goods that were previously inaccessible, while new opportunities are provided by the continuing growth of trade. The alternative, of closing markets and protecting workers and national industries, although offering some relief in the short-term, in the long-term may increase costs, stifle demand, and suppress job creation and viable economic growth.

Most governments are increasingly opening their economies to international trade, either through the multilateral trading system, the intensification of negotiations on preferential trade agreements, or as a result of domestic reform programmes. Trade has allowed many countries to reap the benefits of specialization, to take advantage of the dissemination of knowledge and the spread of new technologies, and to achieve more efficient scales of production.

However, the concentrated, exclusive and unfair consequences of economic globalization must not be overlooked. These consequences occur because trade is concentrated among a few actors and its effects have not reached all segments of society, causing growing scepticism in many quarters as to whether trade is indeed a positive thing. According to international surveys of public opinion on free trade, most of the population recognizes its benefits, but there is concern over the attendant challenges. While a large majority of citizens believe that international trade is beneficial to their country, they are also fearful of the shocks

⁸ It is thought that new trade models could be appearing in the developing world, since new products and entire production processes are being designed to meet the needs of consumers in emerging countries (frugal innovation). These processes have been the subject of an increasing number of studies in recent years (see IDB, *Revista Integración y Comercio*, No. 32 (January-June 2011) and De la Dehesa (2007), among others).

and disadvantages that accompany participation in the world economy. Trade seems to receive stronger backing in emerging economies than in industrialized countries, where globalization is increasingly seen as a threat.⁹

In Latin America and the Caribbean, perceptions of integration in the world economy have improved. Opinion surveys reveal greater interest in international affairs, up from 44% in 2004 to 53% in 2008, as well as a more favourable view of the world and of globalization, up from 27% in 2003 to 41% in 2009, although this figure remains fairly low. Integration in Latin America is viewed much more positively, with support for economic integration at 71% in 2009, and support for political integration at 59% (see *Latinobarómetro* 2009 and 2010).

The growing technological divide between developing countries that are able to innovate, and those that have difficulties in doing so, gives major cause for concern. Innovation does not occur automatically, and countries that have been proactive in implementing a national innovation strategy have generally achieved more success. This is borne out by the achievements of various East and South-East Asian economies in developing their exports, a process that began in the 1950s with Japan, continued with four recently industrialized economies (Hong Kong (Special Administrative Region of China), Taiwan Province of China, the Republic of Korea and Singapore) and is currently under way in China, India and several economies of the Association of Southeast Asian Nations (ASEAN).

The “smart” growth of the Latin American and Caribbean export sector would help deliver better conditions of inclusiveness, to the extent that the increase in the value of exports generates more stability, externalities and tax contributions. Greater diversification in the number and type of enterprises, products and destination markets, as well as productivity gains and greater linkages with quality employment, would be particularly influential in this regard. The composition of foreign trade is very important in respect of the employment structure. The make-up of the labour force related to foreign trade depends on the comparative advantage of each economy in global value chains, but also on policies for productive development and the promotion of domestic linkages. These aspects are examined in greater depth in the following chapters.

D. Channels of transmission between trade, growth and equality

Trade exerts a direct influence on the production structure and on structural heterogeneity. All other things being equal, export growth in a certain sector

⁹ According to WTO Director-General Pascal Lamy, “Few would contest the benefits that globalization and trade have brought in terms of greater prosperity for hundreds of millions, as well as greater stability among nations. But many individuals in different societies across the world have shared little or not at all in the benefits. The challenges facing governments in managing globalization are formidable and success in spreading prosperity more widely requires a strong common purpose” (WTO, 2008).

increases that sector's share of the economy, while an increase in consumer goods imports can mean —if the good or service is locally produced— that local production is substituted, which has the opposite effect of reducing the sector's weight in the economy. The region's economies have experienced significant changes in their production structure, especially as the weight of the industrial sector has shrunk while the services sector expanded as a proportion of the economy and of employment. Exports and imports of intermediate and capital goods tend to increase the competitiveness of enterprises and economies as a whole, while plenty of theoretical and empirical literature describes how exports and imports can increase productivity. In this sense, greater and better international integration can reduce the structural heterogeneity of Latin American economies, insofar as productivity gains are favourable to most sectors and occur in most geographical areas.

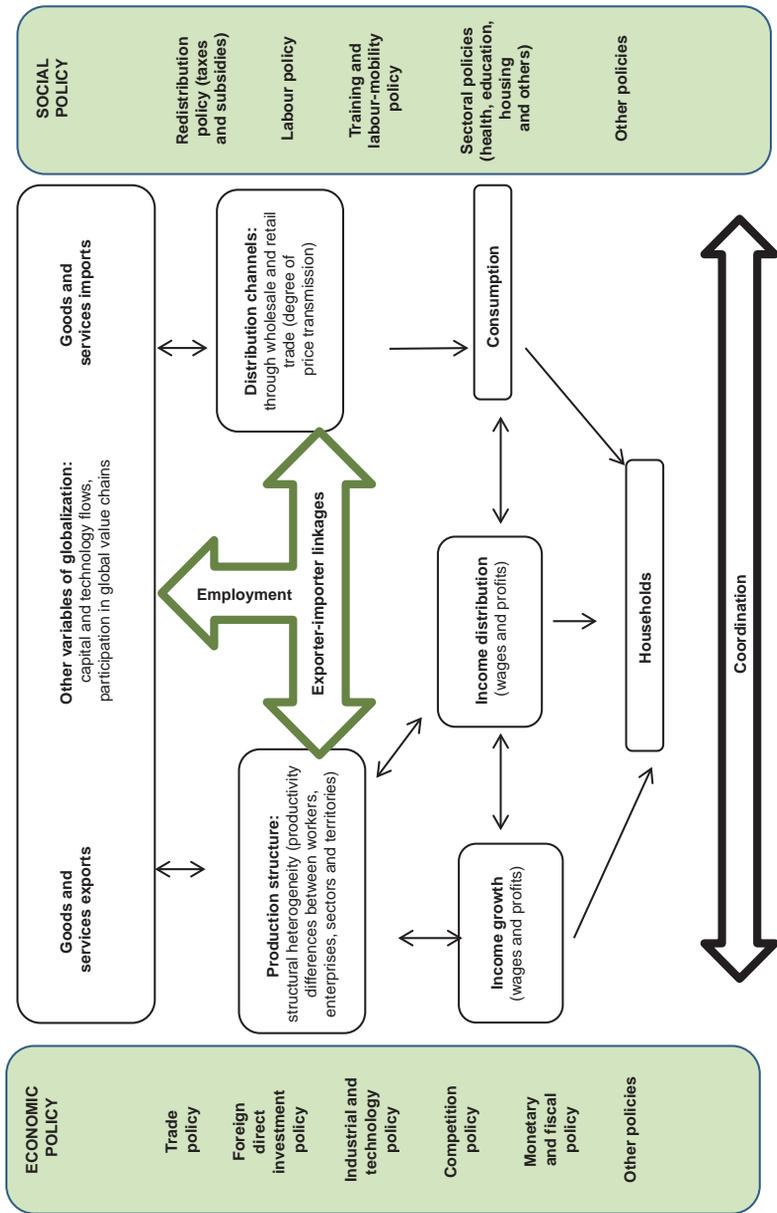
Increased trade can accelerate technological change and boost growth. In the long term, more efficient resource allocation has positive impacts on employment and well-being. In the specialized literature, it is noted that liberalization can increase long-run employment, provided that exports are successfully developed. Greater openness can lead to greater specialization in competitive activities requiring high levels of capital, as well as in employment-intensive activities in economies where labour is plentiful. Conversely, greater liberalization sometimes negatively affects the part of the region's labour force that is vulnerable to increased imports. The best response, in terms of how to minimize the costs of liberalization and maximize its positive effects on the labour market, varies by country. Generally, the orthodox response tends to allow structural changes that derive from technological progress and international specialization, which in turn help raise the income of beneficiary sectors through an increase in trade, while little attention is paid to the distribution of benefits through efficient education, labour-market policies, tax and technology-access policies, and social protection measures.¹⁰

There are different channels for the transmission of trade benefits to production and social structures (see diagram I.1). Perhaps the most important is that which exists between trade and income growth, via the production structure. Although neoclassical theory postulates that growth is boosted by the greater specialization generated through trade liberalization, the reality has shown that this is not an automatic process, but depends a great deal on the quality of international integration, the characteristics of the export sector, and the quality of policies. For example, the integration of manufacturing industries with high local content delivers more value added and growth than an export model based on the processing of imported inputs (maquila industries).

¹⁰ Even neoclassical theory, which emphasizes the benefits generated by specialization as a result of greater trade openness, recognizes that there are winners and losers in any scenario.

Diagram I.1

CHANNELS OF TRANSMISSION BETWEEN TRADE, GROWTH AND EQUALITY



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

The link between trade and growth is highly variable, and operates through changes in export, import and technology flows. While exports generally increase growth, it is possible for this effect to be very small if the local content is low. Meanwhile imports, especially of technology embodied in goods, can raise competitiveness. However, it is also possible that income and employment will be lost if imports take the place of goods that are produced in the country. The traditional theory of international trade (Heckscher-Ohlin) proposes that unskilled workers in developing countries stand to benefit from greater openness. Yet some recent empirical studies found that in several countries this hypothesis was not realized and that the results were extremely variable, depending on various factors, such as the type of competition.

Analysis of the channel between income distribution and growth yields the finding that greater inequality acts as a brake on growth (this is also affirmed in the document *Time for equality: closing gaps, opening trails*). The brake is caused by not allocating full value to human capital, and by manifestations of inequality such as political and social instability, lower levels of investment and more corruption. Although a greater intensity of trade can benefit more vulnerable segments of society, its impact ultimately depends on how it affects structural heterogeneity and the corresponding income distribution. Structural heterogeneity and inequality function as filters between trade and the improved well-being of households.

The relationship between employment and integration in world economy consists of more than just trade between countries, since it is affected by other factors such as FDI (both its magnitude and structure), the importance of technological change and the effects of liberalization on the elasticity of labour demand. Other influences stem from the initial conditions of countries, their institutions and the dynamics of the global economic cycle. Employment is undoubtedly an important factor in determining the inclusive effects of international trade (chapter III addresses this matter in greater depth).

The import and distribution of goods is a more direct link between the international market and the situation of households. The benefits that households derive from imports depend on the prices charged by suppliers, on taxes (tariffs) and on the smooth functioning of the distribution channel. The latter in turn depends on transport costs, the level of competition between operators, infrastructure, taxes, and domestic regulations. While imported capital goods and intermediate goods and services can increase firms' competitiveness and productivity, it must also be considered that some domestic producers will be unable to compete with imported goods, which will have a detrimental effect on employment.¹¹

¹¹ The net impact of trade on employment can be empirically measured (see point III.A).

While the structural heterogeneity of the region determines the participation of enterprises and economic sectors in international trade, their behaviour also modifies the production structure. The actions of sectors and firms that are engaged in trade may increase the concentration of the production structure or create more balanced conditions within it. Such outcomes depend on exogenous dimensions, such as factor endowment or investment flows, but also on endogenous aspects such as internationalization strategy and the content of public policies (including exchange-rate, productive development and trade policies). With this in mind, the following chapters examine trends in modes of international integration (chapter II), the changing characteristics of export companies (chapter III), and participation in external and internal linkages (chapter IV).

E. Trade, growth, productivity and poverty

Though frequently studied, the interrelationship between international trade and growth, like the interrelationship between trade, productivity and poverty, remains far from clear. Without summarizing all of the discussions on this topic, some references are given below in relation to recent evidence.

1. Trade and growth

In discussing the relationship between trade and growth, it is possible to differentiate between stages linked with economic cycles and the different liberalization strategies applied in the countries.¹² Since the 1990s, this debate has passed through a phase of optimism, followed by one of pessimism, and is currently at a stage of greater realism and pragmatism, in which specialists are still convinced that there is a positive relationship between trade and growth, provided that liberalization is accompanied by complementary policies.

In the optimistic stage, during the 1990s, numerous academic research studies sought to identify a positive relationship between trade liberalization and growth. The most notable were those that pursued a cross-cutting analysis to show that countries that opened their markets to international trade on average grew faster than those that kept their markets closed (Dollar, 1992; Sachs and Warner, 1995; Krueger, 1997; Edwards, 1998). Other studies researched how trade restrictions reduced the rate of growth (Ben-David, 1993; Sachs and Warner, 1995) and how trade reduces corruption and stimulates competition in domestic markets (Ades and Di Tella, 1999).

In the first half of the 2000s, a pessimistic current emerged that questioned this positive relationship between trade openness and growth. A degree of overemphasis in advocating the reforms of the Washington Consensus ultimately transmitted

¹² For the importance of cycles and direct or indirect liberalization strategies (from unilateral or negotiated trade liberalization to export promotion), see, for example, the studies by Ffrench-Davis cited in the bibliography.

a discourse that did not conform to reality, since most of the region's economies implemented deep economic reforms, including trade liberalization, that had few encouraging results (albeit there were clear differences in the performance of different countries). The previous studies, rather influenced by the World Bank, were presented as lacking subtlety and underestimated some key aspects such as the quality of institutions, the role of the public sector in promoting exports and technological development, and the most appropriate sequence for the adoption of economic reforms.

The study by Rodriguez and Rodrik (2001) questions the link between trade and growth, and indicates that previous studies had incorrectly measured trade openness owing to the underestimation of geographical factors. Moreover, the authors claim that these contributions were unable to effectively establish causality, since it is unclear whether the studied economies grew more because they are open, or they export more because they have higher income levels. Since there is a high correlation between trade restrictions and unsound macroeconomic policies, closed economies grow more slowly, although this is not because they are closed but because they apply inappropriate policies. The authors added that the degree of openness is determined by geographical factors (size and proximity to large markets) and that in statistical studies it is necessary to separate the effect of this openness from policy decisions in support of liberalization. Rodriguez and Rodrik conclude that repercussions on growth stem from investment and the application of sound macroeconomic policies, and recognize that the quality of institutions is also crucial for stimulating growth. Doubts over the link between openness and growth could offer a space for studies that place emphasis on separating the effect of liberalization from the effect of other policies and on capturing the true causality between liberalization and growth.

Several authors subsequently reformulated the optimistic view of the relationship between the trade channel and growth. These studies correct for the endogeneity of openness, geography and causality, while maintaining the solidity of the statistical link between openness (better measured) and the highest rates of growth (Frenkel and Romer, 1999; Dollar and Kraay, 2001). Other complementary studies reviewed the empirical evidence and introduced a new variable: the affirmation that free trade does not stimulate growth in economies burdened with excessive regulation or where there is no competition (Bolaky and Freund, 2006). Correcting for this variable, the connection between trade and growth is more robust. The consequent vision is of one of optimism, but with less deterministic conclusions: openness in itself does not lead to growth, but it can facilitate it where accompanied by other policies that strengthen macroeconomic stability, institutional credibility and the prevalence of contracts in different spheres of economic activity, such as labour and property markets.

More recently, a number of studies have highlighted the temporary influence of openness on growth and the importance of patterns of integration. Lederman and Rojas (2011), for example, conclude that openness seems to have a positive

and surprisingly strong effect, albeit a temporary one, on convergence between poor and rich countries.¹³ These analyses seek to identify patterns of international integration that facilitate faster growth. Manuel Agosin (2009) shows the importance of export diversification for growth and attracting investment, by developing a model for the countries of Asia and Latin America and the Caribbean. This model shows that export diversification, insofar as it is symptomatic of broadening comparative advantage, is the key to economic growth.

In short, where liberalization processes have been consolidated, different theoretical proposals tend to identify the national and international policies that influence the relationship between trade and development, or those that need to be implemented in order to improve said relationship. Both advocates and critics of globalization increasingly tend to emphasize the importance of policies for the expansion of trade to deliver more balanced growth, improving globalization and reducing asymmetries (De la Dehesa 2007, Rodrik, 2011, Stiglitz, 2012).

2. Trade and productivity

Although most of the region's countries have opened their economies to international trade, they have not managed to increase productivity as they had hoped. In the current context, as the international crisis continues to hold back developed and emerging economies, and with the region's aggregate productivity levels failing to meet expectations in the wake of liberalization, matters of trade and productivity are returning to the crux of the debate. The channels of transmission from trade to productivity must be understood in order to design policies that foster productivity gains and which narrow gaps in the region.

In theory, there are three channels whereby international trade affects productivity levels. The first is the effect of import discipline, which suggests that lowering barriers to trade exposes the economy to greater competition, so that domestic companies are forced to improve their production processes, thereby reducing the disparity between their real productivity and that of companies at the frontier. The second channel relates to foreign inputs and capital goods, which are used to produce final goods and increase labour productivity, assuming that the imported learning process is better than the domestic process. The drop in costs thanks to foreign intermediate goods allows domestic companies to adopt new processes or to optimize existing technology. The third channel relates to FDI and the transfer of technologies, which deliver positive externalities for national economies.

Studies carried out at the national and sectoral levels yielded ambivalent findings. López-Córdova and Mesquita (2004) conclude that in the period between 1993 and 1999, Mexico's tariffs dropped by 10 percentage points, and this

¹³ See "Crecimiento del producto per cápita: 25 años de evidencia empírica y el rol de la apertura", in Mesalles and Pacheco (2011).

caused an increase of between 5% and 9% in the rate of productivity growth. Paus, Reinhardt and Robinson (2003) claim that trade liberalization had a significant and positive impact on a group of Latin American and Caribbean countries in the period between 1970 and 1998, and accounted for productivity trends in manufacturing industries (growth of exports and imports, commercial reform index and trade variables). Mulder, Faúndez and Carpentier (2011), who analysed the relationship between trade and productivity in manufacturing industries between 1990 and 2008 in five countries (Argentina, Brazil, Chile, Colombia and Mexico), asserted that reductions in tariff and non-tariff barriers, along with access to domestic credit for productive investment (trade and financial reforms), increased manufacturing productivity. Export intensity also drives productivity, and has a greater impact in the case of labour-intensive industries (conversely, it is insignificant in natural-resource-intensive industries). Increased intra-industry trade also exerts a positive influence on productivity, since it promotes linkages and technology transfers between different sectors. Nevertheless, other studies failed to establish the causality between trade and productivity (Weiss, 1992; Tybout and Westbrook, 1995).

Some studies carried out in relation to firms are more conclusive, and confirm that trade has beneficial effects on productivity (López-Córdova and Mesquita, 2004; Pavnick, 2002; IDB, 2010). The idea is that the pressure of imports will force some inefficient enterprises out of the domestic market (Schumpeterian effect), thus raising productivity levels. Pavnick (2002) holds that companies exiting the market are on average less productive than the companies that remain.

It is suggested that by decreasing the costs associated with international trade, aggregate productivity increases thanks to the exit of less productive enterprises and the expansion of more productive ones. IDB (2010) presents evidence for Brazil and Chile that the least efficient plants in those industries that achieve the largest reductions in trade-related costs are more likely to exit the market (reallocation of trade effect). For example, a 10-percentage-point decrease in trade costs causes a 7% rise in likelihood of exit in Chile, and a 3% rise in Brazil. In Colombia, Eslava and others (2009) established that a 35-percentage-point fall in tariffs caused a 10% increase in the exit rate. The IDB document emphasized the relationship between productivity and transport costs (at national and international levels), since these costs account for much of the cost of exporting the region's goods (natural resources or agricultural products) and are therefore highly relevant for productivity (reallocation effect). In Chile, a 10-percentage-point fall in tariffs increases the probability of exit by 2.1%, while a 10-percentage-point drop in freight increases the probability of exit by 1.5%. High transport costs also make companies less likely to export; in other words, they protect inefficient enterprises from foreign trade and limit efficient companies' potential for expansion.

3. Trade, growth and poverty

In the last decade, the percentage of individuals living in extreme poverty in the developing world has halved, coinciding with a boom in trade. In Latin America and the Caribbean, the poverty rate dropped from 44% in 2002 to 30% in 2011. The region's income concentration also decreased slightly, while social indicators improved in line with major economic, trade and social reforms.¹⁴

Although participation in trade increased and poverty decreased almost simultaneously, the possible interrelationship between these trends is open to debate. There is an increasing consensus that trade plays an important role in policies for growth as a mechanism for raising competitiveness and productivity, as well as for improving consumers' access to cheaper, better quality products and services. In fact, most Latin American and Caribbean governments aspire to boost trade levels as an integral part of their development agendas, and have actively continued to negotiate trade agreements with extraregional partners, especially the European Union, the United States and several Asian countries (since 2010, more than half of the region's trade has been with countries subject to trade agreements). Nevertheless, taking these opportunities will depend on a series of factors that are relevant to the generation of growth and the reduction of poverty and inequality.

Poverty reduction is a dynamic, multi-faceted process in which trade development is just one, indirectly linked factor.¹⁵ Increased trade might be beneficial for the most vulnerable population, provided that social and production policies are developed and used to strengthen and multiply these benefits, backed by investments. Analysing the possible impact of trade on poverty requires that the situation of each country is pictured as accurately as possible, especially in terms of current local policies and practices, distribution and marketing, the connectivity of domestic producers with global consumers, the state of infrastructure, the business climate, existing labour-market regulations and factors affecting labour mobility and social conditions, among others.¹⁶

At least four channels can be identified by which trade can have an impact on poverty trends.¹⁷ The first is the contribution of exports to economic growth, which in turn helps reduce poverty. In the last decade, exports from Latin America and the Caribbean have risen at an average annual rate of 5.4%, while the average annual rate of GDP growth was 3.6%, so that every 1% of growth in the volume of exports was accompanied by a 0.67% increase in the region's GDP. A similar ratio,

¹⁴ See ECLAC (2012i).

¹⁵ For further details, see the different outcomes of the project on poverty, trade policy and complementary policies (especially ECLAC-AECID, December 2010).

¹⁶ For example, see the 14 studies contained in Nissanke and Thorbecke (2010).

¹⁷ Chapter III contains an empirical analysis of the third channel (the labour market and employment) in five of the region's countries.

albeit at much faster growth rates, was recorded in China and, at much lower levels, in the European Union and the United States (see figure I.1.A). The contribution of growth (which partly translates into an increase in employment and labour income) was more important than distributive policies (transfers) in reducing poverty in most of the region's countries in the past decade (see figure I.1.B). Nevertheless, in the Bolivarian Republic of Venezuela and Brazil, the distributive effect was slightly greater than that of growth, while distributive policies were more effective during periods of crisis (ECLAC, 2012i). This outcome was aided by the fact that the greater income generated by trade provided extra space for the intensification of social policies targeted at the poor.

One externality of increased trade is that of greater vulnerability to international shocks, as was evident in the global economic crisis of 2008 and 2009. Plunging exports and employment as a result of the aforementioned crisis contributed to a slight increase in the region's poverty levels (from 33.0% in 2008 to 33.1% in 2009, meaning that 3 million people slipped into poverty). The region managed to contain the impact of the external shock thanks to an active social policy consisting of transfers and other forms of assistance. Meanwhile, the upturn in exports and the application of significant countercyclical measures allowed a more rapid post-crisis recovery in several countries.

Figure I.1
**SELECTED COUNTRIES: VARIATION IN EXPORTS,
 GDP AND POVERTY REDUCTION, 2000-2010**

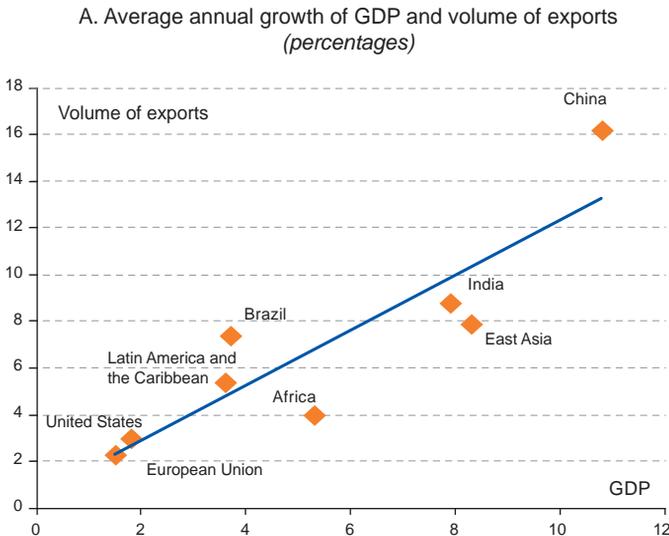
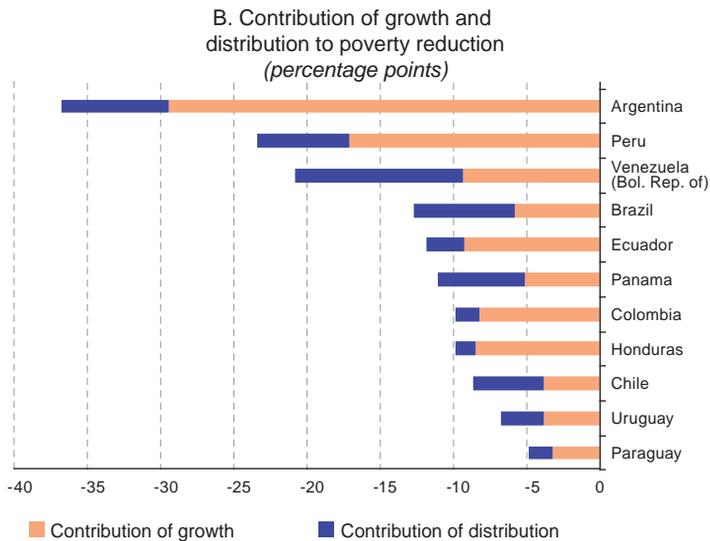


Figure I.1 (concluded)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of CEPALSTAT database [online] <http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas>; United Nations Conference on Trade and Development (UNCTAD), "UNCTADStat" [online] <http://unctadstat.unctad.org/>; World Bank, and ECLAC, *Social Panorama of Latin America (LC/G.2514-P)*, Santiago, Chile, 2012.

Trade, acting through the growth channel, tends to support long-term poverty reduction, but effects of a contrary nature may be felt in the short term. These effects may result from initial distortions in goods and services markets, the rate of trade liberalization, price transmission and the structure and flexibility of factor markets, especially labour markets. In some studies, the World Bank proposed that eliminating the distortions in world trade would reduce international inequality, largely by increasing net operating income and raising the real wages of unskilled workers in developing countries, and would decrease the number of the world's poor by 3%. However, other studies carried out for the same institution are clearly less conclusive.¹⁸

The second channel is the effect of trade liberalization on household consumption. Cheaper goods and services imports may drive down the cost of the basic basket, thus weighing in favour of poverty reduction. However, this is not always the case, since such an outcome depends on factors such as the proportion of imports in the food basket, transport and other distribution costs, the level of competition between operators, the general functioning of the

¹⁸ See World Bank (2002, 2009a and 2011).

markets, infrastructure, national taxes, and national regulations.¹⁹ It is therefore probable that price transmission from the border will be particularly ineffective for poor people living in remote rural areas. A drop in border prices will have little impact on these areas, without specific public intervention to improve the performance of domestic markets.²⁰

The third channel is the functioning of the labour market (especially in terms of employment and wages). International trade accentuates the international fragmentation of production and the comparative advantages of countries and enterprises, which in turn causes changes in employment and the wage dispersion. While the integration of the goods, services and capital markets is progressing apace, the same is not occurring in the labour market. The functioning of the labour market is crucial for understanding the effects of globalization on the population. Some authors, such as De la Dehesa (2007) even propose that the possible negative effects on poverty and inequality as a result of employment-related factors might not be caused by globalization, but rather by the lack of it.²¹

Several studies have attempted to measure the impact of international trade on employment, with findings that varied according to the period and the countries considered. Felbermayr, Larch and Lechthaler (2009) concluded that, in the long term, increased trade is associated with a greater fall in unemployment in developed countries. Dutt, Mitra and Ranjan (2009) consider that trade liberalization is associated with an immediate increase in the unemployment rate, which is more than offset over the long term, since unemployment falls by 3.5%. There is also country-specific evidence to show that the potential for job creation deriving from greater trade integration may be significant (Hoekman and Winters, 2007). Other studies look at how trade and employment were affected by the crisis and the most effective policies that were implemented, while proposals have also been developed that were adopted by agencies such as the International Labour Organization (ILO) to address these problems (Jansen and von Uexkull, 2011).

Opportunities for integrating firms and workers into the global economy depend on the adoption of new technologies and the possibility of entry into more modern, higher-growth productive sectors (Lederman, 2011b). The public policy environment and autonomous capacity-building will be crucial factors for

¹⁹ In *Social Panorama of Latin America, 2011* (ECLAC, 2012i), it is estimated that the falling indigence rate in the region could have reversed trend in 2011 owing to the rise in international food prices, among other factors.

²⁰ This channel has been little studied. A study on Chile concluded that cutting tariffs had a modest impact on the basket, which particularly favoured the poorest quintiles (Durán, Finot and LaFleur, 2010). However, the channels of transmission (especially in the food sector) were imperfect owing to factors such as the lack of competition, which again suggests the need to implement complementary policies to obtain positive results in favour of greater inclusiveness.

²¹ Their argument is that more globalization might be needed in the form of greater international labour mobility.

inclusive integration into the world economy. In many cases, capabilities and the costs of worker mobility (between enterprises, industries or territories) make it impossible to leverage these opportunities.

The fourth channel consists of the impact of trade on government revenues and expenditure. Trade liberalization could reduce governments' revenues by diminishing the income received from import tariffs. However, in the medium term, trade liberalization may stimulate imports, exports and growth, which may lead to higher tax receipts. The proportion of total government revenue obtained from taxes on international trade is negatively associated with the level of economic development, since many low-income countries obtain more than half of their revenue from trade taxes. The impact on the poor of replacement taxes depends on the specific choice of fiscal instruments, and generally there is no reason why the burden should fall on the poorest. The alternative response to the drop in revenue, reducing public expenditure, may affect the poor through spending cuts in the social sector. Lowering tariffs has an impact that differs depending on the goods affected, the profile of the consumer and the job opportunities of the poorest population segment. Being clear about these processes helps optimize decision-making in relation to possible tariff reductions, spending cuts, and specific adjustments to social policy.

The evidence regarding inequality between the territories of a single country is inconclusive, and varies depending on the country in question and its historical, economic and social context. In Brazil, inequality levels fell least in the States most exposed to tariff reductions, although the outcome changes if States are broken down into rural and urban areas. In Mexico, the most exposed States tend to be the most egalitarian, since formerly excluded groups have been integrated into production processes created by trade liberalization, and because the wage gap is thought to be narrowing in these States. In terms of territorial inequality, it must be considered that globalization may intensify the inequalities between regions. A change in the composition of exports that is favourable to manufacturing may cause increased spatial inequality in areas that were relatively homogenous and agriculture-intensive prior to liberalization. Brazil and Mexico present evidence that the negative impact of trade on territorial inequality is intensified by factors such as the overlap between rich and integrated regions, the concentration of human capital and infrastructure, the State's meagre redistributive capacity, and the poor quality of institutions that allows local elites to appropriate benefits. Mexico's liberalization may have favoured the creation of a low-income production cluster in the south of the country, and the emergence of a trend for States to diverge, which would heighten the economic differences between them.²²

²² See Castilho, Menéndez and Sztulman (2009); Borraz and López (2007); Chiquiar (2004); Paluzie (2001); Rodríguez-Pose and Gill, (2004); and Soto and Escobedo (2009).

4. Trade and gender

An important aspect of inequality in society, and between countries, is the lack of equality between men and women. Growing female labour-market integration and a surge in the social demand for gender equality have coincided in recent decades with the acceleration of economic internationalization, export growth and trade liberalization in Latin America and the Caribbean. Are there communicating vessels between these different processes? What is the nature of the interaction between the international division of labour and the sexual division of labour? Are there positive externalities or adverse impacts in the relationship between gender and international trade? The questions have no easy answers, since databases on international trade and employment do not include a breakdown by sex, rendering gender differences invisible.

The impact of trade on gender equity is not neutral. Trade can create opportunities for women to gain employment and to earn more, which empowers them, but may also be disruptive in that this employment could be precarious or that trade may have negative repercussions for the sectors in which women are employed. Insufficient disposable information means that measuring this impact is not straightforward. Some claim that the expansion of trade has helped broaden the opportunities and improve the quality of life of women in developing countries, although it is unclear whether their labour-force participation has narrowed the equality gap (Fontana, Joeques and Masika, 1998). Others maintain that women tend to suffer more from the negative externalities of trade liberalization and face greater challenges in taking the opportunities offered by trade, owing to the social and economic roles that gender segregation imposes upon them (Women Watch, 2011).

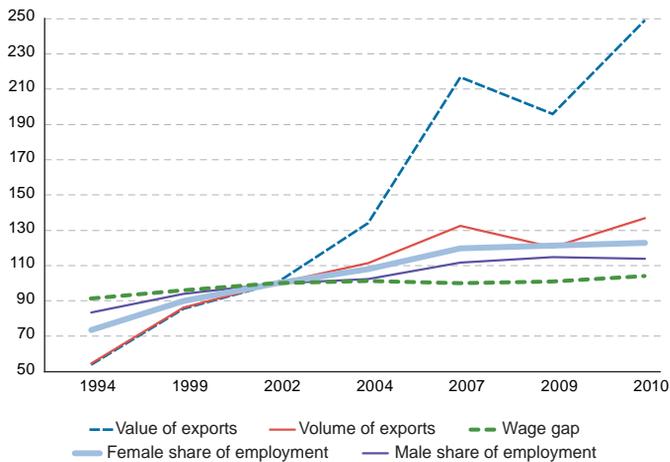
Potential differences in the impact of trade on women are explained by a number of variables: the productive specialization of the country in relation to the world economy (international division of labour), the labour-force participation of women in these sectors, and the allocation of gender roles in society (the sexual division of labour in private and public spheres).

Many developing countries have adopted an export model specializing in light manufacturing, agriculture and agribusiness goods and services. Women make up much of the workforce in these sectors, so that the expansion of exports increases female employment. Some research on Asian, African and Latin American countries suggests that female employment is set to rise, narrowing the income gap between men and women (Kyvik, 2003), while other studies suggest that employment could increase, but the reduction of the wage gap remains doubtful (Joeques, 1995). The former are case studies relating to the Mauritius, Mexico, Peru, the Philippines and Sri Lanka, while the latter focus on Bangladesh, Jamaica, Morocco, Uganda and Viet Nam. There could be a negative correlation between rising imports and women's share of employment, while male labour predominates in import-competing domestic sectors (Kyvik, 2003).

Between 1990 and 2011, Latin America witnessed a leap in exports and a rise in female labour-force participation, yet the wage gap remained unchanged (see figure I.2). On aggregate, these trends coincided in time, though this in itself does not establish causality.

Figure I.2

LATIN AMERICA: EXPORTS, SHARE OF EMPLOYMENT AND WAGE GAP, 1994-2010
(Index: 2002=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE) and special tabulations of household surveys conducted in the respective countries.

For greater clarity, there is a need to examine more specific data on the sectoral specialization of countries' exports and women's share of employment in these sectors (Joeques, 1987). One approach to gender and trade may be through the export sector, which reproduces the sexual division of labour, accentuated by the export specializations of each country. This is because the demand for female employment is usually concentrated in sectors that employ low-skilled, low-paid labour. In fact, some studies have demonstrated that the higher the level of education, the lower women's share of export-related employment (Azar, Espino and Salvador, 2007).

Gender discrimination also affects the sexual division of labour and working conditions. Women are usually included in the least skilled, lowest paid and most precarious links in the value chain. Entering these value chains, principally in agricultural maquila and light manufacturing industries, expanded their employment opportunities, albeit under precarious working conditions. Meanwhile, the lack of adequate public policies on the unpaid care economy and the absence of quality services to support households in providing care, make it harder for women to gain equitable access to the labour market (Bidegain Ponte, 2010).

Attempts have been made to measure the impact of international trade on gender equality, and to facilitate the mainstreaming of this factor in trade policy. For example, a study by Van Staveren (2007) concludes that gender and trade relations between the Southern Common Market (MERCOSUR) and the European Union between 1995 and 2004 presented positive and negative variations. Exports increased by 77.6% and imports rose by 12.6%, two variations that did not permit an increase in female agricultural employment, or contribute to any decrease in the wage gap. However, female labour-force participation improved in the manufacturing sector, as did the female-to-male wage ratio in MERCOSUR countries.

F. Conclusion: the importance of policies for inclusive trade and development

The current state of the debate on trade, growth and equality is that:

- Trade can facilitate growth insofar as it increases gradually and is accompanied by complementary policies to stimulate competitiveness, along with macroeconomic and institutional stability.
- Increased trade and growth does not necessarily increase equality within countries (what matters is not only growth itself, but the pattern of growth; not just the quantity of employment, but also its quality).
- Rising trade may have an impact on growth and, in some cases, poverty reduction. Yet sometimes inequality remains the same or even worsens. Reducing inequality requires measures specifically intended to achieve this goal.
- The following conclusions were drawn from the analysis of empirical studies: (i) export development and access to foreign investment can have a small direct impact in reducing poverty; (ii) suitable forms of development, combined with complementary policies, raise the likelihood of low-income families participating in the benefits of trade; (iii) trade liberalization produces winners and losers among the low-income population (the beneficiaries of export growth may see their income rise, while the loss of protection means that some sectors may suffer higher poverty levels); and (iv) in countries where unskilled labour is plentiful, the poor do not always benefit from trade openness.

International trade may contribute to the creation of quality employment, and to greater productivity, and thus assist in the reduction of poverty and inequality. These benefits are highly dependent on the quality of public policies. To the extent that trade helps to reduce productivity gaps between agents (known as structural heterogeneity), to promote growth and to create quality employment, inclusion will be greater.

Trade's largest contribution to inclusive growth is its role in the narrowing of internal and external gaps. While production gaps between workers, enterprises

and sectors also exist in advanced countries, these are much smaller than those observed in Latin America and the Caribbean. The region is marked by large asymmetries between segments of enterprises and workers, and the fact that the bulk of jobs are concentrated in low-productivity sectors. Since the latter have major difficulties in innovating, adopting technology and driving learning processes, domestic heterogeneity exacerbates systemic competitiveness issues, which also makes it more difficult to close the external gap. Narrowing this gap, also known as external convergence, requires both higher average productivity levels and a better distribution of these productivity gains, which would help reduce the differences in per capita income.

Structural heterogeneity is responsible for much of Latin America's deep social inequality, so that policies for addressing it are increasingly relevant. Wider domestic productivity gaps, compared with developed countries, mean greater wage gaps and worse income distribution. Moreover, differences in productivity reflect and increase gaps in capabilities, in the incorporation of technical progress, in bargaining power, in access to social safety nets, and in options for labour mobility. Policies should seek to prevent vicious circles of poverty, low growth, slow learning, and weak structural change (ECLAC, 2012b). In other words, competitiveness requires greater equality, achieved through a reduction in structural heterogeneity and a better distribution of productivity gains.

The impact of international trade on inclusive growth is conditioned by the way in which channels of transmission operate between the two, with outcomes partly resting on the quality of public policies. The link between trade and growth is highly variable, and functions according to changes in export, import and technology flows, as well as in the production structure. Public policies may help the aforementioned transmission channels operate more effectively. For example, trade policy may filter the penetration of imported goods and cushion possible adverse effects on uncompetitive sectors, as well as facilitating the process of structural change through temporary measures. Tariff revenue may be used for industrial or redistributive policies. Industrial policy can strengthen the link between trade, the production structure and employment, through investment in infrastructure, transport and logistics, loans, training and technology transfers, among others. Lastly, redistributive policy can improve the primary distribution between wages and profits.

One relevant dimension is the existence of an agreed (public-private) vision of development in general, and of export development in particular. This is an important asset that must be constructed and consistently reflected at different policy levels, from macroeconomic policy to cooperation policy. Chapter V sets out some policies that ECLAC believes are necessary for the creation of a virtuous circle between trade and inclusive development.²³

²³ The focal point of this document is trade policy. For information regarding other policy areas, see other ECLAC documents (for macro aspects, for example, see ECLAC, 2010b, Ocampo, 2011, and ECLAC, 2012b).

CHAPTER II

Latin America and the Caribbean in global trade: an overview from the perspective of equity

Prominent among the main changes at the aggregate level are faster technological change and shifts in the global map of economic power. The global South, especially China and the rest of developing Asia, has gained weight in the main variables of the global economy. The recent international economic and financial crisis hastened the convergence of per capita income in a broad group of emerging countries towards developed economy levels. In this scenario, the proliferation of trade agreements, and their rationale and implications, are an important consideration. In particular, the repercussions of the reduction of tariff barriers all over the world and the inclusion —albeit non-binding— in trade agreements of different dimensions of inclusiveness are particularly significant.

This new scenario presents opportunities and challenges in terms of improving the impact on growth and equality of the Latin American and Caribbean region's participation in international trade. As discussed in *Latin America and the Caribbean in the World Economy 2011-2012*, the commodities boom is likely to continue, so that the region's three main patterns of international trade participation —based on natural resources, manufacturing and tourism— could deepen and become even more concentrated than they already are. There are more auspicious trends, too, from the point of view of inclusion, such as the greater number of products traded in the region and the possibility of more firms engaging in export activity.

A. The new map of global trade and investment

The global trade and investment map is undergoing major changes, including a more dynamic role for exports from the global South (the developing countries). Since the late 1980s, exports from the South have grown faster than those from developed countries, and even more so during the past decade. Between 1990 and 2010, world trade quadrupled and South-South trade grew more than eleven-fold, and this trend is set to continue (see figure II.1A). The developing countries' share in global trade jumped from 14% in 2000 to 26% in 2011. The recent crisis reduced exports from the South in 2009, but appears not to have dented the long-run trend. If this pattern continues, South-South trade (between developing countries) will outstrip North-North trade (between developed countries) by 2018 (see figure II.1b).

Developing Asia, with China at its heart, is the main engine of South-South trade. Of total South-South trade, almost two thirds is conducted in developing Asia, since China's trade with its neighbours has grown at double-digit rates for over a decade. Developing Asia's trade with other emerging regions represents a fourth of total South-South trade. Although Latin America and the Caribbean represents only 9.4% of South-South trade, and its intraregional trade only 5%, these figures are higher than those of all other emerging regions (see table II.1).¹

In 2009, the South received half of global foreign direct investment (FDI) flows for the first time. In previous decades the proportion of these global flows going to the South had shown no clear trend. Between 1970 and 2007, the South's share varied between a quarter and a third, with extreme values of 10% and 45% (in 1982, just before the debt crisis). However, the financial crisis may have contributed to restructuring FDI flows, shifting them from industrialized countries towards emerging ones. In fact, between 2007 and 2010, the South's share of global FDI flows rose from 34% to 52%. Among the emerging regions, Asia increased its share from 17% to 29%, Latin America and the Caribbean from 6% to 9%, and Africa from 3% to 4%.²

Although FDI is still concentrated in developed countries in terms of origin, developing and transition economies have increased their share. As their weight in the international economy has grown, these countries have doubled that share in the past decade, to 29% of the total in 2010.

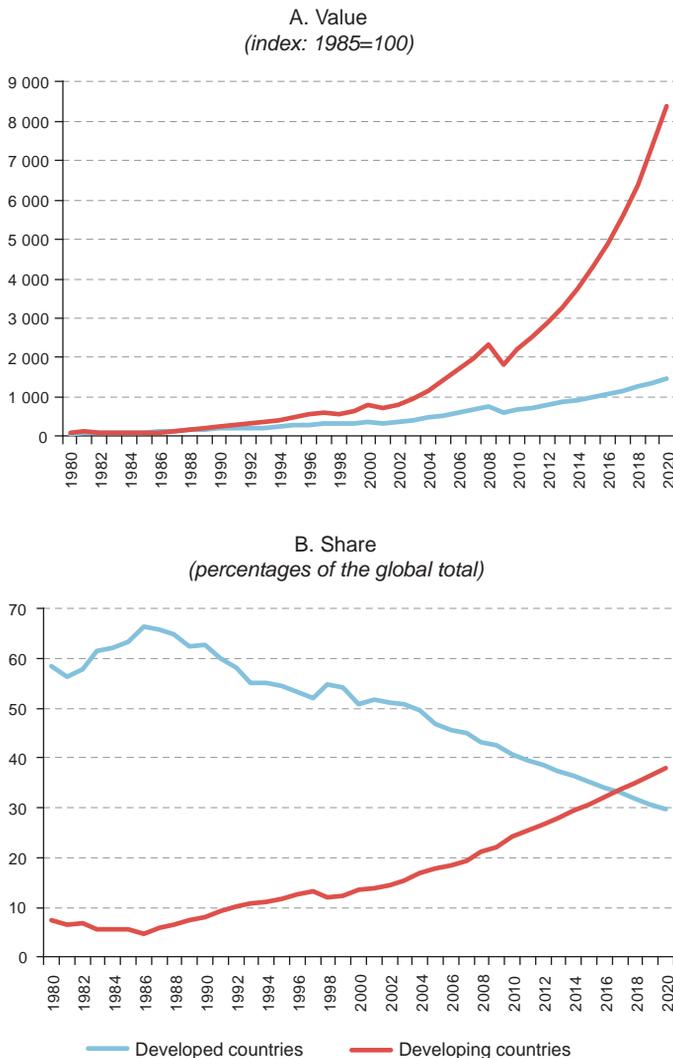
Asia and Latin America are the main regions of origin of FDI flows from emerging economies. This gradual but steady advance by the developing countries will

¹ The ASEAN countries and their new networks of trade agreements (ASEAN+3 and ASEAN+6) will speed growth in trade, output and investment in the area (Urmeneta, 2012).

² On the basis of data from UNCTADStat (date of reference: 15 September 2011). The Cayman Islands and the Virgin Islands were excluded from these calculations to avoid distortions in the Latin American and Caribbean region's share in FDI flows.

continue to be a characteristic of flows in the next few years. As well as growing as a destination region for FDI, in 2010 Latin America and the Caribbean was the fastest-growing source of such investment.

Figure II.1
**TREND AND PROJECTION OF EXPORTS,
 BY TYPE OF COUNTRY, 1985-2020**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, Commodity Trade Database (COMTRADE).

