

## IDB FACTSHEET - MINISTERS AND CEO FORUM ON TRADE AND INVESTMENT

June 7, 2022

- The Inter-American Development Bank (IDB) hosted the Forum on Trade and Investment – a first of its kind in nearly 20 years—in advance of the IX Summit of the Americas, in Los Angeles. The event is intended to bring together senior private sector leaders and top trade officials from Latin America and the Caribbean to discuss trade and investment.
- The IDB's strategic guidelines include its "Vision 2025," which identifies integration and nearshoring, digitalization, and support for SMEs among the key work areas for the Bank to accelerate the region's recovery and sustainable growth.
- The meeting served to foster deeper regional cooperation and public-private collaboration to pave the way for increased, sustainable, and resilient intra-regional trade. In addition, the meeting aimed to:
  - Identify areas where technical opportunities and shared interests allow concrete progress in regional trade;
  - Provide a setting for ministers to discuss shared goals and areas of collaboration;
  - Foster a dialogue with high-level private sector leaders participating in the IV CEO Summit of the Americas.
- The meeting included ministers and senior officials from nearly every country in Latin America and the Caribbean, and over 100 representatives from the private sector.
- Today's meeting sought to leverage the Bank's newly formed private-sector coalition, launched in 2021. It has already more than quadrupled in size since its announcement to include 160 corporate leaders. The coalition, which at the time of its launch was the largest private-sector coalition in IDB history, includes a working group devoted to nearshoring.

### Opportunities from Nearshoring & Growing Regional Value Chain

- A 10 percent increase of a country's participation in global value chains increases GDP per capita by between 11 percent and 14 percent.
- To attract more investment, the IDB estimates that for every \$1 dollar invested in investment promotion attracts \$42 in foreign direct investment. Improving the region's trade logistics will also translate into economic gains.
- Mexico and Brazil have the biggest opportunities to increase their exports by securing more nearshoring investments. Nonetheless, all countries in the region will see some increases, according to IDB data that will be published in a forthcoming study. For a link to potential opportunities to increase exports through nearshoring by country is provided at the end of the factsheet.

- In 2021, the Bank launched a “nearshoring toolkit,” making available a range of integrated financial and non-financial mechanisms to countries:

### Toolkit to Support LAC’s Agenda For Strengthening Regional Value Chains

Thematic Areas	Investment		Infrastructure		Integration	
Types of intervention	Investment Promotion	Financing to Companies	Financing of Trade and Connectivity Infrastructure Projects		Trade Costs Reduction Programs	Convergence and Harmonization
Instruments	Financial			Non-Financial		
	Loans and Guarantees	Capital Investments	Investment Grants and Technical Cooperation	Applied Research	Strategic Partnerships	Advisory Services



- To make these opportunities a reality, the region needs to work on the 3i strategy:
  - **Investment:** Countries need to step up their efforts to attract investment and open new markets for the region.
  - **Infrastructure:** Improving Latin America and the Caribbean’s trade, connectivity, transportation, and logistics infrastructure is key to ensuring that companies investing in the region can be more competitive. A 10 percent reduction in international freight costs translates into an increase in the value of exports of at least 30 percent.
  - **Integration:** The region needs to improve integration within the region and modernize its approach, to build a broader, more competitive, frictionless market. Improving integration, including harmonizing 33 preferential trade agreements to cut time and red tape, could increase intraregional trade in Latin America and the Caribbean by 12 percent, according to IDB estimates.
- In 2021, the IDB approved US\$2.3 billion in public sector loans to strengthen regional supply chains, almost double the average amount of the years before the pandemic. In the same year, its private sector arm, IDB Invest, which offers trade and supply chain financing, blended financing, and partial credit enhancements or risk-sharing guarantees, approved US\$1.2 billion to companies in the region to help them capitalize on this opportunity.
- IDB estimates that trade-related activities in Latin America and the Caribbean generate 20 percent of greenhouse gas emissions. Though significant, this tracks below global emissions linked to trade.

- On digital trade, streamlining regulations can help countries create digital marketplaces and export services, such as digital healthcare and long-distance learning. Digital tools can help make key trade facilitating institutions more efficient, such as customs and investment promotion agencies.
- Some key initiatives to **strengthen the dialogue and exchanges between the private and public sectors**:
  - The IDB coordinates the [Americas Business Dialogue](#) (ABD) – a private sector-led initiative of more than 400 companies to foster public-private dialogue for the design and implementation of public policies in the Americas. The ABD presented policy recommendations at the Summit of the Americas in Los Angeles.
  - Investment forums to foster investment and exporting opportunities. These include LAC Flavors (for the food and beverage industry), Outsource2LAC (services based on knowledge and technology); the Brazil Investment Forum; Miami-LAC; and the Asia-LAC series.
  - The ConnectAmericas.com platform -- the first online network in the Americas for small and mid-sized business, with more than 650,000 registered entrepreneurs.