Table II.1
BREAKDOWN OF SOUTH-SOUTH TRADE, 2008-2010
(Percentages of total exports by the South)

Origin/Destination	Africa	Developing Asia	Latin America and the Caribbean	Middle East	Commonwealth of Independent States	South-South trade
Africa	1.3	1.9	0.4	0.4	0.1	4.1
Developing Asia	3.5	58.7	4.6	4.6	2.1	73.5
Latin America and the Caribbean	0.5	3.2	5.0	0.4	0.3	9.4
Middle East	0.5	6.1	0.1	1.3	0.1	7.6
Commonwealth of Independent States	0.3	1.9	0.2	0.4	2.6	5.4
South-South trade	6.1	72.0	10.3	7.1	5.1	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, Commodity Trade Database (COMTRADE), Statistical Office of the European Communities (EUROSTAT) and national sources for Latin America and the Caribbean, 2010.

At the same time, developing countries have gained greater presence in the universe of multinational companies. Exports by transnational enterprises represented a third of global exports in 2010 and their operations generated almost a quarter of world output. In 1992, only 8% of all transnational companies came from developing countries, whereas by 2008 that figure had risen to 28%. Most of FDI from the South goes to other countries in the South. China is the largest foreign investor among the developing countries. The phenomenon is broader, however, and many firms in Brazil, India and South Africa, as well as new investors from smaller countries, such as Chile and Malaysia, are increasing their FDI activity. South-South investment has enormous potential for low-income countries (UNCTAD, 2011).

B. How the external position of Latin America and the Caribbean has evolved in terms of quality

Where is the Latin American and Caribbean region in this new map of global trade, in terms of the contribution its exports can make to growth and equality? To answer this question, this section assesses the trends and characteristics of the products and services the region has exported in the past decade. The contribution exports make to growth and equality depends, among other things, on their rate of growth, adaptation to shifts in global demand, technology content and level of diversification. It also depends on the degree of participation in value chains, and on the proportion of firms and employment engaged in the export sector. These aspects are examined in greater detail in the following chapters.

A first indicator of quality is the growth of exports, which conditions their contribution to economic growth. In the first decade of the twenty-first century, the value of total goods and services exports in Latin America and the Caribbean rose by 11% per year, similar to the rate for the previous decade in nominal terms. With respect to the 1990s, export growth slowed slightly (from 12% to 11% per year) for goods, but rose for services (from 7% to 9% per year). Values rose faster than volumes, especially in the case of the Andean countries, where export prices climbed 10.9% per year and volumes just 2.5% (see table II.2, columns 1 and 2). Latin American exports have adapted relatively well to the dynamics of global demand, since China has become much more significant as an export destination for the region (with its share rising from 1% to 8% of total exports), by contrast with the drop in the share of the United States and the stagnation of exports to the European Union.³ Intra-regional exports also rose as a proportion of total exports in Latin America and the Caribbean (from 13% to just over 19% in 2010), with the region itself figuring as its own second largest trading partner.

A second key indicator is the degree of export diversification, as a proxy for the breakdown by product (and thence by firm and by worker) of export income. The more diversified trade is, the greater a contribution it can make to equality. The Herfindahl-Hirschman index⁴ shows a slight drop in export diversification in the countries of the region between 2000 and 2010, although with large differences between country groupings. Several countries in South America and the Caribbean Community (CARICOM) show increases in export concentration, while the countries of the Central American Common Market (CACM), Panama and the Dominican Republic appear more diversified than the Andean countries. Although these changes may be explained in part by changes in raw material prices and by terms-of-trade effects, no real process of export diversification can be considered to be taking place in the region. What is more, when export products and destinations are considered together, in 2010 only four countries show a high degree of diversification in the broad sense: Argentina, Brazil, Panama and Uruguay (see table II.2, columns 3 and 4).

³ Prospective analysis shows that exports to China will exceed those to the European Union around 2014 and will account for 20% of all exports by the 2020s (ECLAC, 2011).

⁴ The Herfindahl-Hirschman index, which is commonly used for analysing products and firms, expresses the level of diversification of the export basket as a number and shows how that level has changed over time. For further details on this and other indices used in this document, see Durán and Álvarez (2011).

Table II.2
LATIN AMERICA AND THE CARIBBEAN: INDICATORS OF EXPORT SPECIALIZATION PATTERN, 2000-2010

Region/Country	Annual variation in exports (2001-2010) (percentages)		Herfindahl-Hirschman index of product diversification		Share of exports going to Latin America and the Caribbean (percentages)		Grubel-Lloyd intra-industry trade index		Share of manufacturing exports (2010) (percentages)	
	Price	Volume	2000	2010	2000	2010	Latin America and the Caribbean	Other	Latin America and the Caribbean	Other
Latin America and the Caribbean	5.5	5.4	0.08	0.10	16.0	19.3	0.22	0.16	75.7	57.6
South America	8.5	5.4	0.13	0.14	28.5	25.0	0.24	0.11	69.8	42.2
Andean countries	10.9	2.5	0.28	0.29	23.2	21.4	0.12	0.07	53.9	20.4
Bolivia (Plurinational State of)	5.8	14.8	0.06	0.21	44.2	60.5	0.02	0.02	14.3	19.2
Colombia	9.8	3.6	0.11	0.14	28.9	18.2	0.15	0.11	76.6	36.7
Ecuador	7.5	8.3	0.23	0.28	31.5	41.2	0.17	0.04	37.8	21.4
Peru	10.4	8.8	0.08	0.10	18.1	17.1	0.12	0.08	69.2	41.7
Venezuela (Bolivarian Republic of)	13.1	-2.0	0.42	0.50	19.6	15.6	0.10	0.06	38.0	7.6
Chile	10.4	5.4	0.11	0.16	21.9	18.2	0.13	0.03	76.9	62.0
Southern Common Market (MERCOSUR)	6.9	6.8	0.02	0.04	33.4	28.8	0.31	0.12	74.8	52.1
Argentina	5.6	5.1	0.03	0.04	48.1	41.8	0.37	0.07	71.6	53.4
Brazil	7.4	7.4	0.02	0.04	24.8	23.1	0.30	0.15	80.9	52.7
Paraguay	8.4	10.1	0.14	0.18	74.5	67.9	0.09	0.03	18.7	20.9
Uruguay	5.9	8.2	0.06	0.05	54.2	42.8	0.18	0.05	69.5	41.0
Central American Common Market (CACM)	4.1	7.0	0.10	0.06	23.0	36.5	0.22	0.11	85.4	68.0
Costa Rica	3.0	4.5	0.11	0.06	19.0	28.5	0.22	0.19	93.1	74.2
El Salvador	3.6	12.3	0.06	0.07	27.8	42.9	0.28	0.10	96.9	93.0
Guatemala	5.6	9.5	0.07	0.03	35.6	42.3	0.25	0.07	86.4	63.1
Honduras	4.0	3.2	0.11	0.08	6.0	29.8	0.16	0.06	75.9	42.8
Nicaragua	6.4	7.3	0.13	0.10	23.4	44.1	0.06	0.05	35.9	30.3
Mexico	2.1	4.9	0.03	0.04	3.6	7.0	0.19	0.42	95.3	83.3
Panama	2.7	30.8	0.09	0.05	23.2	20.7	0.14	0.09	99.3	96.1
Cuba	...	...	...	...	10.5	22.1	...	...	...	...
Dominican Republic	3.4	18.6	0.07	0.04	4.2	22.9	0.04	0.25	...	...
CARICOM	5.5	1.1	0.21	0.27	14.0	24.7	0.04	0.10	84.9	47.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, Commodity Trade Database (COMTRADE).

In terms of products, the region's total exports to intraregional destinations and to European countries are relatively diversified, whereas those to northern Asia and many African countries are highly concentrated. Nevertheless, differences in export concentration vary greatly by country and by destination. For an aggregate analysis of the region's exports, the Herfindahl-Hirschman index of product diversification can be calculated for shipments to each destination. The evolution of these indicators shows that exports within the region and to the United States have been historically diversified, while those to China are relatively concentrated in several years (especially when raw material prices are high) (see box II.1).

Box II.1

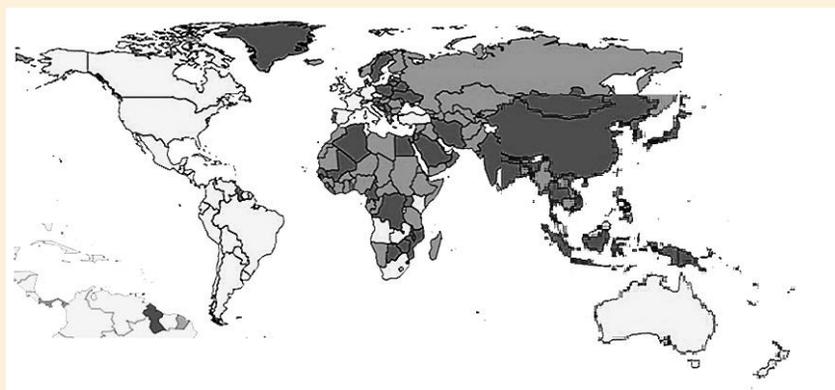
CONCENTRATION OF THE REGION'S EXPORT BASKET BY DESTINATION

The countries of the region show very marked differences in export concentration by product and destination. An aggregate way to analyse the region's exports is to take the total exports of Latin America and the Caribbean and calculate the Herfindahl-Hirschman index (HHI) for each destination. The map shows the results for three cut-off points:^a

1. The first, in mid-grey, for standardized HHI values between 0.18 and 1.
2. The second, in dark grey, for standardized HHI values between 0.10 and 0.18.
3. The third, in light grey, for standardized HHI values of less than 0.10.

CONCENTRATION OF THE REGION'S EXPORT PRODUCTS BY DESTINATION, 2010

(Herfindahl-Hirschman index of product diversification)



This aggregate exercise gives a general overview of export product concentration by destination. The worldwide average is not very concentrated (0.022), nor is the region's total average for each of its countries (Argentina (0.046), Brazil (0.068) and Chile (0.049)). Only in a few countries are exports highly concentrated (Barbados (0.16), Panama (0.19) and Guyana (0.185)). Exports to the United States are not very concentrated (0.040), neither are those to the European Union.

Box II.1 (concluded)

In Asia, conversely, the situation is mixed, with heavier concentration in exports to the countries of North Asia and to several members of the Association of Southeast Asian Nations (ASEAN), such as Cambodia (0.28) and Myanmar (0.40). China is in an intermediate position (0.16) and there are some countries with lower concentration, such as Japan (0.019). Exports to Africa are concentrated for almost all destinations (Namibia (0.79)).

This same analysis performed from a dynamic perspective shows that, for example, exports to the region have been highly diversified and that a few years ago China was a highly concentrated destination.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, Commodity Trade database (COMTRADE).

^a A standardized Herfindahl-Hirschman index was used with values between 0 and 1, where 1 represents the highest possible concentration.

A third indicator is the relative importance of the regional market for exports, since sales within the region show a greater tendency towards equality because they are more diversified, have a higher technology content and involve more small firms. The evidence shows that the regional market is particularly important for small and medium-sized countries, such as Ecuador and the Plurinational State of Bolivia, as well as for the Central American countries and CARICOM, for which the relative weight of Latin America and the Caribbean has risen considerably (see table II.2, columns 5 and 6).

A fourth indicator is the degree of intra-industry trade, which is a proxy for trade in value chains and for knowledge transfer among firms at the international level. The Grubel Lloyd index⁵ yields an estimate of 0.22 for intraregional bilateral trade relations in 2010, compared with 0.16 for non-regional partners. The subregions with the highest levels of intra-industry trade are the Southern Common Market (MERCOSUR) and the Central American Common Market (CACM).

Mexico and the Dominican Republic are the only countries to have greater intra-industry trade with third countries, owing in particular to their trade relations with the United States (see table II.2, columns 7 and 8).

A fifth indicator is the share of manufactured goods in trade. These goods generally yield higher value added per million dollars exported than natural resources. Trade in manufactures is more intensive within the region (just over 75% in 2010) than with non-regional partners. In Central America, in particular, manufactures account for 85.4% of intraregional trade. With the exceptions of the Plurinational State of Bolivia and Paraguay, the countries of the region exported a far higher proportion of manufactures to other countries within the region than

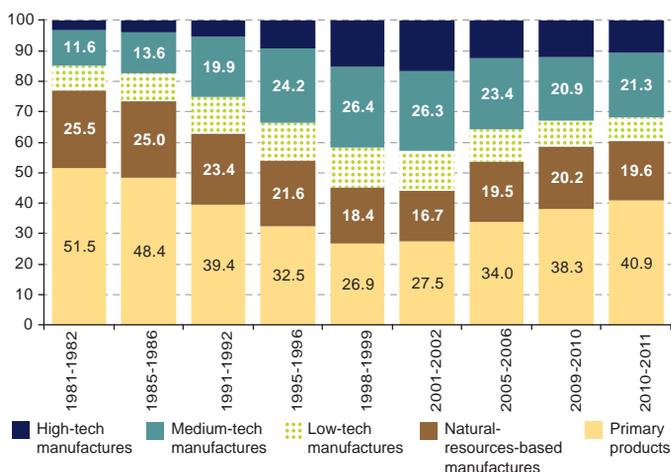
⁵ The Grubel Lloyd index measures the intensity of intra-industry trade, understood as two countries trading similar goods. It ranges from 0 to 1, with closeness to 1 indicating a higher proportion of trade in similar industries (i.e. intra-industry trade), which is generally associated with a pattern of trade in value chains.

to third markets in 2010. What is worrying is that the share of manufactured and high-tech goods in trade decreased over the past decade (see table II.2, columns 9 and 10, and figure II.2).

Figure II.2

LATIN AMERICA AND THE CARIBBEAN: STRUCTURE OF WORLDWIDE EXPORTS, 1981-2011

(Percentages of total exports, by value)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, Commodity Trade database (COMTRADE).

Over the past decade, exports of raw materials have grown much more quickly, at almost double the rate of the previous decade in value terms and five times that rate in volume terms. A breakdown of total exports between natural resources and those with some degree of processing shows that natural resource exports have grown faster in the countries of South America and CARICOM. The performance of those exports has been driven by strongly rising prices for these subregions' main export products, especially oil, copper, soybean, coffee, bananas, iron and steel. This has owed much to the growing weight in the global economy of China, which has become an increasingly important trading partner for the regional economy, as a heavy buyer of raw materials.

This pattern of growth, differentiated by raw materials and manufactures, has led to a reprimarization of the region's export structure. Reprimarization refers to the increase of unprocessed raw materials relative to the region's total exports. After dropping to around 52% of total exports in the early 1980s and then to a low of 26.9% in the late 1990s, raw materials regained share of total exports, to 42% in 2011 (see figure II.2).⁶ Conversely, industrial products, which had gained

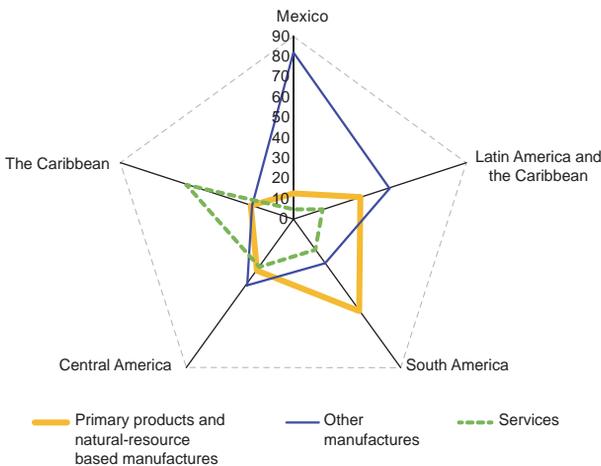
⁶ The primary products category in figure II.2 excludes processed raw materials, since these are natural-resource-based manufactures.

a larger share towards the end of the 1990s, fell in relation to total exports over the past decade. Much of this had to do with the positive terms-of-trade shock in South America during much of the past decade, consisting of rising prices for many of its export commodities.

The heavy slowdown in the Latin American and Caribbean region’s manufacturing exports worldwide over the past decade contrasts with the performance of its raw material exports. The latter have gained relative share at the expense of exports of low-, medium- and high-tech manufactures, which grew much more slowly than in the 1990s. This reflects the slowing growth shown by exports from engineering- and labour-intensive manufacturing sectors.

The structure of trade remains clearly differentiated, with three subtypes of export pattern: (a) one pattern in the South American countries, whose export structure has a higher proportion of industries and activities linked to primary products and natural-resource-based manufactures, (b) a second pattern grouping the countries of Central America and Mexico, where a predominant share of export flows originate from industries and economic activities with a higher industrial content, and (c) a third export pattern in the Caribbean countries, with a larger presence of services of different types, such as tourism, finance and transport (see figure II.3).

Figure II.3
STRUCTURE OF EXPORTS BY SUBREGION, 2010 ^a
(Percentages of total goods and services exported)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, Commodity Trade Database (COMTRADE).

^a Goods exports are separated into primary products and natural-resource-based manufactures on the one hand, and other manufactures on the other, and services are included.

Competition from China in industrial goods has had a variety of effects on the region. On the one hand are favourable prices and rising export values, especially for primary products (copper, iron, soybean, zinc and fishmeal, among others), and good prices for intermediate inputs and capital goods. On the other hand, competition has intensified in third markets (especially in the United States and within the region itself) and in national industries as well, owing to the rise in imported inputs from China (i.e. displacement of locally made inputs by imported goods). In 2009–2010, China’s market share exceeded that of the Latin American and Caribbean region in United States imports, and the shares of Argentina, Brazil, Colombia and Mexico combined in imports into the Latin American Integration Association (LAIA). Chinese competition is concentrated in machinery and equipment, office equipment, transport equipment, electrical devices, and chemical products and substances. In the United States market, China displaces Mexico in high-tech industries and could displace it in medium-level technology industries, as well. In the intraregional market, China has displaced Brazil in low- and medium-tech technology, and is catching up with Mexico in high-tech segments. The proportion of Chinese imports in apparent consumption rose more in industry, especially in machinery and equipment, and textiles and clothing.⁷

C. The inclusive potential of trade agreements

Trade barriers have been lowered significantly around the world in the past two decades, especially tariffs. In 2009, the average applied tariff worldwide (for all products and countries) was just 4% (WTO, 2011). However, agricultural goods still face high average tariffs (see table II.3).

Table II.3

SELECTED MEMBERS OF THE WORLD TRADE ORGANIZATION (WTO): AVERAGE MOST-FAVOURLED-NATION TARIFFS

Average tariffs 2009	Agricultural products		Non-agricultural products	
	Bound	Applied	Bound	Applied
United States	5.2	4.7	3.3	3.3
Japan	22.2	21.0	2.5	2.5
European Union	13.5	13.5	3.9	4.0
Brazil	35.4	10.2	30.7	14.1
China	15.6	15.7	9.2	8.7
India	113.1	31.8	34.4	10.1
Indonesia	47.1	8.4	35.5	6.6

Source: World Trade Organization (WTO), *World Tariff Profiles, 2010*, Geneva.

⁷ See presentation by Durán and Herreros (2011).

The reduction in tariffs throughout the world is the result of multilateral, regional and bilateral negotiations, and unilateral trade liberalization. In the case of multilateral negotiation, landmarks included the Uruguay Round of GATT (concluded in 1994), the Information Technology Agreement of WTO (1996) and the accession to WTO of a number of countries, in particular China in 2001, both because of its weight in the global economy and because of the scope of the commitments it undertook to open its economy. The number of preferential trade agreements rose from around 70 in 1990 to some 300 today (WTO, 2011). In the past 20 years, several developing countries, including in Latin America and the Caribbean, have unilaterally reduced their trade barriers.

Half of world goods trade today takes place between partners in trade agreements. Yet only 16% of world trade benefits from the tariff preferences associated with these agreements.⁸ This is because of a number of factors, particularly the fact that around 50% of global trade is tariff-free on a non-discriminatory basis (most favoured nation) (WTO, 2011). Accordingly, the proliferation of preferential agreements today reflects objectives that go far beyond tariff preferences. As well as foreign policy objectives, recent evidence points to a growing interest in participating in global value chains (Baldwin, 2011; WTO/IDE-JETRO, 2011; WTO, 2011).

The empirical evidence appears to show that, to work well, global value chains require a minimum level of regulatory harmonization between participating countries, as occurs in East Asia and Central and Western Europe. This reduces the transaction costs for the firms coordinating operations that are associated with the same value chain but take place in different countries. Important areas of harmonization include the treatment of foreign investment, technical rules, the protection of intellectual property and competition policy (WTO, 2011). This forms part of what is known as the "deep integration" agenda, as opposed to "shallow integration", which consists of simply of removing tariff and non-tariff barriers at borders. Accordingly, preferential agreements are covering an increasing range of topics and providing more structured institutional arrangements.⁹

The region has been very much a part of the global trend towards the proliferation of preferential trade agreements. Most of the countries in Latin America and the Caribbean have continued to negotiate trade agreements with partners outside the region, especially in Asia and the European Union. Since 2010, over half the region's trade has been conducted under trade agreements. Between 2002 and September 2012, 49 new free trade agreements (FTAs) entered into force, as well as 4 framework agreements and 2 partial scope agreements

⁸ This figure excludes trade between members of the European Union. If that trade is included, the percentage of world trade benefiting from tariff preferences rises to 30%.

⁹ Some of these topics, such as trade in services and intellectual property, are also regulated by WTO, although less ambitiously than in preferential agreements (especially those involving developed countries). Other themes covered in preferential agreements today—such as competition policy, short-term capital flows, investor-State dispute settlement, environmental and labour standards, and government procurement—are not regulated by WTO.

involving countries and subregions in Latin America and the Caribbean.¹⁰ Chile and Mexico are two of the countries worldwide with the most agreements in place (24 and 21, respectively), and most South American countries have between 10 and 19 agreements, and most of the those in Central American have between 5 and 9. Consistently with the global trend, a growing number of these agreements are transregional, involving partners outside the region, such as the United States, the European Union and more recently, various Asian economies.¹¹ The motivations for these agreements include better access to new and expanding markets, and the wish to boost foreign investment.

Some trade agreements have broadened their thematic coverage to incorporate provisions geared towards more inclusive trade and development. The agreements countries or groups of countries in the region have signed with partners further afield usually include these aspects in chapters on cooperation, not under trade provisions as such.¹²

The European Union's association agreements with various countries and groupings in the region are structured around the three pillars of trade, cooperation and political dialogue.¹³ The cooperation pillar of the association agreement concluded in 2010 between the European Union and Central America includes the strengthening of democratic institutions, good governance, gender equality, social cohesion and sustainable development. Specifically, under sustainable development and social cohesion, it indicates that cooperation will be geared towards ensuring decent work for all, broadening social protection coverage, promoting social dialogue, ensuring respect for the basic labour standards defined by ILO, tackling issues relating to the informal economy, providing special attention to disadvantaged groups and combating discrimination, developing human resources through education and training, improving health and safety at work, and strengthening the institutional framework for creating and developing SMEs.¹⁴

However, unlike in the trade pillar, these goals do not translate into legally binding commitments (through dispute settlement procedures, for example). Neither is there any explicit link between the implementation of the commitments

¹⁰ Today there are 48 sets of bilateral or multilateral negotiations under way involving countries of the region (according to data from the Foreign Trade Information System of the Organization of American States (OAS)).

¹¹ For further details on these agreements, see, for example, WTO (2011).

¹² An exception to this is the economic partnership agreement between the European Union and the Caribbean Forum of African, Caribbean and Pacific States (CARIFORUM).

¹³ Association agreements are in place with Chile and Mexico. In June 2012 the European Union signed an FTA with Colombia and Peru and an association agreement with Central America, and it is now negotiating an association agreement with MERCOSUR.

¹⁴ More details about the cooperation component of agreements with the European Union are available in the documents presented at the international seminar on "cooperation on the association agreements between Latin America and the European Union: the experience of Chile and Mexico and the Central America perspective", which took place in Honduras in March 2012 (see [online] www.cepal.cl/comercio/seminario_cooperacion_AL_UE_HN_mar_2012/).

undertaken by the parties on the trade pillar and the achievement of the objectives set under the cooperation pillar. The extent to which these objectives are met depends ultimately on the resources that the parties commit to the purpose. Nevertheless, their inclusion in the agreement is indicative of a shared view that trade commitments should be complemented with cooperation to promote not only stronger economic growth, but also greater social cohesion.

The economic association agreement signed in 2008 between the European Union and the Caribbean countries (grouped in CARIFORUM) establishes an asymmetrical liberalization programme in goods and services trade and investment between the two parties. The CARIFORUM States will have longer (until 2033 for some products) to open their markets to goods, services and investments from the European Union. On the other hand, the European Union granted immediate tariff- and quota-free access for virtually all CARIFORUM exports (*Latin America and the Caribbean in the World Economy 2010*, ch. IV). The cooperation objectives under the agreement also include assisting member States in implementing tax reform to enable them to reduce their reliance on tariffs as a source of income.

The trade agreements the region's countries have negotiated with China and Japan represent a model somewhat similar to those signed with the European Union. Japan's agreements with Mexico and Peru include a chapter on cooperation that touches on science and technology, the environment, agriculture, SMEs and training and technological and vocational education. The three agreements signed with China by countries of the region (Chile, Costa Rica and Peru) have a chapter on cooperation that includes areas closely linked with the achievement of more inclusive trade. They mention support for competitiveness-building and international positioning of SMEs (including through production chains and partnerships), and cooperation on education and agriculture. As in the case of agreements with the European Union, the chapters on cooperation in the agreements with China and Japan are not bound by the respective dispute settlement mechanisms and the implementation of trade commitments is not conditioned in any way by the achievement of cooperation objectives.

In the agreements the United States has signed with countries of the region,¹⁵ cooperation programmes are written into the chapters on labour and the environment or form the subject of parallel documents. In some cases, the agreements establish asymmetrical commitments and appoint a committee for strengthening the parties' trade capacities, although there are no provisions aimed expressly at making trade more inclusive. The free trade agreements with the United States are the only ones to include binding commitments on

¹⁵ The agreements are with Chile, Colombia, Mexico (in the context of the North American Free Trade Agreement (NAFTA)), Panama, Peru, the Dominican Republic and the Central American countries (in the context of the Dominican Republic —Central America— United States Free Trade Agreement (CAFTA-DR)).

basic labour legislation and environmental standards, whereby repeated and sustained non-compliance affecting trade between the parties can be subject to dispute settlement procedures and ultimately trade sanctions. The substantive commitments undertaken in the labour chapter are: respect for the basic labour rights established in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up (1998)¹⁶ and effective application of their respective labour legislations. The commitments undertaken by the parties in the environmental chapter refer to compliance with obligations arising from certain multilateral environmental agreements and the effective application of their respective environmental legislations.

Along more political than trade lines is Pathways to Prosperity in the Americas, an initiative launched by the United States in 2008 with an integrated approach to development. Launched after the negotiations on the Free Trade Area of the Americas (FTAA) failed, this initiative includes the countries that were most favourable to the talks, with a view to promoting inclusive growth, prosperity and social justice.¹⁷ The member countries are those that have signed free trade agreements with the United States, plus Belize and Uruguay. Pathways to Prosperity was created in response to the recognition that the benefits of economic growth and trade openness have not always been shared fairly in the region. The aim is to close the gap and empower small farmers, small business, craftspeople, workers, women, indigenous communities, Afro-descendants, young people and other vulnerable groups to participate in the global economy (ECLAC, 2010c, ch. III). To this end, technical and financial support is provided by a tripartite committee comprising IDB, ECLAC and OAS.¹⁸

D. Trade policy and gender

Trade policy is not gender-neutral. Insofar as trade policy affects development, the international competitiveness of particular sectors of the economy and employment, it also affects women in a gender-differentiated manner. The mounting rules and disciplines included in the negotiations agenda are not neutral either. Social stakeholders are more strongly motivated to include labour and gender clauses in trade agreements when these are binding commitments, since non-compliance can be subject to trade sanctions.

¹⁶ The basic labour rights mentioned are: freedom of association, effective recognition of the right to collective bargaining, elimination forced or compulsory labour, prohibition of all forms of child labour and elimination of workplace discrimination.

¹⁷ See [online] <http://www.pathways-caminos.org/en/home.html>.

¹⁸ At the fourth ministerial meeting, held in Santo Domingo (October 2011), the Plan of Action 2011-2012 was adopted to boost inclusive economic growth. The plan has four pillars: empowering micro-, small and medium-sized enterprises, facilitating trade, developing a modern workforce, and sustainable business practices and environmental cooperation. Initiatives developed under each of these pillars have led to meetings aimed at network-building (for example, of businesswomen) and exchanging information and best practices in a range of areas.

Generally speaking, trade agreements do not include gender equity specifically or refer to international commitments on equality between men and women. However, several agreements mention equity among the labour principles included in cooperation commitments. The North American Labor Cooperation Agreement of 1994 between Canada, the United States and Mexico, an annex to the North American Free Trade Agreement, mentioned gender issues for the first time, by including non-discrimination and equal pay for equal work among the 11 basic labour principles. The free trade agreement between Canada and Chile has the same modality for labour cooperation and mentions gender equity. Similar models apply in Chile's agreements with Colombia, Panama and Peru, and in the Trans-Pacific Strategic Economic Partnership Agreement (P4) between Brunei Darussalam, Chile, New Zealand and Singapore.

The most recent trade agreements between groups of countries tend to include gender as a cross-cutting issue. The Cotonou Agreement, signed in 2000 between the European Union and a group of African, Caribbean and Pacific countries, has an article aimed at mainstreaming the gender perspective. As noted earlier, gender equality was mentioned in the cooperation pillar of the 2010 agreement between the European Union and the Central American countries.

Negotiators need special preparation to work on the issue of gender equity. In the publication *Gender and Trade Action Guide: A Training Resource* (Atthill and others, 2007), the Commonwealth Secretariat sets down a number of elements. First, the negotiators need to be aware of how gender affects the legal framework of the negotiation (for example, in relation to market access in sectors that are sensitive in relation to women's employment, or the reserve list for services in areas that are sensitive for gender equity). They also need information about the differentiated impact of agreements on women and men, and to be clear about what it is wished to achieve. It is important to protect women's labour rights, maintain ongoing consultations with stakeholders and women's organizations, and include gender experts in the negotiating teams.

A number of initiatives of this sort exist in international forums. In the framework of Asia-Pacific Economic Cooperation (APEC) a pioneering multilateral initiative was developed: the "Framework for the Integration of Women", adopted at the Summit in Auckland, New Zealand, in 1999.¹⁹ The APEC Women Leaders Network (1996) has played a key role in bringing together women from all sectors — government officials, businesswomen, academics, civil society representatives, scientists and indigenous and rural women— to provide policy recommendations to APEC officials (see [online] <http://www.apecwln.org/>).

¹⁹ The Forum has three main pillars: (a) gender analysis (to examine the differences between men and women) in APEC studies, (b) the collection and use of sex-differentiated data at meetings and conferences, and (c) women's participation in APEC.

E. High logistical costs as an obstacle to more inclusive trade

In the future, progress on trade facilitation will be just as important in trade policy as tariff negotiations, if not more so. The costs of international trade are higher in the region today than border taxes and represent 6.6% of the cost of imports into Latin America, on average (IDB, 2011).

Reform to reduce the obstacles to merchandise crossing borders or entering at international ports and airports would do much to expedite trade flows. The economies would also become much more competitive, regardless of multilateral, bilateral or regional negotiations on market access. Lastly, reducing obstacles to the circulation of merchandise would tend to benefit exporting SMEs more, since they find it harder than large firms to grapple with these obstacles than large firms.

The logistical costs of trade are higher in Latin America and the Caribbean than in emerging Asian economies. For example, it costs several times more to export or (especially) import a container in Latin America and the Caribbean than in Malaysia or Singapore (see figure II.4). The cost gap reflects shortcomings in a number of areas, including transport infrastructure, customs procedures and good-quality, internationally competitive logistical services (ECLAC, 2012h, ch. IV).

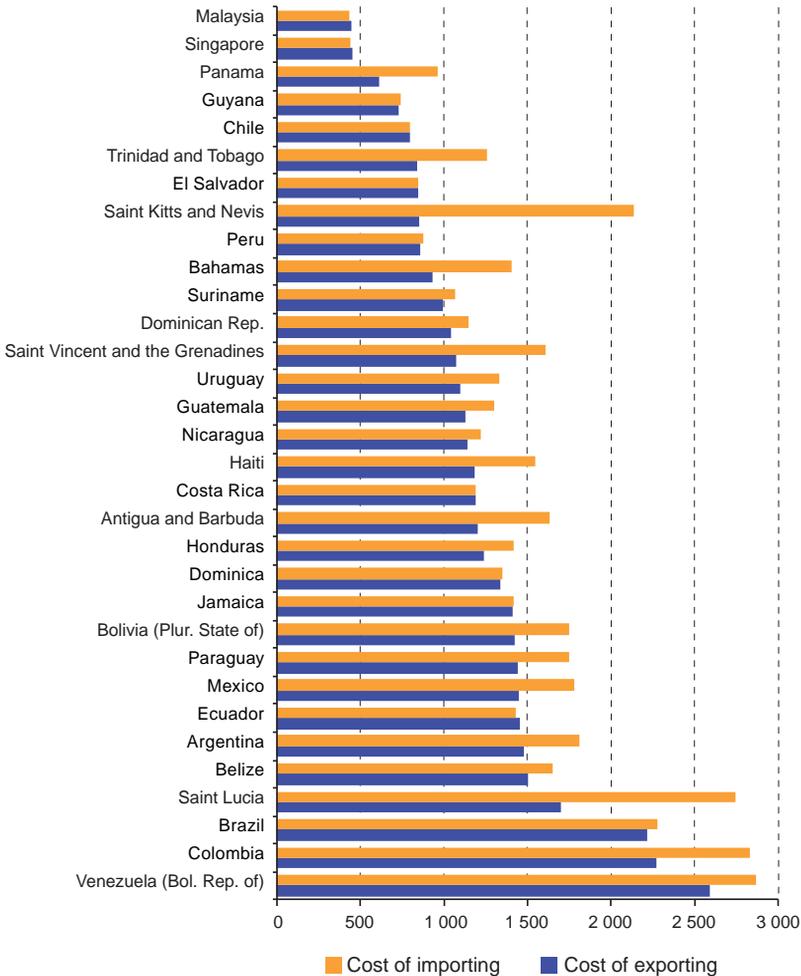
For many of the region's countries, logistics represent a higher cost for trade than tariffs, which are falling. In many cases, transport costs represent a larger proportion of the final cost than the average foreign trade tariff. Unilateral, bilateral and regional liberalization reduced the significance of tariffs as a barrier to trade. However, the gradual geographical fragmentation of production and the use of inventory-optimizing logistical procedures have made logistics a key determinant of competitiveness within a chain.

Connectivity between the links of the chain is a basic prerequisite for the chain to exist at all, and the final price in the destination market determines whether the chain is commercially feasible. In this scheme, logistics are the glue that holds value chains together and a key determinant of profit margins and commercial viability looking forward. Inputs need to be flowing constantly for the chain to operate, and so infrastructure (physical and telecommunications) must be available at all times. Access to efficient and reliable transport and information services also impacts significantly on the chain's competitiveness.

Logistical linkages are formed as a function of the route needed, the nature of the product and its particular handling and transport needs. Logistical costs vary for ordinary bulk products, dangerous merchandise and perishable foods that need a cold chain, because the effort, experience and equipment needed to move them around are different. What needs to be studied, then, is not so much average national logistical costs, but individual export chains, on the

basis that the same product can have different logistical costs within a single country and that, rather than the value per se, what matters is the percentage that this cost represents in the total value of the product. Chapter IV.C examines the differences in logistical costs in global value chains and firm size in greater detail.

Figure II.4
LATIN AMERICA AND THE CARIBBEAN: AVERAGE COST OF EXPORTING AND IMPORTING, 2011
(Dollars per container)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, *Doing Business 2012. Doing Business in a More Transparent World*, Washington, D.C., October.

F. The need to adapt international integration strategies

The new context of global trade requires the countries of the region to refine their strategy for participation in the world economy. As well as being realistic, this strategy must be capable of underpinning greater growth with equity. Accordingly, new advantages need to be developed, moving on from static comparative advantages towards more dynamic ones that make it possible to seize the opportunities arising from the new international context.

False dilemmas, such as between domestic-market-driven and external-market-driven development, need to be put aside. Domestic demand growth can be compatible with great openness to international trade. The economic boom of the past decade in Brazil, China, India and the Republic of Korea showed that domestic market expansion can coexist with openness to global trade and investment flows. In these countries, the expansion of domestic consumption and domestic investment was closely bound up with international processes of trade and capital liberalization, and occurred in parallel with them. Moreover, participation in global flows drove job creation and wage improvements, and was thus a key tool in efforts towards poverty reduction and, to an extent, income redistribution. In today's globalized work, it is not feasible for small and medium-sized economies (such as most of those in the region) to sustain high growth rates without expanding their markets outwards. It is also harder to further development without the technology and processes brought in from more advanced economies through international trade and investment.

The second false dilemma is the so-called natural resources curse. The experience of highly developed countries, such as Australia, Canada, New Zealand and the Nordic countries, shows that natural resources can offer a route towards development if they are properly managed. Rational and environmentally sustainable use of natural resources can boost growth with social inclusion without mortgaging the needs of future generations. This can happen only if a significant share of the income from those resources is invested in such areas as education, science and technology, health and infrastructure, which can lift long-term output growth. The experience of these economies shows that it is possible to add value to natural-resources-intensive exports by embedding related technology and services to transform commodities into differentiated products.²⁰ Lastly, this experience also shows that a countercyclical fund can soften the economic impacts of the price volatility typical of natural resources and that tax reform can achieve a more equitable distribution of the income from them.

²⁰ For an analysis of the options available to the region, see Ramos (1998), Pérez (2010) and ECLAC/FAO/IICA (2012).

Box II.2

AGRICULTURAL NATURAL RESOURCES GAIN RENEWED VALUE

In the past few years, renewed importance has been attached to the role of natural resources and the activities based on them as factors that can help to boost the economies of the region. In the late 1990s, Ramos (1998) argued that the rapid development of a resource-rich region would depend on how quickly it learned to industrialize and process those resources, and to develop input-producing activities and equipment for them. This sort of development is not based on simply extracting natural resources, as has been the case until now, but on the activities that form and grow up around natural resources (i.e. clusters). This point of view was shared by the World Bank in 2001 and it was posited that activities based on natural resources could also be knowledge-intensive industries, which can boost growth on an ongoing basis (De Ferranti and others, 2002).

These arguments take on new validity in the current international context. With prices for agricultural products high, this sector is making a significant contribution to growth in the region. It should be possible to move beyond mere extraction and create linkages with other sectors to help overcome poverty and improve equity. New challenges, such as high prices for raw materials, including agricultural raw materials, can lead to currency appreciation which erodes the competitiveness of other sectors of the economy and poses macroeconomic policy challenges and dilemmas, especially from a development perspective.

Trade integration between the countries of the region and with industrialized and Asian countries is being deepened by new trade agreements, while tariff reduction schedules are advancing. These factors will keep conditions favourable for developing export agriculture. However, more powerful and sophisticated policies are needed to translate these conditions into real opportunities for development.

This new take on agriculture must be viewed in today's context. The agro-industrial food age—in which agrifood industries with strong ties to their own territory were central to the functioning of the food system—has given way to an agro-tertiary age (Rastoin, 2006), in which that central place is occupied by large transnationals specialized in industrial processing and distribution. These are coming ever closer to final consumer through globally known brand management strategies that go beyond the provision of food. Foods are no longer just material goods, and their economic content is approaching that of services: the part made up by agricultural raw materials represents less than 20% of the value of the final product, with the rest generated by processing, packaging, transport, marketing, financial services, insurance and tax. This has been made possible by the new knowledge economy, in which food industries no longer sell only food, but also produce intangibles and symbolic content that are in ever increasing demand for reasons relating to health, beauty, longevity, vitality, well-being and identity (Barrera, 2010). This phenomenon tends to redefine the discussion on the contribution of agriculture to economic development in the countries of the region.

There are even proposals to create new export activities in the region based on natural resources as a platform for advanced innovation and as a source of financing. What is needed is innovation in biotechnology, nanotechnology, bioelectronics, new materials and new types of energy, without losing sight of environmental considerations (Pérez, 2010).

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

The process of production diversification can also produce major market failures which justify public-private support. All countries need a diversification policy to promote linkages with other sectors. This combines the objective of diversification with development of other sectors whose comparative advantages make them potentially successful at the international level.

G. Leveraging opportunities

The region's external conditions in the next few years will be characterized by:²¹

- Economic slowdown in Europe and the United States (two-speed global economy).
- An increasingly central role played by China (Asia-Pacific/India; Brazil, the Russian Federation, India and China (the BRICs)).
- Steep growth in South-South trade (between developing countries).
- High but fluctuating prices for raw materials and reprimarization.
- Trans-Latin firms and rising investment in several of the region's economies.
- The problem of climate change.
- Private standards gaining presence in international markets.
- Orientation of the international consumer towards new standards.

Growth in emerging economies benefits the countries of the region. Supported by diversification policies, this growth can increase the variety and quality of exports, boost technological development, improve business prospects and expand the consumer base. All these factors can generate major benefits in terms of well-being. The positive effects for the Latin American countries include increased demand and higher prices for commodities as a result of rising exports by China and India, which has benefited South American exporters of products such as copper, petroleum and soybean, in particular.²² Other positive aspects include increased opportunities for export of manufactures to Asian markets, new production alternatives, competitiveness gains from the acquisition of cheaper intermediate inputs from Asia and participation in Asian production chains. China has also become a major exporter of financial capital, which has helped to lower interest rates worldwide, and it is rapidly increasing its direct investment in third countries. Active policies are needed on production development, internationalization and technological innovation in order to take advantage of these trade and financial opportunities.

²¹ These matters are explored in detail in ECLAC (2010c and 2012h).

²² To some extent, this phenomenon has also hurt some countries in the region, especially in Central America and the Caribbean, which are net importers of foods, minerals and fuels. There is concern in several emerging economies that rising food and fuel prices could make it difficult to achieve other objectives, such as reducing poverty. For greater detail regarding the likely scenario for the region in the coming years, see ECLAC (2012h).

For the Latin American and Caribbean region, the benefits of greater integration into the globalized economy have been accompanied by costs. Some industries, especially in Mexico and Central America, have suffered from external competition, particularly from Asia (these industries include industrial and electrical machinery, electronics, footwear, and textiles and clothing). The countries have tried to respond to this challenge in different ways: the Dominican Republic is specializing in the production of higher-quality textiles and clothing, at higher prices, while Costa Rica has moved further into value chains in electronics and health, and El Salvador and Guatemala are moving towards production based on lower-waged, unskilled labour. Mexico's situation is special, since it is the Latin American country with the export orientation most like China's. As a result, it has been the worst affected by competition from Chinese manufactures, especially in the United States, its main market. Its proximity to that market is an advantage that should be exploited strategically, advancing in investment and infrastructure that will enable it to regain competitiveness in different value chains.

The region's exports to its three main markets outside the region have become increasingly concentrated in a number of primary products. This reflects the trend towards a reprimarization of the economies caused, in part, by the rise in raw materials' prices. Export concentration rose sharply in the case of Asia, in particular. The region's exports to Asia were already concentrated at the beginning of the last decade, inasmuch as raw materials and resource-based manufactures accounted for a larger percentage of its exports to Asia than its exports to Europe and the United States. However, if well managed, this process of concentration need not necessarily harm inclusive trade and development (see box II.1).

The intraregional market has the greatest potential for making trade more inclusive, both now and in the future. The intraregional market has the largest number of products exported by Latin America and the Caribbean and has the largest presence of manufactures and SMEs. On average, in 2010 the region exported 70% more products intraregionally than to the United States and more than double those going to the European Union. The difference is even greater in the case of Asian markets: on average, Latin America and the Caribbean exports ten times the number of products within the region than go to China and over four times the number of products than go to the rest of Asia.²³ In this context, initiatives aimed at regional integration should be a priority.

There are a number of reasons for the region's difficulties in successfully integrating into global value chains. Analysis of the export baskets of the countries of the region in light of commonly used quality criteria —such as relative productivity, rate of technological progress and growth rates in destination markets— shows great disadvantages *vis-à-vis*, for example, the dynamic core of East Asian countries, which have been growing rapidly for several decades (Kosacoff and López, 2008). Although Costa Rica and Mexico appear to be exceptions to this rule,

²³ Chapter III analyses this situation in greater detail.

these countries' high-tech goods exports have few local linkages and innovation in these industries takes place largely outside Latin America. These two factors greatly limit the impact of export activity on the rest of the economy. There are also differences within the region in terms of participation in global value chains, which is much more extensive in Central America and the Caribbean than in South America, where the extraction of raw materials and access to national or regional markets are the main determinants of FDI location.²⁴

The success of China and the rest of developing Asia offers the region opportunities, but also poses challenges. It heightens the region's traditional comparative advantages based on natural resource exports, labour-intensive manufactures and tourism services. The great challenge, however, is how to leverage these advantages to create linkages, diversify production and exports, and reduce gaps vis-à-vis the industrialized countries in productivity, innovation, infrastructure, logistics and human resources.

The new global scenario appears to offer greater opportunities to develop more inclusive trade, especially because of the growing significance of South-South trade. However, although these are positive trends (contribution to growth, investment flows, involvement of more agents in the export process), a series of factors affecting the nature of the region's international engagement (export concentration and uneven territorial development, among others) do little to reduce its structural heterogeneity or facilitate more balanced development.

There is scope for the Latin American to extract greater benefit from the new opportunities offered by China, India and the rest of developing Asia. Rather than protectionist measures, the region should adopt aggressive strategies to increase its participation in these countries' markets and value chains. It must also consolidate its capacity to compete globally —taking advantage of the cheap inputs from these countries and integrating into Asian production chains— and to strengthen its internal development agenda. Better policies on innovation and education are essential to help firms and workers to become more competitive and acquire the skills to move towards higher-quality products and skilled labour. It is also vital to devise policies to boost rural development, conserve resources, and create industries based on natural resources to help the economies to respond to commodity demand and prices. Lastly, support is needed to restructure industries affected by competition from Asian imports and to retrain and relocate their workers. China, India and ASEAN should not be seen as a threat but as an opportunity that, well used, could help to expedite the region's economic growth and gird the struggle against poverty and inequality.

It is important to focus on the opportunities presented, including to develop a general normative framework and to harmonize regulation of trade-related issues. The countries of the region must be able to properly protect their interests in

²⁴ Chapter IV analyses this topic by sector and by country, looking at modalities and policies that could make global value chains in the region more inclusive.

negotiations on these standards in existing or future forums. For this, they need the right knowledge and people to propose changes or new rules in bilateral or multilateral negotiations, so that these future rules will help to reduce gaps (external and internal) and make trade more inclusive. This needs to happen in different areas, including finance (oversight and harmonization of rules on capital flows), intellectual property and climate change (measurement of the carbon footprint and product certification).

CHAPTER III

The export sector's inclusive potential: employment and firms

This chapter will focus on the degree of inclusiveness of the export sectors of a number of Latin American countries based on an assessment of direct and indirect job creation, the characteristics of export firms and the extent to which small and medium-sized enterprises (SMEs) are involved in international trade. One significant finding is that the growth of the export sector can lead to greater equity since, as the number of export firms and their linkages with the local economy increase, it becomes possible to provide more and better jobs.

Employment associated with export activity represents a significant and growing percentage of total employment. In some countries where exports account for a large percentage of GDP, the level of employment in the export sector is similar to the levels seen in developed countries (see table III.1). In fact, the number of jobs created for every US\$ 1 million worth of exports from the region outstrips the number created in developed countries.¹ In order to approach developed-country levels, the countries of the region will have to boost their per capita

¹ For example, every US\$ 1 million of exports from Chile in 2003 was associated with the direct and indirect creation of 53 jobs (estimated on the basis of the corresponding input-output table). For 2008, it is estimated that every US\$ 1 million of exports was associated with the direct creation of 115 jobs in SMEs, while the corresponding figure for large enterprises was 18. In Costa Rica, the direct creation of a total of 204 jobs was associated with every US\$ 1 million of SME exports in 2010, whereas the corresponding figure for large companies was just 8 jobs. (These figures do not take into account the export coefficient or the businesses' propensity to export; estimates are based on studies prepared by DIRECON (2010a and 2010b) and Procomer (2011)). Using the same input-output table methodology as above, the calculations for the Republic of Korea in 2005 point to the direct and indirect creation of 17 jobs, while, for the United States, direct job creation in export firms came to 5 jobs for every US\$ 1 million of exports.

exports substantially and increase both the number of firms involved in export activity and the level of support provided to SMEs. More specifically, per capita exports and the percentage of firms that engage in export activity need to be trebled, while investment in SME support programmes needs to be increased by a factor of 10 in order to draw closer to developed-country figures.

Table III.1

SELECTED COUNTRIES: INDICATORS OF EXPORT PERFORMANCE, EXPORT FIRMS, EXPORT-RELATED JOBS AND SME SUPPORT

Country	Exports per capita (2010)	Exports per capita firms as a share of all firms (2010)	Top percentile of export firms' share of total external sales (2010)	Export jobs/ total jobs ^a (around 2005)	Jobs per US\$ 1 million of exports (around 2005)	Support for SMEs ^b
	(dollars)	(percentages)	(percentages)	(percentages)	(number)	(percentages of GDP)
Argentina	1 683	...	72.0	15.1	27	...
Brazil	1 010	0.5	59.5	14.5	101	0.085
Colombia	860	0.4	78.6	12.2	97	0.008
Chile	4 813	0.8	81.0	24.1	53	0.03
Mexico	2 695	0.7	73.1	13.4	27	0.015
Uruguay	1 999	1.6	40.8	18.0	56	0.024
Spain	8 019	3.4	64.0	14.1 (direct)	10 (direct)	0.41
Belgium	27 685	5.8	48.0	...	...	...
Republic of Korea	10 875	2.7	...	21.2	17	0.27
United States	5 758	4.5	66.3 ^{c,d}	6.9 (direct) ^d	5 (direct) ^d	(0.39)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Commodity Trade Statistics Database (COMTRADE), the OECD database, Bank of Korea, United States Census Bureau and estimates based on input-output tables or total export-firm jobs, direct employment and official figures for the countries concerned.

^a The figures for employment in the export sector include directly and indirectly created jobs (estimated on the basis of input-output tables for each country, including the Republic of Korea). The figures for Spain are the official estimates issued by the Ministry of Trade. For the United States, the figures are drawn from the export firm database of the United States Census Bureau. (Estimates of indirect job creation could not be calculated in this case.)

^b These figures reflect the total annual budgets of all SME support agencies. For the United States, the figures represent an average for 11 states.

^c Refers to the share of industrial firms having more than 500 employees (2.2% of industrial exporters).

^d Refers to the total number of industrial exporters.

Another significant finding is that the composition of exports in terms of destination markets influences how inclusive the sector is. Exports to neighbouring countries involve more job creation and the participation of more firms, and trade with the United States involves more SMEs. Generally speaking, exports to the United States create more jobs than exports to Asia. For example, in 2003, for every US\$ 1 million of exports that Chile sold to the United States, 82 jobs were

created, whereas the same amount of exports to China created just 30 jobs. In Colombia, the corresponding figures were 93 and 64 jobs, respectively. In the case of Mexico, every US\$ 1 million of exports to the markets covered by the North American Free Trade Agreement created 27 jobs, whereas the same level of exports to China created 16 jobs.

The nature of each country's position in the international market also influences the correlation between the composition of destination markets and the degree of inclusiveness. For example, Chilean exports to China account for over 20% of its total exports but are being sent by just 6% of its export firms and only 1.4% of its SME exporters. As a result, the number of jobs associated with that activity is very low (5.5%). In the case of Chilean exports to Brazil, these indicators are more in line with one another, as Brazil accounts for 5.7% of total Chilean exports, 8.7% of its export firms and 8.1% of its export jobs, thanks to the greater share of agricultural exports in total shipments.

A. Trade and employment: trends in the region

Employment and productivity are fundamental factors in linking trade with equality, since employment is the main source of household income and a key focus of social protection policies. As a result, prevailing levels of equality and aggregate productivity are lower than they otherwise would be due to the fact that such a large percentage of the economically active population is employed in low-productivity jobs, the existence of wide wage gaps, the fact that poor and indigent sectors of the population have lower employment rates and the fact that women and young people tend to occupy especially disadvantageous positions in the labour market.²

The export sector makes a significant contribution to total job creation in the region, and the wages in that sector tend to be higher than in the rest of the economy, although it is also true that job losses are associated with imports. An analysis of the input-output tables for five countries points to an upward trend in jobs that are directly or indirectly related to exports, with the total number of such jobs representing between 9.2% and 24% of total employment. Female employment levels in the export sector are lower than they are in the workforce as a whole, however, and women's wages also tend to be lower. The quality of export-sector jobs differs a great deal across countries and sectors but, generally speaking, women's employment conditions in this sector tend to be less advantageous.

The different countries' positions in the international market, which can be analysed on the basis of the structure of their exports, is a very significant factor in determining the number and quality of the jobs associated with their export sectors. The make-up of the labour force in sectors involved in export activity is determined by each economy's comparative advantages and the country's policies on export development and the protection of local industries. As a

² ECLAC (2010b, p. 48).

result, the number of jobs created by export activity depends on their sectoral composition and on the export sector's labour-intensiveness and linkages with other sectors of the economy.

1. The export sector's contribution to job creation in the region

The amount of employment incorporated into exported goods and services can be calculated on the basis of input-output tables.³ Tables for the 2000s for six countries (Argentina, Brazil, Chile, Colombia, Mexico and Uruguay) were used for this purpose.

Overall, jobs linked directly with the export sector accounted for 9.2% of total employment, while those indirectly associated with that sector represented another 24% of the total, and in most of the countries, the corresponding figures are on the rise (see table III.2). In every country except Colombia, the increasing share of GDP generated by exports was reflected in an expansion of export-related employment at a rate that outstripped the growth of total employment.⁴ A breakdown of direct and indirect export-sector jobs for the years under review confirms that the expansion of both of these types of employment outdistanced the growth of total employment. Even so, with the exception of Chile, indirect employment (jobs associated with goods and services used as inputs by the export sector) climbed faster than directly created jobs and consequently increased their share in total export-related employment (see table III.3).

The faster growth of indirect export-sector employment is a signal of the consolidation or increase in the export sector's domestic linkages. There are differences from country to country, however. In Brazil and Uruguay, each directly created export-sector job leads to the creation of approximately one job that is indirectly associated with the export sector, but the ratio is much lower for Chile, Colombia and Mexico. The level of indirect employment in the various sectors of economic activity also varies across countries.

The growth of total export-sector employment is influenced by a number of factors apart from export performance, such as trends in technical coefficients (that determine the volume of inputs required to produce each unit of output and the interrelationships between different sectors of economic activity) and labour productivity (Castilho, 2011). Any given variation in exports can have a different impact on employment (and on its composition in terms of direct and indirect jobs) depending on how labour-intensive the sector is and how strong its linkages with other sectors are. If exports are mainly composed of commodities that have few or weak linkages with other sectors of the economy and if export

³ Some of the preliminary findings of the study conducted by Durán and others (2013) are presented in sections III.A.1-III.A.3.

⁴ This upswing was particularly sharp in Uruguay, where total employment decreased by 0.5% per year between 1997 and 2005, while export-sector employment climbed by an annual average of 4.2%, expanding its share of the total from 12.5% to 18%.

activities function as enclave industries that are largely unrelated to the rest of a country's production apparatus, the level of indirect export-related job creation will be lower.

Table III.2
SELECTED COUNTRIES: TOTAL EMPLOYMENT AND EXPORT-RELATED EMPLOYMENT

Country	Year	Total employment		Export-related employment (direct and indirect)		
		Thousands of persons	Average annual variation (percentages)	Thousands of persons	Average annual variation (percentages)	Percentage of total employment
Argentina	1997	9 584	1.2	881	5.9	9.2
	2007	10 320		1 559		15.1
Brazil	2000	78 972	2.9	7 956	10.6	10.1
	2005	90 906		13 149		14.5
Chile	1996	5 180	1.6	953	5.6	18.4
	2003	5 785		1 397		24.1
Colombia	1997	13 092	3.4	1 908	1.1	14.6
	2005	17 118		2 087		12.2
Mexico	2003	34 702		4 650		13.4
Uruguay	1997	1 522	-0.5	190	4.2	12.5
	2005	1 463		264		18.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of input-output tables and employment surveys in each country.

Table III.3
SELECTED COUNTRIES: EXPORT-RELATED EMPLOYMENT (DIRECT AND INDIRECT)

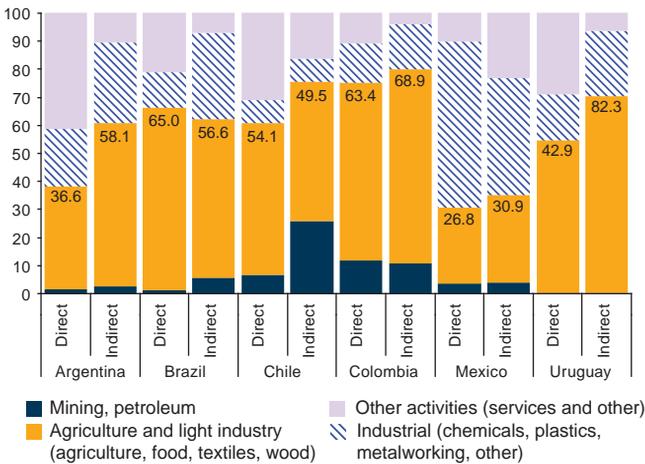
Country	Year	Direct employment		Indirect employment		Indirect employment/direct employment (number of times)
		Thousands of persons	Average annual variation (percentages)	Thousands of persons	Average annual variation (percentages)	
Argentina	1997	365	6.8	517	5.2	1.42
	2007	704		856		1.22
Brazil	2000	4 002	8.6	3 954	12.4	0.99
	2005	6 046		7 103		1.17
Chile	1996	564	6.2	389	4.7	0.69
	2003	860		536		0.62
Colombia	1997	1 401	1.0	507	1.4	0.36
	2005	1 522		565		0.37
Mexico	2003	3 465		1 185		0.34
Uruguay	1997	94	4.0	96	4.4	1.01
	2005	129		135		1.05

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of input-output tables and employment surveys in each country.

An analysis based on economic sectors aggregated into just four categories highlights the importance of the agro-export sector (including food, beverages and tobacco) and light industry (especially textiles and clothing, footwear and

wood, pulp and paper) as direct and indirect employers in five countries of the region. The situation in Mexico differs, since heavy industry (chemicals, plastics and metalworking) generates the bulk of the jobs that are directly or indirectly related to exports (see figure III.1).

Figure III.1
SELECTED COUNTRIES: EXPORT-RELATED EMPLOYMENT (DIRECT AND INDIRECT), BY SECTOR, AROUND 2005
(Percentages of total export-related employment)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of input-output tables and employment surveys in each country.

A more disaggregated analysis shows that there are three categories of economic activities in terms of direct and indirect job creation in the export sector (see table III.4):

- One category consists of sectors that account for a large share of exports but contribute little in terms of job creation because they are not labour-intensive and have few linkages with the rest of the economy.
- A second category is made up of sectors that do not account for a large share of total exports but that are highly labour-intensive or have strong linkages with the rest of the economy and therefore create more jobs in the export sector than the activities in the first category.
- A third category is composed of sectors that account for a substantial share of export activity and that have strong linkages with the rest of the economy. This group creates a substantial portion of total jobs; most of this employment is created indirectly, since these activities are less labour-intensive than the economy-wide average.

Table III.4
EXPORT-RELATED EMPLOYMENT (DIRECT AND INDIRECT), BY BRANCH OF ACTIVITY
(Percentages)

	Argentina, 2007		Brazil, 2005		Chile, 2003		Colombia, 2005		Mexico, 2003		Uruguay, 2005	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
Agriculture, forestry, hunting and fishing	16.2	8.2	43.4	2.5	31.8	8.7	42.2	2.6	18.2	2.3	9.7	3.1
Petroleum and mining	1.7	2.6	1.2	5.6	6.8	25.9	11.7	10.9	4.3	3.7	0.1	0.1
Food, beverages and tobacco	13.8	42.5	8.7	44.3	7.6	24.9	6.2	59.5	1.7	15.6	16.9	64.7
Textiles, clothing and footwear	4.6	5.2	8.1	3.9	1.6	0.7	13.2	5.0	11.0	7.3	10.8	12.3
Wood, paper and pulp	2.1	2.2	4.9	5.8	13.1	15.2	1.8	1.8	1.4	1.6	5.6	2.2
Chemicals and pharmaceuticals ^a	4.0	15.1	0.9	6.6	1.3	3.7	2.6	5.5	1.2	5.2	2.9	3.3
Rubber and plastics	1.9	1.3	0.6	0.8	0.6	0.6	1.4	1.2	2.1	2.9	2.9	1.6
Non-metallic minerals	1.3	0.3	1.5	0.9	0.1	0.2	1.8	1.2	1.2	1.3	0.8	0.4
Metals and metal products, machinery and equipment	7.5	4.7	5.4	11.7	5.0	2.7	5.2	6.0	17.2	20.3	4.2	1.5
Motor vehicles and spare parts	4.8	6.9	2.7	9.9	0.6	0.5	1.2	1.8	11.1	25.2	1.5	0.9
Other manufactures	0.9	0.3	1.7	0.8	0.3	0.5	1.9	0.6	2.8	4.4	3.9	0.8
Other activities ^b	41.3	10.6	20.9	7.2	31.2	16.4	10.8	3.9	27.8	10.1	40.8	9.2
Total (thousands of jobs)	704	856	6046	7103	860	536	915	1120	3465	1185	127	132

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of input-output tables and employment surveys in each country.

^a Includes petrochemicals.

^b Includes construction, electricity, gas and water, and other services.

The petroleum and mining sector in Mexico is an example of the type of activity that falls into the first category. This sector was the fourth-biggest exporter in 2003 (accounting for 10% of total exports), but it is not labour-intensive (8 workers for every US\$ 1 million of output as compared to the economy-wide average of 30 workers), and this is reflected in its very small share of total employment (1.1%) and in direct export-sector employment (4.3%). In addition, because it has so few backward linkages, its share of indirect export-related job creation is also small (3.7%), as it creates just 0.3 jobs indirectly for each directly created job.

The agricultural, forestry hunting and fishing sector in Brazil is an example of an activity that falls into the second category. This sector accounts for fairly small shares, in value terms, of gross output and of total exports but, since it is comprised of labour-intensive activities (258 workers per US\$ 1 million of output), as of 2005 it accounted for somewhat more than 20% of total export-related employment and for a similar percentage of total employment. Because this sector has weak backward linkages, however, almost all of the export-related jobs that it creates are direct, with just 0.1 indirect jobs being created for every direct job. On the other hand, it is the biggest single direct export-related job creator, accounting for more than 40% of total direct export-sector employment.

Brazil's food, beverages and tobacco industries are a clear example of an activity that belongs in the third category. The demand for labour generated by this sector, which was the second-largest exporter in 2005, is fairly low (20 workers for every US\$ 1 million of output as compared to the economy-wide average of 58), and this is reflected in its small shares of total employment (2.5%) and direct export-related employment (around 9%). Yet, because it has strong backward linkages, it accounts for nearly 30% of indirect export-related employment, creating six indirect jobs for every direct job. Other sectors in this category include the petroleum and mining industries in Chile and Colombia and the food, beverages and tobacco industries in Uruguay.

The industries grouped under the heading "other activities" (construction, electricity, gas and water, and other services) represent a significant share of production and of total employment but differ across countries in terms of their contributions to exports and export-related employment. In Argentina, Brazil, Chile, Mexico and Uruguay, they produce a large share of total exports, and this is mirrored in a large share of export-related employment (especially direct employment, since they are labour-intensive sectors but have fairly weak linkages). In Colombia, in contrast, this sector accounts for no more than a limited share of exports and export-related employment.

2. Estimation of the levels of employment linked to different trading partners

The sectoral composition of exports as measured by destination market differs sharply from one country to the next. As was seen earlier, the labour content of exports also differs across sectors, which means that the impact of trade on job creation varies depending on its sectoral composition. An increase in exports to a trading partner that mainly buys labour-intensive commodities from sectors with weak backward linkages will exert a different kind of influence on employment than an increase in trade with a country or region that chiefly buys manufactures (although, within this category, the different activities' degrees of labour intensiveness and the strength of their linkages also vary).

In Argentina, the structure of exports by destination market is very similar to the distribution of export-related employment by destination market. In 2007, exports to other countries in the region accounted for 32.5% of all shipments, while the jobs associated with those exports amounted to 34.2% of the total. In contrast, shipments to the United States represented no more than small percentages of exports and export-related employment (7.9% and 5.9%, respectively). Exports to Europe (which include more labour-intensive products, such as food, beverages and tobacco) account for 18.6% of export-related employment, which is slightly higher than the proportion of total exports directed to that market (17.8%) (see figure III.2).

Figure III.2

STRUCTURE OF EXPORTS AND EXPORT-RELATED EMPLOYMENT, BY DESTINATION MARKET

(Percentages of total exports of goods and of export-related employment)

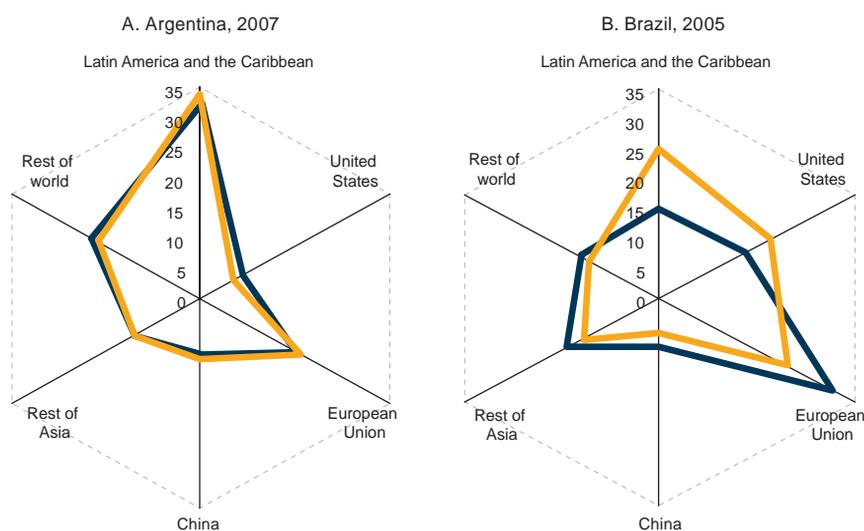
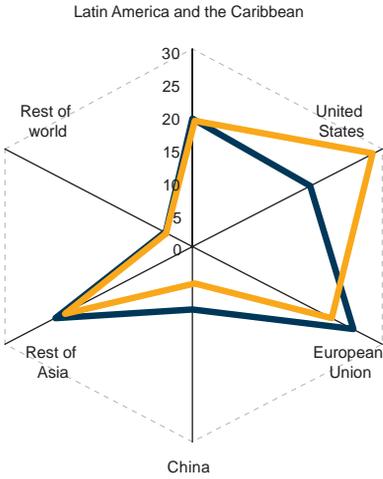
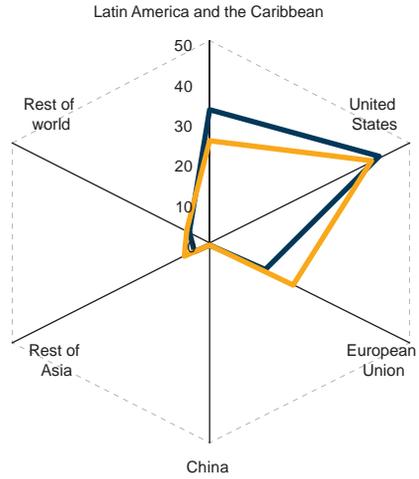


Figure III.2 (concluded)

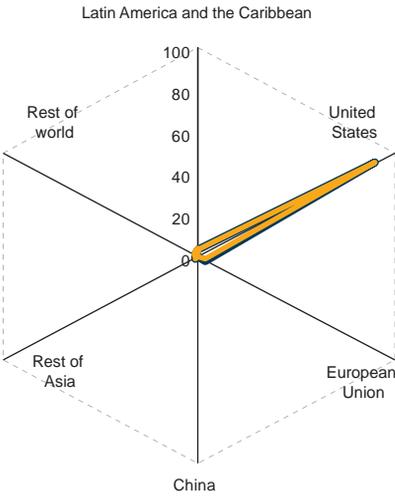
C. Chile, 2003



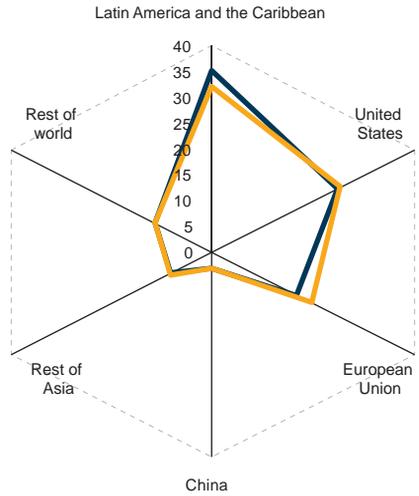
D. Colombia, 2005



E. Mexico, 2003



F. Uruguay, 2005



— Share of exports

— Share of export-related employment

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of input-output tables and United Nations Commodity Trade Statistics Database (COMTRADE).

While Brazil's exports to the European Union and China came to around 30% and 8%, respectively, of total exports of goods in 2005, they were concentrated in agricultural commodities, while its exports to the Latin American and Caribbean region and to the United States (around 15% of the total in each case) comprised a

larger proportion of manufactures. These differences are reflected in the different regions' shares of export-related employment. The European Union and, to a lesser extent, China and the rest of Asia account for a greater share of export-related employment than they do of export value, whereas just the opposite is true in the case of Latin America and the United States.

In 2003, the differences between Chile's exports to Asia (other than China) and to the United States were quite notable. While the country's exports to Asian countries other than China (mainly mining exports) accounted for over 30% of total exports, these sales corresponded to just slightly over 20% of export-related employment. On the other hand, in the case of the United States, which is the third-largest export market (16% of the total, with most of this being made up of agricultural commodities and agriculture-based manufactures), the corresponding figure for export-related employment was nearly 30%.

The structure of Colombia's exports of goods also exhibit clear differences from one destination market to the next. In 2005, the country's sales to other countries in the region were primarily made up of manufactures (much of them from the chemicals and pharmaceuticals industries). Most of the exports sent to the European Union, the rest of Asia and, to a lesser extent, the United States were commodities (agriculture, forestry, hunting and fishing and, to a lesser degree, petroleum and mining), while sales to China mainly involved metals and metal products. For Colombia, the three destination markets associated with the highest levels of job creation were the United States, Latin America (although its share of export-related employment is smaller than its share of exports) and the European Union, which has a larger share of employment than of exports.

The fact that an overwhelming majority of Mexico's exports are sold to the United States (89.9% of the total in 2003) is mirrored in the level of export-related employment associated with this market (90.3%). The other regions have similar shares of exports and export-related employment despite the differences that exist in the sectoral composition of those exports.

In Uruguay, the distributions of exports and export-related employment by destination market are quite similar.

Nevertheless, Latin America (the main destination market (35%) as of 2005) has a smaller share of employment overall, whereas the European Union (third-largest export market, with 17% of the total) has a slightly larger share of job creation than it does of total exports.

An analysis of the distribution of the employment levels associated with intraregional exports versus those associated with exports to the rest of the world indicates that intraregional manufactured exports are more labour-intensive, as they account for between 73% and 98% of the total employment associated with these exports (see table III.5). An analysis based on the number of firms yields much the same type of result, since most exporters of manufactured goods sell their wares to markets within the region.

Table III.5
**EXPORT-RELATED EMPLOYMENT, BY TYPE OF SECTOR
 AND DESTINATION MARKET, AROUND 2005**
(Percentages)

Type of trade	Sector	Argentina	Brazil	Colombia	Chile	Uruguay
Intraregional	Commodities	17.2	8.9	25.7	27.0	2.5
	Manufactures	82.8	91.1	74.3	73.0	97.5
Extraregional	Commodities	24.5	31.4	67.1	52.9	13.2
	Manufactures	75.5	68.6	32.9	47.1	89.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of input-output tables and estimates.

3. Import-related job losses

International trade flows influence employment levels not only in the export sector but also in the rest of the economy, where they may lead to job losses. The employment content of imports (as a yardstick for measuring the number of job losses in sectors that compete with imports) can be estimated on the basis of an analysis of input-output tables.

A special methodology developed on the basis of the work of Sachs and Shatz (1994) was used to gauge the potential job losses associated with imports. First, estimates were calculated of the levels of exports and imports that would have been registered in the last year of the period under review of each country (2003 for Chile and 2005 for Brazil, Colombia and Uruguay) if the export coefficient (exports/output) and the import penetration coefficient (imports/apparent consumption) for each sector had remained at the same level as shown in the preceding input/output table.⁵ The next step was to calculate the variation in each sector's exports and imports as the differential between the figure for the last year and the figure that was estimated for that year on the basis of the coefficients for the initial year. The last step was to apply each sector's employment coefficients to the estimated variation in its exports and imports. This yielded a measurement of job creation and potential job losses based on the variation in each sector's degree of openness between the starting and ending years.

The results indicate that, in the aggregate, the net employment effect was positive in the years and countries analysed:

- In Brazil, the greater propensity to export that existed in 2005 is estimated to have created nearly 3.5 million more jobs than the number that would have been created if the economy's propensity to export had remained at its 2000 level. The lower level of import penetration in the Brazilian economy in 2005 as compared to its level in 2000 is estimated to have averted the loss

⁵ More specifically, the years used in these calculations were 1996 for Chile, 1997 for Colombia and Uruguay, and 2000 for Brazil. Since only one input-output table was available for Mexico, the estimates could not be made. No calculations were undertaken in the case of Argentina because the coefficients were the same in the two tables.

of around 1.8 million jobs. The net effect appears to have been an increase of over 5 million jobs.⁶

- In Chile, the increase in the propensity to export since 1996 is estimated to have created an additional 334,000 jobs in 2003, whereas the greater penetration of imports is estimated to have resulted in a loss of 132,000 jobs, for a net effect of a trade-related increase of approximately 200,000 jobs.
- In Colombia, a lower propensity to export in 2005 is estimated to have led to a 416,000 drop in export-related employment relative to the level that would have existed if the economy had maintained the propensity to export that it had in 1997. However, the lower import penetration averted an estimated loss of 818,000 jobs. The net effect is therefore a gain of 402,000 jobs.
- In Uruguay, aggregate estimates point to an 84,000 upswing in the number of export-related jobs owing to an increase in the propensity to export and a loss of 32,000 jobs as a consequence of a greater penetration of imports, for a net positive effect of 52,000 jobs.

When analysed at the sectoral level, it becomes clear that there were winners and losers in each country. While it is true that all sectors in Brazil experienced a net positive effect, some of them witnessed a decline in export-related jobs (motor vehicles and spare parts) while others saw a slight decline as a result of increased import penetration (rubber and plastics, non-metallic minerals). In Chile, the net results are more mixed, with a number of sectors displaying job losses (especially textiles, clothing and footwear, other activities, and food, beverages and tobacco). In Colombia, agriculture, forestry, hunting and fishing and other activities lost jobs (as a result of a lower propensity to export), while machinery and equipment and chemicals and pharmaceuticals marked up strong net gains (mainly thanks to reduced import penetration). Some sectors in Uruguay also experienced net job losses (mining, textiles, clothing and footwear, and non-metallic minerals), primarily as a result of increased import penetration.

⁶ A shift in destination markets was also a factor in this case, since the reduction in the level of MERCOSUR exports and the increase in exports to Asia boosted job creation. Between 2000 and 2005, exports from Brazil to MERCOSUR fell from 13.1% to 9.4% of the total, and the share of export-related jobs associated with that market dropped from 8.8% to 5.6%. This decline was more than offset by the upswing in exports to China and to the rest of Asia (from 2% to 5.9% and from 12.1% to 13.8%, respectively) and in export-related jobs associated with those destinations (from 3.3% to 5.9% and from 12.1% to 13.8%, respectively). In five years' time, the number of jobs associated with MERCOSUR climbed from 603,000 to 645,000, and the number of jobs associated with exports to Asia jumped from 1.17 million to 2.85 million. (While these are clearly sizeable increases, it is not known whether or not they represent new jobs.) This is not the most representative type of case for exports directed to Asia, however. In other countries, increases in exports to Asia have, because of their composition, been associated with smaller upturns in job creation (see Duran and others, 2013).

Table III.6
EMPLOYMENT ASSOCIATED WITH DIFFERING DEGREES OF TRADE OPENNESS, BY COUNTRY
(Thousands of persons)

Sector	Brazil (2000-2005)		Chile (1996-2003)		Colombia (1997-2005)		Uruguay (1997-2005)					
	(1)	(2)	(1)+(2)	(1)	(2)	(1)+(2)	(1)	(2)	(1)+(2)			
Agriculture, forestry, hunting and fishing	671	444	1 115	166.2	1.1	167.3	-333.3	-173	-350.6	-0.8	2.0	1.2
Petroleum and mining	155	43	198	-2.1	-10.1	-12.3	72.1	1.3	73.4	0.1	-8.8	-8.7
Food, beverages and tobacco	1 444	271	1 715	4.8	-26.0	-21.2	50.6	29.1	79.6	36.6	-3.4	33.2
Textiles, clothing and footwear	124	17	142	3.8	-34.5	-30.8	-75.9	79.2	3.3	5.7	-8.7	-3.0
Wood, paper and pulp	128	50	177	57.5	-8.6	48.9	3.8	34.1	38.0	7.4	-0.7	6.7
Chemicals and pharmaceuticals ^a	190	152	342	15.3	10.5	25.8	-28.4	204.1	175.7	1.9	-1.1	0.8
Rubber and plastics	16	-2	14	3.3	-0.6	2.7	-0.3	10.5	10.2	4.0	-0.8	3.2
Non-metallic minerals	55	-3	52	1.0	-0.5	0.5	-1.8	6.3	4.5	-0.2	-0.3	-0.5
Machinery and equipment ^b	198	294	492	17.2	29.5	46.7	12.6	342.7	355.3	1.6	-1.6	0.1
Motor vehicles and spare parts	-20	350	330	3.4	-7.2	-3.8	4.4	47.8	52.2	0.3	0.6	1.0
Other manufactures	42	10	52	1.7	-2.6	-1.0	-3.2	74.8	71.6	5.2	-2.0	3.2
Other activities ^c	424	163	587	61.8	-83.2	-21.4	-116.3	5.0	-111.3	22.1	-6.9	15.1
Total	3 427	1 790	5 217	334	-132	201	-416	818	402	84	-32	52

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of input-output tables and employment surveys in each country.

Notes: (1) Employment associated with the variation in export coefficients. (2) Employment associated with the variation in the coefficient of import penetration.

^a Includes the petrochemicals industry.

^b Includes metals and metal products.

^c Includes construction, electricity, gas and water, and other services.

4. Gender and export-sector employment

When trends in export-sector employment are disaggregated by sex, it can be seen that women's share of total employment in that sector ranges from 21% to 35%, in approximate terms, in the various countries (see table III.7). No major differences appear to exist in this respect between direct and indirect employment. In Brazil and Chile, women's share of employment in the export sector is smaller than their share of total employment. Only 11.9% of employed women were working in jobs that were directly or indirectly linked to exports in Brazil in 2005, while in Chile the corresponding figure was 12.7%. In Mexico, the percentages of employed men and women who were working in the export sector were similar.⁷

Table III.7

EXPORT-RELATED EMPLOYMENT (DIRECT AND INDIRECT), BY SEX (Thousands of people and percentages of the total)

	Brazil, 2005	Mexico, 2003	Chile, 2003
Total export-related employment	13 149	4 650	1 397
Women	34.7	32.7	20.8
Men	65.3	67.3	79.2
Directly export-related employment	6 046	3 465	860
Women	37.6	32	21.7
Men	62.4	68	78.3
Indirectly export-related employment	7 103	1 185	536
Women	32.1	34.6	19.5
Men	67.9	65.4	80.5
Export-related employment as a percentage of total employment			
Women	11.9	13.8	12.7
Men	16.4	13.2	31.7
Main employers of women	Agriculture, textiles and footwear	Motor vehicles, textiles and footwear, metals, machinery and equipment	Food, agriculture, wood, paper and pulp

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of input-output tables and employment surveys in each country.

The fact that women's share in export-related employment is smaller than their share of total employment is the net effect of existing patterns of production specialization, trade specialization and gender-based segregation in the labour

⁷ A similar study on a number of Latin American countries (Azar, Espino and Salvador, 2007) found that the women's share of total export-related employment ranges from approximately 22% to 43% and that it is smaller than women's share of total employment. Female employment in the export sector represents only between 5% and 12% of total female employment.

market, since —apart from Mexico— these economies specialize in the production of commodities or other products with very little national value-added content in branches of activity where male workers predominate.

The export-related jobs held by women tend to be low- or mid-skilled jobs, with highly educated women holding a smaller percentage of jobs in the export sector than in the labour market as a whole. In terms of job quality, in some areas of the export sector the jobs held by women do not afford job security, do not provide social security coverage and are poorly paid or even not remunerated at all (as in the case of agriculture in some countries).⁸

B. Wages in the export sector

Wages tend to be higher in the export sector than in the rest of the economy. Studies on wage differentials between export and non-export sectors or between export sectors and the economy as a whole confirm this.

The wage gap between export firms and other firms seems to be wider in the region than it is in Europe and more developed countries. In Western Europe, export firms tend to pay between 10% and 20% more than non-export firms (Mayer and Ottaviano, 2007). A similar situation exists in a number of developing countries.⁹

The region's export firms also tend to pay higher wages than the economy-wide average and than non-export firms that are similar in size, according to studies on the export sector based on the available microdata on export firms (DIRECON, 2009a, 2009b, 2009c, 2010a and 2010b) and household and corporate surveys. This underscores the importance of initiatives for promoting export and export-related employment growth as a means of building social equity. The wages paid by export firms in the region are between 23% and 40% higher than average wage levels in the economy; however, the wages paid by SME exporters are less than half the average export-firm wage, since that average is strongly influenced by the wages paid by large export companies. In other words, not all export-related jobs are better paid than the average, since there are many exceptions to this rule and the wages paid by firms that are outsourced by large exporters are often much lower.¹⁰

⁸ Azar, Espino and Salvador (2007) estimate that 62% of the women employed in the agricultural sector in Brazil are unremunerated workers.

⁹ In a number of emerging economies, in addition to being paid more, export-sector workers tend to have better working conditions and greater job security.

¹⁰ Exceptions include agricultural exporters that mainly hire women. In the case of countries that export minerals, such as Chile and the Plurinational State of Bolivia, workers generally prefer to apply for positions in export enterprises and tend to remain in those better-paying jobs. In the service providers that are subcontracted by export firms, however, conditions tend to be notably worse (see Urmeneta, 2010).

The wage differentials separating export and non-export firms in the countries of the region may be associated with efficiency wages or productivity gaps (owing to better technology or greater production scales). Other variables that have been found to exert an influence include educational and unemployment levels, the size of the informal sector and the level of self-employment, and the extent of access to inputs and demand elasticities. Evidence gathered in Brazil indicates that industrial enterprises boosted their productivity more rapidly than those in other sectors in response to increased external competition and improved export opportunities, although these productivity gains could also have been the result of differences in employment levels (Menezhes-Filho, Muendler and Ramey, 2007).

The difference between wages in export and non-export sectors has been widening in some countries of the region. The presence of labour unions also appears to be part of the explanation for the better working conditions found in export firms. A joint ECLAC/ILO study in Chile found that: (a) the hourly wage gap between tradable and non-tradable sectors widened from 18% in 2003 to 25% in 2008; (b) unionization exerts a very strong influence on wage-setting in tradable sectors but a much weaker one on sectors producing less tradable goods; and (c) a significant portion of the difference between average wages and the higher wages earned by employees in liberalized sectors of the economy can be accounted for by the presence of strong trade unions which have managed to secure higher wages for their members.¹¹

C. The region's export firms

A range of internal and external factors determine how many export firms there will be in a given economy. External factors include the level of international trade, while the domestic factors at work include the size of the economy, its level of development, the pattern of specialization in its production structure and its trade policies. The number of export firms has risen in most of the countries of the region over the past decade, and these firms' growth rate has actually outstripped the total business growth rate, especially in countries that have applied consistent export development policies.

In 15 countries of the region that account for nearly 97% of its total exports, there were 117,000 export firms as of 2011. Approximately 31% of those businesses were located in Mexico, another 19% were in Brazil and 11% in Argentina. In all, the number of export firms in the region climbed by 15% between 2002

¹¹ See [online] [www.eclac.cl/de/agenda/4/43754/Agenda_KLEMS_\(3\).pdf](http://www.eclac.cl/de/agenda/4/43754/Agenda_KLEMS_(3).pdf).

and 2011 (see table III.8).¹² In a number of countries, and particularly those that have had consistent export development policies in place, the increase in the number of export firms has outpaced the rise in the number of businesses overall. Particularly steep increases in the number of exporters have been observed in countries such as Ecuador, the Plurinational State of Bolivia and Peru. The upswing in the number of exporters was dampened by the 2009 crisis, however, and it has proven difficult for exporters to regain their earlier momentum. In several of the region's larger economies, such as Argentina, Brazil, Chile and Colombia, there were fewer export-oriented businesses in 2011 than in (pre-crisis) 2008, and the percentage of export-oriented firms is still very small. In most countries, the share of firms that operate as exporters has remained below 2% over the past decade and is less than 1% in many of them (see figure III.3a). Costa Rica is somewhat of an exception, since its export firms represent roughly 4% of all businesses.

The breakdown of export firms is a magnified reflection of the structural heterogeneity of the economies of the region. In many of the countries of Latin America and the Caribbean, exports are heavily concentrated in the hands of just a few large companies. The first percentile of export firms accounts for more than 70% of exports from Argentina, Chile, Colombia, Mexico, Paraguay, Peru and the Plurinational State of Bolivia. The level of this indicator is similar to the levels seen in developed countries only in Panama and Uruguay (see table III.9 and figure III.3b).¹³

The universe of export firms is highly variable because there is such a high turnover in terms of participating enterprises in most of the countries of the region. Many new firms enter the export sector every year, while a comparable number of companies leave it. Turnover is higher among smaller ventures, and it spiked during the 2009 crisis, when the number of entering firms fell and the number of exiting firms rose.

In many countries of the region, the turnover rate is over 35% and is thus much higher than it is in developed countries (see figure III.3c). With the exception of Brazil, the rate is even higher than it is in Spain, where mobility in the export sector has been particularly marked. The situation in Argentina has been very different, with the components of the export sector remaining practically unchanged. In fact, the turnover rate is much lower (around 10%) and has been falling in recent years.

¹² Table III.8 shows the figures for 12 countries. It does not include the Bolivarian Republic of Venezuela, the Dominican Republic or Panama because complete series for these countries are unavailable.

¹³ In Belgium, for example, the top percentile of export firms accounts for 48% of all shipments (World Bank, 2012). For further information on exports firms in Chile, see DIRECON (2010a and 2010b) and Urmeneta (2010).

Table III.8
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): NUMBER OF EXPORT FIRMS, 2002-2011^a

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Argentina	12 908	13 708	14 088	14 751	15 053	14 588	14 235	13 700	13 625	13 000
Bolivia (Plurinational State of)	718	711	855	1 132	1 040	1 193	1 094	1 028	1 104	1 200
Brazil	19 340	19 796	20 902	23 726	23 113	23 537	23 032	22 434	21 918	21 961
Chile	6 118	6 435	6 640	6 880	6 973	7 917	8 240	7 517	7 447	7 684
Colombia	9 102	10 099	11 334	11 720	11 581	11 442	11 305	10 730	9 437	9 555
Costa Rica	2 080	2 178	2 219	2 369	2 523	2 589	2 645	2 504	2 897	3 015
Ecuador	2 504	2 869	2 863	2 980	3 116	3 556	4 195	4 248	4 354	4 407
El Salvador	1 270	1 393	1 536	1 552	1 605	1 605	1 665	1 544	1 780	1 803
Mexico	33 968	31 282	35 111	37 344	36 090	35 911	35 445	34 353	35 128	36 087
Paraguay	865	909	929	931	1 219	1 000	974	946	981	1 041
Peru	4 699	5 091	5 466	6 027	6 384	6 560	7 182	6 080	7 036	7 631
Uruguay	1 424	1 598	1 852	1 937	1 955	2 086	2 128	1 843	1 870	1 902
Total	94 996	96 069	103 795	111 349	110 652	111 984	112 140	106 927	107 577	109 286
Index	100.0	101.1	109.3	117.2	116.5	117.9	118.0	112.6	113.2	115.0

Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures from the countries' customs authorities.

^a In some cases, parts of the series had to be corrected because they did not include firms whose annual exports were below a certain amount. A linear estimate was made where data were lacking (Paraguay 2007; Argentina and Plurinational State of Bolivia, 2011).

Table III.9
**LATIN AMERICA (SELECTED COUNTRIES): INDICATORS
 OF EXPORT FIRM CONCENTRATION**

Country	Average exports per firm (2011) (millions of dollars)	Herfindahl-Hirschman index (latest year available)	Gini index (latest year available)	Top percentile of export firms' share of total external sales (percentages, latest year available)	Variation in top percentile of export firms' share of total external sales (percentage points)
Argentina	5.0	0.019	0.95	72.1	-0.1 (2002-2009)
Bolivia (Plurinational State of)	6.2	...	0.98	77.4	+8.8 (2007-2009)
Brazil	9.0	0.005	0.94	59.5	...
Chile	11.0	0.052	0.97	78.4	+14.5 (2002-2011)
Colombia	6.0	0.039	0.96	80.1	+11.4 (2007-2011)
Costa Rica	3.1	...	...	53.6	...
Mexico	8.5	0.020	0.97	73.3	-0.7 (2007-2011)
Panama	0.5	0.017	0.92	46.9	...
Paraguay	4.6	0.114	0.94	75.6	+4.9 (2007-2011)
Perú	5.0	0.029	0.96	70.0	+6.9 (2002-2011)
Uruguay	3.6	0.017	0.93	40.8	+6.0 (2002-2011)
Venezuela (Bolivarian Republic of)	22.3	0.920	0.99	98.2	...
Total ^a	5.7	0.035	0.95	66.2	...

Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures from the countries' customs authorities and other government agencies.

^a Does not include the Bolivarian Republic of Venezuela.

Firms in the region that have been engaged in export activity on an ongoing basis for a number of years (between five and seven) make up about 30% of the region's exporters. These "permanent" exporters often belong to sectors that have greater comparative advantages. In several countries, many of these firms deal in natural resources and are more capital intensive than the economy-wide average. The percentage of successful exporters rises if firms that have begun exporting in recent years and continue to do so are included in this category.¹⁴

Despite the dip in exports seen in 2009, the average level of exports per firm has doubled in the last decade. The average export values per company shown

¹⁴ In Mexico and Uruguay, 17% and 19% of export firms, respectively, have been exporting for 10 years or more; in Brazil, 26% have been exporting for at least 9 years. If newer exporters that have been operating as such for at least three years are included in this category, then the percentages are substantially higher. (In Mexico, for example, the figure rises to 39%.)

in the first column of table III.9 fall by nearly half if the top exporters or major commodity exporters are excluded from the calculations. (In many countries, the two categories overlap.)

This is true of Argentina (when the 25 largest exporters are excluded), Brazil (when the top 50 exporters are excluded), the Plurinational State of Bolivia (when the 4 largest mining companies are excluded), Chile (when 8 mining companies and 2 paper and pulp manufacturers are excluded), Colombia (when the top 10 exporters are excluded) and Peru (when the 5 largest mineral exporters are excluded).

The average value of the external sales of exiting exporters is far lower than the overall average. In Colombia, for example, the average export value per firm between 2007 and 2010 was US\$ 3.3 million; for exiting firms, the average value was only US\$ 178,000. In Uruguay in 2010, the average value of exports was US\$ 5.7 million, but the figure fell to just US\$ 75,000 for exiting exporters. The average value of exports in Chile was nearly US\$ 11 million in 2011, whereas the average for exiting firms was around one tenth of that figure.

A much larger proportion of big companies export than is the case for small enterprises. In fact, nearly all large companies in the region export. Virtually all of the region's 500 largest firms (in the eight countries for which data are available) are leading exporters (see table III.10). Many of them are also large importers (see box III.1).

The top 20 exporters in 2010 accounted for 33% of the region's external sales, while the top 100 accounted for 45%. The most extreme case is that of *Petróleos de Venezuela S.A. (PDVSA)*, the third-largest oil producer in the world, which accounts for more than 95% of the exports of the Bolivarian Republic of Venezuela and more than 10% of the total exports of the region's 500 top companies. Exports also represent a large percentage of major firms' total sales (72% of the total for the top 100 companies and 51.4% for the top 20 (see table III.10).