### Event Details

The IDB's Trade and Integration Sector Division supports countries in Latin America and the Caribbean in four key areas: trade facilitation and logistics; export promotion and investment attraction; agreements and institutions for integration and trade; strengthening public-private business forums and networks on trade and investment issues. Sponsored by the IDB's subject matter experts on this issue, the discussions focused on:

- identification of key areas that will help construct a trade agenda for the future: **strengthening value chains and attracting investment, sustainable trade and climate change, and the digital economy**.
- A keynote presentation by Jeffrey J. Schott, Senior Fellow, Peterson Institute for International Economics, followed by an exchange of views with senior executives from Gap Inc., Olympus Corporation, UPS, Citi and Cintora to discuss global value chains and future investment
  - Key Statistics: The IDB estimates countries in Latin America and the Caribbean could augment their **exports of goods and services by \$78 billion** (\$64 billion in goods, \$14 billion in services) by attracting investments linked to short and mid-term opportunities to make supply chains more resilient (nearshoring).
- The sustainable **trade and climate change session** led by Alan Winters, Professor of Economics and Co-Director of the Centre for Inclusive Trade Policy, University of Sussex.
  - *Key Statistics:* The world has spent a 7 percent of the GDP (6 trillion US\$) in fossil fuels subsidies in 2020, a figure that is expected to reach 7.4 percent in 2025. IDB estimates that trade-related activities in Latin America and the Caribbean generate 20 percent of

greenhouse gas emissions. Though significant, this tracks below global emissions linked to trade.

- The **digital economy** session featured Caroline Freund, Dean of the UC San Diego School of Global Policy and Strategy. Senior executives from Amazon Web Services, Stripe, Softtek and Microsoft took part in the discussion group.
  - *Key Statistics:* Latin America and the Caribbean accounts for only 2 percent of total spending in the retail segment (B2C), well below its 6 percent share of global trade in goods and its 7 percent share of GDP.

## Additional information

[Event agenda and participants](#)

## Nearshoring potential opportunities for increased exports by country

Trade in goods - US\$ millions

Country	Quick Wins US	Intraregional Quick Wins	Medium Term Opportunities	Total
Argentina	890.7	1518.0	1497.8	3906.5
Bahamas	33.2	23.8	119.9	177.0
Belize	5.9	6.3	31.7	43.9
Bolivia	50.5	60.8	14.1	125.3
Brazil	4153.0	3144.3	546.8	7844.1
Barbados	9.7	42.8	8.1	60.6
Chile	665.8	516.0	641.1	1822.9
Colombia	1498.5	886.9	188.4	2573.8
Costa Rica	918.1	539.3	87.4	1544.8
Dominican Republic	1362.9	150.2	67.6	1580.7
Ecuador	482.0	285.8	72.8	840.7
Guatemala	436.4	293.8	55.5	785.7
Guyana	23.7	370.1	6.2	400.0
Honduras	745.1	418.7	79.0	1242.8
Haiti	237.2	11.4	4.4	253.1
Jamaica	84.9	25.8	27.8	138.5
Mexico	29679.4	2628.2	2970.6	35278.2
Nicaragua	473.3	78.2	17.0	568.5
Panamá	81.3	549.2	171.5	802.0
Perú	792.0	498.0	128.4	1418.5
Paraguay	43.9	181.1	26.3	251.3

Country	Quick Wins US	Intraregional Quick Wins	Medium Term Opportunities	Total
El Salvador	686.4	343.6	19.9	1049.9
Suriname	25.0	18.7	14.8	58.5
Trinidad and Tobago	87.9	304.5	84.3	476.7
Uruguay	69.3	369.5	89.4	528.2
Venezuela	218.4	48.7	53.8	320.9
<b>LAC</b>	<b>43754.4</b>	<b>13313.7</b>	<b>7024.9</b>	<b>64093.0</b>

*Source: Inter-American Development Bank*

*Notes: Data for 2019. Quick wins are measured as 15% of US imports of the top 50 products exported to the US by each LAC country from the top US 10 markets of origin outside the Western Hemisphere. Medium-term opportunities are measured as 15% of US imports of the top 50 products exported to Europe by each LAC country from the top US 10 markets of origin outside the Western Hemisphere. Medium-term opportunities are measured as 15% of LAC imports of the top 50 products exported by each LAC country from the region's top 10 markets of origin outside the Western Hemisphere. In each case, the opportunities assigned to countries are proportional to current exports. To account for potential capacity constraints, we limit the potential gain to 100% of current exports for each product for quick wins and quick wins within LAC, and to 200% of current exports for medium-term opportunities. Export growth is measured as (total)/exports from the LAC country to the USA and Europe*