Over 80% of the region's major exporters are involved in the extraction and processing of natural resources. An analysis of major firms' investment commitments indicates that the share of the region's exports composed of natural resources is likely to expand in coming years. This trend is being driven by such developments as the displacement of the agricultural frontier in Argentina and Brazil as soybean crops are expanded, the discovery of petroleum deposits far beneath the seabed (mainly off Brazil's Atlantic coastline) and of natural gas fields in Argentina and Mexico, and projected mining investments and production in the Andean countries.

Table III.10
MAJOR EXPORTERS IN THE REGION: EXPORT COEFFICIENTS AND SHARES OF TOTAL EXPORTS, 2010^a

Ranking among top 100 exporters	Ranking among top 500 companies	Company	Country	Sector	Exports (millions of dollars)	Exports (percentage of sales)	Exports (percentage of exports of top 500 companies)
1	3	PDVSA	VEN	Petroleum/natural gas	85 918.7	90.5	10.36
2	2	PEMEX	MEX	Petroleum/natural gas	46 807.2	45.1	5.64
3	4	VALE	BRA	Mining	24 042.8	48.1	2.90
4	1	PETROBRAS	BRA	Petroleum/natural gas	18 186.7	14.2	2.19
5	20	CODELCO	CHI	Mining	14 349.7	89.3	1.73
6	24	CEMEX	MEX	Cement	11 525.4	79.8	1.39
7	12	ECOPETROL	COL	Petroleum/natural gas	9 940.9	46.0	1.20
8	26	FEMSA	MEX	Beverages/liquor	6 884.9	50.1	0.83
9	51	ESCONDIDA	CHI	Mining	6 476.3	70.3	0.78
10	59	Volkswagen (Mexico)	MEX	Motor vehicles	6 288.7	73.1	0.76
11	50	Petroecuador	ECU	Petroleum/natural gas	5 939.1	63.6	0.72
12	35	Grupo Alfa	MEX	Multisector	5 771.3	52.3	0.70
13	48	Grupo Bimbo	MEX	Food	5 174.3	54.5	0.62
14	62	Grupo Mexico	MEX	Mining	5 151.8	61.9	0.62
15	89	Embraer	BRA	Aerospace	4 160.0	73.9	0.50
16	37	Bunge alimentos	BRA	Agribusiness	4 000.0	36.7	0.48
17	83	Chrysler	MEX	Motor vehicles/spare parts	3 990.9	63.2	0.48
18	95	Industrias penónes	MEX	Mining	3 861.1	74.2	0.47
19	132	Cargill	ARG	Agribusiness	3 700.0	90.0	0.45
20	144	Samarco mineração	BRA	Mining	3 213.6	85.8	0.39
Total: Top 20 companies					275 383.4	51.4	33.2
Total: Top 100 companies					373 498.3	72.0	45.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of *América Economía* and official figures from the countries' customs authorities.

^a Includes exporters in Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Mexico and Peru.

In 2010, mining accounted for 28% of the value of the exports of the region's 500 largest companies; oil accounted for 10% and food for 7%. Other major sectors (most of which deal in natural resources) were agribusiness, motor vehicle parts, paper and pulp (6%), iron and steel (6%) and petrochemicals (2%). Latin America's motor vehicle and auto parts industry accounts for 12% of the exports of the region's major companies. This industry, which was born in the import substitution era, is now an intraregional export complex with considerable scope for growth, even though it is facing increasingly stiff competition.

Not only is the region itself the principal market for most of its export firms, but the number of export products is also larger, and exports are less concentrated. More than half of all export firms (between 55% and 69% of them, depending on whether Mexico is included) sell some of their wares within the region, even though it is the destination for just one sixth of the region's total exports. In the case of most of the countries, the region has the lowest average per-company export values, the largest average number of products exported per firm and the lowest concentration indices. The region accounts for the largest number of exported products (87% of the total using the six-digit Harmonized System) and a higher average number of products exported per firm (4.8). As a result, exports to other countries in the region have the lowest concentration indicator (0.02 on the Herfindahl-Hirschmann index)(see table III.11).

Table III.11

EXPORTERS IN THE REGION: INDICATORS FOR DESTINATION MARKETS, NUMBER OF FIRMS, AVERAGE EXPORTS, AVERAGE NUMBER OF PRODUCTS AND CONCENTRATION INDICES, 2010

Destination markets (8 countries) ^a	Companies per destination market (percentages)	Average value of exports (millions of dollars)	Average number of products exported per firm	Herfindahl- Hirschman index
Latin America and the Caribbean	69	1.8	4.5	0.02
United States	28	2.2	2.6	0.05
European Union	29	3.1	3.1	0.10
China	7	8.9	1.6	0.14
Rest of world	31	4.5	3.2	0.07
Total	164 ^b	4.8	3.3	0.04

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the countries' customs authorities.

^a The eight countries are: Argentina, Brazil, Chile, Colombia, Panama, Paraguay, Peru and Uruguay.

^b Firms may sell their goods on more than one market.

Trade policy influences companies' behaviour. For example, one of the major effects of trade agreements is to drive up the rate of increase in the number of firms involved in trade. In most cases, the rate of increase in the number of exporters

tends to be higher for non-traditional destinations when new agreements are signed with those countries.¹⁵

A slight increase has been seen in the number of firms that export to more than one market and that export more than one product, but the one-product, one-market export model still predominates in all the countries of the region. Some 40,000 firms in the region (mostly SMEs) export a single product to a single destination, whereas only about 3,500 firms (mainly large companies) export more than 10 products to more than 10 destinations. The pattern is very similar for all of the countries of the region, so when the figures are graphed, much the same elongated pyramid (albeit with slight differences) depicts the situation in each of the countries (see figure III.3d).

High-technology exports are mainly directed to other countries within the region. The figures for nine countries indicate that 28% of the firms export low-technology products, 27% sell medium-technology products, 16% export commodities and 9% export high-technology goods (the relevant information is not available for another 7% of the firms) (see figure III.3e). The percentage of firms that export commodities and high-technology products is smaller than the percentage of total exports accounted for by those product categories. By the same token, the ratio of low-technology firms to total exporters is larger than the ratio of low-technology exports to total exports. In the nine countries studied, 39% of the firms that export high-technology products export them to the region, which is the principal market for these products (see figure III.3f).

In the region, there is a greater concentration of shipments to Asia and a greater concentration of exporters to neighbouring countries, the United States and the European Union. This mirrors the situation at the product level. Considered from this standpoint, it can be seen that trade within Latin America and the Caribbean tends to be more inclusive because it is less concentrated in terms of both products and firms.

In almost all the countries of the region, a majority of exporters sell their products to other countries in the region or to the United States. In Chile, Colombia and Peru, for example, the United States is the market to which the largest number of companies choose to send their products, slightly outdistancing neighbouring countries and outpacing Asian markets such as China, Japan and

¹⁵ For example, the number of exporters in Chile that were selling their goods in Mexico, China, the Republic of Korea and Canada jumped during the period between the conclusion of free trade agreements with those countries and 2011 (by 77%, 74%, 71% and 69%, respectively). Growth in the number of firms has been slower in the case of larger, more traditional destination markets. For example, the United States and the European Union buy exports from 42% of Chilean exporters, and after trade agreements with those markets entered into force, the number of exporters rose by just 1% and 19%, respectively.

the Republic of Korea by a wide margin.¹⁶ The main reason is that most SMEs target the regional market. In Brazil, for example, most large companies export to Argentina, China, Germany and the United States, whereas most SMEs export to the United States and to other MERCOSUR member countries. Data for Argentina (2008), Chile (2009) and Colombia (2009) clearly show how important the region is as a destination for most SME exporters (see figure III.3f). This pattern holds for nearly all of the countries (except Mexico) and for different definitions of SME exporters.¹⁷

An examination of the number of export firms by destination with relation to firm size and number of products also yields useful information:

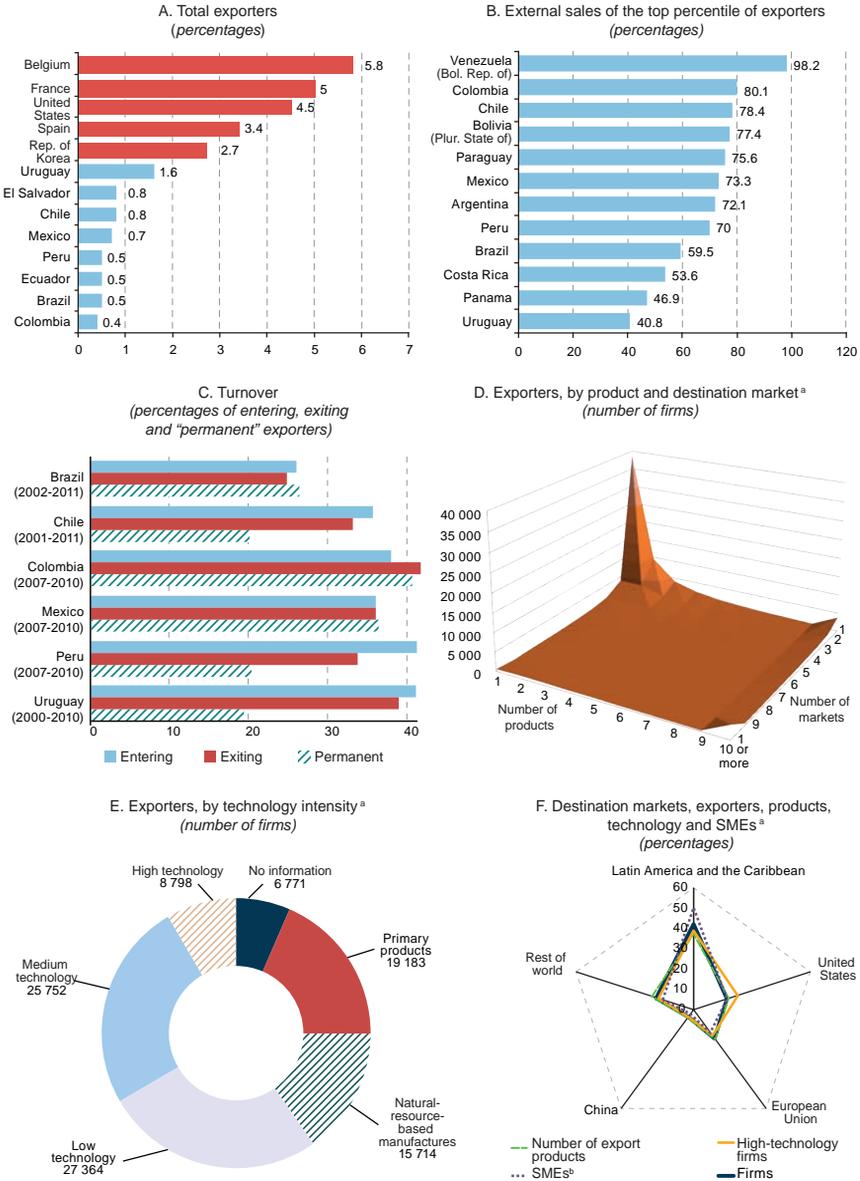
- The United States is one of the three destinations outside the region that have the lowest levels of concentration (more firms, more products and more SMEs) and in this sense is far below the level of concentration seen in China and Japan;
- Generally speaking, exports to bordering countries stand out more for the number of firms involved and the number of different products that are exported than for the export values involved;
- Exports to Asia are highly concentrated (in terms of both products and firms), while SMEs' market share is quite small.

In sum, the number of export firms in the region has risen, but their rate of increase has slowed, and they still represent no more than a very small percentage of all firms. They are highly concentrated and there is a high rate of turnover in the firms in the export sector (especially in the case of small companies). The percentage of large firms that engage in export activity is greater than the percentage of small companies that do, and more enterprises and SMEs export to other countries in the region. As a result, the structure of export firms is more concentrated than the structure of the business sector as a whole.

¹⁶ For example, 2,113 Chilean firms exported 1,423 different goods to the United States and 2,007 Chilean companies sold 2,400 different products to Peru in 2010. By contrast, just 714 companies sold 285 different products to China (figures based on customs statistics).

¹⁷ In Argentina, a study conducted by the Production Research Centre (CEP) found that 63% of SMEs exported products to other countries in the region in 2010; according to Crespo (2006), the figure stood at 50% in 2005. In Ecuador, an ALADI study prepared in May 2012 indicates that many SME exporters (as defined on the basis of sales and number of employees) are exporting to countries within the region and that, as part of this trend, there has been a 34% increase in the number of SMEs that are exporting to member countries of ALADI (annual averages for 2007 - 2011). According to data compiled by the Integrated Foreign Trade Information System (SIICEX), a majority of Peruvian SMEs export to countries in the region or to the United States, but the percentage is smaller because a more restrictive definition of SMEs is used in that case.

Figure III.3
FEATURES OF EXPORT FIRMS IN THE REGION, AROUND 2010



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the countries' customs authorities, economic censuses from each country and data from the Organisation for Economic Co-operation and Development (OECD).

^a Data for nine countries.

^b Data for three countries.

Box III.1**IMPORT FIRMS**

While there are more studies and other sources of information on export firms, the behaviour of importers and of companies that both export and import also needs to be analysed. One of the reasons for this is that import/export companies can benefit from both types of market positions in the international economy, which may help them to remain in business, increase their profits and boost their productivity (Wagner, 2011). This may lead to an upswing in both the number of export firms and the level of exports per company. Thus, for example, in one of the few studies on this subject done in the region, López (2006) finds that Chilean exporters have a greater chance of staying in business when they also import intermediate goods.

In most of the countries of the region, there are more importers than exporters, and the number of importers has been growing more steeply. In Colombia, there were 29,546 importers and 9,436 exporters in 2010. In Uruguay, during that same year, there were six times as many importers as exporters (12,003 versus 1,865). In Paraguay, the difference is even greater, since in 2011 there were 15,158 importers and 1,041 exporters. In Brazil, there are twice as many importers as exporters (47,000 import firms—with a 100% increase being recorded in the space of nine years—versus 22,000 export firms as of 2011). In Chile there were 7,684 exporters and some 35,000 importers in 2011 (a 28% increase over a span of three years). Imports are not as concentrated as exports, but their degree of concentration is still significant, especially since the leading exporters are also the leading importers. In Chile, for example, 65 firms accounted for a full 25% of all imports in 2010, while 17 companies accounted for 50% of exports.

It is usually easier for firms to import products than to export them, although the amount of paperwork involved depends on a number of factors, including the type of product, the destination market, the origin of the product and the different countries' customs regulations. In addition, with the advent of much more rapid communications networks, many people have begun to import (usually small quantities) of all sorts of products. In Colombia, around 1,000 people imported products having a value of less than US\$ 1,000 in 2010. Much the same kind of situation is found in other countries of the region, such as Chile, where 36% of the country's 34,083 importers in that same year were private individuals. (Only 9% of them imported more than US\$ 1 million worth, and 72.6% of them imported products having a value of less than US\$ 100.) The means of transport used is also relevant: 53% of the importers had their purchases flown in, 50% had them shipped by sea and 32% had them brought in by overland modes of transport. In all the countries of the region, the general trend towards more open economies has paved the way for private individuals to import products directly, whether for use as intermediate inputs or for consumption. It may therefore be more accurate to talk about economic agents that are importing goods rather than about import firms as such.

An analysis of the import activity of export firms shows that a large number of these companies import intermediate goods and capital goods. In Brazil, 55% of all exporters also imported products in 2011, and the figure for large-scale exporters (over US\$ 100 million per year) rises to 65%. Other examples include Colombia, where 45% of exporters also imported products in 2010, and Uruguay, where the corresponding figure for 2010 was 34%.

Box III.1 (concluded)

In Chile, all the leading exporters imported products in 2009 as well, and over half of all exporters also did so (Urmeneta, 2010). This kind of situation is also found in a highly industrialized exporting country such as Germany, where business enterprises that both export and import are in the majority.

Well-designed import strategies can have a significant impact in terms of export firms' chances of remaining in business and realizing productivity gains and in terms of the possibility of boosting the number of export firms and the level of exports per company. These factors are all subject to the influence exerted by the existing production structure, of course. For example, copper exporters in Chile have to import the machinery they need to mine the country's copper deposits because that kind of machinery is not manufactured in Chile. Imports may have an even greater impact on exports than would be expected because many exporters buy imported products from intermediaries.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official statistics from the countries' customs authorities and Roberto Urmeneta, "Evolución de las características de las empresas exportadoras and del empleo que generan: Chile 2000-2010", paper presented at the "Chile XXI" seminar held in Santiago, Chile, September 2010.

D. SME exporters

SME involvement in export activity and in global value chains is one of the indicators that can be used to measure the inclusiveness and distributional potential of international trade and its potential multiplier effect for the economy and society as a whole. The level of SME involvement and its growth can be defined in the following terms:

- The percentage of all export firms that are direct SME exporters
- The share of total exports accounted for by direct SME exports
- The level of participation of indirect SME exporters (i.e., export-firm suppliers)
- The extent of SME involvement in global value chains.

1. Relative significance and heterogeneity of SME exporters

SMEs do not figure prominently in the region's pattern of integration into the external economy. As the region's economies were opening up and structural reforms were being implemented, the players that gained the most ground were large enterprises and companies with links to FDI (privatized utilities and suppliers of natural-resource-intensive goods, commodities and products that incorporate a large amount of maquila inputs).

SME exporters share many of the characteristics of other small firms in Latin America, since they are many in number and play a significant role as employers,¹⁸ but they account for a fairly small share of total exports. SMEs are an important

¹⁸ Micro-, small and medium-sized enterprises generate as much as 40% of GDP and create as many as 70% of the jobs in the region.

part of the production structure, given the fact that there are more of them than any other type of business and that they are major job creators, but the fact remains that their contribution to the value of exports is quite limited. While they make up between 63% and 83% of all export firms, they account for less than 7% of total exports and create around 17% of the jobs that are directly related to exports.¹⁹

SMEs in the region are more heterogeneous, less productive and more isolated than their counterparts in developed countries. They are also more likely to be operating in the informal sector, have difficulty in gaining access to credit, be less specialized and have a harder time in joining global value chains.²⁰ Many of them remain in the informal sector because of the expense and paperwork that would be involved in their formalization. Because they are primarily retailers, SMEs have been influenced more by the liberalization of distribution, since they serve as a conduit for the marketing of new imported products to final consumers. Reconfiguring the informal sector by boosting its productivity and creating direct and indirect linkages with each country's export effort is the main way forward for reducing the economy's structural heterogeneity and making trading activity more inclusive.

Analysing the performance of SME exporters is difficult because so few studies and so little comparable data are available.²¹ Some conclusions can nevertheless be drawn.

¹⁹ The job estimates refer to Chile in 2009. In countries such as the United States, SMEs generate about half of total GDP and employment and account for over 30% of the value of exports. In some European countries, they contribute up to 50% of the value of exports (see [online] <https://www.census.gov/foreign-trade/aip/edbrel-9798.pdf>).

²⁰ See ECLAC (2011), Ferraro and Stumpo (2010), Durán and Álvarez (2009) and Ferraro (2011).

²¹ The available data are not centralized and are not readily comparable because so many different definitions of SMEs (and particularly of SME exporters) are used (Durán and Álvarez 2009). Strictly speaking, it should not be inferred that small-scale exporters are SMEs. SME exporters in different sectors have been defined in different ways. In Argentina, for example, industrial SME exporters are defined as those that have fewer than 100 employees and export more than 5% of their total sales (SME Observatory Foundation, 2010). Different definitions are also used by different support agencies. In Brazil, the Export Guarantee Fund (FGE) defines SME exporters as those that export less than US\$ 45,000 worth of goods per year, while the Centre for Foreign Trade Studies Foundation (FUNCEX) and the Brazilian Micro- and Small Business Support Service (SEBRAE) define them as companies that have fewer than 100 employees. (This criterion is also used by the Foreign Trade Bank (BANCOEX) of the Bolivarian Republic of Venezuela.) In Chile, the Internal Revenue Service (SII) defines SMEs as firms with sales up to UF (Development Units—a unit of account) 100,000. This criterion is also used by various public agencies, such as the Export Credit Guarantee Programme (COBEX) of the Production Promotion Agency (CORFO), which defines SME exporters as firms that have annual sales of up to US\$ 4.5 million. ProChile defines SME exporters as firms with annual sales of between US\$ 60,000 and US\$ 7.5 million.

Few SMEs in the region take up positions in the international market because they face formidable constraints in terms of human capital, strategic management difficulties and higher fixed costs in gaining access to external markets. They also often have major difficulties in complying with technical regulations (such as quality and phytosanitary requirements). Because of these hurdles and the structure of the region's exports, in which capital-intensive industries producing natural-resource-based goods predominate, their direct share in the value added of exports is quite small.

Although SMEs account for a large percentage of all export firms, they contribute no more than a small share of total exports. The main markets for SME exporters are: (a) Latin America for Argentine and Brazilian SME exporters; (b) the United States for Mexican SME exporters; (c) Latin America and the United States for SME exporters in Chile, Colombia and Peru; and (d) Central America and the United States for SME exporters in Costa Rica and El Salvador. The United States and Latin America thus buy a much larger share of these exports than the emerging markets of Asia, which mainly buy natural resources from the region (see table III.12).

Table III.12
SELECTED COUNTRIES: SME EXPORT INDICATORS, 2010

	Argentina	Brazil	Chile	Colombia	Costa Rica	Peru	Mexico
Exporters	13 625	21 918	7 447	9 437	2 897	7 036	35 128
SME exporters	10 369	14 414	4 800	8 058	1 872	6 192	31 333
SME exporters (percentage of total export firms)	76.1	61.2	58.3	71.1	64.6	88.0	88.4
SME exports (percentage of total exports)	6	7.5	7	4.5	16	3.3	4
SME export markets	Latin America	Latin America, European Union	Latin America, United States	United States, Latin America	Central America, United States	Latin America, United States	United States
SME export sectors	Industrial	Industrial	Industrial	Industrial	Industrial and services	Industrial	Industrial

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data on export firms compiled by customs authorities and other public agencies; for Argentina: Production Research Centre (CEP); for Brazil: Centre for Foreign Trade Studies Foundation (FUNCEX), Brazilian Micro- and Small Business Support Service (SEBRAE); for Chile: Export Promotion Bureau (PROCHILE); for Colombia: Export Promotion Office (PROEXPORT); for Costa Rica: Foreign Trade Corporation of Costa Rica (PROCOMER); for Peru: Integrated Foreign Trade Information System (SIICEX); and for Mexico: Observatorio PyME.

2. SMEs' contribution to export diversification

Although SMEs account for no more than a small share of total exports and exhibit a greater turnover rate as exporters, the evidence suggests that these businesses make a substantial contribution to the diversification of exports (see table III.12). In the cases of Chile and Peru, for example, almost 90% of SME exports are made up of non-traditional products (mainly low-technology manufactures such as food, metalworking products and clothing).²² Services have also become an important export product for these businesses in countries such as Costa Rica, where SMEs are the leading exporters in this sector.

SMEs' most important role in the export sector is an indirect one, however. This is reflected in a series of indicators, such as the number of SMEs that provide supplies to export firms and the links between SME exporters and SME suppliers. For example, it is estimated that, at the aggregate level, in Chile there are an average of five suppliers (mostly SMEs) for every export firm, and the evidence suggests that, in the case of about half of all SME exporters, there are another 16 SMEs that provide them with inputs and services.²³ Accordingly, international trade has an impact on many more businesses than those that are usually covered in external trade reports. This, in turn, is an extremely important factor to take into consideration when assessing the degree of inclusiveness of international trade and when defining public policy.

The indirect participation of SMEs in external trade can also be analysed by looking at their production linkages with large-scale exporters, SME sales to commercial enterprises that sell their wares on international markets and SME participation in production chains that have the potential to become highly internationalized. Thus, the internationalization of SMEs encompasses more than simply their direct involvement in export activity (SMEs' participation in value chains will be explored in chapter IV).

E. The institutional support structure for SME exporters

Support for the internationalization of SMEs is a topic that has been moving higher and higher up on the economic policy agenda of most countries. Given that large

²² There is a great deal of evidence that points in this direction, although there are variations depending on which methodology is used (especially in terms of how SMEs are defined). In Brazil, for example, small businesses mainly produce agricultural products (coffee, soya, sugar cane), minerals, footwear and low-technology manufactures (Ferraro and Stumpo, 2010; Stumpo, 2009). In Chile, SME export activities are concentrated in the commercial sector, with nearly 40% of total SME exports coming under this heading (see the article by Belmar and Maggi that is cited in Ferraro and Stumpo, 2010). Another important sector is agriculture, with 15% of these exports being linked to SME activity. In Argentina, small industrial enterprises play a major role in exports of food (38%), chemicals (14%) and machinery and equipment (9%) (Rotondo and others, 2009).

²³ See DIRECON (2010b) and Moori-Koening and others (2004).

firms may not need these types of tools in order to deploy their international strategies, SMEs are portrayed as being the intended beneficiaries of government efforts in this area.²⁴

Since the 1990s, export promotion policies have gradually shifted away from the use of subsidies and piecemeal action and towards the development of broader, medium-term production and export promotion policies targeting small and medium-sized businesses. This shift has come in response to the expansion of international trade, the transition to more open economies and a change in the political and technical orientation of public policy in general. Export promotion institutions have been created, revamped and reinforced. This process was also influenced by the strengthening of world trade rules following the Uruguay round of GATT and the associated emphasis on ensuring that export promotion efforts did not contravene those rules. Special care was taken to avoid infringing the WTO rules on export subsidies, and the necessary legal instruments were developed in order to ensure that they were classified as non-actionable subsidies (INTAL, 1998; ITC, 2009).

A number of trade promotion agencies were established that had similar objectives but that differed in terms of their functional structures and orientations (see table III.13). For example, in 1993, Argentina created the ExportAr Foundation to promote its exports. This is a private organization with ties to the Ministry of Foreign Affairs and Worship which is made up of a variety of national, provincial and municipal agencies, all of which run their own corporate internationalization programmes. ApexBrazil (2003) is a mixed public/private organization that promotes exports and investment. The oldest agency of this type in the region, ProChile (1974), is part of the Ministry of Foreign Affairs of Chile. Its mission is to support the internationalization of vendors of non-traditional exports. Proexport Colombia (1992) is a privately run trust that promotes exports, investment and tourism. Costa Rica's PROCOMER (1996) is a public agency that works to promote foreign trade.

These agencies had differing orientations —ranging from very liberal to more structuralist ones— when they were created and, in a number of cases, those orientations have shifted over time. They have sometimes been controversial, with some circles maintaining that they should help SMEs become direct exporters while others advocate the creation of SME linkages with different clusters. Some comparative studies of these institutions in the various countries (Volpe, 2010) make it possible to gauge specific agencies' effectiveness in terms of their impact on trade. In most cases, these institutions' budgets are fairly small relative to export volumes. Some of them also focus on the promotion of tourism (as in Jamaica, where the export promotion agency also promotes investment).

²⁴ This section focuses on export promotion tools that are tailored for SMEs.

Table III.13
TRADE PROMOTION AGENCIES, BY COUNTRY

Country	Agency	Year established	Budget (2007-2009) (millions of dollars)	Budget/exports (percentages)
Argentina	Fundación ExportAr	1993	4.5	0.008
Bolivia (Plurinational State of)	Promueve Bolivia (formerly CEPROBOL)	1998-2008	0.2	0.004
Brazil	ApexBrasil	2003	120	0.078
Chile	ProChile	1974	33	0.061
Colombia	Proexport	1992	55	0.168
Costa Rica	PROCOMER	1996	11.8	0.136
Dominican Republic	CEI-RD	2003	2.4	0.044
Ecuador	CORPEI-PRO ECUADOR	1997-2011	6.8	0.049
El Salvador	EXPORTA	2004	2	0.053
Guatemala	Trade Promotion Department	2000	0.4	0.005
Honduras	FIDE	1984	0.9	0.039
Jamaica	JTI	1990	6.7	0.241
Mexico	ProMexico	2007	97	0.042
Panama	National Export Promotion Bureau	1998	1.8	0.129
Paraguay	REDIEX	2004	1.4	0.044
Peru	PROMPERU	2007	29	0.113
Uruguay	Uruguay XXI	1996	0.6	0.011

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Statistics Database (COMTRADE) and Christian Volpe Martincus, *Odyssey in International Markets: An Assessment of the Effectiveness of Export Promotion in Latin America and the Caribbean*, Washington, D.C., Inter-American Development Bank (IDB), October 2010.

The impact of trade promotion programmes and tools is leveraged when they form part of a productive development policy that fits in with a country's strategy for positioning itself in the international economy. There are numerous examples of programmes designed to help SMEs to enter the export sector, ranging from those that have taken successful models —such as the Consortium of Commercial Promotion of Catalonia (COPCA), the Spanish Institute for Foreign Trade (ICEX) or the Korea Trade-Investment Promotion Agency (KOTRA)— and adapted them to the needs of Latin American countries, to others that have made use of instruments developed by foundations and other export promotion institutions (such as business associations and national or subregional promotion agencies).

Trade promotion agencies are not the only ones that implement programmes aimed at assisting SMEs to position themselves in the international market. Private organizations, international cooperation agencies, business organizations and other State bodies (especially in the industrial and agricultural sectors) are also working in this area. In some cases, specific mechanisms are in place to coordinate these various organizations' work, but in other cases this is not being done. The diffuse nature of programmes and resources often limits many of these initiatives' effectiveness. Regardless of who is running them, many of these programmes focus on promoting business development but do not help groups or clusters of firms to resolve the marketing problems they face. Action needs to be taken to overcome a specific market failure, namely, the difficulties that these enterprises have in creating networks and gaining access to specific types of knowledge owing to information asymmetries and to their position in the market (Frohmann, 2010).

SME internationalization programmes run up against a number of problems that need to be resolved in order to boost export-related employment and increase the inclusiveness of trade. Some of the main such problems are the following:

- The level of public support for SMEs in the region falls short of what it should be, given the large number of such firms and their importance as employers. In countries such as Spain, the United States and the Republic of Korea, funding for SME support amounts to 0.41%, 0.39% and 0.27% of GDP, respectively, whereas the level of funding for this purpose in the region ranges from 0.015% (Mexico) to 0.085% (Brazil).²⁵
- In some countries, the agencies running these programmes suffer from the effects of institutional diffusion and fragmentation and from a lack of coordination. There are often overlapping programmes that were set up at different points in time and whose rationales and objectives are not in line with one another. The export promotion mechanisms that are geared towards SMEs appear to have been developed in response to isolated situations, specific demands or opportunities for obtaining external financing. This has contributed to the disconnect between support mechanisms and an overarching SME development strategy.
- In a number of cases, the promotion of international business enterprises should be the last link in the production promotion chain. This is because SMEs often need the type of comprehensive mentoring that

²⁵ For example, the Korea-IIC SME Development Trust Fund (US\$ 2.74 million in 2010) provides support for business start-ups (US\$ 960 million), helps firms become more competitive (US\$ 1.013 million), provides assistance in the area of marketing and technology (US\$ 138 million), assists firms that are trying to change over from one line of business to another (US\$ 129 million), supports business stabilization efforts (US\$ 218 million), furnishes direct support to small-scale entrepreneurs (US\$ 262 million) and provides other forms of assistance (US\$ 40 million).

can only be provided by a highly coordinated inter-agency promotion effort. Experience indicates, however, that public-sector agencies in the countries of the region often have difficulty in implementing this kind of initiative.

- In various cases, shortcomings in terms of these programmes' effectiveness are not directly attributable to flaws in targeted export promotion policies or mechanisms but are rather the outcome of broader problems that reduce SMEs' productivity and competitiveness.
- The institutions responsible for designing and implementing production promotion policies and policies for supporting SME exporters are subject to financial and human-resource constraints. In some countries they rely on funding from international cooperation agencies and are therefore subject to exogenous decision-making. Their limited institutional capacity creates a bottleneck that hinders the efficient use of the funds allocated for policy design and implementation and thus makes it more difficult to obtain increased funding. These institutions need to build their capacity for defining strategies, designing policies and putting support tools and mechanisms into operation.
- Many initiatives have focused on demand-side subsidies based on the mistaken assumption that potential beneficiaries have a similar ability to apply for these programmes. This may have the effect of giving preference to a small number of dynamic SMEs, thereby heightening the sector's structural heterogeneity (Ferraro and Stumpo, 2010).
- Despite all the programmes that are in place, SMEs have very limited access to credit in the region. These firms' managers are also somewhat sceptical about using second-tier banks. Because they operate on a fairly small scale, they cannot influence credit-market operations, and their participation in that market is extremely limited. In their operations outside the scope of those programmes, private banks also tend to replicate the same segmentation found elsewhere in the credit market.
- Ways have to be found to prevent the institutions and programmes devoted to promoting the internationalization of SMEs from becoming captives of corporate interest groups.

F. Gender and export entrepreneurship

Export entrepreneurship can also be approached from a gender perspective. Women entrepreneurs are confronted with formidable barriers and sources of inequality, although these obstacles may vary in degree depending on the socioeconomic level of the women in question. The studies that have been done on this subject do not provide a sufficient basis for arriving at broadly applicable conclusions, but they do point up some of the problems that exist and some of the opportunities that may arise.

Firms that have mainstreamed gender equity into their business models have used a variety of approaches to do so but have generally worked within the framework of corporate social responsibility initiatives. In addition to facing the same barriers as male entrepreneurs who are engaging in export activity or who wish to do so, women entrepreneurs in the export sector encounter difficulties associated with discrimination and gender stereotypes. One study which reviewed the strategies used by 17 different companies found that gender equity is regarded as “good business” because it helps to boost competitiveness (IDB, 2009). Although the firms were not selected for the study because they were export firms and it is difficult to generalize, since discrimination in the workplace is so prevalent, the practices discussed in this connection may be of use in defining strategies at the micro level for moving towards greater gender equity.

Even in the face of adversity, women have succeeded in building entrepreneurial capacity. A study on the specific situation in Chile provides a picture of the women exporters who are clients of ProChile (SENDEC, 2007). The study found that female owners of export firms accounted for 21% of all export-firm proprietors, which mirrors the male/female ratio for all business owners. Among small-scale exporters, the percentage of women is greater than it is for the nationwide total: more than one fifth of these firms are owned by women. The share of management—and particularly decision-making—posts held by women in the export sector comes to 28%, which is slightly above the nationwide average of 20% (CEEM, 2006).

In firms where women are the decision-makers, the product-line distribution is similar to what it is for small enterprises nationwide, except in the case of commerce. Firms owned by women are concentrated in certain areas of the industrial, agricultural and services sectors and, in the latter two, they have a larger share than they do in the group of firms where men are the decision-makers. Although women entrepreneurs feel that the barriers and difficulties (in terms of financing, volume, information, business contacts, language and certification) faced by those wishing to gain entry to the export sector and run successful export operations are common to all small-scale entrepreneurs, be they men or women, they also feel that there are cultural stereotypes and socially embedded gender roles that interfere with their business activities. They have to prove themselves before they are seen as true businesswomen capable to taking on the market, dealing with customers and becoming suppliers for other companies. Differences in terms of socioeconomic strata are another important factor that influences the extent of the barriers that women entrepreneurs face and the availability of business contacts.

Most women who run their own companies seek out innovative niche markets and strive to differentiate their product by introducing special product attributes. In some cases, the identification of specific niches is the outcome of a deliberate search for such markets. Many women entrepreneurs turn to the Internet to gather information, to build business contacts and to promote their products.

The International Trade Centre (ITC) in Geneva has devoted special attention to women entrepreneurs in the export sector, placing particular emphasis on the

importance of networking, new technologies, skill-building and other aspects. Gaining access to credit can be a major problem, but there are a number of approaches for overcoming this obstacle, such as the use of seed capital for selected ventures and the creation of cooperative banks that pool the savings capacity of thousands of members (Domeisen, 2003).

In some Latin American countries (such as Argentina, Chile, the Plurinational State of Bolivia and Mexico), support mechanisms and programmes for women entrepreneurs are in place to help them strengthen their businesses prior to entering the export sector. These programmes focus on providing access to information and training, to backstopping and fostering the creation of networks of women entrepreneurs and executives, and to furnishing opportunities for them to showcase their products online. In some countries in the Latin American and Caribbean region, international cooperation agencies are promoting female entrepreneurship in ventures catering to international markets as a vehicle for social integration rather than focusing on it as an avenue for women's empowerment.

Product differentiation based on a particular business orientation and product certification may be an effective way of merging access to niche markets with women's empowerment. One striking example of this approach is the "Women's Coffee" venture in Guatemala. I'XKAPEH ("women's coffee" in the Mayan language) is the name of a business formed by a group of indigenous women (victims of the civil war that raged in that country between 1960 and 1996) that produces, processes and markets coffee that bears a "women-approved" seal. This organic coffee has been awarded a certificate of origin and is exported around the world as a fair-trade product. The gender label and certificate were developed in 2006 by MayaCert and Acodihue, two Guatemalan organizations. The aim was to create the first coffee certification code based on the recognition of the work of women coffee producers. The initiative was launched by a group of 150 women in 2006, and by 2010 it had 1,200 members. The "Women's Coffee" certificate is based on existing standards, such as those of the Fairtrade Labelling Organizations International (FLO), Organic and UTZ, of quality, social responsibility, health and safety, environmental protection and economic considerations. What makes it unique is its specific aim of bettering the position of women in the coffee production chain by raising awareness of women's contribution to coffee production (see Verhart and Pyburn, 2010).

G. Conclusions

The countries' international trade position can be improved in ways that will help to close gaps and ensure that trade becomes more inclusive. In order to accomplish this, in addition to boosting exports, their concentration (in terms of products and companies) needs to be reduced in order to help lower the existing degree of structural heterogeneity. The challenge lies in raising the average per capita level of exports, expanding export-sector employment and increasing the percentage of firms that export and the percentage of SME exporters.

Employment in the export sector represents a sizeable percentage of total employment in the region, and it will tend to expand as the number of export firms and their domestic-economy linkages grow. Levels of indirectly export-related employment are usually higher when export activities are more diversified and have stronger linkages. When viewed from a dynamic perspective, trends in job creation in the export sector can be paired with patterns in the ways that job winners and job losers are associated with different destination markets. In the case of Brazil, for example, the reduced share of exports going to the MERCOSUR market has been accompanied by job losses, while increased shipments to Asia have driven gains in job creation.

Average export-sector wages tend to be higher than average economy-wide wage levels, although less-skilled jobs are sometimes outsourced to companies that pay lower wages. These higher wage levels are only partly attributable to the fact that the more productive businesses are the ones that manage to enter export markets. Workers can benefit from the growth-promoting effects of international trade and secure better working conditions when certain conditions obtain, such as the presence of strong trade unions.

The number of export firms has climbed in many countries of the region in the past few decades, but the export sector continues to exhibit a high degree of concentration. The increase in the number of SME exporters is a better indicator of the distributional potential of international trade than these enterprises' share of the total value of exports, since this latter figure will vary sharply as international commodity prices fluctuate. While export firms represent just a small portion of all companies, their heterogeneity, the influence exerted by the companies involved in the sector and by employment levels, and the presence of SMEs (which contribute to the diversification of exports) provide a basis for the design of support policies that can make trade more inclusive.

Thus far, the outcomes for the countries of the region are falling short of what is needed in various ways. If the region is to draw nearer to the levels achieved by developed countries, it will have to bring about a substantial increase in the number of agents involved, in export-sector employment and in SME support. The relative number of export agents will have to be trebled in order to approach developed-economy levels, and investments in SME support programmes are far below developed-country investment levels. Export-sector employment is significant in the countries that were studied, but updated input-output tables will be needed in order to estimate employment trends for recent years.

The State should play a proactive role in promoting the internationalization of micro-, small and medium-sized enterprises, whether by facilitating and supporting direct export activities or by taking a broader approach in promoting participation in production networks geared to external markets. Administrative improvements that will pave the way for increased external trade are important but are not enough. Horizontal measures for streamlining customs formalities and improvements in logistical and transport systems are basic building blocks for all

companies that are working to become more competitive in external markets, but they also need to be backstopped by training and support for current and potential SME exporters in order to help them find niche markets, market opportunities and ways of boosting their productivity and competitiveness.

Public policies and institutions that support SME internationalization are export development tools. From the perspective that sees export promotion as a public good and a development tool, their purpose is not only to spur business activity but also to help narrow the competitiveness gap between other exporters and SME exporters by providing support in such areas as innovation, management, certification and marketing. These programmes' impact should not be measured solely on the basis of increases in trade but also by means of indicators that measure reductions in the gaps between these two segments in terms of the number of export firms, export products and destination markets. In order to narrow the existing gaps, medium- and long-term strategies will be needed and promotion policies will have to be aligned with those of other public and private agencies.

Public- and private-sector efforts to help SMEs become more active in the external sector can contribute to the consolidation of an exportable supply of products that incorporate more value added and generate higher employment levels. In view of the implications in terms of equity, appropriate support policies for this sector are a key factor in the development of inclusive forms of trade. For example, given the fact that many SMEs' export activity is conducted in isolation and is undiversified (one product sold to a single market), support institutions could work to develop highly profitable backstop programmes that can foster associativity and the diversification of markets and products.

CHAPTER IV

Inclusiveness in value chains

This chapter looks at participation in global value chains and sectoral linkages generated by international trade in various countries in the region, as well as the integration of Latin American and Caribbean firms into value chains and the public or private initiatives that promote their integration. Both cluster experiences and export-oriented internal linkages are reviewed.

The chapter describes participation in global value chains and explores the internal linkages generated by the export sectors, in order to understand how they are interrelated and the effects on other sectors (based on analysis of input-output tables). A summary is presented of various case studies from recent years in different export sectors from the different subregions to illustrate the diversity of experiences. The analysis emphasizes the inclusive or exclusive nature of each chain, in terms of the participation of small and medium-sized enterprises (SMEs), job creation and working conditions (wages, contracts, gender) and the link with local communities. It also shows the various ways in which SMEs can integrate into global value chains.

The chapter also examines the explanatory factors for the degree of inclusion in each global value chain, with an emphasis on the public or private policies that promote inclusiveness. A case analysis is presented of successes and failures involving policies to relieve bottlenecks through greater partnering between firms, better linkages with the national innovation system, more selective attraction of foreign direct investment (FDI) and worker certification and training. The chapter also considers the role of intraregional trade and trade between State-owned enterprises and regional transnational companies.

A. Global value chains: participation of the region

1. The concept of global value chains

Global value chains and global production networks are key modalities for the evolution of the global economy. A value chain is the set of activities needed to bring a product or service from conception (design and development), through the different phases of production (involving physical transformation and various services) to delivery to the final consumer and final disposal after use (Kaplinsky and Morris, 2001). The global value chain concept has been developing over the past two decades as an innovative framework for interpreting and characterizing production, commercial and territorial dynamics in the globalization process.¹ Global value chains and global production networks are coming to occupy a very important place in the globalized world, in terms of their sectoral and geographic, production and commercial scope (Dicken, 2000). In order to take a more detailed look at the incorporation and appropriation of value in the chains, it is important to include other, non-manufacturing activities (Giulani, Pietrobelli and Rabelotti, 2005). Global value chains and global production networks are larger than clusters, which generally refer to a coordinated set of production activities within a single geographic area.

The central objective of the global value chain approach is to analyse the relationships between the sectors and firms involved in a chain, in an attempt to understand the governance structures of these chains, that is, the standards and rules that explain how these relationships are coordinated, how the actors in a chain define and apply rules (and through what mechanisms) and how this distribution of functions affects the distribution (or capture, to use Gereffi's expression) of the value produced along the chain among the various participating firms. Based on the type of governance, value chains are classified as belonging to one of two categories: (i) producer-driven; or (ii) consumer-driven (Gereffi and Korzeniewicz, 1994).

The lead firms have the capacity and power to establish and enforce the parameters of the contracts and subcontracts along the supply chain. This power can be based on the ownership of well-established brands in the marketplace, proprietary technology or confidential information on product markets that allows the firm to act as a system integrator. The lead firms can thus obtain a competitive advantage that is hard to imitate, which allows them to achieve above average return rates. Firms lower in the chain have a weaker bargaining position because their contribution takes place along parts of the chain where barriers to entry

¹ Based on the seminal concept of global commodity chains developed by Gary Gereffi, the vision of new forms of business organization, such as networks and chains, was expanded, spreading the value chain concept more widely than the commodity chain concept and emphasizing the global production dimension and the deverticalization process (Gereffi, 1994; Humphrey and Schmitz, 2000; Kaplinsky, 2000; Kaplinsky and Morris, 2001; Sturgeon, 2002; Humphrey, 2004).

for new competitors are low, so they are always vulnerable to being replaced as suppliers (Altenburg, 2006). This is how the position of a firm is defined in the web of relationships that make up a value chain, which determines the benefits obtaining to participants in the chain. The firms that occupy a position of leadership in the chain are those that succeed in generating and retaining skills and resources that are unlikely to be replicated by their competitors (Gereffi, Humphrey and Sturgeon, 2005), as well as coordinating the various activities and functions such that all participants are not competing to achieve the same objective.

The topic of the participation of Latin American firms in global value chains has been addressed in some recent published works and in various works in progress.² Flores and Vaillant (2011) describe the integration of firms from some countries in the region into these chains in the period 2000-2007 and show that, in general, by specializing in the exportation of products that are far removed from the dynamic core of the so-called “product space” and have a low level of sophistication (natural resource intensive goods with low levels of sophistication and scarce differentiation), these firms do not have a leading role in global value chains, which stands in contrast to the situation in other developing countries (particularly countries in Southeast Asia). Latin American participation in value chains tends to be limited to assembly or maquila operations (as it is known in Mexico and Central America), with scarce value adding. However, there is a global value chain integration trend in some countries to the extent that they have increased the proportion of intermediate products among the goods for which they have acquired comparative advantages or have succeeded in improving the level of product sophistication.³

Chen and De Lombaerde (2011) approach the issue by comparing the situation of Latin America with that of East Asia, a region characterized by the presence of regional production networks. The findings show that regional economic interdependence in Latin America and the Caribbean is weaker than in East Asia and that intraregional trade in manufactured parts and components is greater in Asia (although the gap in this type of trade has tended to narrow in the past decade).

² The works in progress on the topic can be seen in the seminar *Latin America's Prospects for Upgrading in Global Value Chains*, held at the subregional office of ECLAC in Mexico in March 2012 (see [online] http://www.cepal.cl/comercio/conference_LAC_GVC_MX_mar_2012/), and in the reports presented at the conference *Deslocalización de servicios y cadenas globales de valor*, organized by ECLAC in Santiago, Chile, in October 2012 (see [online] <http://www.cepal.cl/comercio/>).

³ The countries that were analysed include Argentina, Brazil, Colombia, Costa Rica, Mexico, Peru and Uruguay for the level of sophistication of the goods for which they have comparative advantages in the period, which would indicate that these countries are modernizing their export baskets, in particular in intermediate goods. However, the countries with the highest levels of export sophistication continued to be Mexico, Brazil and Argentina, in that order.

2. Evolution of the share of intermediate goods

The fact that international trade has outpaced global production over the past 30 years is explained, in large measure, by the robust trade in intermediate goods and services that has resulted from the fragmentation of production processes in global value chains (Backer and Yamano, 2012). The boom in international supply chains is due not only to changes in the production sector but also to variations in the consumption patterns of the advanced countries, characterized by large and growing demand for manufactured goods. To meet this demand, economies, in Asia especially, organized themselves according to their respective comparative advantages and moved towards regional value chains based on close industrial interconnections. Regional integration, especially in East Asia, facilitated this process.

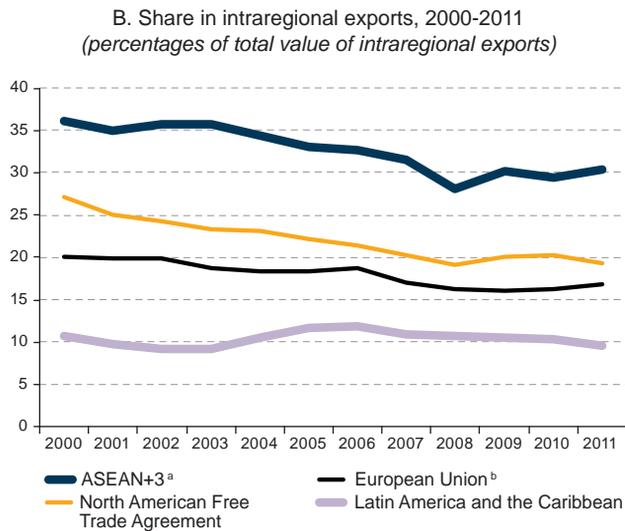
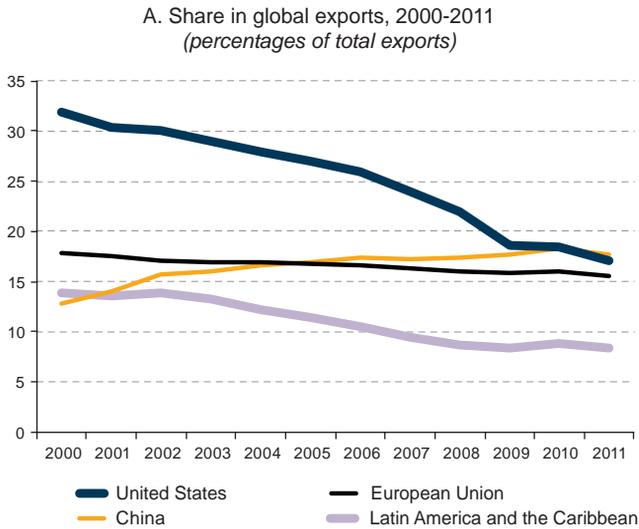
Trade in intermediate goods is a good indicator of the fragmentation of production processes, especially in the manufacturing sector, inasmuch as the development of value chains is accompanied by an increase in that type of trade (parts, components and accessories). The WTO estimated that in 2009 intermediate goods accounted for 51% of global exports of goods, excluding fuels (OMC/IDE-JETRO, 2011). A comparison of exports of intermediate goods from various regions to the world shows that the share of these goods in total exports is low and falling in Latin America and the Caribbean. Meanwhile, in Asia, especially China, the opposite trend is observed. In one decade, China increased its exports of intermediate goods, as a share of total exports, by 42%, whereas these exports shrank by 36% in Latin America and the Caribbean. In any case, this decrease was much smaller than the contraction seen in the United States, where the share fell from 32% to 17% (the proportion of intermediate goods in total exports fell by 42%) (see figure IV.1a).⁴

In 2011, intermediate goods accounted for 10% of exports from Latin America and the Caribbean to the world and to the region itself, despite significant differences in the composition of the two export baskets.⁵ This is important to note because manufactured goods make up a much larger share of intraregional trade than of exports to markets outside the region. In other words, the stronger trade in manufactured goods that occurs within the region is not reflected (for the region as a whole) in more trade in intermediate goods. This suggests a low level of production integration, since the vast majority of manufactured goods that are traded within the region are made wholly in the country that exports them. This contrasts with the stronger intraregional trade in intermediate goods observed in other country groupings (see figure IV.1.b).

⁴ Figure IV.1.a used the most restrictive definition of intermediate goods, which considers parts and components.

⁵ There are different definitions of intermediate goods. In figure IV.1.b and table IV.1, the definition proposed by Fung and García-Herrero (2012) is assumed: products catalogued as "Parts of..." in the Standard International Trade Classification, Revision 2 (SITC, Rev. 2), including textiles (Divisions 61 and 65), machinery and transport equipment (Section 7), manufactures of metals (Division 69) and miscellaneous manufactured articles (Section 8).

Figure IV.1
SELECTED GROUPS: EVOLUTION OF INTERMEDIATE GOODS



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, United Nations Commodity Trade Statistics Database (COMTRADE); United Nations Conference on Trade and Development (UNCTAD), "UNCTADStat" [online] <http://unctadstat.unctad.org/>; External Trade Data Bank for Latin America and the Caribbean (BADECEL); and authors' calculations.

^a Includes Cambodia, China, Indonesia, Japan, Malaysia, Philippines, Republic of Korea, Singapore, Thailand and Viet Nam.

^b In 2011, does not include Austria, Bulgaria, Italy, Netherlands, Spain and Sweden.

The participation of Latin America and the Caribbean in global value chains lacks the vigor seen in other regions, especially Asia. Indeed, the share of intermediate goods in the region's total exports declined by a large margin over the past decade, paralleling a major slowdown in regional exports of intermediate goods compared with the growth of the 1990s, a contraction that has been especially sharp in the case of Mexico (the largest exporter of intermediate goods in the region) and Central America.⁶ Whereas in the past decade, intermediate goods significantly declined as a percentage of the region's total exports, the contraction was much smaller in the case of intraregional trade, reflecting the weaker presence of commodities in intraregional trade. Commodity prices, on the whole, rose sharply, which increased their share of the total value of the region's exports while reducing the share of intermediate goods.

Two thirds of Latin America and the Caribbean's exports of intermediate goods go to the United States. However, if Mexico is excluded, over 50% of the region's exports of intermediate goods are sold within the regional market. The share of intermediate goods in the intraregional exports of the two largest economies in South America (Brazil and Argentina) is larger than the share of these goods in total exports (by more than 10 percentage points in the case of Brazil) (see table IV.1). This illustrates the importance of this category of trade between these two countries, especially in the automotive sector. A similar situation occurs in El Salvador and the Dominican Republic, two countries with sizeable intraregional trade in intermediate goods (concentrated in the textile sector and within Central America). Meanwhile, in Costa Rica and Mexico, the two countries in the region with the largest concentration of intermediate goods in total exports, the main export market is the United States.⁷

Table IV.1

LATIN AMERICA AND THE CARIBBEAN AND SELECTED COUNTRIES: SHARE OF INTERMEDIATE GOODS IN TOTAL AND INTRAREGIONAL EXPORTS, 2000, 2005 AND 2011
(Percentages)

	Share of intermediate goods in global exports			Share of intermediate goods in exports to Latin America and the Caribbean		
	2000	2005	2011	2000	2005	2011
Latin America and the Caribbean	16.1	13.0	9.5	10.8	11.7	9.5
Argentina	7.1	6.4	4.7	8.8	9.0	7.7
Brazil	12.5	11.4	6.4	22.6	19.8	17.9
Costa Rica	35.4	29.5	25.7	8.9	9.1	6.2
Dominican Republic	1.4	11.9	11.3	2.1	9.0	19.2
El Salvador ^a	3.2	4.2	6.2	8.0	7.4	11.7
Mexico	26.0	24.1	21.0	10.8	17.4	10.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, United Nations Commodity Trade Statistics Database (COMTRADE).

^a The data for 2011 are from 2010.

⁶ The growth of Mexican exports of intermediate goods in the 1990s coincided with the first years of the North American Free Trade Agreement.

⁷ The Asian countries are also a major export market for electronics from Costa Rica.

3. The function of maquila activity and export processing zones

The process by which the region's countries have integrated into global value chains has often taken place through localized linkages in maquila and export processing zones. Maquila activity is the part of the production process that is subcontracted to third parties that assemble semi-finished parts under an arrangement in which the inputs for assembly are imported with the requirement that the final manufactured product will be exported for sale, which makes it eligible for tax and other various benefits. In some countries, the area in which maquila activity is conducted is known as an export processing zone. The concept of export processing zones is related to the fact that imports to be used in the maquila sector are tax-exempt.

The export processing system was developed as a way to promote the integration of the countries of Latin America and the Caribbean into the international economy. Export processing zones have played an important role in promoting and diversifying exports, attracting foreign investment and creating jobs in a number of countries in the region, particularly those in close proximity to mass consumer markets. Table IV.2 shows that the closer that a country is to the United States, the greater its volume of products from export processing zones will be as a share of total exports.

In many cases, exports from export processing zones have been declining as a share of total exports over the past decade.⁸ In addition, the maquila industry is not solidly tied into the national production structure, since most of the inputs come from abroad. Maquila activities largely follow criteria designed to maximize benefits for transnational companies, which are independent of the criteria that inform national production development, though in some cases they may coincide. A look in several of the region's countries at maquila activity broken down into imported inputs and value added at the national level shows that the domestic value added from maquila exports averages 18% of the value of total exports from that sector, with a maximum of 61% in Uruguay and an average of 26% in the Central American countries (see table IV.2).

⁸ See ECLAC (2012h) and the studies by Granados (2005 and 2011).

Table IV.2
LATIN AMERICA (SELECTED COUNTRIES AND GROUPS): EXPORTS FROM MAQUILA AND EXPORT PROCESSING ZONES, 2011

Group or country	Exports from maquila and export processing zones		Imported inputs in exports from maquila and export processing zones		Value added	
	(millions of dollars)	(percentage of total exports)	(millions of dollars)	(percentage of exports from maquila and export processing zones)	(millions of dollars)	(percentage of exports from maquila and export processing zones)
Total for selected countries	226 045	33.8	193 063	82.4	39 598	17.6
Central American Common Market	15 590	41.8	11 490	73.7	4 100	26.3
Costa Rica	5 570	53.5	4 115	73.9	1 456	26.1
El Salvador	1 201	22.6	854	71.1	347	28.9
Guatemala	3 777	36.3	3 152	83.5	625	16.5
Honduras	3 290	45.8	2 108	64.1	1 182	35.9
Nicaragua	1 752	43.6	1 262	72.0	490	28.0
Dominican Republic	4 884	57.2	2 900	59.4	1 984	40.6
Mexico ^a	186 934	67.1	155 970	83.4	30 964	16.6
Panama	15 113	95.1	14 041	92.9	1 072	7.1
Uruguay	2 416	28.8	937	38.8	1 479	61.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the respective countries; Central American Monetary Council (CAMC); Comptroller-General of the Republic of Panama; National Institute of Statistics and Geography (INEGI) and INDEX of Mexico and National Institute of Statistics of Uruguay.

^a Since 2007, Mexico has not kept a separate record of exports from the maquila industry. In this table, income from the foreign and domestic market is reported. Imports are an estimate from INDEX.

Competition from products coming from Asia (especially China) and the commitments assumed by the countries in the WTO and under preferential trade agreements are threatening the future of these platforms. The capacity of the production activities installed in export processing zones will be put to the test in terms of remaining engaged in global value chains, linking with the national production structure and having a greater impact on the larger economy as a whole.⁹ Therefore, export processing zones are likely to undergo deep transformation in the years ahead.

B. Internal chains: the depth of linkages

The region's main export products reflect the production specialization of each country. Table IV.3 shows the 5 leading exports of 18 selected countries and their contribution to the total value of exports.

In some countries, a single mineral product represents over one third of exports, as in the Bolivarian Republic of Venezuela and Ecuador with oil, the Plurinational State of Bolivia with natural gas and Chile with copper. In others, exports of a food product predominate, as in Paraguay with soybeans, Honduras and Nicaragua with coffee and Uruguay with beef. Although the largest countries in the region (Argentina, Brazil and Mexico) also export commodities and food products, their export structure is more diversified. Countries such as El Salvador and the Dominican Republic have a diversified export structure too, but their exports mostly come from export processing zones. This different category of exports does not always generate the desired linkages due to the heavy reliance on imported products (see ECLAC, 2012h, chapter IV).

It is important to know the job volume and depth of the linkages generated by the sectors producing these main export products. Based on input-output tables, a linkage index and the number of linkages of the export sectors were calculated, which allows the level or quality of the (internal) linkages of these sectors to be assessed (see table IV.4).

⁹ At the Uruguay Round, it was agreed that the developing countries would commit to withdraw all export subsidies by 1 January 2003 (Article 27 of the Agreement on Subsidies and Countervailing Measures), with an eight-year transition period beginning in 1995. Later, as part of negotiations to launch the Doha Round in November 2001, this commitment was renegotiated and extended for five years (and subsequently extended for two more years). In 2007, the deadline for removing these exemptions was extended once more, to 2015.

Table IV.3

SELECTED COUNTRIES: LEADING EXPORT PRODUCTS, 2011

(Percentages of total value)

Country	Five main products	Percentage of exports
Venezuela (Bolivarian Republic of)	Oil (66.7), oil derivatives (29.8), iron ore and concentrates (0.6), ferro-alloys (0.5), ships (0.4)	98.0
Bolivia (Plurinational State of)	Natural gas (42.6), common metals (14.3), precious metals (12.0), tin (4.3), feed stuff for animals (4.2)	77.4
Ecuador	Oil (52.8), fruits and nuts (10.4), crustaceans (5.3), oil derivatives (4.6), prepared fish (3.9)	77.0
Paraguay	Oil seeds and fruits (43.2), meat (13.6), feed stuff for animals (7.3), corn (6.4), vegetable oils and fats (5.9)	76.4
Colombia	Oil (40.4), coal, not agglomerated (13.8), oil derivatives (8.0), coffee and coffee substitutes (5.2), non-monetary gold (4.9)	72.3
Chile	Copper (36.7), refined copper and copper alloys (19.5), fruits and nuts (5.6), fish (3.9), pulp and recovered paper (3.5)	69.2
Nicaragua	Coffee and coffee substitutes (20.0), meat (19.3), gold (16.0), sugar and honey (7.6), crustaceans (5.3)	68.2
Peru	Common metals concentrates (25), non-monetary gold (21.8), copper (7.3), oil derivatives (6.4), feed stuff for animals (4.2)	64.7
Honduras	Coffee and coffee substitutes (19.6), printed matter (14.1), fruits and nuts (9.6), non-monetary gold (5.5), vegetable oils and fats (5.0)	53.8
Panama	Medicinal products and pharmaceuticals (34.0), shoes (7.8), outerwear for women (4.5), perfumes (4.4), knitted or crocheted outerwear (2.8)	53.5
Brazil	Iron ore and concentrates (16.3), oil (8.4), oil seeds and fruits (6.4), sugar and honey (5.9), meat (5.1)	50.8
Costa Rica	Electronic lamps, tubes and valves (18.6), fruits and nuts (15.0), medical instruments (7.9), food products (3.9), coffee and coffee substitutes (3.7)	49.1
Uruguay	Beef (20.2), rice (8.6), oil seeds and fruits (8.5), wheat (4.8), dairy products (3.7)	45.8
El Salvador	Knitted or crocheted underwear (22.3), knitted or crocheted outerwear (9.1), coffee and coffee substitutes (4.7), electronic machines and appliances (4.5), sugar and honey (4.2)	44.8
Guatemala	Coffee and coffee substitutes (10.5), precious metal ores and concentrates (9.0), sugar and honey (7.0), fruits and nuts (6.4), knitted or crocheted outerwear (6.2)	39.1
Argentina	Feed stuff for animals (12.8), vegetable oils and fats (7.8), oil seeds and fruits (7.1), passenger automobiles (5.6), corn (5.4)	38.7
Mexico	Oil (14.1), passenger automobiles (7.6), telecommunications equipment (5.3), television sets (5.3), vehicle parts and accessories (4.8)	37.1
Dominican Republic	Medical instruments (10.8), knitted or crocheted underwear (6.0), manufactured tobacco (5.9), ferro-alloys (4.5), cotton fabric (4.5)	31.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, United Nations Commodity Trade Statistics Database (COMTRADE).

Note: The data for El Salvador are from 2010. The data for Honduras and Uruguay are from 2009.

Table IV.4
EMPLOYMENT AND LINKAGES IN THE LARGEST EXPORT SECTORS

	Total employment (thousands of people)	Export employment (thousands of people)	Export employment (percentages)	Exports (percentages)	Export ratio	Rasmussen-Hirschman index ^a	Linkages (number and share) ^b	Linkage level
Brazil (2005)								
Food and beverages	2 203	3 386	25.8	15.2	13.7	1.3	6 (84%)	High
Steel products and derivatives	112	303	2.3	6.8	26.4	1.1	8 (77%)	High
Agriculture, agroforestry, forest harvesting	13 094	2 762	21.0	6.5	14.5	0.9	7 (87%)	Medium
Extraction of iron ore	206	87	0.7	5.4	63.7	1	6 (67%)	High
Machinery and equipment	449	328	2.5	4.9	14.9	1.1	7 (70%)	High
Total for five sectors	16 065	6 866	52.2	38.8	23.4	1.1	6.8	High
Total for economy	90 906	13 149	100.0	Average	17.8	1	5.9	
Colombia (2005)								
Crude oil, natural gas, uranium and thorium	23	54	2.6	17.2	56.3	0.8	3 (92%)	Low
Coal and lignite; peat	50	93	4.5	11	97.3	0.9	6 (77%)	Medium
Refined oil, nuclear fuel and coke products	3	18	0.9	8.6	34.2	0.9	6 (88%)	Medium
Coffee products	543	549	26.3	7.2	80.5	1.6	6 (80%)	High
Basic and manufactured chemical products (excluding plastics and rubber)	120	52	2.5	7.2	13.6	0.9	9 (75%)	Medium
Total for five sectors	740	766	36.7	51.2	39.8	1	6.4	High
Total for economy	17 118	2 087	100.0	Average	17.5	1	5.7	
Chile (2003)								
Mining and extraction	71	197	14.1	35.6	71	1	4 (73%)	Medium
Transport, storage and communications	495	161	11.5	12.8	20	1	6 (79%)	Medium
Food, beverages and tobacco	222	199	14.2	10.8	19	1.2	6 (56%)	High
Agriculture, hunting, agroforestry and fishing	763	320	22.9	9.4	43	1.1	6 (74%)	High
Wholesale commerce	944	150	10.7	6.6	12	1	5 (70%)	Medium
Total for five sectors	2 495	1 027	73.5	75.2	31	1.1	5.4	High
Total for economy	5 785	1 397	100.0	Average	29.3	1	4.5	

Table IV.4 (concluded)

	Total employment (thousands of people)	Export employment (thousands of people)	Export employment (percentages)	Exports (percentages)	Export ratio	Rasmussen-Hirschman index ^a	Linkages (number and share) ^b	Linkage level
Mexico (2003)								
Electronic equipment	75	139	3.0	21.3	86.4	0.7	6 (88%)	Medium
Transport equipment	598	682	14.7	20.2	58.7	1	4 (73%)	Medium
Oil and gas extraction	344	187	4.0	9.9	42.3	0.8	5 (72%)	Medium
Commerce	6 661	870	18.7	9.4	11.7	0.9	4 (57%)	Low
Electricity generation equipment, electric appliances and accessories	481	399	8.6	6.7	70.2	0.9	5 (68%)	Medium
Total for five sectors	8 159	2 278	49.0	67.5	61.5	0.9	4.8	Medium
Total for economy	34 702	4 650	100.0	Average	14.6	1	4.9	
Uruguay (2005)								
Meat and meat products	14	66	25.5	17	57.5	1.3	3 (83%)	Medium
Transport services and activities	39	6	2.3	9.5	52.5	0.8	7 (71%)	Medium
Coke, oil refining	2	1	0.4	6.2	29	0.7	5 (88%)	Medium
Leather tanning and curing; leather articles	4	13	5.0	5.1	86.4	1.2	5 (74%)	Medium
Wholesale and retail commerce	234	25	9.7	5.1	7.9	0.9	7 (64%)	Medium
Total for five sectors	294	111	42.9	42.9	46.3	1	5.4	Medium
Total for economy	1 463	259	100.0	Average	31.4	1	5.1	
Total for five countries/five sectors^c	27 753	11 048	51.3	Weighted	40.4	0.99	5.6	
Total for five countries/total economy^c	149 974	21 542	100		22.1	1	5.2	

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of input-output tables of the countries and employment surveys of the countries.

^a For the Rasmussen-Hirschman index, a value greater than 1 indicates more linkages than the average sector.

^b The maximum number of linkages in each country was standardized to 12 sectors. The share of the links considered in the total inputs for the sector is given in parentheses.

^c The total for five countries is the average of the five countries weighted by the total value of the exports of each country.

The analysis of the five countries for which input-output tables are available shows that the five dominant export sectors generally have medium levels of backward linkages, although some have high levels.¹⁰ Highly linked sectors tend to have a large number of jobs associated with exports, in some cases even more than the sector's total, due to the importance of indirect jobs. In several cases, the lead export sector is not the one with the most linkages. In Colombia, for example, the crude oil, natural gas, uranium and thorium sector, the main export in 2005, has a low linkage level, while the coffee sector has a high linkage level. In the case of Chile, the mining and extraction sector is not extensively linked, as the value of its linkage index is near the average and the number of linkages is low.

In Mexico, the main export sectors tend to have average linkage levels, although in some cases, such as in the electronic equipment sector, the linkage index is lower than the average for the economy and for the five countries studied. In Uruguay, the five leading export sectors have average linkage levels, although the meat and meat products sector and the leather tanning and manufacturing sector have a relatively high linkage index but a lower-than-average number of linkages.¹¹

Jobs associated with the sectors that produce the five leading exports account for a large share of total export-related employment: 52% in Brazil, 37% in Colombia, 74% in Chile, 49% in Mexico and 43% in Uruguay. This is because more indirect jobs are created than direct jobs in the main export sectors of the countries in this study. Although these values tend to correlate with the share of total exports, there are major differences in several specific sectors.

In some sectors, the contribution to export-related employment is three times the sector's share of export value. This is the case with the agriculture sector in Brazil, which contributes 21% of export-related jobs but only generates 6.5% of the total value of exports, and with the coffee sector in Colombia, which accounts

¹⁰ The linkage level takes into consideration: the linkage index (Rasmussen-Hirschman index) and the number of linkages (taking into account the number of sectors that contribute 5% or more of the total inputs in each sector). If a sector has values for both indicators that are higher (lower) than the average for the economy, its linkage level is high (low), whereas if the value of one of the indicators is higher than average and the other is lower than average, the linkage level is medium.

¹¹ The linkage indicators are influenced by the number of sectors in the input-output tables (Brazil = 55, Chile = 26, Colombia = 38, Mexico = 36 and Uruguay = 54). It should be noted that in the case of the Republic of Korea (analysed using the 2003 input-output tables to estimate export employment in table III.1), the linkage index for the export sector is higher than 1 (index = 1.04), which indicates that the export sector has a greater level of interdependence with the production sector than the average sector. However, the number of linkages is relatively low (2), because the level of aggregation considered (input-output matrix of 24 sectors) means that there is a large volume of intersectoral transactions (the electronics sector stands out, with 32% of the exports and a linkage index of 0.98 where many of the parts and components are sourced from the sector itself).

for 26.3% of export-related jobs but just 7.2% of export value. In other sectors, the contribution to employment is a very small fraction of the sector's export contribution. This is the case with the oil sector in Colombia, which generates 24.4% of exports but just 3.5% of export-related jobs, and to a certain extent, with the mining sector in Chile.

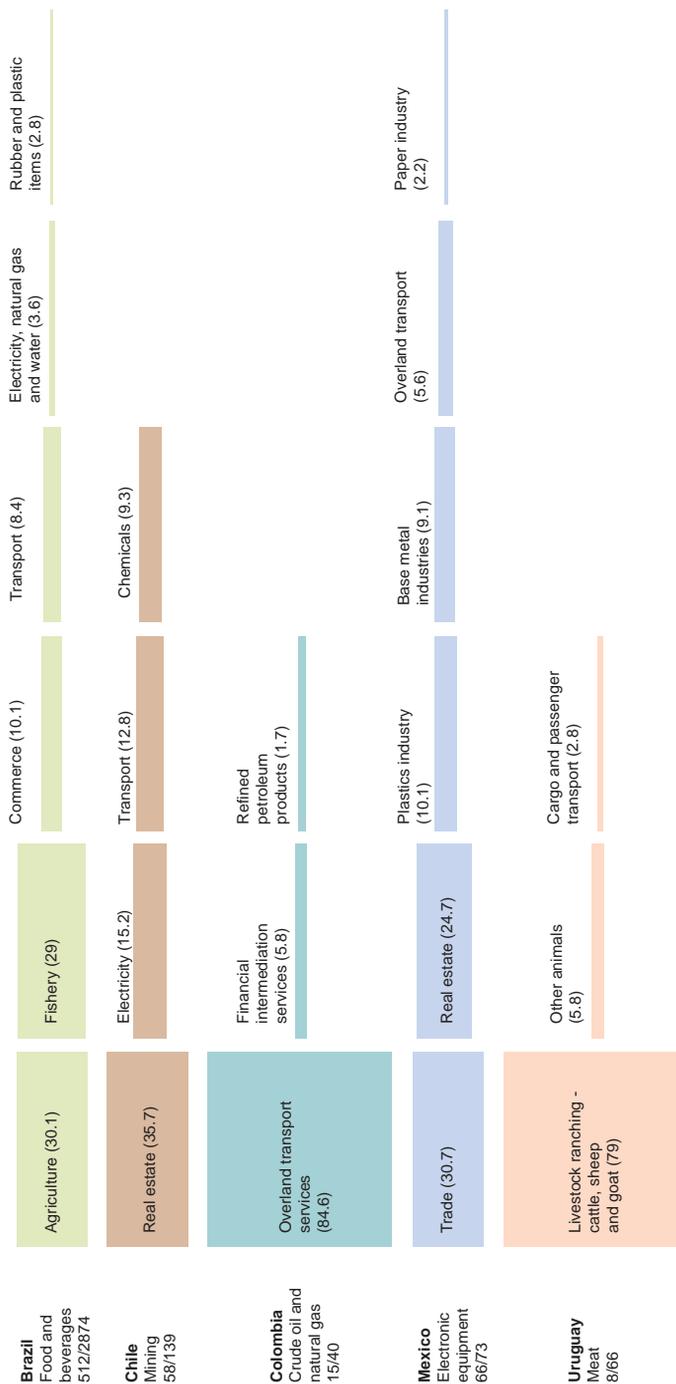
By analysing the depth of the linkages and the employment contribution of each link, important conclusions can be drawn about the volume of indirect jobs related to the leading export sectors in each country in the region. Table IV.5 looks at the main export sector in each of the five countries in this study and presents the ratio of direct and indirect jobs, the internal linkages, i.e. the supply sectors (in percentages of demand) and their contribution to indirect employment. In Brazil's food and beverage sector (the lead export sector), there are well over five times as many indirect jobs as direct jobs, with six sectors linked as suppliers (agriculture, fishery, commerce, transport, electricity, natural gas and water and rubber and plastics), which suggests that indirect jobs are created in cascading order across those sectors. A similar phenomenon occurs in Mexico with electronic equipment, although the ratio between direct and indirect jobs in this sector is smaller. There are fewer sectors linked to the mining sector in Chile and to the oil sector in Colombia, and the ratio between direct and indirect jobs is small. In Colombia and Uruguay, the lead supplier sector accounts for a large percentage of jobs and demand.¹² The chains are relatively shorter (with fewer linkages) in the mining sector in Chile, the oil sector in Colombia and the meat sector in Uruguay, with the latter two standing out for the size of the main supplier sector.

The analysis conducted using input-output tables to review the linkages reinforces and enriches conclusions about the prevailing global integration models in the region (in particular, about the depth of the internal linkages in two submodels based on natural resources, mining and food products, and the export processing corresponding to the case of Mexico) (see chapter II).¹³ When input-output tables for countries in Central America and the Caribbean are available, it will be possible to further explore the characteristics of the linkages of the tourism services export model and the assembly and maquila models (ECLAC, 2012h).

¹² In table IV.5, the proportion of indirect jobs is represented by the box height of each supplier sector, while the proportion of demand is indicated in the percentage noted alongside each supplier sector.

¹³ Given that the data from the input-output tables are from the middle of the past decade (2005), they do not capture new areas of specialization that have arisen in the past five years.

Table IV.5
MAIN EXPORT SECTOR: INDIRECT JOBS AND LINKAGES
(Thousands of direct and indirect jobs, percentages of demand and percentages of indirect jobs in each link)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of input-output tables of the countries and employment surveys of the countries.

C. Factors that affect the inclusiveness of linkages

Reducing or eliminating tariffs affects the structure and functioning of global value chains, and the preferential trade agreements signed by the majority of the countries contribute to their formation. In Latin America, tariff liberalization locked in tariff advantages for assembly or maquila plants: the North America Free Trade Agreement facilitated the formation of chains between Mexico and the United States, and the Free Trade Agreement between the Dominican Republic, Central America and the United States produced a similar outcome. The evolution of these agreements has already been discussed in chapter II; the following sections examine four dimensions that lead to more or less inclusiveness in linkages and can be shaped by public policy.

1. Participation of SMEs

The value chain concept is a valuable tool for evaluating the position of small and medium-sized enterprises (SMEs) in global trade. This approach looks at integration at the international level, in order to analyse how national dynamics are affected by global trade relations. It also makes it possible to study dynamic linkages between cross-sectoral production activities and analyse relationships between firms, which is a broader approach than one limited to the study of individual firms. Products and services are increasingly developed by dint of cooperation, such that an analysis that only looks at intra-business processes is insufficient. Some international organizations have even launched programmes to analyse policies for better SME integration into value chains (UNCTAD, 2007). Global value chains also help identify the strengths, opportunities, weaknesses and risks of each participant, as well as the limitations and obstacles to their growth and development.

Participation in global value chains conveys many potential advantages for SMEs. First, global value chains give them the opportunity to penetrate foreign markets indirectly and thus participate in globalization and reduce their reliance on the domestic market. Second, this engagement helps them to improve their productivity and efficiency. Large companies leading a value chain can transfer their technologies to the smaller firms, creating a technology spillover effect. Moreover, by participating in international value chains, SMEs are able to come into line with international standards. Another advantage is access to financing and information (e.g. on trends in demand). In short, value chains have the potential to reduce productivity gaps between large and small actors.

The different possible ways and paths for SMEs to engage in learning and upgrading in value chains depend, in part, on the economic sectors and on the capacities of the firms themselves. Specifically, action can be taken to improve a product or service (new or better quality), improve the production process (which entails efficiency or productivity gains) or improve functions (movement to a higher link on the chain by increasing knowledge content and value added, known as

upgrading). To a certain degree, learning potential depends on the economic sector. For example, in enclave activities, such as mining, learning opportunities are generally limited.¹⁴ Conversely, in sectors with extensive linkages organized into internationalized chains, such as the electronics and automotive sectors, there is greater potential for learning.

However, integration into value chains also entails risks for SMEs. Because they are in an inferior position to the large companies that lead the chains, SMEs have limited bargaining power to secure a reasonable margin and retain part of the value added along the chain. This is especially the case when they do not possess specific technologies or know-how. As a further limiting factor, it is frequently the case that the larger companies do not transfer knowledge to the SMEs outside the production sphere, e.g. in design or marketing. Lastly, SMEs are vulnerable to the possibility that the leading companies might suddenly change suppliers (Romero Luna, 2009).

SME participation in global value chains depends not only on the structure and governance of each chain but also on the capacity of the firm and the specific nature of the sector. In order to integrate into value chains, Latin American SMEs must overcome various types of barriers to entry, many of which are internal, related to the low productivity of the firms themselves. As a result, these firms are not very competitive and do not produce goods and services that are easily sold to the lead companies in the chains. Other problems have more to do with the environment of the chains (e.g. there may be power asymmetries or behaviours that prevent SMEs from joining at certain points along the chains). Tax and regulatory issues (such as a weak competition policy) can also make it hard for SMEs to participate in certain chains.

Systematic information on the participation of SMEs in international chains that can be compared across the various countries is still limited. However, there is some sporadic data to indicate that SMEs are more likely to participate in export-oriented chains than in direct export operations. In Chile, some 4,800 SMEs carried out direct export operations in 2010, whereas at least 33,000 served as suppliers to export companies.

2. The territorial dimension

Local and regional development is one of the more interesting contributions by the literature on value chains. Understanding the dynamics of unequal territorial development driven by globalization, particularly in the countries of Latin America, allows for the integration of two levels of analysis that had previously remained relatively separate: the local scale and the global scale. Discussions on alternative territorial development in recent decades have seemed to oscillate from extreme

¹⁴ However, this is not a static rule. A mining company that develops an active programme of local suppliers and links up with biotechnology and research on new uses and materials can increase learning opportunities.

localism, often ignoring global influences on local and regional areas, and extreme globalism, which in turn has tended to overlook the local geographic conditions around which the globalization process unfolds.

The territorial implication of the global value chain approach derives from the fact that different places host different stages or processes in the chains. Places differ from each other in their degree of technological development, level of innovation and productivity and therefore their capacity to generate value added. In this context, the development potential of local and regional areas that host phases or stages in global value chains largely depends on the stage in which they are involved. Regional development can be viewed as a process by which value is created, enhanced and captured as a result of the intersection of these three dimensions (Dicken and others, 2001; Smith and Timberlake, 2002; Coe and others, 2004; Coe, Dicken and Hess, 2007).

3. The logistics dimension

The logistics dimension is an important factor affecting the competitiveness of SMEs and their inclusion in value chains. Empirical studies conclusively show that small producers spend more than their large counterparts on logistics. In Chile, the average cost per ton for large export companies is three times less than what small and medium-sized producers pay for the same service (Becerra and Vicuña, 2008). In Costa Rica, for a small producer to export one kilogram of tomatoes, shipping represents nearly one quarter (23%) of the total cost, followed by customs (10%) and taxes (6%), while for a large exporter, the biggest cost is customs (10%), followed by shipping (6%) and taxes (5%). Due to logistical and operational inefficiencies, the profit margins (competitiveness) of small producers are 19% smaller than those of large regional exporters (Fernández and others, 2011).

In the case of SME chains, economies of scale, product unit values, trade imbalances, information asymmetries and bargaining power are some of the factors that explain the differences observed between the costs paid by large importers and the costs paid by small or occasional exporters. From the standpoint of inclusive trade, the prompt resolution of operational inefficiencies that result in delays or cost overruns may represent significant savings that can be passed through to prices or applied to increase profit margins, promoting the development of inclusive value chains.

Although most intraregional trade in South America is conducted overland (by road, especially), the landlocked countries, such as the Plurinational State of Bolivia and Paraguay, have higher-than-average costs. This reflects unbalanced trade structures (empty backhaul trips that drive up the cost of the main haul), inefficient logistics infrastructure and problems related to facilitation and coordination with transit countries.¹⁵

¹⁵ A first look at this issue can be found in Wilmsmeier and Sánchez (2009). See also the analysis conducted by Wilmsmeier and Sánchez (2010) on the food sector.

Logistics costs vary depending on the characteristics of the product, the associated logistics and the geographical location. Other factors that strongly influence the logistics costs of value chains are as follows:

- Deficits in physical infrastructure and inefficient logistical connections, particularly in rural areas, at border crossings and overland connections with large consumer markets (causing losses in terms of network economics, longer transport times and cost overruns).
- Operational inefficiencies of overland transport services, such as inadequate selection of the transport mode, spotty or informal cargo shipping services and a shortage of personnel to provide full and modern service.
- The role of port and customs interfaces. The elasticity of port efficiency is equivalent to that of distance in the determination of freight cost (Sánchez and others, 2003), which is to say that greater distances to consumer hubs can be offset by enhanced port and shipping efficiency, which would create more potential for SMEs to participate in foreign trade.
- The lack of security in logistics chains imposes significant additional costs in the form of private measures to reduce insecurity, especially in the case of overland transport (Pérez, González and Asencio, 2011).
- The absence of effective trade and transport facilitation measures leads to red tape, discriminatory practices and delays at borders and in international waters. These delays can account for between 4% and 12% of cost overruns related to logistics (Schwartz and others, 2009).
- Geographical location also affects costs. A shared border between the trading partner and the country of origin can reduce overland transport costs by two percentage points (Venables and others, 2007).

4. The gender dimension in global value chains

The stages along global value chains where women participate often correspond to low-skill, low-wage activities that are relatively insecure. Their participation in these value chains is mainly as workers in agricultural or industrial maquila plants, in workshops or at home. This modality expands their employment opportunities, but their working conditions vary based on the size of the workplace, the sector of production, the number of employees and the formality of operations. On the whole, the studies on female participation in agricultural value chains show that even when the sectors are integrated into global value chains, female workers are paid low and seasonal wages and face high levels of informality and instability in terms of employment contracts and benefits. It is often the case that cheap labour and inequality, particularly gender inequality, encourage investment and are functional to globalized production (Rodríguez, 2010).

Since the 1990s, increased female participation in value chains in Chile has been concentrated in low-quality jobs. The evidence shows that although women have rapidly increased their participation in the labour market, especially in

export-related sectors such as fruit production and agro-industry, precarious work accounts for a sizeable portion of the increase (Todaro, Mauro and Yañez, 2000). Several more recent studies on wage employment in agroexport sectors point to a continuation of this process, with changes that have led to an increase in seasonal employment. Greater female participation in seasonal agricultural work has been accompanied by the introduction of flexibilization, subcontracting and labour intermediation mechanisms that have a strong impact on the living conditions of the men and women who work in this sector. Although the employment relationship has, to a certain extent, become more formal, earnings (taken at the beginning of the season) tend to be below the minimum wage. In contrast to what occurs with higher-paying jobs, there is no significant wage gap between men and women, since the lower the pay, the smaller the wage gap (Wilson and Caro, 2010).

Conditions in Peru are similar. In the artichoke chain, for example, although 51% of workers are women, there is a rigid gender segmentation by type of job (Campion, 2006). A full 80% of women employed in this sector work in processing, peeling, cutting and removing leaves, while men are hired for technical and mechanical work. The gender gap manifests in greater precariousness and lack of job security for women, as well as wage differences.

In Mexico and Central America, a significant portion of female participation in global value chains is through maquila employment, a paradigm of the export specialization model introduced by transnational companies and institutionalized as part of export processing regimes, which are characterized by labour intensification and the flexibilization and extension of working hours (see box IV.1).

In various case studies that focus on value chains, in clusters identified as priorities in national competitiveness agendas in the textile, dairy, agroindustrial, aquaculture and fishery, forestry, tourism and telecommunications sectors, there are positives and negatives. On the one hand, the participation of women in value chains has enabled them to achieve a certain degree of job and income stability, as well as increasing their autonomy and knowledge of production and marketing processes. On the other hand, to be competitive, firms transfer a portion of their costs to their workers, in the form of low wages, intensification of work and longer hours and poor labour conditions.

D. Public and private initiatives: modalities and incidence

Many governments in the region have advanced public initiatives, especially over the last 20 years, to implement SME support policies based on business cooperation and inter-institutional collaboration. The purpose has been to improve the productive and competitive performance of the firms and create a vigorous, innovative and dynamic business environment that enables them to participate in foreign trade and different modalities of globalization. These initiatives have many different names and include a diverse array of actions and instruments.

The majority of actions launched in the region follow international precedent, from both developed countries and those at intermediate development levels.¹⁶ In general, they can be regarded as diverse modalities of production chain policies designed to achieve greater integration of SMEs.

Box IV.1

CENTRAL AMERICA: WORKING CONDITIONS FOR WOMEN IN VALUE CHAINS

Women's participation in the region's conglomerates and value chains lacks public visibility, which means that equity gaps are emerging in terms of being able to take advantage of new opportunities.

The textile-apparel cluster has the highest rate of workforce feminization among the large maquila companies, but female participation in subcontracted work (home-based maquila work) has not been registered. An analysis of the chain shows that the apparel manufacturing stage has been feminized. The rest of the activities in the chain (input management, pressing, final packaging, shipping and transport) are performed by men. There is no data on participation by gender among suppliers of inputs and the divisions/firms responsible for marketing.

In agribusiness and agro-industrial conglomerates (except in the case of meat and dairy), female participation basically occurs in a handful of industrial processing activities (cutting, washing and packing). International marketing is handled by men, while local and retail sales is an area in which women are involved. The rest of the activities and stages fall to men, and female participation is hidden in a number of basic farm activities (on shrimp farms and plants), especially in small production units, in their capacity as unpaid family labour.

The meat cluster, as well as the dairy and forestry clusters, are (in relative terms) dominated by men, precisely because the activities are regarded as men's work. The participation of women, both in production (milk and meat) and processing (semi-artisanal and artisanal) and sales to local markets, goes unrecognized, even though some of the products (such as cheeses and pine handicrafts) are sold throughout the country and region (Central America).

In the tourism cluster, the analysis of the hotel industry chain revealed that direct service activities and jobs are clearly segmented by gender: whereas women mostly work in cleaning activities (maids), men have access to a wide range of opportunities in better positions with higher wages (cooks and waiters). There is no record of the participation of women in firms that supply the hotel industry chain or in the tourism operator chain. A review of the studies on tourism conglomerates in the region revealed that female employment is not being recorded or taken into account.

Source: María Rosa Renzi, *Perfil de género de la economía del istmo centroamericano 1990-2002. Consideraciones y reflexiones desde las mujeres*, Panama, United Nations Development Fund for Women (UNIFEM)/United Nations Development Programme (UNDP), 2004.

¹⁶ The debate has been enriched by the contributions of international institutions (such as UNCTAD, the United Nations Industrial Development Organization (UNIDO) and more recently, the OECD) and a large number of case studies (many of which appear on the cluster initiatives list maintained by The Competitiveness Institute (TCI) Network (see [online] www.tci-network.org)). Over the past decade, other international lending institutions that operate in the region (such as the IDB and its Multilateral Investment Fund (MIF)) have joined in efforts to promote and finance this type of policy.

The diverse experiences in different countries, however, have not resulted in widespread implementation of this type of policy. There are at least three reasons why it is difficult to incorporate this type of production chain development into the array of priority public policy instruments. First, the political authorities may determine that these policies are unnecessary or that the conditions are not right for their introduction. Second, the experiences in Latin America have not yet yielded conclusive results on the benefits to be obtained by these instruments. A third reason, related to the previous, is that the outcomes of these policies generally take longer to manifest than a term of government, so the political leaders must adopt a long-term strategic vision, which is no easy feat.

There is plenty of room for programmes to support cluster development, production integration and business cooperation. These initiatives can assume any number of modalities to support SMEs and increase their production capacity, enhance their competitiveness and provide access to new markets through direct and indirect export operations. Systematizing these experiences will make it possible to understand their dynamics and improve policy design, but this objective is far from being met. Although there is evidence that various cluster projects implemented in countries in the region have achieved important results in two areas of strategic relevance for policy design —innovation and access to markets— there are many areas and activities that have not received the necessary support in the vast universe of SMEs.¹⁷

1. Complementary coordination modalities: business networks, clusters and territorial projects

Much of the competitiveness of firms depends on the types and characteristics of their relationships with both the production and the business environment. Marketplace staying power does not depend exclusively on the internal resources of the firms, but rather also on the ways in which they communicate, relate and interact with other companies or institutions in the production system in which they participate. Thus, their capacities and competencies can be strengthened by linking them to complementary capacities and competencies of other companies and institutions, which is key for incorporating SMEs into global value chains.

Three different types of modalities can be identified. First, there are business networks, where a group of firms in the same sector and location partner to achieve a shared objective by carrying out joint activities, such as buying inputs to reduce costs or improve supply conditions (mode of delivery, variety, quality, form of payment and others), commissioning specialized consulting services

¹⁷ See Dini, Ferraro and Gasali (2007), and ECLAC/IDB/OAS (2011).

to gain access to knowledge that individually they could not afford, selling like products to achieve economies of scale and obtain access to high-volume markets (such as supermarkets or exports) or selling complementary products to achieve economies of variety, and installing expensive new high-productivity machinery that can be used by groups of SMEs.¹⁸

Secondly, there are production clusters, where diverse production activities are vertically linked, generally within the same geographic area. Since firms that make up clusters tend to face the same problems, collective actions in these cases can promote important advances related to the generation of specialized technology services, the creation of testing and measurement labs and specialized training centres, applied research, establishment of product standards and the promotion of a specific product typical of the cluster.¹⁹

The third modality are territorial projects, which are joint initiatives that benefit not only the firms in a certain network or cluster but all members of a community. Activities have an even greater public good content and generally have to do with the creation or consolidation of generic competitive factors that work to the benefit of all economic activities in the local community.

These modalities, based on networks, clusters and territorial development projects, should be implemented with complementarity strategies, inasmuch as most successful cases involve the joint implementation of multiple modalities. Successful cluster-based projects have also promoted the creation of business networks within the same cluster, and most territorial production development projects have incorporated actions to promote clusters and production networks.

¹⁸ This is the case with the Isabella grape production integration project in Colombia, which brings together 212 producers in the area of Ginebra, in Cali.

¹⁹ Examples of each one of these developments are: the CAD Design and Standardization Centre, set up as part of the Integration of Production Project of the United Nations Industrial Development Organization (UNIDO) in Atuntaqui, Ecuador; the welding centre set up by the electronics chain in Córdoba, Argentina; the information system created by CORPOGINEBRA for the Isabella grape in Cali, Colombia; the dairy school established by members of the dairy cluster in Chontales, Nicaragua; the denomination of origin process initiated for Chontaleño cheese by the dairy cluster with support under the ONUDI project in Nicaragua; the technical standards for the Isabella grape, prepared with the support of the Integration of Production Project in Colombia; and activity to promote exports of fine wine from Uruguay.

Box IV.2

THE DAIRY PRODUCTION CLUSTER IN SÃO LUIS DE MONTES BELOS

The dairy production cluster is located in a microregion comprising 19 boroughs (in an area measuring 14,000 square kilometres) with a total population of 130,000 people. The cluster consists of 5,000 dairy establishments, mostly SMEs, producing over 211 million litres of milk and encompassing the entire milk value chain (purchase of inputs, production, transport, industrialization and distribution to final consumers).

Technology upgrading occurs gradually along a quasi-hierarchical value chain, especially confined to products and processes, and there is evidence of functional upgrading in some of the networks of participating cooperatives. Structuring the chain was a lengthy process that began with identifying the network of influence and continued with raising awareness and inspiring confidence in the benefits of collective work and production chains, identifying needs, problems and development potential, forming partnerships and associations, establishing action plans and matrices of responsibilities and setting up a system of governance and hierarchies.

Some results indicate that between 2003 and 2009, production increased by 24.6% (compared with 20.8% for the state of Goiás as a whole), productivity rose by 18.5% (compared with 10.1% for the state, according to the Department of Information Technology Policy (SEPIN)), and industrialization rose by 49.5% (compared with 3.5% for the state, according to the Association of Milk Producers (APL)). This is explained by various production coordination activities pursued at the local level (where regional inequalities were dealt with through localized policies) and by the establishment of a dairy technology centre, a farm school (science and technology of milk, food and soil laboratories, applied biotechnology for dairy cattle) and a dairy farming institute, support from the Brazilian Micro and Small Business Support Service (SEBRAE) and programmes run by business associations, cooperatives and networks, technical assistance programmes for producers and the dairy producer fair (FEILAC) in 2011.

At present, private companies, government agencies and nongovernmental organizations are participating in this initiative, including agencies of the federal government, the Goiás government, the Goiás Regional Development Agency, SEBRAE, the Ministry of Agriculture, the Ministry of National Integration, the Brazilian Agricultural Research Enterprise (EMBRAPA), the Goiás Federal University (UFG), the State Departments of Agriculture, Industry and Commerce, and Science and Technology, the Department of Education and the School of Montes Belo.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the reports from the aforementioned entities, especially the Brazilian Agricultural Research Enterprise (EMBRAPA) and the Ministry of Agriculture of Brazil.

Local production agglomerations in Brazil are examples of territorial development that stand out both for their subnational geographic coverage and sectoral scope, and for their integration with industrial or production development policies. Although these groups are inspired by the collective efficiency precepts of the industrial districts in Italy and by clusters, their underlying concept and unique objectives and development distinguish them from those models. Local production agglomerations were originally conceived as a way to generate public goods, but over time the creation and consolidation of business networks has been

incorporated into the strategy. At present, around 35 institutions are involved in supporting and promoting them, and different instruments and incentives are used to support the SMEs. They are essentially territorial agglomerations made up of groups of specialized firms that operate in the same sector, and although there are different levels of density in their structure of relationships and variations between sectors, the driving impulse for the majority is to coordinate the efforts of different local actors and agents to increase competitiveness, lower transaction costs, gain access to more markets and take advantage of economies of scale and externalities of agglomeration or strengthen innovation (Cassiolato and others, 2000; Teixeira and Ferraro, 2009).

2. Supplier programmes

Supplier programmes seek to link firms that already have a presence in the international market with SME suppliers. The purpose is to promote businesses that benefit low-income communities and people. Supplier programmes were created in Mexico in 1997 and in Chile in 1998 to provide technical assistance to small suppliers and they operate in all production sectors. In Chile, they are run by the Production Development Corporation (CORFO), which provides a subsidy to industrial companies to finance execution. In addition to playing an active role in the technology transfer process, the presence of industries as markets that buy raw materials helps to improve the competitiveness of production chains: the creation of stable contractual relationships between corporate buyers and their suppliers builds a level of trust that favours mutually beneficial processes of production specialization and complementarity (Sotomayor and others, 2011).

In Mexico, the supplier programmes are run by the Department of the Economy in conjunction with the National Chamber of Manufacturing Industries (CANACINTRA). As in Chile, the idea is to identify and enhance the competitiveness of a wide array of SMEs so they can join value chains driven by agro-industrial companies (known as “lead companies”). The participants receive economic support to finance consulting assignments to prepare and implement the development programmes of suppliers and business networks, as well as to obtain financing with guarantee funds administered by development banks and CANACINTRA. In addition, they receive support from the Department of the Economy to resolve administrative formalities.

3. Inclusive businesses

Unlike the supplier programmes, inclusive businesses and businesses at the base of the pyramid promote partnering, as well as the delivery of credit and technical assistance. Having emerged in the context of corporate social responsibility, these businesses explicitly seek to establish a relationship between large companies (“anchor companies”) and small producers that is beneficial for all, as a way to recruit poor households into new production activities. Cooperative efforts are made to create a business built around identifying opportunities that arise in the

community (Simanis and Hart, 2008), which may involve joint investments. The idea is to incorporate small producers into the value chain as suppliers of raw material inputs, as agents that add value to goods and services or as distributors of these goods and services.

The development of inclusive businesses involves a number of actors, including large companies, final consumers, small entrepreneurs, the central and local government, development and humanitarian aid institutions, civil society organizations and academic and financial sectors. In case studies analysing the successful experiences of inclusive businesses, the base of the pyramid is observed to be integrated into the chains in such a way that benefits are obtained for consumers, distributors and small product and service industries.²⁰

Box IV.3

NATURA: CASE STUDY OF AN INCLUSIVE BUSINESS

Natura, one of the largest cosmetics companies in Brazil, has distribution operations in seven Latin American countries and France. Part of its earnings come from product exports: 7.2% total sales were made in Argentina, Chile, Colombia, Mexico and Peru. Based on the development values of the suppliers and the principles of sustainable environmental management, Natura initiated a process to incorporate families and cooperatives into its value chains. In 2010, some 25 communities supplied the company with products and raw materials, with a total of 2,301 families participating, a 14% increase over 2009. In addition, the communities obtained more value, with earnings rising by 57%. To show the importance of the communities in some of Natura's operations, the communities that form part of the supply chain launched two product lines: a make-up line, presented at the cooperative of small agro-extract producers in Esperantinópolis, state of Maranhao, and the Ekos line of soaps, exhibited by the community of Jacarequara. Natura is often held up as an environmentally-friendly company that runs its business in line with the principles of corporate social responsibility.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of corporate annual reports from Natura.

4. Certifications and fair trade

The promotion of certifications to differentiate between products and guarantee product quality is another modality that has gained importance in recent years as a way to increase social inclusiveness, especially in the food sector.

The first example in this category are industrial property registries, which show that the region already has 42 denominations of origin, 16 geographical indications and 30 collective marks, with certification processes under way for additional products (Sotomayor and others, 2011). Some of these marks —such as denominations of origin for wine— are pursued jointly by small, medium and large producers, generating synergies between various types of firms that enrich

²⁰ See, for example, De Jongh and others (2011) for inclusive businesses, and Sánchez and others (2011), Hammond and others (2007) and Silva (2007) for businesses at the base of the pyramid.

the design of trade promotion strategies. However, many of these certifications are applied to exclusively rural products, such as the geographical indication “Limón de Pica” in Chile or the collective mark “Chirimoya Cumbe” in Peru, which is owned by the 106-member community of Santo Toribio de Cumbe. These marks also apply to non-farm products made by artisans, such as the Mexican denominations of origin “Olinalá” (wood handicrafts), “Talavera” (clay pottery) and “Ámbar de Chiapas” (precious stones).

The second example is organic agriculture, which is being produced in response to consumer interest in developed countries (and also in the domestic market) in natural products made without chemical inputs. Although this type of certification has been developed in virtually all of the region’s countries, the leading producers, in terms of area under organic cultivation, are Argentina (4,000,027 hectares), Brazil (1,765,793 hectares) and Uruguay (930,965 hectares). This is largely a function of the vast areas of land used to raise livestock, which has typically taken the form of extensive ranching in these countries. However, if the countries are ranked by number of organic farmers, Mexico and Peru are in the lead, with 128,862 and 46,230 organic farmers, respectively (Willer and Kilcher, 2010).

The third example is fair trade, which has been practiced for decades by nongovernmental organizations and various associations of small producers. Fair trade is defined as a commercial partnership based on dialogue, transparency and respect that seeks to achieve greater equity in international trade. It contributes to sustainable development by offering better trade conditions and guaranteeing the rights of marginalized producers and workers, especially in the South.²¹ This type of trade emerged in the 1960s in the developed countries and relies on responsible consumers who are willing to pay a fair price for the products they purchase. Fair trade projects are coordinated under various international networks, such as Fairtrade Labelling Organizations International (FLO), the World Fair Trade Organization (WFTO) (formerly the International Federation of Alternative Traders (IFAT)), the Network of European Worldshops (NEWS) and the European Free Trade Association (EFTA), grouped under an entity known as FINE. In the region, this mark is promoted by the International Association of Fair Trade - Latin America (IFAT-LA).

In Latin America and the Caribbean, there are various initiatives in progress in this field. The most advanced of these initiatives, from an institutional development standpoint, is the Brazilian System of Fair and Solidarity Trade, established by executive order in late 2010 (as a result, some authors indicate that this country is a pioneer of fair trade and a leader in social movements seeking inclusive and democratic economic relationships that promote equitable development). There are also initiatives in the Andean countries by coffee farmers and other producers in indigenous communities of origin.²²

²¹ See [online] www.ifat-la.org.

²² See [online] www.comerciojustodelsur.blogspot.com/, www.comerciojusto.cl/ and www.clac-comerciojusto.org/.

5. Competitiveness factors: partnering and innovation

The more demanding the market, the stronger is the incentive for firms to modernize. Many demanding markets, such as export markets or large distribution chains, are beyond the reach of individual SMEs, which do not have enough production capacity to supply the volumes demanded by these clients. Partnering enables them to tackle this problem, and by combining and coordinating their individual supplies, they can generate attractive proposals for larger markets.

Possible actions cover a broad spectrum:

- Discounts on large purchases of inputs negotiated by groups of firms;²³
- Lower costs by implementing joint trade promotion initiatives;
- Creation of new trade and investment capacity to boost trade capacity;
- Penetration of more demanding markets through agreements with industrial clients to guarantee purchase of a portion of production, consolidation of commercial relationships with supermarkets, subcontracts with export clients and capacity-building for direct export operations; and
- Better marketing conditions by formalizing interactions with clients and reducing the number of intermediaries.

Innovation, understood as the generation and incorporation of new knowledge in production processes in relation to their impact on new products, on the introduction of new technologies, on new modalities for organizing production processes or new modalities for coordinating actors, has been analysed in terms of its effect on partnership programmes involving SMEs (Dini, Ferraro and Gasali, 2007). The following are some areas where innovation can be introduced:

- In the mentality of the actors, by building mutual trust between entrepreneurs, so they can share resources and experiences and embark on collective action.
- At the institutional level and by creating coordination entities, facilitating the establishment of organizations that represent the interests of the firms in the cluster or network.
- In production processes (this is the most common type of innovation and includes the creation of new production functions, the introduction of good practices in manufacturing and agriculture, the standardization of production procedures and techniques, the creation of new firms with improved technology and the development of commercial skills and relationships).
- At the product level, which means creating new agro-industrial and livestock products and introducing new trends in fashion and design.

²³ Occasionally, these discounts can be sizeable (e.g. the buyers' group for the electronics chain in Córdoba, Argentina, achieved savings of nearly US\$ 1 million per year by buying inputs collectively).

E. Aid for trade programmes

Aid for trade is another element that can help Latin American SMEs integrate into global value chains. This assistance, which is concentrated in the areas of trade and development, consists primarily of cooperation flows from industrialized countries and multilateral organizations to less advanced and developing countries. Support can be arranged under bilateral cooperation agreements between one donor and one country, as well as between countries that are trading partners, which is known as “South-South cooperation in aid for trade” (Brazil, Chile, Colombia and other countries). Aid for trade volumes have been rising for less developed regions. Interested countries set the order of priorities for trade activities, assess their needs and consult with the donors on how to finance projects and programmes to achieve their development objectives.²⁴ Aid for trade encompasses projects in five areas: (a) trade policy and regulations; (b) trade development; (c) strengthening of production capacity; (d) trade-related adjustments; and (e) trade-related physical infrastructure.

Chain analysis is useful in formalizing aid for trade strategies. This methodology is applied to identify the barriers that prevent access to markets and to reveal to what extent internal reforms, improvements to physical infrastructure and reduction of barriers to foreign trade can improve the inclusion of all actors. Measuring obstacles with common indicators (such as time to market or the effect on costs) serves to set priorities, lay the groundwork for incorporating trade and development goals and identify where the aid for trade initiative would have the greatest impact (WTO/OECD, 2011). Trade facilitation measures could reduce trade costs by nearly 10% and by a proportionately greater margin for SMEs.²⁵

Aid for trade has the active support of organizations such as the World Bank and the IDB, and there is a high rate of return in terms of the volume of additional trade that can be generated. Based on 2007 figures, the World Bank concluded that if the amount for trade facilitation (a component of aid for trade) were to increase by 1% (US\$ 105 million), the resulting increase in global trade could be US\$ 545 million, that is, a return of US\$ 5 for each extra US\$ 1 spent

²⁴ Cooperation was defined at the WTO Ministerial Conference in 2005, and the purpose is to achieve consensus between the ministers of finance, development and trade regarding the priorities that contribute most to development. Financing is made through concessionary loans in which at least 25% of proceeds are non-reimbursable, or through subsidies. When the countries have determined their needs and priorities, a commitment is established between the donor country (or multilateral organization) and the beneficiary country. Disbursements are in the form of transfers of financial resources or goods and services valued at cost for the donor.

²⁵ In Central America, for example, improvements at a border crossing between El Salvador and Honduras (one of the borders with the highest volume of trade in the region) have reduced processing times from 62 minutes to an average of 8 minutes. Technical assistance provided to the public and private sectors to expand agricultural trade through compliance with international standards has reached more than 1,000 firms, generating export earnings growth and spurring job creation.

on assistance (Helble, Mann and Wilson, 2009). The IDB proposes to use aid for trade as a key tool for helping the region achieve its socioeconomic development goals (eighth Millennium Development Goal). According to figures published by the IDB, between 2008 and 2010, over US\$ 18 billion in financing is estimated to have been provided for aid for trade activities throughout the region, with investments in production capacity, economic and political infrastructure and trade regulations (in 2010 alone, aid for trade financing is estimated to have totaled US\$ 5.2 billion). The region's governments should be attuned to the assistance opportunities that these mechanisms offer and have priority projects at the ready that can be presented to the multilateral organizations or directly to the donors.

F. Linkages in different sectors and countries

This section looks more closely at the dynamics of inclusion in value chains in certain economic sectors. The cases were selected based on the principal comparative advantages of the different subregions and the availability of studies on the chain and the country (or the subregion). The common denominator in all cases is the presence of public or private initiatives to bring about greater inclusion.

1. Agriculture: strong potential for inclusion of small farmers

Much of the region's agricultural exports come from small family farms. However, given the lack of official definitions, it is hard to determine the size of this sector. A study conducted in the Southern Cone found that family farms numbered 4.97 million, of a total of 5.89 million farm operations (Barril and Almada, 2007). This total includes medium-sized operations, which are also SMEs, which means that virtually the entire farm sector in the region falls into the SME category. The commercial activities in which farmers participate can be considered as inclusive per se, with the exception of those involving large agricultural companies, which are a small fraction of the total.

The internationalization of the region's agricultural SMEs is directly associated with the type of firm. In the case of rural family farms, the rate of internationalization is very low, given the many restrictions that this segment faces: weak capitalization, economies of scale and human resources training, weaknesses in strategic management and difficulties in gaining access to foreign markets and meeting technical standards (quality, sanitary, labeling and other standards). These problems are less pronounced in the segment of medium-sized enterprises, which tend to have more assets and a clearer business orientation.

In Argentina, 31 agrifood chains have been identified that generate nearly US\$ 27 billion in exports and over 1.8 million jobs (Rebizo and Tejeda, 2011). These chains account for 11% of the country's jobs, 15% of GDP and 48% of exports. The three largest agrifood chains (soybeans, meat and milk) generate nearly 50% of value added, 60% of exports and some 470,000 jobs. The largest chain (soybeans)

contributes 26% of the value added in the agrifood industry, equivalent to the total of the next two: beef (14%) and milk (12%).

In Chile, participation in foreign markets accounts for a large percentage of agricultural employment (37.7%), with differences depending on the category of firm. An analysis of the 2007 Agricultural Census reveals that just 4.6% of microenterprises engage in direct export operations and 8.8% sell to agro-industrial companies (which could be regarded, at least in part, as indirect exportation). These figures show an ostensible decline when considering the rural subsistence farming segments. In the small enterprise segment, the percentage that exports climbs to 47% and the percentage that sells to agro-industrial companies is 58%, but the segment with the strongest export business is medium-sized and large operations. Among small concerns (95% of farms), fewer than 11% of jobs are related to exports, whereas among large companies (0.5% of the total), over 60% do export business and more than 90% of workers are involved in these export operations (see table IV.6).

Table IV.6

CHILE: TYPE OF FARM OPERATION, SHARE OF EXPORTS AND EMPLOYMENT, 2007

Type of enterprise ^a	Type of operation ^b	Operations by strata (percentages)	Exports (percentages)		Employment (in equivalent worker units)	
			Direct	Sales to agro-industries	Total	Export-related
Microenterprise	Subsistence	58.0	1.3	1.3	29.2	2.0
	Small business	27.9	3	13.8	20.1	9.4
	Small company	8.7	20.5	33.8	11.5	34.4
Small	Small	94.6	4.6	8.8	60.8	10.6
Medium/Large	Medium	4.9	46.5	57.9	24.6	71.8
	Large	0.5	71.8	64.0	14.7	92.7
	Total	100.0	7.0	11.5	100.0	37.7
	Total number	269 315	18 777	31 026	802 188	302 165

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Agricultural Census, 2007 and Qualitas Agroconsultores, 2009.

^a Categories used by the Ministry of Economy and CORFO: microenterprises have annual sales of up to US\$ 100,000, small firms have annual sales of between US\$ 101,000 and US\$ 1,060,000 and medium-sized and large companies have annual sales of over US\$1,060,000.

^b Categories used by the Ministry of Agriculture.

There are various strategies at work in the region to improve the participation of small farmers in global value chains. Traditionally, small farmers have faced the export market on their own, fallen into the hands of intermediaries or sold directly under very poor conditions. However, an array of strategies have been implemented in recent years to address this problem, improving the ability of these producers to participate in national markets and, in some cases, penetrate export markets.

Traditionally, the most common modality for collective integration has been through the formation of networks or cooperatives that allow producers to

join together and enter the market as a group. In the framework of the agrarian reform processes of the 1960s, a great many cooperatives were established, but the challenging economic and political conditions in the region in the 1980s and 1990s prevented a larger cooperative movement from taking root. Nevertheless, there are exceptions, such as the large dairy cooperatives Dos Pinos (Costa Rica), CONAPROLE (Uruguay) and COLUN (Chile), the Colombian Coffee Growers Federation (which owns the Juan Valdez brand name) and the hundreds of agricultural cooperatives driven by the Brazilian Landless Workers' Movement.

Box IV.4

COLOMBIAN COFFEE GROWERS FEDERATION

This organization was created in 1927 to represent Colombia's coffee sector at the national and international level. The federation is the leading trade association for the coffee sector, a major sector of the economy in Colombia, with exports valued at US\$ 2.210 billion in 2010.

The federation is a private, not-for-profit trade association that represents over 500,000 families throughout the country's rural coffee-producing regions. The heart of the federation are the coffee farmers and their families, and the objective is to help them run sustainable businesses, help coffee-producing communities strengthen their social fabric and ensure that Colombian coffee continues to be regarded as among the finest in the world.

The association is democratically run, with decisions made through representative structures for consulting the base—the coffee growers and their families—about their priorities. Another feature of this association is that it has elected to work across a broad spectrum of economic, social, scientific, technological, industrial and commercial areas, seeking to preserve the country's coffee culture as a form of strategic social capital. In the commercial arena, the federation has a network of 511 points of sale and 36 cooperatives that allow it to buy coffee at fair and transparent prices. In 2008, it was responsible for 27% of Colombian coffee exports. This production is sold in foreign markets under the internationally recognized "Juan Valdez" brand name. The federation also operates technical assistance, credit, agricultural research, environmental, social assistance and household and community infrastructure programmes.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of various reports on this experience.

Despite these successes, there have been many failures, too, which have revealed the limitations of this modality. In addition to a worldwide weakening of the cooperative movement, the main reasons for this failure are lack of capital and the difficulty that small producers have in organizing themselves, as well as the complexity of doing business in open and changing markets.

An alternative strategy is to link agro-industrial companies that are already in the market with microenterprise suppliers through supplier and inclusive business programmes. In Chile, between 2002 and 2007, CORFO financed 150 supplier programmes in the agriculture sector, reaching 3,800 small and

medium-sized suppliers. This strategy has now been adopted by the National Agricultural Development Institute (INDAP), which has linked 4,000 additional small farmers through an instrument similar to the supplier programmes, known as Productive Partnerships. An example characteristic of family farming is raspberry production, with 15,883 hectares under cultivation and 19,610 growers (96% of the harvest is for export, whether as fresh, dried or frozen fruit, or as preserves or juice). In 2010, US\$ 170 million of this product was exported (Sotomayor and others, 2011).

Between 2003 and 2008, supplier programmes in Mexico integrated 1,600 microenterprise suppliers, and the Mexican experience is beginning to be replicated in several countries in Central America. In El Salvador, for example, a supplier programme is being coordinated by the Chamber of Commerce and Industry. Another experience is with the nongovernmental organization FINTRAC in Honduras and El Salvador, which has developed a chain with over 500 small farmers to export high-value vegetables to the United States. The Support for Productive Partnerships project, promoted by Colombia's Ministry of Agriculture and Rural Development, has a similar aim, with plans to provide cofinancing to 300 partnerships between 2010 and 2015, reaching 23,300 families of small farmers integrated in agro-industries.

There have been a number of experiences with inclusive businesses in the region's agriculture sector. For example, as part of a food sovereignty strategy (Qualitas, 2010), Ecuador's Ministry of Agriculture, Livestock and Fisheries launched the National Programme for Rural Inclusive Business (PRONERI) in 2009, which has expanded (between 2010 and 2012) from six experiences with anchor firms to 20 (in the coffee, cocoa, corn, palm and milk chains). Other interesting cases are inclusive businesses where synergistic relationships have been established between two value chains. Although the Brazilian experience with linking small and large producers in the pork chain represents a traditional approach and has not been the product of a public policy (and thus has not been given a specific name or label), it is nonetheless a good example of how to do business with greater social integration.

In addition to improving productivity, supplier programmes and inclusive businesses have strong potential to boost the earnings of small farmers and reduce rural poverty. The two strategies have moved beyond the longstanding approach in which producers organized themselves (with State support) to obtain new technologies and sell their products. Yet, these models are not without their limitations and problems: variations in prices generate tensions between the anchor companies and the producers, inasmuch as the earnings of the latter determine the cost to agro-industry of obtaining raw material inputs. In a larger sense, these arrangements generate relationships of dependency and domination between actors that cover a multitude of dimensions. Therein lies the value of the inclusive business model, in which both parties are defined as strategic partners and the anchor companies have an explicit commitment to the small farmers.

Accordingly, in order to function, well designed regulations are needed, as are contracts (annual and multi-year), transparent quality assessment systems, dispute resolution mechanisms and other elements.

2. Mining: potential for inclusion through clusters and supplier programmes

Large-scale mining has traditionally been considered an enclave industry in Latin America and the Caribbean, with few linkages with local companies and SMEs. Unlike in Australia, Canada and Finland, where mining developed around agglomerations of companies, with a high degree of partnering between suppliers of machinery, equipment and inputs, universities and research and development centres, in Latin America and the Caribbean, the mining industry has formed very few linkages with local firms in the value chain, instead buying primarily from foreign suppliers.

In the case of mining in Chile, although companies import the majority of their inputs (65%), the government and some business groups have incentivized collaboration among various actors around a potential mining cluster, seeking to promote the development of collaborative business networks and production and commercial linkages with large companies. These large companies require goods and services totaling around US\$ 4.5 billion, excluding demand for capital goods (COCHILCO, 2007). The sector has some 3,400 firms that supply 2,200 products. A full 84% of these firms are Chilean and 54% are SMEs, although the bulk of purchases are made from large suppliers (Innova, 2007; www.diretmin.com). In value terms, 35% of mining inputs were purchased in Chile, and 17% corresponded to national production. The majority of local firms are low on the global value chain, with little say in the technology decisions of their clients, little power in contract negotiations and limited capacity to maintain the contractual relationship. Of these firms, 73% have never exported (Moguillansky, 2011).

Nevertheless, Chilean mining is regarded as a very competitive global industry, and a number of suppliers have sought to enter the international market and have launched successful export operations. The export business of these firms has fluctuated with the price of minerals and the intensity of the mining business in the country, inasmuch as companies are given incentives to serve the local market on a priority basis during periods of expansion. Exports of mining equipment and inputs, once very low, have been expanding for well over a decade now, growing from US\$ 30 million in 2000 to US\$ 212 million in 2006 (COCHILCO, 2007).

Over time, various associative initiatives have been launched to enable suppliers of goods and services in the mining industry to enter the export market. These have had the support of public agencies such as CORFO, Innova and ProChile. MINNOVEX (established in 2009 when Minexport Chile and Minnova merged) promotes innovation in the supplier sector of mining, as well as internalization of the industry. The target markets are Argentina, Colombia, Panama, Peru and the Plurinational State of Bolivia in Latin America, and Australia, Canada and

South Africa. A group of firms that provide equipment and tools, engineering, construction and assembly, specialized services and supplies created the sector brand Proveedores Mineros del Sur for their business in Peru.

One example of public-private collaboration is the BHP Billiton-CODELCO programme. In a context of rising pressure to contain costs and improve performance in the area of corporate social responsibility, BHP launched a world-class suppliers programme in 2008, joined by CODELCO in 2010. The goal of the programme is to establish, by 2020, a base of more than 250 world-class Chilean firms to export mining technologies and knowledge to the world, applying standards of excellence. The programme will build general capacity among the suppliers and develop initiatives that produce incremental innovation, subsequently transitioning to disruptive innovation projects. To this end, both companies have committed to designing and implementing solutions to problems, taking the steps needed to correct slippage, providing support for additional activities that contribute to the established objectives and participating actively in solving problems. This initiative is also an effort to develop innovative processes and solutions not previously available in the market and to contribute to creating a new sector (the mining technology services sector) in foreign trade (Moguillansky, 2011).

3. Manufacturing industry: experiences associated with production promotion

Mexican industry has interesting experiences with promoting production linkages to integrate SMEs into global value chains. These chains link the establishment of transnational companies and foreign direct investment (FDI) with SMEs to promote the development of local suppliers in certain sectors identified as priorities (automotive, electronics, biotechnology, aerospace and information and communications technology sectors). This activity is based on promoting associative relationships and increasing the linkages between SMEs, or with anchor or lead companies. Implementation is focused on introducing improvements in business and production performance, the creation of new workforce competencies and the development of linkages between the university, the innovation system and production, which have the effect of strengthening the regional economies. Links between the national level and state and local governments (Guadalajara, Baja California, Chihuahua, Querétaro and Aguascalientes) offer a territorial dimension that is specific for the development of strategic sectors and to further integrate SMEs into value chains by linking different agents and actors (Casalet and others, 2011).

These public policies have the support of the private sector and give value and weight to the sectoral dimension. This sectoral dimension is determinant in the design of public policies for the development of viable production chains that consider benefits and incentives to attract lead companies, identifying, based on history and characteristics, which companies have conditions conducive to the development of emerging economies, especially in terms of building capacity

to assimilate and improve knowledge, promoting efforts to train research and development staff and supporting the emergence of local suppliers, especially in priority areas associated with cutting-edge technologies.

As they evolved, public programmes incorporated new goals to promote collaborative agreements designed to create a competitive edge (Dini, 2010). Not only was there an increase in available resources, but also instruments were put in play to target support, for example, to projects in which SMEs partner with large companies along the entire value chain. At the same time, the beneficiaries of these policies were prioritized, and evaluation instruments were applied. Thus, a more comprehensive vision of support gradually developed, with special attention paid to more efficient conditions for the competitive development of SMEs.

An important actor for SME support is Nacional Financiera (NAFIN), the main agent for implementing SME financing promotion policies, for which it has a set of programmes that can be grouped into two areas: promotion and investment banking. In the promotion sector, the programme Production Chains has been created, which provides an electronic invoicing mechanism run on an Internet platform. Participants include large companies and government agencies with low credit risk, SME suppliers, a group of banks willing to discount for the latter invoices issued by the former and NAFIN, which arbitrates the process. Another SME financing initiative is the Induced Credit and Guarantees programme, which enables NAFIN to share credit risk with commercial banks. This programme is based on bank loan guarantees for SMEs from public institutions or, for a fee, from nonbank financial intermediaries.

There are a number of experiences in Brazil. For example, in the metallurgy cluster in the state of Espírito Santo, cooperation between large export companies and SME suppliers of parts and services has been observed to improve the industrial capacities of the latter group.²⁶ Over 40 years, the development of this industrial cluster has led to a shift from an economy based primarily on agriculture to one based on manufacturing. The firms in this cluster have different origins: some that were originally State-owned ended up being privatized, and others were the product of the second National Development Plan (1974-1979), which attempted to substitute imports and further diversify exports, so some of these firms were associated with public industrial development projects. The large companies in the metallurgy cluster export iron ore, steel and cellulose pellets.

In 2006, the companies in this cluster generated roughly US\$ 6 billion in sales and employed 6,000 workers, with approximately 50 SMEs producing parts and components or providing metallurgy-related services. The average SME had sales on the order of US\$ 1 million and 30 employees. Through subcontracting, these firms have diversified and are able to participate in a number of production processes run by the large companies (with the exception of project design and engineering). Although in the beginning, an SME would only provide goods or

²⁶ This section is based on Villaschi Filho and others, cited in Pietrobelli and Rabellotti (2006).

services to a single large company, it subsequently became the case that each SME was able to provide goods or services to several companies simultaneously, as geographical proximity ceased to confer a competitive advantage.

The cluster was set up by an entity responsible for strengthening the competitiveness of SMEs in the metallurgy sector. The Centre for the Development of the Metallurgy Industry in Capixaba (CDMEC), created in 1998 with support from the Espírito Santo Development Bank, consists of SMEs, leading companies, consultants, universities and other related entities.²⁷ Its main objective, which has the support of the state government, is to boost the volume of purchases that large companies make from local SMEs. In addition, it seeks to build technological capacities through cooperation with large companies and encourage information-sharing and cooperation agreements between its members and between them and national and international companies, ultimately to promote the establishment of consortiums. The Program for the Development and Qualification of Local Suppliers (PRODFOR) supports SMEs with a system for the development and qualification of suppliers of goods and services to large companies in the state. The Federal Centre of Technological Education (CEFETES) offers training courses to SMEs in areas related to the leading industries. Innovation in SMEs in this cluster is based primarily on “learning by doing” and “learning by using,” in order to fulfill the specific requirements of the lead companies. Through workshops and meetings, the CDMEC supports and promotes the exchange of information between SMEs and the lead companies, but this is not an easy process, since the learning process that leads to innovation tends to occur outside the SMEs.

Costa Rica, too, has interesting examples of public-private promotion of production chains. The Export Linkages Division of the Foreign Trade Corporation of Costa Rica (PROCOMER) (formerly the Costa Rica Provee programme) is an example of the public sector’s drive to strengthen chains, since together with transnational companies it has created supplier development programmes that have promoted linkages and vertical integration with the local industry.

The Costa Rica Provee programme, created in 2003, has three components: the pilot procurement programme, the integrated information system and a national supplier development office (Costa Rica Provee). In its first three years, 36 linkages were established with multinational companies. As the programme has gradually matured, it has increased the number of linkages between multinational companies and Costa Rican SMEs, with 1,119 linkages successfully established between 2001 and 2010, and a network of 569 national suppliers created. Among the programme’s successes are the creation of an information system with Internet access to 7,000 SMEs and the development of the SIProvee diagnostic and evaluation tool, which uses the ISO 9000 methodology to analyse and rate

²⁷ In the 1980s, the Espírito Santo Development Bank had two functions: identify the main needs of the local system and design policies to meet those needs (the CDMEC was the main result). It continues to provide financial support to the CDMEC to identify potential local suppliers for the large companies.

linked SMEs. Several multinationals have stated that they were unaware of the existence of good quality suppliers, and some have created a department for the development of local suppliers (Padilla and Martínez, 2007).

As is to be expected, the firms with the greatest potential to take advantage of linkage opportunities with transnational companies possess experience and a certain level of investment capacity. The development of new firms or linkages between SMEs and transnational companies will require greater efforts by the Costa Rica Provee programme and even a new institutional structure to support the growth of these small firms and build the necessary capacity (contribution by ECLAC to Estado de la Nación, Costa Rica, 2011).

4. Services: greater potential in tourism, new technologies and outsourcing

Tourism is the most important sector in the Caribbean, but it must tackle some major challenges to improve its competitiveness. It is estimated that in 2011, the tourism sector accounted for 14% of GDP, 13% of employment and 17% of exports from the subregion. Thus, it represents considerable potential for inclusive development and growth. However, despite a long history, the Caribbean economies have certain weaknesses in terms of competitiveness in pricing, tourism infrastructure, human resources, information technologies and regulation. Low performance in these and other areas points up a clear need for sector restructuring at the regional level.

There are various ways in which this sector could contribute further to inclusive growth in the Caribbean: (i) by improving backward and forward linkages with other sectors of the economy to generate positive externalities in knowledge and technology; (ii) by diversifying into other segments of the sector, such as sports, health and relaxation tourism, which would increase the size of the sector and create new opportunities for SMEs in these niches; and (iii) by increasing local participation, for the purpose of producing direct benefits for the community and local agents. In addition, more service jobs will help reduce unemployment in the region and improve the quality of life of the population. Tourism can also create demand for cultural products and services and local handicrafts, which can then develop into important sectors in and of themselves. Lastly, the infrastructure and information technology development associated with tourism generate positive externalities in the economies, which have limited resources to invest in these areas.

Small hotels constitute an interesting segment in the region, inasmuch as these establishments tend to use local farm products, creating a backward linkage that did not exist with the large hotel chains. Government incentives in this sector, whether tax breaks or other benefits, are still insufficient, but certification programmes and other processes have been developed to enhance competitiveness.

Traditionally, the governments have attempted to incentivize the development of more inclusive value chains in tourism by offering tax exemptions or concessions,

in the hope that the number of tourists would rise and thus contribute to local economic development. However, these efforts have been inadequate and have not succeeded in spurring the development of inclusive and sustainable value chains. Moreover, the cultural industry, regarded as not very productive, has received very little support from the government.

The governments of the Caribbean, in collaboration with the private sector, should focus on a new model for these sectors, based on an evolution towards segments with greater value added. The necessary steps forward will entail large investments in technology, innovation and workforce training. Hotel schools and art and cultural institutes should invest in research and development to put the region on a path towards segments with high value added. Given the importance of SMEs in inclusive development in these two sectors, public-private collaboration is essential for improving the competitiveness of these firms. With this in mind, value chains must be analysed to identify the segments in which these firms can evolve, and financing and training programmes must be designed so these firms can learn how to operate in high value added niches.

In Argentina, the software and information technology services industry has experienced a robust expansion in recent years. For several decades, it was sustained by the domestic market and was able to accumulate capacity to significantly grow its export operations beginning in the 1990s. At present, the industry consists of businesses ranging from local SMEs to large transnational leaders in the technology sector that are attracted by the high skill level and low cost of labour in the country and its relatively modern communications infrastructure. In 2010, Argentina's software and information technology services industry invoiced US\$ 2.5 billion and has had average annual growth of 18% since 2004 and exports totaling US\$ 663 million, with average annual growth of 22% for the same period. The sector employs more than 60,000 workers and software development is the main activity, generating 36% of total sales. In 2010, firms with fewer than 30 employees increased their sales by 29% and their exports by 40% (OPSSI, 2010).

To support the development of the industry, several public initiatives have been launched. In 2003, competitiveness forums were held to convene all the actors involved in the policies needed to improve competitiveness. A result of these meetings was the 2004-2014 Strategic Plan for Software and Information Services, intended to identify bottlenecks in the industry and define actions to resolve them. In 2004, two laws were enacted for sector promotion: the first defines software development as an industrial activity, allowing the sector to take advantage of tax and credit incentives, and the second offered fiscal incentives to software development firms and created the Trust Fund for the Promotion of the Software Industry (FONSOFT) to provide financing for SME research and development. FONSOFT is intended for companies that conduct software research and development, seek to improve the quality of their products or wish to train

their human resources, prioritizing information technology initiatives in relatively less developed regions that can generate an increase in jobs and exports. In 2008, there were 213 firms operating under this modality.²⁸

The State has addressed the problem of insufficient availability of skilled labour through two programmes: *InvertTI en vos* (2005), run by the Ministry of Education, Science and Technology, which informs high school students about new educational and employment opportunities in technology sectors, providing support through a scholarship programme, and the National Agreement for Training in the Software and Information Technology Services Sector (2005), run by the Ministries of Labour, Economy and Education, under which the National Professional Training Plan for Sector Workers has been launched and the Fund for Improved Information Technology Education (FOMENI) has been created, which finances, evaluates and supervises existing educational programmes.²⁹ Public-private collaboration has also led to the Generation IT campaign, which encourages young people to choose careers in information technology.

The private sector, through the Software and Information Technology Services Business Chamber, has played a proactive role in developing the sector. The chamber has introduced two relevant programmes, one to provide financing and another to support business plans: *FinanTIC* (2004) provides financing to generate investment in the sector (as of 2008, it had financed some 300 projects for more than US\$ 85 million), and *EmpreTIC* (Information Technology Entrepreneurs) (2006) helps entrepreneurs formulate business plans and negotiate with investors in the area of marketing (as of 2008, the programme had supported 22 projects). The chamber has also helped promote exports through the creation of a sales portal featuring information technology and communications products, as well as through the *ExporTIC* programme.

The Rosario Technology Enclave has its root in a business initiative launched in the 1970s by a group of entrepreneurial SMEs that were facing high demand for information technology services from large companies and outsourcing of many processes by the latter. Initially, scarce interaction between the companies made it hard to establish common objectives. In response, and building on the public sector's interest in promoting the sector, the Rosario Strategic Plan was created in 1996. This effort was bolstered when foreign investment began to rise, accompanied by the arrival of large international companies (such as Motorola). The Rosario Technology Enclave was established in 2000. It includes technology firms, Universidad Nacional de Rosario, Universidad Austral, the Municipal Government of Rosario, the Provincial Government of Santa Fe and the municipal council, forming a public-private-academic tríflecta of companies, government and universities. In

²⁸ Along the same lines, the different regions in Argentina have extra incentives programs for companies that decide to establish operations locally.

²⁹ As a result, FOMENI has contributed to improving the quality of educational programmes at two national universities: Universidad Nacional de Quilmes and Universidad Nacional del Litoral.

2007, 53% of the firms in the cluster billed less than US\$ 500,000 and 46% had 20 or fewer employees, which underscores the role of SMEs in this agglomeration.

In short, service exports represent a recent modality with considerable growth potential in the region. A conference held by ECLAC in October 2012 on service exports and value chain participation put the variety of experiences in the region on display. Although some experiences have been problematic, and policies in support of these initiatives have tended to contain certain inconsistencies, they nonetheless constitute a modality that is ascendant in the region, both in terms of the number of experiences and the number of jobs created. Indeed, these initiatives are viewed as generating tremendous development potential, especially in services linked to raw materials, food and technology and personal services. In Costa Rica, for example, exports of information services and other business services, though affected by the 2009 crisis, grew at a rate of 22.7% between 1999 and 2011, coming to account for 5.8% of total exports.³⁰

G. Conclusions

Assessing inclusiveness in value chains is challenging in all the region's countries, primarily due to the lack of statistical data and because relevant case studies on participation in external value chains are relatively scarce (ECLAC, 2012h, chapter IV.c). At the aggregate level, the export-oriented sectors have disparate chains. Internal chains appear to be more inclusive when they are more extensive (greater number of linked sectors and more SME participation), which tends to be associated with a greater proportion of indirect employment. Policies should promote the participation of firms in global value chains, taking measures to ensure that such participation promotes production development and job creation, as well as strengthening the potential impact of internal linkages on inclusiveness.

Case evidence generally indicates low SME participation in global value chains and weak integration of women and regions that are distant from centres of economic activity. In the agriculture sector, the predominance of small and medium-sized properties, which account for over 90% of the total universe of farm operations, constitutes significant potential for production coordination with export companies. In the industrial sector, attempts to increase participation in global value chains are producing uneven results. In the mining, food and tourism sectors, there are signs that new chains are being built, which could have an economic impact on SMEs and cost-benefit advantages for large companies.

The weak inclusiveness of global value chains is partly due to the considerable structural diversity of the countries and particularly to the low productivity of

³⁰ See the papers and conclusions presented at the conference "Offshore services in global value chains: New drivers of structural change in Latin America and the Caribbean?" held in October 2012 at ECLAC headquarters in Santiago (see [online] <http://www.cepal.cl/comercio/eventos>). See, for example, García-Jiménez (2012).

SMEs and the point along the segments where they participate.³¹ An important public policy challenge is to support the inclusion of SMEs in these chains by strengthening their technical and production capacities. Reducing gender- and territorial-based inclusion gaps will require special attention and specific policies.

Logistics is also a key factor that affects the competitiveness of SMEs and their inclusion in value chains. Public policies do not always take into account this factor, which requires specific measures that in addition to resolving trade coordination and facilitation problems in the countries and bottlenecks in national and regional infrastructure, can benefit the entire economy of a country.

To improve the integration and position of SMEs in value chains, steps must be taken to support partnering between firms (horizontal coordination), as well as production integration and business cooperation (vertical coordination). These initiatives include the development of clusters, business networks and production chains, with the capacity to develop their production, increase their competitiveness and gain access to new markets, through export operations or other ways of increasing their presence in foreign markets.

Given that the clusters include a small share of global suppliers (e.g. in Chile's mining sector), the State should expand them by integrating more firms. This would mean taking proactive action, including a policy to encourage partnering between the supplier firms themselves and with other large-scale mining companies, so the latter, in turn, can implement this type of programme. Proactive policy is also needed to provide technological, administrative and financial assistance to the rest of the suppliers, as well as specific supports for the international integration of businesses (Moguillansky, 2011). This can be achieved through exports (with frequency of services) or the establishment of production facilities in the other countries.

These production coordination and international integration strategies must be taken out of the realm of isolated experiences in the various countries, and programmes are needed to overcome the skepticism of entrepreneurs regarding the benefits of participating in such initiatives. The diverse initiatives that fall under the generic designation of production coordination are neither simple nor easy to implement. The indifference or lack of initiative among the economic agents and institutions must be overcome in order to proceed with collective action, in pursuit of forms of coordination and complementarity.

One way of correcting potential indifference or lack of information has been through the introduction of institutional intermediaries as part of the public supply of incentives and demand from the agents. The State must also work to build technical and professional capacity to meet the demands that the production clusters and exporters are generating (or will generate) in their respective local

³¹ In Brazil, microenterprises are 25% as productive as medium-sized enterprises and 37% as productive as small enterprises. In Spain, the corresponding ratios are 60% and 73%, respectively (Ferraro and Stumpo, 2010).

and sectoral environments. The production coordination policy must address multiple shortcomings, including of the private institutional apparatus.

Lastly, a methodological conclusion should be noted: analysing input-output tables for the various countries in the region can contribute to knowledge about the export sector and its internal linkages, especially if this instrument is updated periodically. Nonetheless, more ambitious goals could be set in this regard. For example, a regional input-output table would make it possible to analyse sectoral interrelationships between countries and would serve as a valuable instrument for looking with greater accuracy at global chains and the complementarity of the economies in the region.

CHAPTER V

Policy recommendations

In this final chapter, a number of suggestions are made regarding policies that could boost the contribution of international trade to inclusive development. The first set of proposals are aimed at promoting open regional integration, since intraregional trade makes a larger contribution to inclusive growth than extraregional trade, because it encompasses more manufactures, SMEs and jobs. Deeper regional integration enhances Latin American competitiveness at the international level and facilitates relations with the emerging Asian countries, where there are many opportunities. A second set of proposals focuses on the national arena, aiming in particular to boost coordination, encourage an integrated policy approach, reduce the costs of trade, improve employment, strengthen SMEs and promote the inclusion of value chains.

A. Open regionalism as a means of promoting inclusion

Changes in the world economy have forced the region to rethink its participation in international trade. Recent trends suggest that China's influence in the different economic aggregates is growing, as is that of other emerging economies. This trend has been heightened by a weak recovery from the financial crisis in Europe, Japan and the United States. Rising demand for raw materials from China and other emerging Asian economies fuelled a boom in exports of these products from Latin America and the Caribbean to those regions. These divergent growth patterns are forecast to continue throughout most of the current decade. Production, international trade and investment are also being organized along the lines of global and regional value chains. Each chain is separately managed, determining how value added is distributed along the chain.

Closer trade links with Asia have had a mixed impact on egalitarian growth in the region. On the one hand, the rapid expansion of exports to Asian emerging economies has given the region the opportunity to build up its resilience and growth capacity. Stronger growth, in conjunction with conditional transfer programmes funded in part by larger tax revenues from exports, has helped reduce poverty over the past decade. On the other hand, this process presents challenges: higher relative prices for raw materials intensified the pattern of natural resource exports with minimal processing, in particular in South America. In addition, currency appreciation, one of the consequences of the raw materials export boom, has facilitated imports of manufactures from Asia, supplanting manufacturing in national and regional markets, and in other markets such as the United States. These trends have accentuated the concentration of exports in a few products and companies, and have led to greater inequality.

As the experience of other regions shows, deeper integration will be needed if the ties forged with Asia and other emerging economies are to make a greater contribution to inclusive growth. Most national markets are small, and the world economy is structured around macro-regions such as the United States, the European Union and (increasingly) Asia. Regional integration is also a key factor in improving transport, energy and telecommunications infrastructure, since coordinated government action is more productive than isolated national measures. These variables are critical to enhancing each region's international competitiveness, particularly in view of the infrastructure, logistics and customs facilities required to trade with the mega-markets. For Latin America to have a presence in these markets and in international production chains, a wide and unified regional market is needed, supported by converging standards, disciplines and regulations, and legal certainty to facilitate long-term decision-making and international partnerships.

Compared with other regions, levels of production integration are low in Latin America and the Caribbean, which is an obstacle to export diversification and sophistication. This is attributable to a natural-resource-based export pattern in many of the economies and a lack of integrated economic space. As a consequence, the region exports only a handful of products to Asia, which does little to further inclusive development.

Business decisions are purely market-based, and take no account of the regional institutional framework. Moreover, integration is not high up on countries' political agendas, and even when it does appear, it amounts to little more than statements of intention. From time to time, governments come under intense pressure from national interest groups to ignore their commitments to trading partners.

Over the past few years, many Latin American countries have concentrated their efforts on liberalizing trade with their principal extraregional partners rather than with their neighbours in the region. The Latin American and Caribbean countries (at different paces and in different ways) have sought to conclude trade agreements with their main trading partners, in particular the United States, the

European Union and, more recently, Asia, in response to dramatic shifts in the world map of trade flows, comparative advantages and investment locations. Trade liberalization in these agreements is more ambitious, broader in scope and goes deeper than intraregional agreements, not only with regard to accessing the goods market, but also in terms of services, investment and government procurement.

To engage more fully with the world economy, the region needs to strengthen its open regionalism. Coined by ECLAC almost two decades ago, this term refers to integration policies that boost international competitiveness.¹ In other words, developing regional strengths in order to better meet international challenges. Open regionalism differs from openness and non-discriminatory export promotion: it includes a preferential ingredient, embodied in integration agreements and reinforced by geographical proximity and cultural affinity.

Deeper intraregional trade in the framework of open regionalism enhances international competitiveness. This in turn encourages intra-industry trade and export diversification, and the share of SMEs in trade flows rises accordingly. The larger scale offered by an integrated regional market would not only increase trade flows within the region but would also help to attract FDI and create and strengthen trans-Latin corporations. Moreover, regional integration gives greater impetus to newer regional production chains and boosts innovation.

Strengthening regional integration is also key to fostering equity. Intraregional trade has had the greatest inclusive impact in the region in recent years: it does the most to encourage export diversification and benefit employment in small and medium-sized enterprises, and produces more value added. The region is the destination market that attracts the most companies and imports the largest number of products. The regional framework drives new regional production chains and facilitates the innovation process.

The aim of open regionalism is to build greater complementarity between regional and subregional schemes, with a view to participating more fully in the world economy. Regional integration would not only broaden access to the main markets for labour- and natural-resource-intensive products, but would also encourage the development of knowledge- and technology-intensive activities, including the incorporation of value added into natural-resource-based products. Regional integration would also give the region more negotiating power in the international arena, which is marked by numerous trade barriers, including tariff escalation in developed countries and in the new emerging Asian economies.

Views on the contribution that international trade makes to economic growth and on the different modalities for integration into the global economy vary across the region. These discrepancies should not, however, prevent progress on other regional cooperation matters. Steps could be taken to improve infrastructure, connectivity, social cohesion, innovation and aid for trade in the relatively less developed economies and to frame unified positions for responding to the

¹ Regarding the original concept of open regionalism, see ECLAC (1994a) and ECLAC (2012h).

challenges of climate change. Bridging communication gaps and furthering the gradual convergence of the various integration and cooperation schemes under way would certainly help the region advance in that direction. By adopting a realistic approach, it should be possible to foster areas of convergence which, though varying in shape and size and dependent on a strategic vision and a profound commitment to integration, will gradually pave the way towards a representative regional institution that speaks with a single voice to defend and promote the interests of Latin America and the Caribbean.

Trade within the Latin American region has the greatest inclusive impact. Relations with the Asia-Pacific region have great potential and this should be exploited. On the basis of the empirical analysis carried out in this document, a series of indicators may be constructed regarding the inclusive nature of trade. Table V.1 presents the variation in the share of export destinations and indicators of inclusive trade: diversity in export products and companies; direct and indirect employment creation; export SMEs; and internal and external linkages in the chain, all classified by level (high, medium and low). There is a clear difference between inclusive trade indicators by destination, owing to the fact that different sectors dominate exports to different markets. For example, while intraregional exports, and to a lesser extent, exports to the United States (whose share of the total has fallen by 20 percentage points) are more diversified, create more jobs and exhibit greater domestic linkages, exports to Asia and the Pacific (which have increased by over 12 percentage points as a share of total exports) are concentrated in a few products and companies, and their inclusive impact is much smaller. While domestic linkages in some export sectors are significant (for example, in the food sector in Brazil), external linkages are limited, although there are some interesting examples of participation in global value chains.

Table V.1

LATIN AMERICA AND THE CARIBBEAN: INDICATORS OF INCLUSIVE TRADE BY EXPORT DESTINATION ^a

Destination ^b	Diversity		Employment		Companies	Linkages	
	Products	Companies	Direct	Indirect	SMEs	External	Internal
Latin America and the Caribbean (+2.5)	High	High	High	High	Medium	Medium	High
United States (-20.3)	High	High	High	High	Medium	Medium	Medium
European Union (+1.3)	High	Medium	Medium	Medium	Low	Low	Medium
Asia and the Pacific (+12.3)	Low	Low	Low	Low	Low	Low	Low
Indicator	High		Medium		Low		

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE). Indicators constructed on the basis of input-output tables. Official figures from customs services and other national sources in Brazil, Chile, Colombia, Mexico and Uruguay.

^a The indicator was classified as high, medium or low on the basis of the relative position of each destination in each domain.

^b The number in brackets indicates, in percentage points, the variation between 2001 and 2011 in the share of total export amounts.

B. Promoting integration in different spheres

Integration does not apply only to trade. Indeed, its ultimate objective is to reduce productive and social heterogeneity, above all on a continent so deeply marked by inequality. The agenda is vast, and covers infrastructure, energy, logistics, and cooperation on macroeconomics, migration, the environment and social cohesion. However, it must not be pursued at the cost of delaying or compromising the economic and trade aspects of integration; rather, the synergies between the two must be maximized.

The private sector has a key role to play in regional integration. As such, there must be greater coordination between the public and business sectors. Recent strides in de facto integration, such as the internationalization of Latin American companies, have not, in general, resulted from specific public policies or measures arising from integration commitments.

Progress is needed in various areas in order to increase the importance of integration for private-sector decision-making. One of these areas is the credibility of the dispute resolution mechanisms in integration schemes, and another is the convergence of national regulatory frameworks in areas such as the treatment of services and their providers, foreign investment, technical standards, subsidies and public procurement. By taking steps to promote the convergence of regulatory frameworks, transaction costs could be reduced for companies wishing to establish value chains via operations located in several countries belonging to a single integration scheme. Second, more of the numerous non-tariff barriers that persist within integration schemes and that also affect trade between them need to be removed. The third area is trade facilitation measures, including investment in logistics and infrastructure and harmonization of the regulations governing them, and the mobility of technical and professional workers.

1. Greater convergence in regional economic integration

There are a number of missing links in the regional network of preferential trade relations. In November 2011, Mexico signed a free trade agreement with Central America, which will replace three agreements linking this group of countries to date. The main goal of unifying the three existing agreements is to promote the use of intraregional inputs and reduce the administrative costs incurred by companies wishing to benefit from the tariff preferences and other advantages set out in the current agreements. As another example, the agreement signed by Chile, Colombia, Mexico and Peru to create the Pacific Alliance in June 2012 aims to construct a closely integrated area and make steady progress towards the free movement of goods, services, capital and people between its members. The missing link in the region is an agreement between Mexico and MERCOSUR, which would give considerable impetus to the whole Latin American economic integration process. Although negotiations were announced in late 2010 for a strategic agreement between Brazil and Mexico, bilateral relations deteriorated

in 2012 owing to the temporary suspension by Brazil of the free trade regime for light vehicles.

In South America, it would be useful to return to the agenda for intraregional trade and economic convergence with a view to facilitating the formation of regional chains. An initial step would be to allow the cumulation of origin between the region's countries. With the exception of the three economic complementary agreements (ECA) linking MERCOSUR with the Andean countries, most other agreements concluded under the auspices of the Latin American Integration Association (ALADI) do not cover this possibility. This makes it difficult to develop regional chains and imposes constraints on production integration.

In order to facilitate the development of value chains, transactions costs incurred by economic operators must be reduced. These costs are mainly the result of trade barriers that are increasingly of a regulatory nature (that is, established by countries' governments). Lower costs may be achieved by harmonizing national regulations and standards in areas such as trade in services, the treatment of foreign investment, subsidies, trade facilitation and the harmonization and mutual recognition of technical standards. This deep integration agenda is rooted in the fact that the lines between trade in goods, trade in services and foreign direct investment are becoming increasingly blurred, since all three are usually present in a value chain spanning several countries (ECLAC, 2012h).

2. Promoting value chains

Regional integration needs to adapt to the growing presence of value chains in international trade and to the rising influence of innovation in production activities. Policies are needed that specifically target the internationalization of companies, including in terms of human resource training, the promotion of production clusters, innovation programmes, and inward FDI that channels technology and knowledge into specific sectors or activities. Only then will it be possible to capture significant shares of international markets and maintain a pace of innovation that will sustain competitive positions.

Integration schemes should promote the formation of such chains more actively. In this regard, integration can be seen as an opportunity for forging links with counterparts in the areas of trade, investment and technological progress, facilitating the creation of associated joint programmes, and providing opportunities for making joint investments in neighbouring markets. Trade agreements should be used as a platform for attracting FDI into technology-intensive sectors and for increasing the presence of national firms in international innovation networks, technological businesses and global value chains.

The main challenge, then, is to strengthen linkages between natural resources, manufactures and services, encouraging innovation in each of these links and coordinating them into clusters in which there is room for small and medium-sized enterprises. All this is to ensure that a vigorous export performance has greater

spillover effects on the rest of the economy and so that the results of this growth are distributed more equally. This means there is a need for an integrated approach to stimulating competitiveness and innovation, with a view to coordinating policies on export promotion and diversification, technological innovation and dissemination, inward FDI and human resource training.

Today, the region has an opportunity to reverse its structural heterogeneity and reduce the impact of export reprimarization. Public policies must be unequivocally directed at using new technologies to narrow productivity gaps between firms and sectors. Without substantive efforts in this regard, technological heterogeneity will be heightened, making it less and less likely that growth can be reconciled with headway on equality.

In order to be competitive in sectors that involve more than low-level natural resource processing, a critical mass of qualified personnel must be trained. This, combined with natural comparative advantages and a minimum level of infrastructure and connectivity, would attract national and foreign talent to participate in projects that are of international interest. Public policies should ensure that domestic producers meet international standards. On that basis, qualified staff may be trained in the main strategic areas. Regional production chains could be created in which countries have competitive advantages or are able to develop them. These must be complemented by specific support from central or regional governments in terms of training and education, infrastructure and logistics.

3. Physical integration: energy, infrastructure and logistics

Good infrastructure enhances connectivity, reduces transport and logistics costs, improves passenger and freight transport services, and ultimately boosts multiple factor productivity and competitiveness and enables economies to grow.

The infrastructure deficit in the region is an obstacle to production integration and the territorial development needed for greater social cohesion. The quality of transport infrastructure —roads, ports, airports and railway lines— is below the world average in almost every country in the region and below the average for South-East Asia in every case. Investment in economic infrastructure has in fact trended downwards in the region over the past three decades: during the period 1980-1985 it represented almost 4% of GDP, while during 2007-2008 it accounted for only 2% of GDP.

Physical integration encourages intraregional trade and facilitates the creation of regional production chains. A region that is logistically integrated attracts FDI, and promotes the modernization and gradual internationalization of SMEs. While progress in this area is urgently needed, shared visions of trade and development are not necessarily required. Furthermore, it would be helpful to consider the advantages of integration for the construction of more inclusive societies. Explicitly stating these links would open up broader spaces for coordinated government action.

This applies to subnational authorities that are in close geographical proximity, as they are more interested in joint projects with provinces in neighbouring countries than in participating in national projects.

It will clearly take time to overcome this deficit. Significant investment will be needed and benefits will appear over the long term. To meet infrastructure needs corresponding to annual GDP growth of 4% until 2020, the region should invest 5% of its GDP in infrastructure every year. Progress in these areas would not only boost the region's international competitiveness, but would also lead to more balanced territorial development.

Regional and subregional institutional mechanisms are essential. The Initiative for the Integration of Regional Infrastructure in South America (IIRSA) and the Mesoamerica Project are notable examples of such schemes. IIRSA, created in 2000, is a mechanism for cooperation and dialogue among 12 South American countries with a view to coordinating sectoral policies and investment plans. Its goal is to promote physical integration in the fields of transport, communications and energy. As of November 2011, the IIRSA project portfolio comprised 531 transport, energy and communications infrastructure projects, divided among 10 integration and development hubs. These projects have the potential to generate an estimated US\$ 116.12 billion in investments. They were declared a priority by the 12 member countries by consensus, although neither their financing nor their execution is assured. In August 2009, IIRSA was incorporated into the South American Infrastructure and Planning Council (COSIPLAN) of the Union of South American Nations (UNASUR). The Council's role is to garner political support for activities and projects that lead to sustainable economic and social development in South America. In late 2011, COSIPLAN presented its Strategic Action Plan for 2012-2022.²

The aim of the Mesoamerica Project, which succeeded the Puebla-Panama Plan in 2008, is to promote cooperation, development and integration between Belize, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico and Nicaragua and Panama. It promotes the development of projects in areas such as transport, energy, telecommunications, trade facilitation and competitiveness, health, environment, natural disasters and housing. The Mesoamerica Project has been fairly successful and has made some headway on infrastructure, transport, trade facilitation and energy.

The main challenges in the area of infrastructure are to align the conception, formulation, execution, follow-up, oversight, evaluation and supervision of infrastructure policies and related services and maximize their impact on development (Cipoletta and Sánchez, 2011). To achieve these objectives, it is necessary to (i) improve the functioning of public-private partnerships; (ii) create

² The objectives of the Plan are: to enhance the methodologies and tools for project execution and conclusion; to incorporate social participation mechanisms; to finance, as a priority, projects that will have a significant impact on the region; to improve project evaluation; and to harmonize policy and institutional frameworks (ECLAC, 2012h).

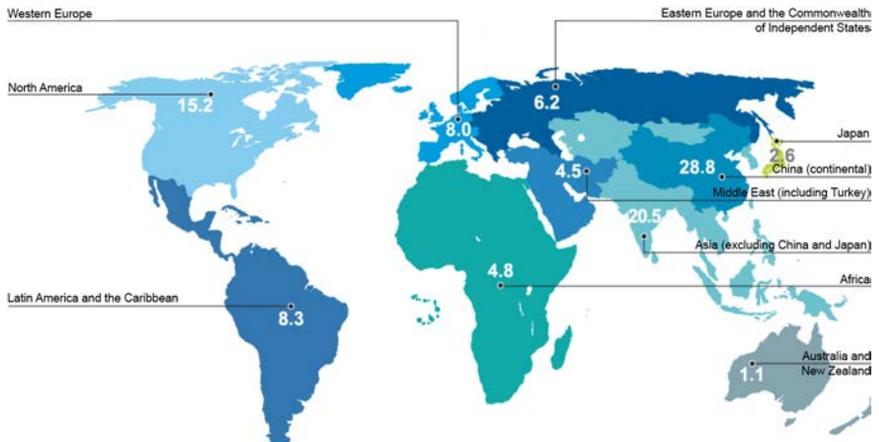
a more reliable and efficient business environment for investments, which also offers greater equity to suppliers and users; and (iii) create appropriate conditions for developing infrastructure services and regulatory mechanisms that will put a stop to pernicious and abusive distortions.

4. Exploiting ties with Asia and the Pacific

According to forecasts, the Asia-Pacific region will post the highest growth rates over the coming years, offering myriad opportunities for Latin America and the Caribbean. These opportunities are mainly to be found in the fields of mining, energy, agriculture, infrastructure and science and technology. The region should actively seek market niches in developing Asian countries, starting with exports to other regions, in order to diversify exports and avoid dependence on natural resources and the impact of price fluctuations. Given the vast size of the Asian markets, a concerted effort by the countries of the region is needed to fully capitalize on these opportunities. China's substantial surplus savings could help fund infrastructure, energy, transport and logistics initiatives in Latin America and the Caribbean.

Map V.1

PROJECTED REGIONAL CONTRIBUTIONS TO WORLD ECONOMIC GROWTH, 2011-2017^a (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), *World Economic Outlook*, April 2012.

^a Developing Asian countries are expected to be responsible for 50% of world economic growth. The contribution of Latin America and the Caribbean is forecast to be 8.3%, a higher percentage than that of the European Union, Eastern Europe and the Commonwealth of Independent States and almost double Africa's contribution.

So far, it has been China that has taken the initiative in bolstering relations with Latin America and the Caribbean. This can be seen in the set of proposals put forth by China's Premier, Wen Jiabao, during his June 2012 visit to the

region.³ The region should pull together and work as one in responding appropriately to the many substantive initiatives that China has brought to the table. Here, there should be a pivotal role for the newly created Community of Latin American and Caribbean States (CELAC), on the strength of its inclusive nature. Falling into this category is the CELAC troika's 9 August 2012 visit to Beijing, during which it was agreed to set up a mechanism for regular dialogue between China and CELAC at the foreign minister level.

The region's economic relations with India, though still in their infancy, are expanding rapidly, especially in the area of trade. As in the case of China, Latin American exports to India have been dominated by natural-resource-based manufactures, while the region's imports from India have consisted mainly of natural-resource-based manufactures and low-, medium- and high-technology manufactures. The region should seek to create partnerships between its firms and successful Indian companies, in order to gain access to supply chains that produce more complex, technologically sophisticated inputs and services for production units (ECLAC, 2012g). The best approach may be to promote value chains around the natural-resource-based manufactures the region exports to India. The first meeting of the India-CELAC Troika Foreign Ministers, held in New Delhi in August 2012, was the first step in this direction.

The Association of Southeast Asian Nations (ASEAN) could be the third key actor in the region's strategy to develop closer ties with Asia and the Pacific. The 10 members of this grouping represent a market of 600 million inhabitants and their economies are growing fast. The ASEAN economies are firmly integrated into the industrial production networks that have arisen around China. Stronger ties with ASEAN could thus facilitate the entry of the region's companies into these chains, either through trade or direct investment. ASEAN is also a hub in the new architecture of economic integration that is emerging in East and South-East Asia thanks to projects like ASEAN+3 (with China, Japan and the Republic of Korea) and ASEAN+6 (adding Australia, India and New Zealand). Noteworthy in this regard is the first meeting of the ASEAN Latin Business Forum, held in July 2012.

The main challenge lying ahead for Latin America and the Caribbean is how to link the regional innovation and competitiveness agenda to the current economic relationship with the Asia-Pacific region. The incorporation of innovation and knowledge into natural-resource exploitation is one possible area of cooperation.

This calls for forceful production development policies geared towards improving productivity, innovation, infrastructure, transport, logistics, and workforce skills. In each of these spheres there is space for building a regional cooperation agenda with China and other key actors in Asia and the Pacific.

More and better regional cooperation and integration is the key to closer ties with the Asia-Pacific region. Regional and subregional joint initiatives for innovation,

³ See the official press release regarding the visit [online] http://www.minrel.gob.cl/prontus_minrel/site/artic/20120809/asocfile/20120809124029/comunicado_de_prensa_china_celac.pdf.

competitiveness, infrastructure and sustainability, including adaptation to climate change, would complement national public policies. Active use of these forums by the countries of Latin America and the Caribbean would generate attractive trade and investment opportunities with China and Asia-Pacific as a whole. There are substantial synergies between the two strategic guidelines put forth herein: enhancing regional integration and strengthening ties with other developing regions (ECLAC, 2012h).

5. Tackling asymmetries

Integration schemes should protect the interests of smaller and more vulnerable countries over the larger and stronger partners, in order to reduce gaps between countries and as a way of resolving possible conflicts of interest. In both cases, this represents an investment in the sustainability and success of the integration process.

The integration modalities promoted must contribute to reducing the asymmetries of development between and within the Latin American and Caribbean subregions. There are strong internal disparities in terms of territory, population, and per capita income and social spending between the different Latin American and Caribbean subregions and integration schemes, and between areas of the countries themselves. Asymmetries are a cross-cutting issue; as such, special efforts are required to ensure that all areas of integration adopt an asymmetric benefit approach to the advantage of relatively less developed economies or territories.

It is particularly important to tackle asymmetries because the benefits of integration are distributed unequally. This is especially true for relatively less developed or smaller economies and regions (territories), which show less capacity to make use of economies of scale, access to technology and inputs or the systemic conditions in which enterprises operate. The following are some of the ways of including these considerations in integration processes:

- (i) Special treatment that would generate benefits for countries less able to take advantage of integration.
- (ii) Fiscal mechanisms to provide incentives for intraregional investment in countries or territories with less capacity to tap integration potential.
- (iii) Facilitation of the spread of technologies to less developed countries and regions, for instance by facilitating the mobility of skilled workers between countries.
- (iv) The adoption of less stringent rules of origin for less developed countries and regions.

All the regional integration systems have tried to incorporate mechanisms for reducing internal asymmetries. For example, the Plurinational State of Bolivia and Ecuador receive special treatment in the Andean Community (CAN), as do small island developing States and Guyana in the Caribbean Community (CARICOM), Honduras and Nicaragua in the Central American Common Market (CACM) and

Paraguay and Uruguay in the Southern Common Market (MERCOSUR). This special treatment may take several forms, including compensation for the most disadvantaged sectors in each country.

There is a feeling of dissatisfaction among some of those working towards integration regarding the format and the objective results of these mechanisms. There is a growing support for the idea that resources should be directed at levelling the conditions between States that have signed up to integration agreements, to enable all countries to pursue more activities that have more value added and high and medium technological content, increase their share of good-quality exports to the subregion and beyond, raise the investment rate and improve employment and incomes among their citizens.⁴

The MERCOSUR Structural Convergence Fund (FOCEM) is a regional example of institutional arrangements aimed at tackling asymmetries. The Fund was set up in 2004 and has been operating since 2006. It funds programmes to: (i) promote structural convergence; (ii) develop competitiveness; (iii) promote social cohesion, especially in the smaller economies and less developed regions; and (iv) support the functioning of the institutional structure and strengthen the integration process. Since the Fund was set up, financing has been approved for 38 projects, worth a total of US\$ 850 million. The Fund is made up of financial contributions from MERCOSUR member States, and the disbursements are skewed in favour of the two smallest members (particularly Paraguay).

The CARICOM Development Fund is another recent example. It has been in operation since 2009 and in 2012 its funds stood at US\$ 89.6 million. The beneficiaries are Belize, Guyana and a number of island States in the western English-speaking Caribbean. It aims to mitigate economic polarization and promote convergence, offset any negative effects of the CARICOM integration process and foster competitiveness and investment. Country assistance programmes are its main form of activity. Up to October 2012, programmes in Belize, Dominica, Guyana, Saint Kitts and Nevis and Saint Lucia had been approved.⁵

6. Joint action on climate change challenges

The region should also strengthen and broaden its regional cooperation initiatives with regard to policies for adapting to and mitigating climate change. Cooperation activities in this area include:

- (i) Consensus on a set of public policies that would lead to low-carbon economies.
- (ii) Agreement on necessary carbon market reforms, including the evaluation of mechanisms used to finance adaptation measures.

⁴ The different integration systems have addressed asymmetries as part of the integration process. See SELA (2011).

⁵ For more information, see [online] www.caricomdevelopmentfund.org.

- (iii) Coordination of policies for boosting investments in lower-carbon technologies.
- (iv) Implementation of programmes that support renewable energy development and energy efficiency in consumption, production and transport, and cleaner industries.
- (v) Exchange of experiences and best practices regarding carbon market projects.
- (vi) Suggesting mechanisms for obtaining joint access to international funds aimed at capacity-building and technology transfer for both adaptation and mitigation.
- (vii) Creation of a policy-oriented regional climate-change observatory to examine debate and progress on the topic and the measures taken by the business sector and government.
- (viii) Development of methodologies and studies for evaluating the economic impacts of climate change in the various sectors and subregions.

7. Formulation of common positions in international forums

The region must step up its efforts to present a common position on world trade issues. Coordination is urgently needed in various areas: multilateral and plurilateral trade negotiations; the regulation of financial flows; intellectual property; and climate change. Developing countries make up an ever-increasing share of the main variables of the world economy, and should therefore have a more central role in the main institutions of international governance. The key role played by the Group of Twenty (G20) since the outbreak of the financial crisis in 2008 illustrates that emerging economies are increasing their presence in world governance. While this is a positive development, ongoing efforts should be made to ensure that all international economic governance institutions are more inclusive and representative.

Progress on international issues would be faster and more significant if these issues were addressed through regional coordination, exploiting synergies and creating critical mass in terms of institutions and human resources, so that these efforts may be pursued over the medium term.

C. National policies

1. Strengthening policy coordination for more inclusive development

For inclusive growth based on international trade, trade policies must be complemented by other policies. These should ensure that the benefits of trade are widely distributed, in particular to poor households and territories that are lagging behind, who find it difficult to capitalize on the opportunities offered by international trade owing to a lack of knowledge, infrastructure and access to capital.

First of all, coordination must be enhanced between the different public institutions supporting the internationalization of the economy (Rosales, 2009). In particular, greater coordination is needed between the agencies responsible for international trade negotiations, export promotion and diversification, inward FDI, technological innovation and dissemination, production and business development and human resource training, including secondary and university education. Policies and programmes should be implemented in accordance with joint plans in which differing territorial interests have been expressed, and the responsibilities in terms of financing, coordination and performance have been set out. This has been learned from successful experiences of participation in the world economy, in particular the importance of a high level of commitment from the political authorities.

Second, policies that foster trade and investment must consider that the ultimate objective is greater development and equality, and there should be mutual feedback with social policy. Trade policies must take into consideration national inclusive development objectives. Consistency, synergies and feedback among these policy areas—which tend to be scattered across different institutions, conceptual frameworks and policy options—are key. The construction of equality encompasses several separate dimensions, including macroeconomic policy, production support and non-discrimination policies, and migration and gender equality policies.

Migration policies with an impact on labour-market adjustments are an example of an area in need of inter-agency coordination. Trade liberalization encourages mobility and increases migratory flows, meaning that all areas of public policy must be coordinated, from production support for the export sector to social protection policies.

The gender perspective must also be present in the formulation and execution of trade policy. This may have a redistributive impact, whether among sectors of the economy or among individuals, and affects women and men differently. The same factors that influence women's education, training, income distribution and access to resources are reflected in their occupational specialization and in the impact trade has on them. In addition to putting an end to the most glaring injustices, gender equality must be mainstreamed, in a formal and forward-looking manner, throughout the State and public policy.

During the 2009 crisis, when open economies were exposed to external shocks, the importance of integrated policymaking became clear. Both social protection systems and emergency social security nets are needed. Although incomes declined as a result of the crisis, investment in social protection systems is vital in order to help those hardest hit by the adjustment and adaptation. Countercyclical policies must be covered by fiscal budgets that are structurally sound over the long term, so that resources accumulated during boom periods may be drawn on in periods of crisis. Progress towards openness in trade and higher investment, together with support for the most vulnerable sectors and

sector transformation, is a must in order to expand employment in competitive firms and push up real wages, and help those who are forced to change jobs or undertake retraining.

2. Boosting productivity by reducing the costs of trade

Trade facilitation policies aimed at lowering costs and boosting productivity should have a positive impact on workers' wages and on equality. A number of proposals have been put forward in this respect. First, institutional procedures could be harmonized, in particular to ensure their interoperability and standardization. Second, governments could accelerate the legal recognition of modern business tools, such as electronic billing, electronic certificates of origin and inter-agency single windows. Third, better use could be made of cooperation policies currently being developed by the European Union and countries such as Australia, Japan, the Republic of Korea and China, which could help the region's countries strengthen national and regional capacities in a number of areas of trade facilitation, with a view to further promoting trade relations and intraregional investment links.

Table V.2

METHODS FOR REDUCING TRADE COSTS WITH A VIEW TO BOOSTING PRODUCTIVITY

e-Commerce	<ul style="list-style-type: none"> • Seek common ground (such as standards) to enable interconnection among regional actors. • Facilitate tax procedures and customs transparency. • Recognize electronic signatures.
One-stop service	<ul style="list-style-type: none"> • Designate a central coordination entity at the national level and a regional centre for system recognition and interoperability. • Promote coordination and consistency among national systems to facilitate interoperability. • Use universally accepted systems for paperless trade.
Customs procedures	<ul style="list-style-type: none"> • Adopt compatible administrative systems to enable interconnection and reduce the time and costs of procedures. • Disseminate such systems in the private sector, particularly among SMEs. • Promote regional coordination to expedite procedures. • Use pre-shipment inspections and other mechanisms to cut waiting times at loading and unloading points. • Strengthen the use of information and communication technologies (ICTs) for security purposes according to international standards.
Streamlining the transport chain	<ul style="list-style-type: none"> • Strengthen logistics systems and transport infrastructure. • Accelerate regional integration projects, especially those involving interconnections that will benefit landlocked countries. • Coordinate with the private sector to identify bottlenecks in a timely manner and propose joint projects. • Promote intermodal and complementary means of transport.
Adoption of international standards	<ul style="list-style-type: none"> • Spread the use of model electronic documents (eDocs) available from the United Nations Centre for Trade Facilitation and Electronic Business (CEFACT). • Disseminate and adopt international regulations governing maritime transport, the handling of hazardous cargo and other international documents to facilitate international transport. • Implement e-government systems, especially standards and international classifications, to allow paperless trading.

Table V.2 (concluded)

Phytosanitary standards	<ul style="list-style-type: none"> • Ensure consistency with international standards and cooperation and training to meet sanitary and safety requirements. • Implement sampling and prevention techniques geared towards the early detection of risks in the distribution chain, thus preempting large-scale health emergencies.
Interface between the public and private sectors	<ul style="list-style-type: none"> • Promote SME associations to enhance competitiveness. • Set up training centres on the use of ICTs for SMEs. • Strengthen export financing mechanisms that use elements of e-commerce and e-government to make up for any reduction in the supply of private financing.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Opportunities for Convergence and Regional Cooperation* (LC/L.3202), Santiago, Chile, 2010.

3. Formulating policies to improve employment associated with international trade

Countries that have adopted an internationalization strategy have had more success in maintaining their growth rates and moving up the development ladder. The available evidence highlights that trade openness can contribute to growth and employment, provided that it takes an appropriate form, is pursued gradually and is complemented by policies tailored to each country's situation. Trade facilitates technological progress and the global dissemination of innovation. These profound economic forces are the main source of long-term productivity gains, which are needed to achieve high per capita income.

Governments play an important role in maximizing international trade's contribution to inclusive development, which includes the creation of more and better jobs linked directly or indirectly to external trade. This role consists of supporting the production sectors and formulating education and labour policies, along with social policies aimed at providing more opportunities for those who could benefit from trade openness and at helping individuals who no longer have jobs to develop new skills and find new opportunities. A key criterion could therefore be implementing policies that foster productive employment in value chains with greater prospects of development, because of their impact on good-quality employment and their ability to include SMEs.

Special attention needs to be paid to the relationship between the international division of labour and the sexual division of labour. Some women are sidelined by international trade developments, partly because of the interplay between their own occupational specialization and the sectoral specialization of their country's exports, tending to be found at the bottom of the production chain, and partly because of society's existing gender inequality. Specific policies aimed at employing highly qualified women in the export sector and at addressing the poor labour and wage conditions experienced by female workers would help to narrow this gap. Other measures for tackling the gender gap in international trade include: (i) programmes to support female export business ventures that take a gender perspective and facilitate women's economic empowerment;

(ii) incorporation of the gender perspective and the reduction of inequality into trade policy formulation and implementation; and (iii) promotion of redistributive effects in trade negotiations, whether among sectors of the economy or among individuals, which have a different impact on women and men.

Trade agreements also have the potential to improve national labour conditions. Often, this is set out in a specific section or chapter on labour in the agreement; implementation may be voluntary or it may be binding or subject to sanctions in the event of non-compliance. Increasingly, trade agreements between developed and developing countries have included the implementation of international standards on workers' rights and labour standards, and the creation of forums for citizen participation and advocacy and gender equality mechanisms. Labour matters have been included in the agreements in response to concern from trade union organizations regarding unfair competition from their counterparts in the form of inadequate labour standards, and to safeguard the employment rights enshrined in international regulatory frameworks to which the States are party, such as International Labour Organization agreements.

Labour-market policies help create a favourable environment for job creation and training, and mechanisms to guide workers towards more productive jobs. Well-designed direct assistance programmes may also be needed, to help workers who have been left jobless by trade developments. People who lose their jobs need more income support, specialized help to look for a new job, and training and incentives to return to work. These issues are already relatively well recognized, and successful experiences have been recorded in some countries, especially when initiatives are adapted to the local reality and take into account workers' conditions, skills and aspirations and the outlook in the destination markets.

Before labour and employment policies can be formulated and implemented, the region needs more information on the characteristics and trends of direct and indirect export employment. Methodologies based on input-output tables should be used more often, especially if they are updated more frequently. There is also considerable scope for increasing the use of methodologies based on company records, and most countries will likely need both procedures to be able to quantify employment in the export sector more accurately.

Once a more precise analysis by country and by sector has been performed, specific policies may be formulated. This information is essential to differentiate between export promotion policies and programmes designed to benefit sectors and companies directly linked to the external sector, and those aimed at sectors and companies that participate actively in domestic linkages.

4. Building up export SMEs

Between 2000 and 2011, the expansion of international trade was accompanied by a modest increase in the number of export companies in most of the region's countries, although a strong trend towards concentration was also observed. In fact, over 90% of the value of exports is concentrated in the first decile of companies.

In South America, this trend is in part explained by the reprimarization of exports, on the back of high prices for natural resources.

Support for export SMEs has been meagre in most countries, and long-term production support programmes with greater institutional continuity are needed. Institutional learning processes comprising ongoing evaluations of the action taken must be followed. Institution-building must be accompanied by a gradual increase in financial and human resources in order to be able to implement these policies. A new institutional framework, or, in some cases, an improved existing one, is a necessary but not sufficient condition for SMEs to overcome their considerable lags.⁶

Human resource training in SMEs is a key area for action. The availability of skilled human resources has a two-fold importance for SMEs: they make it possible to improve existing production processes and to raise productivity, and they disseminate knowledge and innovation within enterprises. This means that for SMEs to overcome their weakness in this area, policies must be devised that go beyond the logic of demand-side subsidies and reach the least dynamic enterprises (that is, most SMEs). The State must provide professional-training services in coordination with economic agents and intervene more vigorously.

It is particularly important to promote export ventures run by women, as this fulfils the dual purpose of increasing women's participation in international trade and reducing inequality within export SMEs. Female entrepreneurs have great potential to be exploited, above all in farming and agroindustrial linkages, both internal and external.

The formation of producer associations must also be encouraged to make them more attractive as suppliers, which would help them penetrate external markets and develop economies of scale in both production and trade. This can be boosted via regional partnerships, which would make it possible to cut transaction costs within the region and develop trade networks in other markets.

Innovation should also be high on the business agenda. Public policies are needed that support SME organizations (by, for example, funding of experts) in order to foster collaboration on innovation among SMEs.⁷

Other recommendations in this area are:

⁶ Access to credit is an ongoing problem and requires attention. The region still suffers from financial market segmentation and SMEs continue to be offered less favourable terms than large enterprises.

⁷ It would also be helpful for the leading employers' organizations to appoint innovation, investment and marketing representatives and develop work programmes and schemes to connect their members to technology centres and universities in the country and abroad. A wide range of grants, reports, placements and research projects are needed to strengthen relationships between academia and the sphere of production and foreign trade (Rosales, 2009).

- (i) Give export SME promotion programmes a central place in national development strategies, and assign them sufficient resources and management capacity.
- (ii) Ensure a favourable external environment, by implementing appropriate financing, productive development and exchange-rate policies, for example.
- (iii) Implement a medium- and long-term strategy to promote public-private partnerships. The strategy should be a realistic assessment of the deficiencies and obstacles facing SMEs. They should be able to participate in this process. Coverage should be directly related to sectoral and territorial needs and priorities.⁸
- (iv) Provide training and advice to SMEs that show export potential. A test for export potential would provide an opportunity to determine the kind of programme companies need.
- (v) Support SMEs in the adoption of product certification and standardization systems.
- (vi) Reduce the time needed to start a business in the region (currently 45.5 days on average). This will cut the start-up costs, which affect the development of export SMEs.

Export SME support policies should encourage the formation of horizontal partnerships (such as export consortia) and vertical partnerships (such as the value chains). This will facilitate companies' access to information on business opportunities and boost their capacity for international marketing (including distribution channels, market information, information on adapting products to demand, and post-sales services).⁹

5. Promoting inclusive value chains

Public-private partnerships that foster inward and outward investment are one way to promote value chains. That is, they are able to promote FDI in the country, as well as investment by national companies abroad. Investment abroad follows firms' own internationalization cycle, once they have made inroads into international markets with some degree of success. A company that is successfully exporting goods and services quickly finds that the return on each element of the value chain associated with a specific product (production, logistics, transport, distribution and marketing) varies according to the knowledge intensity of that particular segment of the chain. The natural next step in export activities, above all natural-resource-based ones, is to increase directly or indirectly a company's presence in value chains by developing partnerships with importers and distributors in the destination markets.

⁸ See ECLAC/IDB/OAS (2011) for other recommendations.

⁹ Individual exports tend to deter SMEs from participating in foreign trade, as they risk funds in areas that fall outside their core activities.

Investing abroad is a way to increase one's presence in global value chains associated with the main export products. Given that the region, and South America in particular, continues to export natural resources, this means following the links in the chain backwards and forwards for the natural resource that is being exported, and developing competitive advantages in the areas of engineering, biotechnology and related business services. This enables exporters to participate in new business networks, to act as antennas for technological and business innovation in the main markets, and, ultimately, to serve as a platform for business learning in order to expand their global operations.

The successful entry of several trans-Latin companies into global value chains illustrates the importance of proactive internationalization policies. These examples can be used to improve public policies supporting international trade participation and to evaluate current regional integration tasks. It would be useful if integration mechanisms were compatible with the experience of these trans-Latins and other examples of successful business development.

Production-linkage policies must be expanded in order to achieve the desired results. These initiatives have been captured in public policies such as supplier programmes and inclusive business programmes in several of the region's countries and local production clusters (APLs) in Brazil. The coverage of these programmes is still low, indicating that much remains to be done. Universal access to these instruments is needed, which requires a greater commitment from private companies and possibly more public resources to encourage and strengthen their operation. In addition, headway must be made on public regulations and the preparation of private contracts, which will help resolve the recurrent tensions between the two links.

The inclusive business and shared-value approaches are interesting, because they go beyond corporate philanthropy and are connected to firms' core businesses. Supplier programmes have proved useful for improving the relationship between producers and companies. Their limitations arise from the fact that they are generally instrumental in nature and are one-sided (that is, they depend on the supply needs of agroindustrial companies). The inclusive business and shared-value approaches include more complex dimensions that are essential for achieving long-term relationships of trust between producers and firms.

There is also considerable scope for companies and civil society to develop more inclusive trade modalities, promoted by suitably designed public policies. An example of this is the strategy of making SME products more distinctive in the world market through fair trade marks and other types of certification that achieve the same objective in a more indirect way: good farming practices, gender, organic farming, carbon footprints and industrial property registration (appellations of origin, geographical indications and collective marks). Fair trade and inclusive business initiatives have great potential for growth and development, and many public and private initiatives should be more widely recognized and

disseminated, so as to increase these kinds of operations beyond a level that relies only on testimonies.

Various public policies are being implemented in the region to support the above-mentioned initiatives. One is the creation of the Brazilian Fair and Solidary Trade System, established by presidential decree in November 2010, which has made Brazil a pioneer in the world of free trade and social movements that seek to promote economic relations that are inclusive, democratic and that foster equitable development.

Lastly, aid for trade is also intended to help Latin American SMEs enter global value chains. The Latin American and Caribbean region receives a relatively small proportion (9% in 2009) of global aid-for-trade flows, in part because most of its economies are classified as middle-income countries. However, its share of aid could increase if countries were to set priorities and prepare and present relevant projects that would entitle them to new inflows of funds. Governments in the region should be aware of the aid flows offered by these mechanisms, and prioritize projects that may be rapidly submitted to multilateral organizations or directly to donors. The region should also prioritize attracting donor funds to initiatives, such as those being developed by IIRSA and the Mesoamerica Project, that involve several countries and include a clear trade facilitation component.

Bibliography

- Ades, Alberto and Rafael Di Tella (1999), "Rents, competition and corruption", *American Economic Review*, vol. 89, No. 4.
- Agosin, Manuel (2009), "Export diversification and growth in emerging economies", *CEPAL Review*, No. 97 (LC/G.2400-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- ALADI (Latin American Integration Association) (2012), *Caracterización y situación actual de pymes exportadoras ecuatorianas en los mercados de ALADI* (DAPMDER/ No. 31), Montevideo, May.
- Altenburg, Tilman (2006), *Donor Approaches to Supporting Pro-Poor Value Chains. Report prepared for the Donor Committee for Enterprise Development Working Group on Linkages and Value Chains*, Bonn, German Development Institute.
- Anlló, Guillermo, Roberto Bisang and Guillermo Salvatierra (2010), "Cambios estructurales en las actividades agropecuarias. De lo primario a las cadenas globales de valor", *Project Documents*, No. 350 (LC/W.350), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), November.
- Atthill, C. and others (2007), *Gender and Trade Action Guide: A Training Resource*, London, Commonwealth Secretariat.
- Azar, Paola, Alma Espino and Soledad Salvador (2007), *Los vínculos entre comercio, género y equidad. Un análisis para seis países de América Latina*, International Gender and Trade Network (LA-IGTN).
- Backer, Koen and Norihiko Yamano (2012), "International comparative evidence on global value chains", *OECD Science, Technology and Industry Working Paper*, No. 2012/3.

- Baizán, Fernando and others (2011), "Apertura, brecha salarial, y sindicalización en Chile: un análisis micro-económico", *Comercio Internacional series*, No. 115 (LC/L3443), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), December.
- Baldwin, Richard E. (2011), "Trade and industrialisation after globalisation's 2nd unbundling: how building and joining a supply chain are different and why it matters", *Globalization in an Age of Crisis: Multilateral Economic Cooperation in the Twenty-First Century*, Robert C. Feenstra and Alan M. Taylor (eds.), Chicago, University of Chicago Press.
- Barrera, A. (2010), "El contexto mundial de la nueva revolución alimentaria", *La agricultura chilena en la nueva revolución alimentaria*, Santiago Barrera and O. Sotomayor (eds.), Santiago, Chile, Editorial Universitaria.
- Barril, A. and F. Almada (2007), *La agricultura familiar en los países del Cono Sur*, Asunción, Inter-American Institute for Cooperation on Agriculture (IICA).
- Becerra, Gonzalo and Claudio Vicuña (2008), "Costo de flete de las exportaciones chilenas: 2000-2008", *Estudios Económicos Estadísticos*, No. 69, Santiago, Chile, Central Bank of Chile, December.
- Belmar, C. and C. Maggi (2010), "Políticas e instituciones de fomento de las pymes en Chile", *Políticas de apoyo a las pymes en América Latina. Entre avances innovadores y desafíos institucionales*, Libros de la CEPAL, No. 107 (LC/G. 2421-P), C. Ferraro and G. Stumpo (comps.), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), July. United Nations publication, Sales No. S.09.II.G.143.
- Ben-David, Dan (1993), "Equalizing exchange: trade liberalization and income convergence", *Quarterly Journal of Economics*, vol. 108.
- Bidegain Ponte, Nicole (2009), *Comercio y desarrollo en América Latina: el orden de los factores altera el producto. Propuestas de políticas públicas para encauzar el comercio internacional hacia la equidad social y de género*, Montevideo, International Gender and Trade Network (IGTN).
- Bielschowsky, Ricardo, Miguel Izam and Nanno Mulder (2011), "Dos estudios de la evolución del pensamiento de la CEPAL sobre la diversificación productiva y la inserción internacional (1949-2008)", *Comercio Internacional series*, No. 112 (LC/L.3415), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- Bolaky, Bineswaree and Caroline Freund (2006), "Trade, regulations, and growth", presentation at the Meeting on trade and growth, Research Department, International Monetary Fund (IMF), Washington, D.C., 9 January.
- Borraz, F. and E. López (2007), "Has globalization deepened income inequality in Mexico?", *Global Economy Journal*, vol.7, No. 1.
- Campion, A. (2006), "Financing artichokes and oranges: a study of value chain finance in Peru", *Microreport*, No. 73, Washington, D.C., United States Agency for International Development (USAID).
- Casalet, Mónica and others (2011), "Evolución y complejidad en el desarrollo de encadenamientos productivos en México. Los desafíos de la construcción del cluster aeroespacial en Querétaro", *Project Document*, No. 411 (LC/W.411),

- Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), December.
- Cassiolato, M.E., A. R. Meda and M.A. Pavan (2000), "Evaluation of oat extracts on the efficiency of lime in soil", *Brazilian Archives of Biology and Technology*, No. 43.
- Castilho, Marta (2011), "Encadeamentos produtivos das atividades exportadoras na América Latina: o caso dos sectores industriais no Brasil", *Comercio y Crecimiento Inclusivo series*, No. 134, Latin American Trade Network (LATN).
- Castilho, Marta, Marta Menendez and Aude Sztulman (2009), "Trade liberalization, inequality, and poverty in Brazilian States", *World Development*, vol. 40, No. 4.
- CEEM (Business Studies Center for Women) (2006), *Características y perfil de la mujer chilena en el mundo de los negocios: ejecutivas y empresarias*, Santiago, Chile.
- CENDEC (Centre for Human Capital Development) (2007), "Estudio de género en el desarrollo exportador chileno. Informe final", Santiago, Chile, December.
- Chen, Lurong and Philippe De Lombaerde (2011), "Redes de distribución regional de la producción y organización en ejes en América Latina y en el Este Asiático: una perspectiva a largo plazo", *Integración y Comercio*, No. 32, Washington, D.C., Inter-American Development Bank (IDB).
- Chiquiar, D. (2004), *Globalization, Regional Wage Differentials and the Stolper-Samuelson Theorem: Evidence from Mexico*, Mexico City, El Banco de México.
- Cipoletta Tomassian, Georgina and Ricardo Sánchez (2011), *UNASUR: Infrastructure for regional integration (LC/L.3408)*, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- Cirera, Xavier, Anabel Marin and Ricardo Markwald (2012), "Firm behaviour and the introduction of new exports: evidence from Brazil", *IDS Working Paper*, vol. 2012, No. 390.
- COCHILCO (Chilean Copper Commission) (2007), "Oportunidades de negocios para proveedores de bienes, insumos y servicios mineros en Chile", Santiago, Chile.
- Coe, Neil and others (2004), "Globalizing regional development: a global production networks perspective", *Transactions of the Institute of British Geographers*, vol. 29.
- Coe, N., P. Dicken and M. Hess (2007), "Global production networks: realizing the potential", *Journal of Economic Geography*, Oxford.
- Crespo, Eugenia (2006), "Evolución reciente de las exportaciones pymes en Argentina. Debate para una mejor inserción externa", *Project Document*, No. 102 (LC/W.102), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- Crisafulli, Luciano and Gabriel Baralla (2011), "Exportaciones de las pymes argentinas" [online] http://www.ieralpyme.org/images_db/noticias_archivos/130.pdf.
- De Ferranti, D. and others (2002), "De los recursos naturales a la economía del conocimiento: comercio y calidad del empleo", *Estudios del Banco Mundial sobre América Latina y el Caribe*, Washington, D.C., World Bank.
- De Jongh, W. Robert and others (2011), *Inclusive Business: Creating Value in Latin America*, Geneva, Netherlands Development Organization (SNV)/World Business Council for Sustainable Development (WBCSD), May.
- De la Dehesa, Guillermo (2007), *Comprender la globalización*, Madrid, Alianza Editorial.

- Devlin, Robert and Graciela Moguillansky (2010), "Alianzas público-privadas para una nueva visión estratégica del desarrollo", *Libros de la CEPAL*, No. 108 (LC/G.2426-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC). United Nations publication, Sales No. S.09.II.G.152.
- Dicken, Peter (2010), *Global Shift: Mapping the Changing Contours of the World Economy*, New York, The Guilford Press.
- Dicken, Peter and others (2001), "Chains and networks, territories and scales: towards a relational framework for analysing the global economy", *Global Networks*, vol. 1, No. 2.
- Dini, Marco (2010), "Competitividad, redes de empresas y cooperación empresarial", *Gestión Pública series*, No. 72 (LC/L.3264-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC). United Nations publication, Sales No. S.10.II.G.69.
- Dini, Marco, Carlo Ferraro and Carolina Gasali (2007), "Pymes y articulación productiva. Resultados y lecciones a partir de experiencias en América Latina", *Desarrollo Productivo series*, No. 180 (LC/L.2788-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC). United Nations publication, Sales No.S.07.II.G.138.
- DIRECON (General Directorate for International Economic Affairs) (2010a), *Evolución de la concentración de las exportaciones chilenas*, Santiago, Chile, Ministry of Foreign Affairs of Chile.
- ____ (2010b), *Empresas exportadoras chilenas: características y evolución 2000-2009*, Santiago, Chile, Ministry of Foreign Affairs of Chile.
- ____ (2009a), *Empleo y salarios en las empresas exportadoras chilenas*, Santiago, Chile, Ministry of Foreign Affairs of Chile.
- ____ (2009b), *Empleo y salarios en el sector exportador*, Santiago, Chile, Ministry of Foreign Affairs of Chile.
- ____ (2009c), *Evolución del comercio exterior chileno: 20 años*, Santiago, Chile, Ministry of Foreign Affairs of Chile.
- Dollar, David (1992), "Outward-oriented developing economies really do grow more rapidly: evidence from 95 LDCs, 1976-1985", *Economic Development and Cultural Change*, Vol. 40, No. 3.
- Dollar, David and Aart Kraay (2001), "Growth is good for the poor", *World Bank Policy Research Department Working Paper*, No. 2587, Washington, D.C.
- Domeisen, Natalie (2003), "Development through trade: women exporters make the case", *International Trade Forum*, No. 4/2003, Geneva, International Trade Centre (ITC).
- Durán, José and Mariano Álvarez (2011), "Manual de comercio exterior y política comercial. Nociones básicas, clasificaciones e indicadores de posición y dinamismo", *Project Document*, No. 430 (LC/W.430), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- ____ (2009), *Manual de la Micro, Pequeña y Mediana Empresa. Una contribución a la mejora de los sistemas de información y el desarrollo de las políticas públicas*, San Salvador, Economic Commission for Latin America and the Caribbean (ECLAC)/ German Agency for Technical Cooperation (GTZ).

- ____ (2008), "Indicadores de comercio exterior y política comercial: mediciones de posición y dinamismo comercial", *Project Document*, No. 217 (LC/W.217), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- Durán, José and Sebastián Herreros (2011) "Reprimarización y desindustrialización en América Latina, dos caras de la misma moneda", Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), unpublished.
- Durán, José, Marcelo LaFleur and Andrea Pellandra (eds.) (2011), "Trade, poverty and complementary policies in Latin America", *Project Document*, No. 365 (LC/W.365), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- Durán, José, Alfonso Finot and Marcelo LaFleur (2010), "Análisis de la apertura comercial sobre el bienestar de los hogares: una aplicación para Chile 1999-2006", *Project Document*, No. 366 (LC/W.366), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- Durán, José and others (2013), "Empleo y comercio exterior en América Latina y el Caribe", Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), unpublished.
- Dutt, Pushan, D. Mitra and P. Ranjan (2009), "International trade and unemployment: theory and cross-national evidence", *Journal of International Economics*, vol. 78, No. 1.
- ECLAC (Economic Commission for Latin America and the Caribbean) (2012a), *European Union and Latin America and the Caribbean: Investments for growth, social inclusion and environmental sustainability* (LC/L.3535), Santiago, Chile.
- ____ (2012b), *Structural Change for Equality: An Integrated Approach to Development* (LC/G.2524(SES.34/3)), Santiago, Chile, August.
- ____ (2012c), *Eslabones de la desigualdad. Heterogeneidad estructural, empleo y protección social* (LC/G.2539), Santiago, Chile, July.
- ____ (2012d), *El Estado frente a la autonomía de las mujeres* (LC/G.2540), Santiago, Chile, July.
- ____ (2012e), *The People's Republic of China and Latin America and the Caribbean. Dialogue and cooperation for the new challenges of the global economy* (LC/L.3506), Santiago, Chile.
- ____ (2012f), *Macroeconomic Report on Latin America and the Caribbean* (LC/G.2541-P), Santiago, Chile.
- ____ (2012g), *India and Latin America and the Caribbean. Opportunities and challenges in trade and investment relations* (LC/L.3426), Santiago, Chile.
- ____ (2012h), *Latin America and the Caribbean in the World Economy, 2011-2012* (LC/G.2547-P), Santiago, Chile. United Nations publication, Sales No. E.12.II.G.5.
- ____ (2012i), *Social Panorama of Latin America* (LC/G.2514-P), Santiago, Chile. United Nations publication, Sales No. E.12.II.G.6.
- ____ (2011), *Latin America and the Caribbean and the European Union: striving for a renewed partnership* (LC/L.3369), Santiago, Chile.
- ____ (2010a), *Opportunities for Convergence and Regional Cooperation. Summary of proposals* (LC/L.3202), Santiago, Chile.

- ____ (2010b), *Time for Equality: Closing Gaps, Opening Trails* (LC/G.2432(SES.33/3)), Santiago, Chile.
- ____ (2010c), *Latin America and the Caribbean in the World Economy, 2009-2010* (LC/G.2467-P), Santiago, Chile. United Nations publication, Sales No. E.10.II.G.5.
- ____ (2009), *Latin America and the Caribbean in the World Economy, 2008-2009* (LC/G.2413-P), Santiago, Chile. United Nations publication, Sales No. E.09.II.G.62.
- ____ (2008a), *Economic and Trade Relations between Latin America and Asia-Pacific. The Link with China* (LC/L.2959), Santiago, Chile.
- ____ (2008b), *Latin America and the Caribbean in the World Economy, 2007. Trends 2008* (LC/G.2383-P), Santiago, Chile. United Nations publication, Sales No. E.08.II.G.36.
- ____ (2002), *Globalization and Development* (LC/G.2157(SES.29/3)), Santiago, Chile.
- ____ (1994a), "Open regionalism in Latin America and the Caribbean. Economic integration as a contribution to changing productions patterns with social equity", *Libros de la CEPAL*, No. 39 (LC/G.1801/Rev.1-P), Santiago, Chile.
- ____ (1994b), "Open regionalism and economic integration", *CEPAL Review*, No. 53 (LC/G.1832-P), Santiago, Chile, August.
- ECLAC/FAO/IICA (Economic Commission for Latin America and the Caribbean/ Food and Agriculture Organization of the United Nations/Inter-American Institute for Cooperation on Agriculture) (2010), *The Outlook for Agriculture and Rural Development in Latin America and the Caribbean*, Santiago, Chile.
- ECLAC/IDB/OAS (Economic Commission for Latin America and the Caribbean/ Inter-American Development Bank/Organization of American States) (2011), *Innovating, gaining market share and fostering social inclusion: success stories in SME development* (LC/L.3371), Santiago, Chile.
- Edwards, Sebastián (1998), "Openness, productivity and growth: what do we really know", *The Economic Journal*, vol. 108, No. 44.
- Eslava, Marcela and others (2009), "Trade reforms and market selection: evidence from manufacturing plants in Colombia", *NBER Working Paper*, No. 14935.
- Felbermayr, G., M. Larch and W. Lechthaler (2009), "Unemployment in an interdependent world", *CESifo Working Paper*, No. 2788.
- Fernández, R. and others (2011), "Supply chain analysis of exports and imports of agricultural products: case studies of Costa Rica, Honduras and Nicaragua", *Getting the Most Out of Free Trade Agreements in Central America*, Washington, D.C., World Bank.
- Ferraro, Carlo (2011), "Apoyando a las pymes: políticas de fomento en América Latina y el Caribe", Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), unpublished.
- Ferraro, Carlo and Giovanni Stumpo (comps.) (2010), "Políticas de apoyo a las pymes en América Latina. Entre avances innovadores y desafíos institucionales", *Libros de la CEPAL*, No. 107 (LC/G.2421-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- Flores, Manuel and Marcel Vaillant (2011), "Cadenas globales de valor y sofisticación de la canasta de exportación en América Latina", *Documento de Trabajo*, No. 7, Montevideo, Department of Economics, Universidad de la República.

- IMF (International Monetary Fund) (2012), *World Economic Outlook, April 2012*, Washington, D.C.
- ____ (2007), *World Economic Outlook 2007: globalization and inequality*, Washington, D.C.
- Fontana, Marcia, Susan Joeques and Rachel Masika (1998), "Global trade expansion and liberalisation: gender issues and impacts", *Report*, No. 42, Brighton, BRIDGE, Institute of Development Studies, University of Sussex.
- Franco, Rolando, Martín Hopenhayn and Arturo León (2011), "The growing and changing middle class in Latin America: an update", *CEPAL Review*, No. 103 (LC/G.2487-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), April.
- Frankel, J. A. and D. Romer (1999), "Does trade cause growth?", *American Economic Review*, vol. 88, No. 3.
- French-Davis, Ricardo (2002), "The impact of exports on growth in Chile", *CEPAL Review*, No. 76 (LC/G.2120-P/E), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- ____ (2005), *Reforming Latin America's Economies: After the Washington Consensus*, Palgrave Macmillan.
- ____ (2010), "Macroeconomics for development: from "financierism" to "productivism"", *CEPAL Review*, No. 102 (LC/G.2468-P/E), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), December.
- ____ (2012), "Empleo y estabilidad macroeconómica real. El rol regresivo de los flujos financieros en América Latina", *Revista Internacional del Trabajo*, vol. 131, No. 1-2.
- Frohmann, Alicia (2010), *Competitividad de las pymes exportadoras: programas para promover su internacionalización*, Washington, D.C., Organization of American States (OAS).
- Fundación Observatorio Pyme (2010), "Informe especial: Inserción internacional, gestión comercial y competitividad empresarial de las pyme industriales", *Informes Especiales*, Buenos Aires, July.
- FUNDES (Fundación para el Desarrollo Sostenible) (2007), *Estudio comparado sobre el éxito exportador pyme en Argentina, Brasil y Chile*, La Paz.
- Fung, K.C. and A. García-Herrero (eds.) (2012), *Sino-Latin American Economic Relations*, Fundación BBVA/Routledge.
- García-Jiménez, Humberto (2012), *El comercio de servicios en los países de Centroamérica y el Caribe, 2000-2010* (LC/MEX/L.1086), Mexico City, ECLAC subregional headquarters in Mexico.
- Gereffi, Gary (1994), "The organisation of buyerdriven global commodity chains: how US retailers shape overseas production networks", *Commodity Chains and Global Capitalism*, G. Gereffi and M. Korzeniewicz (eds.), Westport, CT, Praeger.
- Gereffi, Gary and Miguel Korzeniewicz (eds.) (1994), *Commodity Chains and Global Capitalism*, Westport, CT, Praeger.
- Gereffi, G., J. Humphrey and T. Sturgeon (2005), "The governance of global value chains", *Review of International Political Economy*, vol. 12, No. 1.
- Granados, Jaime (2011), "Creación de clusters entre zonas francas alrededor de los TLCs", Inter-American Development Bank (IDB).

- ____ (2005), "Las zonas francas de exportación en América Latina y el Caribe: sus desafíos en un mundo globalizado", *Integración y Comercio series*, vol. 9, No. 23, Inter-American Development Bank (IDB)/ Institute for the Integration of Latin America and the Caribbean (INTAL).
- Hammond, Allen L. and others (2007), "Los siguientes 4 mil millones. Tamaño del mercado y estrategia de negocios en la base de la pirámide", World Resources Institute (WRI)/International Finance Corporation.
- Helble, M., C. Mann and J.S. Wilson. (2009), "Aid for trade", *Policy Research Working Paper*, No. 5064, Washington, D.C., World Bank.
- Hoekman, Bernard (2011), "International trade and inclusive growth" [online] <http://www.oecd.org/trade/gft/49030795.pdf>.
- Hoekman, Bernard and Alan Winters (2007), "Trade and employment: stylized facts and research findings", *Policy Matters: Economic and Social Policies to Sustain Equitable Development*, José Antonio Ocampo, K.S. Jomo and Sarbuland Khan (eds.), New York, Zed Books.
- Hoekman, B., W. Martin and A. Mattoo (2009), "Conclude Doha: it matters", *Policy Research Working Paper*, No. 5135, Washington, D.C., World Bank.
- Humphrey, John (2004), "Upgrading in global value chains", *Working Paper*, No. 82, Geneva, World Commission on the Social Dimension of Globalization.
- Humphrey, J. and H. Schmitz (2000), "Governance and upgrading: linking industrial cluster and global value chain research", *IDS Working Paper*, No. 120, University of Sussex.
- Ianchovichina, E. and S. Lundstrom (2009), "Inclusive growth analytics: framework and application", *Policy Research Working Paper*, No. 4851, World Bank.
- IDB (Inter-American Development Bank) (2011), "Invertir en integración: los retornos de la complementariedad entre software y hardware", *IDB Publications*, No. 40338.
- ____ (2010), *La era de la productividad: cómo transformar las economías desde sus cimientos*, Carmen Pagés (ed.), Washington, D.C.
- ____ (2009), *Género y negocios. Casos exitosos en cuatro continentes*, Washington, D.C., April.
- ____ (2007-2011), *Integración y Comercio*, No. 26-33 [online] www.iadb.org/intal/icom/33/esp/e_home.html.
- ILO (International Labour Organization) (2011), *Trade and Employment in the Global Crisis*, Marion Jansen and Erik von Uexkull, Geneva.
- ____ (2008), *Chile. Los acuerdos de libre comercio y su impacto en el empleo*, Santiago, Chile.
- ____ (1998), ILO Declaration on Fundamental Principles and Rights at Work [online] <http://ilo.org/declaration/thedeclaration/textdeclaration/lang--en/index.htm>.
- Infante, Ricardo (ed.) (2011), "El desarrollo inclusivo en América Latina y el Caribe. Ensayos sobre políticas de convergencia productiva para la igualdad", *Libros de la CEPAL*, No. 112 (LC/G.2500-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC). United Nations publication, Sales No. S.11.II.G.56.

- INTAL (Institute for the Integration of Latin America and the Caribbean) (1998), "La promoción de exportaciones como elemento clave de la estrategia de desarrollo", *Integración y Comercio serie*, No. 4-5, January-August.
- Instituto Uruguay XXI (2012), "Caracterización de las empresas exportadoras uruguayas", *Working Document*, No. 4, Montevideo, Departamento de Inteligencia Competitiva, April.
- ITC (International Trade Centre) (2009), *Export Promotion and the WTO. A Brief Guide*, Geneva, February.
- Jansen, M. and E. von Uexkull, (2011), *El comercio y el empleo en la crisis mundial*, Madrid, International Labour Organization (ILO)/Ministry of Employment and Immigration.
- Jenkins, Rhys (2011), "The "China effect" on commodity prices and Latin American export earnings", *CEPAL Review*, No. 103 (LC/G.2487-P/E), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), April.
- Joekes, Susan (1995), "Trade-related employment for women in industry and services in developing countries", *Occasional Paper*, No. 5, United Nations Research Institute for Social Development (UNRISD), August.
- _____(1987), *La mujer y la economía mundial*, Mexico City, Siglo XXI.
- Kaplinsky, R. (2000), "Spreading the gains from globalisation: what can be learned from value chain analysis?", *Working Paper*, No. 110, Sussex, Institute of Development Studies.
- Kaplinsky, R. and M. Morris (2001), *A Handbook for Value Chain Research*, Sussex, Institute of Development Studies.
- Kosacoff, B. and A. López (2008), "América Latina y las cadenas globales de valor: debilidades y potencialidades", *Revista Globalización, Competitividad y Gobernabilidad*, vol. 2, No. 1, Georgetown University.
- Krueger, A.O. (1997), "Trade policy and economic development and welfare", *NBER Working Paper*, No. 5896.
- Kyvik, Nordas (2003), "Is trade liberalization a window of opportunity for women?", *Staff Working Paper*, No. ERSD 03, World Trade Organization (WTO).
- Lederman, Daniel (2011a), "Large devaluations, foreign direct investment and exports: a speculative note", *Policy Research Working Paper Series*, No. 5619, World Bank.
- _____(2011b), "International trade and inclusive growth. A primer for busy policy analysts", *Policy Research Working Paper Series*, No. 5886, noviembre.
- Lederman Daniel and Luis Diego Rojas (2011), *Crecimiento del producto per cápita: 25 años de evidencia empírica y el rol de la apertura*, World Bank/University of Costa Rica (UCR), May.
- López, Ricardo A. (2006), "Imports of intermediate inputs and plant survival", *Economics Letters*, vol. 92 No. 1.
- López-Córdova, Ernesto and Mauricio Mesquita Moreira (2004), "Regional integration and productivity: the experiences of Brazil and Mexico", *FTAA and Beyond: Prospects for Integration in the Americas*, A. Estevadeordal and others (eds.), David Rockefeller Center for Latin American Studies, Harvard University Press.

- Márquez Ramos, Laura and others (2007), *Determinantes de los costos de transporte marítimos. El caso de las exportaciones españolas*, Madrid, Instituto de Comercio Exterior, Ministerio de Relaciones Exteriores y Comercio de España.
- Martínez, Jorge (2011), *Migración internacional en América Latina y el Caribe. Nuevas tendencias, nuevos enfoques* (LC/R.2170), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- Mayer, Thierry and Gianmarco Ottaviano (2007), "The happy few: the internationalisation of European firms. New facts based on firm-level evidence", *Bruegel Blueprint Series*, vol. 3.
- Mesalles, Luis and Adrián Pacheco (eds.) (2011), *Costa Rica y su modelo de crecimiento: revisión a la luz de la crisis internacional*, San José, Academia de Centroamérica.
- Menezes-Filho, Naércio, Marc-Andreas Muendler and Garey Ramey (2007), "The structure of worker compensation in Brazil, with a comparison to France and the United States", *The Review of Economics and Statistics*, vol. 90, No. 2, MIT Press.
- Micco, Alejandro and Natalia Pérez (2002), "Determinants of maritime transport costs", *Working Paper*, No. 441, Washington, D.C., Inter-American Development Bank (IDB), April.
- Moguillansky, Graciela (2011), "Avanzando en la cadena de valor de la minería en Chile. Programa de Proveedores de Clase Mundial", Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- Mori-Koenig, V. and others (2004), *Buenas prácticas de las pymes exportadoras exitosas. Pymex el caso chileno*, Santiago, Chile, Fundes-ProChile.
- Mulder, Nanno, Sebastián Faúndez and Nicole Carpentier (2011), "Productivity growth in Latin American manufacturing: what role for international trade intensities?", *Comercio Internacional series*, No. 110 (LC/L.3412), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- Natura (various years), Annual Report, 2006-2010, Brazil.
- Nissanke, Machiko and Erik Thorbecke (2010), "The poor under globalization in Asia, Latin America and Africa", *WIDER Studies in Development Economics*, Oxford University Press.
- Ocampo José Antonio (2011), "Macroeconomy for development: countercyclical policies and production sector transformation", *CEPAL Review*, No. 104 (LC/G.2498-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), August.
- OECD (Organization for Economic Cooperation and Development) (2010), *Perspectives on Global Development 2010. Shifting Wealth* [online] www.oecd.org/dataoecd/30/18/45452519.pdf.
- Ortega, Isabel (2011), "Efectos del alza de los precios de los commodities de alimentos sobre la población chilena", Santiago, Chile, Universidad de Chile, unpublished.
- Padilla, R. and J.M. Martínez (2007), "Apertura y cambio tecnológico en el Istmo Centroamericano", *Estudios y Perspectivas series*, No. 89 (LC/MEX/L.839/Rev.1), Mexico City, ECLAC subregional headquarters in Mexico.
- Paluzie, Elisenda (2001), "Trade policy and regional inequalities", *Papers in Regional Science*, vol. 80, No. 1, Springer.

- Paus, E., N. Reinhardt and M. Robinson (2003), "Trade liberalization and productivity growth in Latin American manufacturing, 1970-98", *Policy Reform*, vol. 6, No. 1.
- Pavcnik, Nina (2002), "Trade, liberalization, exit and productivity improvements: evidence from Chilean plants", *Review of Economic Studies*, vol. 69.
- Pérez, Carlota (2010), "Technological dynamism and social inclusion in Latin America: a resource-based production development strategy", *CEPAL Review*, N° 100 (LC/G.2442-P/E), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), April.
- Pérez, Gabriel, Rosa González and Luis Asencio (2011) "Security in the logistics chain and its impact on Mesoamerican competitiveness", *FAL Bulletin*, No. 300, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), August.
- Pietrobelli, C. and R. Rabellotti (eds.) (2006), *Upgrading to Compete. Global Value Chains, Clusters, and SMEs in Latin America*, Washington, D.C., Inter-American Development Bank (IDB)/David Rockefeller Center for Latin American Studies/Harvard University.
- ProChile (Export Promotion Bureau of Chile) (2007- 2011), Informes de comercio exterior e informes pymex, various issues, Santiago, Chile.
- ProChile/FUNDES (Export Promotion Bureau of Chile/ Foundation for Economic and Social Development) (2007), *Pymex chilenas se proyectan al mundo: caos por aprender*, Santiago, Chile.
- Prochnick, Victor (2010), *La inserción de América Latina en cadenas globales de valor*, Red Merco.
- PROCOMER (Foreign Trade Corporation of Costa Rica) (2005-2011), Informes de comercio exterior; Informes de empresas exportadoras, various issues.
- _____(2011), *Caracterización del empleo exportador y de las empresas exportadoras según tamaño*, San José.
- Qualitas AgroConsultores (2010), *Programa nacional de negocios rurales inclusivos diseño de programas de desarrollo de proveedores y fomento a la asociatividad. Informe final*, Netherlands Development Organization (SNV), Santiago, Chile.
- Ramos, Joseph (1999), "Complejos productivos en torno a los recursos naturales: ¿Una estrategia prometedoras?", Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC) [online] www.eclac.cl/ddpeudit/proy/clusters/JRamos.pdf.
- Rastoin, J.L. (2006), "Vers de nouveaux modèles d'organisation du système agroalimentaire? Approches stratégiques", paper presented at the seminar "Produits de terroir, filière qualité et développement", Montpellier, 22 June.
- Rebizo, María Marta and Agustín Tejada (2011), "Balance de inserción internacional de las cadenas agroindustriales argentinas", *Project Document*, No. 390 (LC/W.390), Buenos Aires, ECLAC Office in Buenos Aires.
- Reina, Mauricio and Sandra Zuluaga (2008), "Comercio y pobreza: análisis comparativo de la evidencia para América Latina", *Comercio Internacional series*, No. 87 (LC/L.2903-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).

- Renzi, María Rosa (2004), *Perfil de género de la economía del istmo centroamericano 1990-2002. Consideraciones y reflexiones desde las mujeres*, Panama City, United Nations Development Fund for Women (UNIFEM)/United Nations Development Programme (UNDP).
- Rodriguez, M. (2010), "Penetración de las TIC en la agricultura y las zonas rurales de América Latina: Estimaciones e impactos", presentation at the third international seminar "Herramientas para mejorar la competitividad del agro", Santiago, Chile, 20 October.
- Rodriguez-Pose, A. and N. Gill (2004), "Is there a global link between regional disparities and devolution?" *Environment and Planning*, vol. A 36, No. 12.
- Rodriguez, Francisco and Dani Rodrik (2001), "Trade policy and economic growth: a skeptic's guide to the cross-national evidence", *NBER Macroeconomics Annual 2000*, B. Bernanke and K.S. Rogoff, (eds.), Cambridge, The MIT Press.
- Rodrik, Dani (2011), *The Globalization Paradox: Democracy and the Future of the World Economy*, New York, Harvard University, W. W. Norton & Company.
- ____ (2001), *El gobierno mundial del comercio: como si el desarrollo importara en serio*, Santiago, Chile, United Nations Development Programme (UNDP), April.
- Romero Luna, Isidoro (2009), "Pymes y cadenas de valor globales. Implicaciones para la política industrial en las economías en desarrollo", *Análisis Económico*, vol. XXIV, No. 57.
- Rosales, Osvaldo (2009), "Globalization and the new international trade environment", *CEPAL Review*, No. 97 (LC/G.2400-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), April.
- Sachs, J. and A. Warner (1995), "Economic reform, the process of global integration", *Brooking Papers on Economic Activity*.
- Sachs J. and H. Shatz (1994), "Trade and jobs in US manufacturing", *Brookings Papers on Economic Activity*, No. 1, Washington, D.C.
- Sánchez, Diego (2011), "Comercio y crecimiento inclusivo: el caso de la maquila en Costa Rica", *Comercio y Crecimiento Inclusivo*, No. 68, Latin American Trade Network (LATN), September.
- Sánchez, Julio and others (2011), "El modelo de las 4 A: cómo atender a la base de la pirámide en América Latina mediante la excelencia operacional", *Harvard Business Review América Latina*, August.
- Sánchez, Ricardo and others (2003), "Port efficiency and international trade: port efficiency as a determinant of maritime transport cost", *Maritime Economics and Logistics*, No. 5.
- Schwartz, Jordan and others (2009), "Logistics, transport and food prices in LAC: policy guidance for improving efficiency and reducing costs", *Sustainable Development Occasional Paper Series*, No. 2, Washington, D.C., World Bank.
- SEBRAE (Brazilian Micro and Small Business Support Service) (2010), "As micro e pequenas empresas na exportação brasileira: Brasil, 1998-2009" [online] www.sebrae.com.br/estudos/.
- SELA (Latin American and Caribbean Economic System) (2011), *Las asimetrías en los procesos de integración de América Latina y el Caribe* (SP-LAPI-ALC- Di), No. 12-11- Rev. 1, Caracas.

- ____ (2008), *Pymes: Visión estratégica para el desarrollo económico y social*, Caracas, Editorial Horizonte C.A.
- Silva, Verónica (2007), *Negocios inclusivos o de base de la pirámide. Una oportunidad de desarrollo en el marco de la RSC*, Santiago, Chile, Universidad Alberto Hurtado.
- Simanis, Erick and Stuart Hart (2008), "The Base of the Pyramid Protocol: Toward Next Generation BoP Strategy", Cornell University [online] <http://www.bop-protocol.org/docs/BoPProtocol2ndEdition2008.pdf>.
- Smith, D.A. and M. Timberlake (2002), "Hierarchies of dominance among world cities: network approach", *Global Networks, Linked Cities*, S. Sassen (ed), London, Routledge.
- Soto Germán, Vicente and José Luis Escobedo Sagaz, (2011), "Has trade liberalization increased economic inequality among the Mexican states? An analysis from a spatial econometric perspective", *Economía Mexicana Nueva Época*, vol. XX.
- Sotomayor, Octavio, Adrián Rodríguez and Mónica Rodrigues (2011), "Competitividad, sostenibilidad e inclusión social en la agricultura: nuevas direcciones en el diseño de políticas en América Latina y el Caribe", *Libros de la CEPAL*, No. 113 (LC/G.2503-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC). United Nations publication, Sales No. S.11.II.G.59.
- Stiglitz, Joseph E. (2012), *The Price of Inequality How Today's Divided Society Endangers Our Future*, New York, WW Norton-Company.
- ____ (2007), *Fair Trade for All*, New York, Oxford University Press.
- Stumpo, Giovanni (comp.) (2009), "La especialización exportadora y sus efectos sobre la generación de empleos. Evidencia para Argentina y Brasil", *Project Document*, No. 264 (LC/W.264), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- Sturgeon, T.J. (2002), "Modular production networks: a new American model of industrial organization", *Industrial and Corporate Change*, vol. 11, No. 3.
- Sunkel, Osvaldo and Ricardo Infante (eds.) (2011), *Hacia un desarrollo inclusivo el caso de Chile* (LC/L.3126), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC)/Fundación Chile 21/International Labour Organization (ILO).
- Teixeira, Francisco and Carlo Ferraro (2009), "Aglomeraciones productivas locales en Brasil, formación de recursos humanos y resultados de la experiencia CEPAL- SEBRAE", *Desarrollo Productivo series*, No. 186 (LC/L.3005), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- Todaro, Rosalba, Amalia Mauro and Sonia Yáñez (2000) "Chile: La calidad del empleo. Un análisis de género", *¿Más y mejores empleos para las mujeres? La experiencia de los países del Mercosur y Chile*, María Elena Valenzuela and Gerhard Reinecke (eds.), Santiago, Chile, International Labour Organization (ILO).
- Tybout, James and M. Daniel Westbrook (1995), "Trade liberalization and dimensions of efficiency change in Mexican manufacturing industries," *Journal of International Economics*, vol. 39.
- UNCTAD (United Nations Conference on Trade and Development) (2011), *Global Investment Trend Monitor*, No. 5, Geneva.

- ____ (2007), Enhancing the participation of small- and medium-sized enterprises in global value chains. Note by the UNCTAD secretariat (TD/B/COM.3/EM.31/2), Geneva, Expert meeting on increasing the participation of developing countries' SMEs in global value chains 18-19 October.
- Urmeneta, Roberto (2013), "ASEAN, ASEAN+1, ASEAN+3 y ASEAN+6, implicancias para la región", Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), unpublished.
- ____ (2010), "Evolución de las características de las empresas exportadoras y del empleo que generan: Chile 2000-2010", paper presented at the Seminar Chile XXI, Santiago, Chile, September.
- Van Staveren, Irene (2007), "Gender indicators for monitoring trade agreements", *WIDE Briefing Paper*, Irene Van Staveren and others (eds.), The Feminist Economics of Trade, London, Routledge.
- Venables, A. and others (2007), *Infraestructuras, desventajas geográficas, costes de transporte y comercio*, Madrid, Instituto de Comercio Exterior, Ministerio de Relaciones Exteriores y Comercio.
- Verhart, Noortje and Rhiannon Pyburn (2010), "The rough road to gender equitable growth: the case of Café de Mujer Guatemala", *Development*, No. 53, September.
- Volpe Martincus, Christian (2010), *Odyssey in International Markets: An Assessment of the Effectiveness of Export Promotion in Latin America and the Caribbean*, Washington, D.C., Inter-American Development Bank (IDB), October.
- Volpe, Martinicus C. and J. Caraballo (2007), "La promoción de exportaciones en Colombia: ¿Cuáles son sus efectos sobre su efecto exportador de las firmas?", *Desafíos del crecimiento en Colombia: ¿Políticas deficientes o insuficientes?*, F. Jaramillo (ed.), Bogota, Fedesarrollo/Inter-American Development Bank (IDB).
- Wagner, Joachim (2011), "Exports, imports and firm survival: first evidence for manufacturing enterprises in Germany", *IZA Discussion Paper*, No. 5924, August.
- WBCSD/SNV (World Business Council for Sustainable Development/Netherlands Development Organization) (2007), *Promoción de pequeñas y medianas empresas para el desarrollo sostenible*, Quito.
- Weiss, John (1992), "Trade policy reform and performance in manufacturing: Mexico 1975-88", *Journal of Development Studies*, vol. 29.
- Wilmsmeier, Gordon and Ricardo Sánchez (2010), "Liner shipping networks and market concentration", *International Handbook of Maritime Economics*, K.C. Cullinane (ed.), Cheltenham, Edward Elgar.
- ____ (2009), "Los desafíos del sistema de transporte en los países sin litoral de América del Sur", *Recursos Naturales e Infraestructura series*, No. 142 (LC/L.3019-P/E), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- Wilmsmeier, Gordon, Jan Hoffmann and Ricardo Sánchez (2006), "The impact of port characteristics on international maritime transport costs", *Research in Transportation Economics*, vol. 16, No. 1, K.P.B. Cullinane and W.H. Talley, June.
- Willer, H. and L. Kilcher (2010), *The World of Organic Agriculture. Statistics and Emerging Trends 2010*, International Federation of Organic Agriculture Movements (IFOAM)/ Research Institute of Organic Agriculture (FiBL)/International Trade Centre (ITC).

- Willson, Angélica y Pamela Caro (2010), "Temporeras de la agro exportación en Chile: tensiones y desafíos asociados a la relación entre la vida laboral y familiar", *Mujer y Desarrollo series*, No. 94 (LC/L.3117-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC). United Nations publication, Sales No. S.09.II.G.96.
- Women Watch (2011), "Gender Equality and Trade Policy" [online] <http://www.un.org/womenwatch/feature/trade/>.
- Wong, Sara and Veronika Kulmer (2010), "Integración comercial con la Unión Europea e impactos sobre la pobreza en el Ecuador", *Project Document*, No. 350 (LC/W.357), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).
- World Bank (2012), "Exporter dynamics database", *World Bank Policy Research Working Paper*, No. 6229, Tolga Cebeci and others (eds.), 22 May.
- ____ (2011), *World Development Report 2012: Gender Equality and Development*, Washington, D.C.
- ____ (2009a), *Buscando diversificar nuestras exportaciones. En la ruta del crecimiento inclusivo*, Washington, D.C.
- ____ (2009b), "Pov Cal Net Online Poverty Analysis Tool" [online] [http:// go.worldbank.org/NT2A1XUWP0](http://go.worldbank.org/NT2A1XUWP0).
- ____ (2001-2011), "World Development Indicators", several years, Washington, D.C.
- ____ (2002), *Globalización, crecimiento y pobreza: construyendo una economía mundial incluyente*, Bogota, Alfaomega.
- World Bank/International Monetary Fund (IMF) (2008), *Coping with New Strains in the Global Trading System—Doha Round, Food Prices, and Aid for Trade*, October.
- WTO (World Trade Organization) (2011), *World Tariff Profiles, 2011*, Geneva.
- ____ (2010), *World Tariff Profiles, 2010*, Geneva.
- ____ (2008-2012), *World Trade Report, 2007 to 2011*, Geneva.
- WTO/ILO (World Trade Organization/International Labour Organization) (2011), *Making Globalization Socially Sustainable*, Geneva.
- ____ (2007), *Trade and Employment: Challenges for Policy Research*, Geneva.
- WTO/OECD (World Trade Organization /Organization for Economic Cooperation and Development) (2011), *Aid for Trade at a Glance*, Geneva.
- WTO/IDE-JETRO (World Trade Organization/Institute of Developing Economies-Japan External Trade Organization) (2011), *Trade Patterns and Global Value Chains in East Asia: from Trade in Goods to Trade in Tasks*, Geneva.

Publicaciones recientes de la CEPAL

ECLAC recent publications

www.cepal.org/publicaciones

Informes periódicos institucionales / *Annual reports*

También disponibles para años anteriores / *Issues for previous years also available*

- Anuario Estadístico de América Latina y el Caribe 2013 / *Statistical Yearbook for Latin America and the Caribbean 2013*, 226 p.
- Balance Preliminar de las Economías de América Latina y el Caribe 2013, 92 p.
Preliminary Overview of the Economies of Latin America and the Caribbean 2013, 92 p.
- Panorama Social de América Latina, 2013, 226 p.
Social Panorama of Latin America, 2013, 220 p.
- Panorama de la Inserción Internacional de América Latina y el Caribe 2013, 128 p.
Latin America and the Caribbean in the World Economy 2013, 122 p.
- Estudio Económico de América Latina y el Caribe 2013, 220 p.
Economic Survey of Latin America and the Caribbean 2013, 210 p.
- La Inversión Extranjera Directa en América Latina y el Caribe 2012, 152 p.
Foreign Direct Investment in Latin America and the Caribbean 2012, 142 p.

Libros y documentos institucionales ***Institutional books and documents***

- Pactos para la igualdad: hacia un futuro sostenible, 2014, 340 p.
Covenants for Equality: Towards a sustainable future, 2014, 330 p.
- Integración regional: hacia una estrategia de cadenas de valor inclusivas, 2014, 226 p.
Regional Integration: Towards an inclusive value chain strategy, 2014, 218 p.
Integração regional: por uma estratégia de cadeias de valor inclusivas, 2014, 226 p.
- Prospectiva y desarrollo: el clima de la igualdad en América Latina y el Caribe a 2020, 2013, 72 p.
- Comercio internacional y desarrollo inclusivo: construyendo sinergias, 2013, 210 p.
- Cambio estructural para la igualdad: una visión integrada del desarrollo, 2012, 330 p.
Structural Change for Equality: an integrated approach to development, 2012, 308 p.
- La hora de la igualdad: brechas por cerrar, caminos por abrir, 2010, 290 p.
Time for Equality: closing gaps, opening trails, 2010, 270 p.
A Hora da Igualdade: Brechas por fechar, caminhos por abrir, 2010, 268 p.

Libros de la CEPAL / *ECLAC books*

- 126 Planificación, prospectiva y gestión pública: reflexiones para la agenda del desarrollo, Jorge Máttar, Daniel E. Perrotti (eds.), 2014, 250 p.
- 125 La crisis latinoamericana de la deuda desde la perspectiva histórica, José Antonio Ocampo, Barbara Stallings, Inés Bustillo, Helvia Velloso, Roberto Frenkel, 2014, 174 p.

- 124 La integración de las tecnologías digitales en las escuelas de América Latina y el Caribe: una mirada multidimensional, Guillermo Sunkel, Daniela Trucco, Andrés Espejo, 2014, 170 p.
- 123 Fortalecimiento de las cadenas de valor como instrumento de la política industrial: metodología y experiencia de la CEPAL en Centroamérica, Ramón Padilla Pérez (ed.), 2014, 390 p.
- 122 Cambio estructural y crecimiento en Centroamérica y la República Dominicana: un balance de dos décadas, 1990-2011, Hugo E. Beteta y Juan Carlos Moreno-Brid, 2014, 398 p.

Publicaciones / Co-publications

- *Decentralization and Reform in Latin America: Improving Intergovernmental Relations*, Giorgio Brosio and Juan Pablo Jiménez (eds.), ECLAC / Edward Elgar Publishing, United Kingdom, 2012, 450 p.
- Sentido de pertenencia en sociedades fragmentadas: América Latina desde una perspectiva global, Martín Hopenhayn y Ana Sojo (comps.), CEPAL / Siglo Veintiuno, Argentina, 2011, 350 p.
- Las clases medias en América Latina: retrospectiva y nuevas tendencias, Rolando Franco, Martín Hopenhayn y Arturo León (eds.), CEPAL / Siglo XXI, México, 2010, 412 p.
- *Innovation and Economic Development: The Impact of Information and Communication Technologies in Latin America*, Mario Cimoli, André Hofman and Nanno Mulder, ECLAC / Edward Elgar Publishing, United Kingdom, 2010, 472 p.

Coediciones / Co-editions

- Perspectivas de la agricultura y del desarrollo rural en las Américas: una mirada hacia América Latina y el Caribe 2014, CEPAL / FAO / IICA, 2013, 220 p.
- Perspectivas económicas de América Latina 2014: logística y competitividad para el desarrollo, CEPAL/OCDE, 2013, 170 p.
Latin American Economic Outlook 2014: Logistics and Competitiveness for Development, ECLAC/ OECD, 2013, 164 p.
- Juventud y bono demográfico en Iberoamérica, Paulo Saad, Tim Miller, Ciro Martínez y Mauricio Holz, CEPAL/OIJ/UNFPA, 2012, 96 p.
- Perspectivas económicas de América Latina 2013: políticas de pymes para el cambio estructural, OCDE/ CEPAL, 2012, 192 p.
Latin American Economic Outlook 2013: SME Policies For Structural Change, OECD / ECLAC, 2012, 186 p.

Cuadernos de la CEPAL

- 101 Redistribuir el cuidado: el desafío de las políticas, Coral Calderón Magaña (coord.), 2013, 460 p.
101 Redistributing care: the policy challenge, Coral Calderón Magaña (coord.), 2013, 420 p.
- 100 Construyendo autonomía: compromiso e indicadores de género, Karina Batthyáni Dighiero, 2012, 338 p.
- 99 Si no se cuenta, no cuenta, Diane Alméras y Coral Calderón Magaña (coordinadoras), 2012, 394 p.
- 98 *Macroeconomic cooperation for uncertain times: The REDIMA experience*, Rodrigo Cárcamo-Díaz, 2012, 164 p.
- 97 El financiamiento de la infraestructura: propuestas para el desarrollo sostenible de una política sectorial, Patricio Rozas Balbontín, José Luis Bonifaz y Gustavo Guerra-García, 2012, 414 p.

Documentos de proyecto / Project documents

- La economía del cambio climático en la Argentina: primera aproximación, 2014, 240 p.
- La economía del cambio climático en el Ecuador 2012, 2012, 206 p.

- Economía digital para el cambio estructural y la igualdad, 2013, 130 p
The digital economy for structural change and equality, 2014, 128 p.
- Estrategias de desarrollo bajo en carbono en megaciudades de América Latina, Joseluis Samaniego y Ricardo Jordán (comps.), María Teresa Ruiz-Tagle (ed.), 2013, 184 p.
- La cooperación entre América Latina y la Unión Europea: una asociación para el desarrollo, José E. Durán Lima, Ricardo Herrera, Pierre Lebret y Myriam Echeverría, 2013, 157 p.

Cuadernos estadísticos de la CEPAL

- 41 Los cuadros de oferta y utilización, las matrices de insumo-producto y las matrices de empleo. Solo disponible en CD, 2013.
- 40 América Latina y el Caribe: Índices de precios al consumidor. Serie enero de 1995 a junio de 2012. Solo disponible en CD, 2012.

Series de la CEPAL / *ECLAC Series*

Asuntos de Género / Comercio Internacional / Desarrollo Productivo / Desarrollo Territorial / Estudios Estadísticos / Estudios y Perspectivas (Bogotá, Brasilia, Buenos Aires, México, Montevideo) / *Studies and Perspectives* (The Caribbean, Washington) / Financiamiento del Desarrollo / Gestión Pública / Informes y Estudios Especiales / Macroeconomía del Desarrollo / Manuales / Medio Ambiente y Desarrollo / Población y Desarrollo / Política Fiscal / Políticas Sociales / Recursos Naturales e Infraestructura / Reformas Económicas / Seminarios y Conferencias.

Revista CEPAL / *CEPAL Review*

La Revista se inició en 1976, con el propósito de contribuir al examen de los problemas del desarrollo socioeconómico de la región. La *Revista CEPAL* se publica en español e inglés tres veces por año.

CEPAL Review first appeared in 1976, its aim being to make a contribution to the study of the economic and social development problems of the region. CEPAL Review is published in Spanish and English versions three times a year.

Observatorio demográfico / *Demographic Observatory*

Edición bilingüe (español e inglés) que proporciona información estadística actualizada, referente a estimaciones y proyecciones de población de los países de América Latina y el Caribe. Desde 2013 el Observatorio aparece una vez al año.

Bilingual publication (Spanish and English) providing up-to-date estimates and projections of the populations of the Latin American and Caribbean countries. Since 2013, the Observatory appears once a year.

Notas de población

Revista especializada que publica artículos e informes acerca de las investigaciones más recientes sobre la dinámica demográfica en la región. También incluye información sobre actividades científicas y profesionales en el campo de población.

La revista se publica desde 1973 y aparece dos veces al año, en junio y diciembre.

Specialized journal which publishes articles and reports on recent studies of demographic dynamics in the region. Also includes information on scientific and professional activities in the field of population.

Published since 1973, the journal appears twice a year in June and December.

Las publicaciones de la CEPAL están disponibles en:
ECLAC Publications are available in:

www.cepal.org/publicaciones

También se pueden adquirir a través de:
They can also be ordered through:

www.un.org/publications

United Nations Publications
PO Box 960
Herndon, VA 20172
USA

Tel. (1-888)254-4286

Fax (1-800)338-4550

Contacto / *Contact:* publications@un.org

Pedidos / *Orders:* order@un.org



“The Time for Equality” collection

This book examines the contribution international trade can make to the new integrated approach to development proposed in two key publications by the Economic Commission for Latin America and the Caribbean (ECLAC): *Time for Equality: Closing Gaps, Opening Trails* (2010), and *Structural Change for Equality: An Integrated Approach to Development* (2012). Both argue in favour of economic growth with structural change to improve equality and environmental sustainability, while respecting the diverse realities of the different countries.

The central idea explored in this book is that international trade’s contribution to inclusive development is not automatic and depends to a great extent on good-quality public-private policies to govern and complement it. Inclusive development is a type of growth that generates more satisfactory and more equitable dynamics in labour, production and society, and it depends on a set of policies capable of bringing about production convergence, driving institutional changes and guaranteeing social protection.

3



Economic Commission for Latin America and the Caribbean (ECLAC)
Comisión Económica para América Latina y el Caribe (CEPAL)
www.eclac.org