



Redefining Global Trade: Latin America's Technological Exports with the G7 and BRICS

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BRICs Seminar, l'INALCO-CREE

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BRICS in the news

The New York Times (July 18, 2025)

One of These BRICS Is Not Like the Others

President Trump's attacks on the group of emerging economies, which includes Brazil, Russia and China, have put one member — India — in an uncomfortable spot.

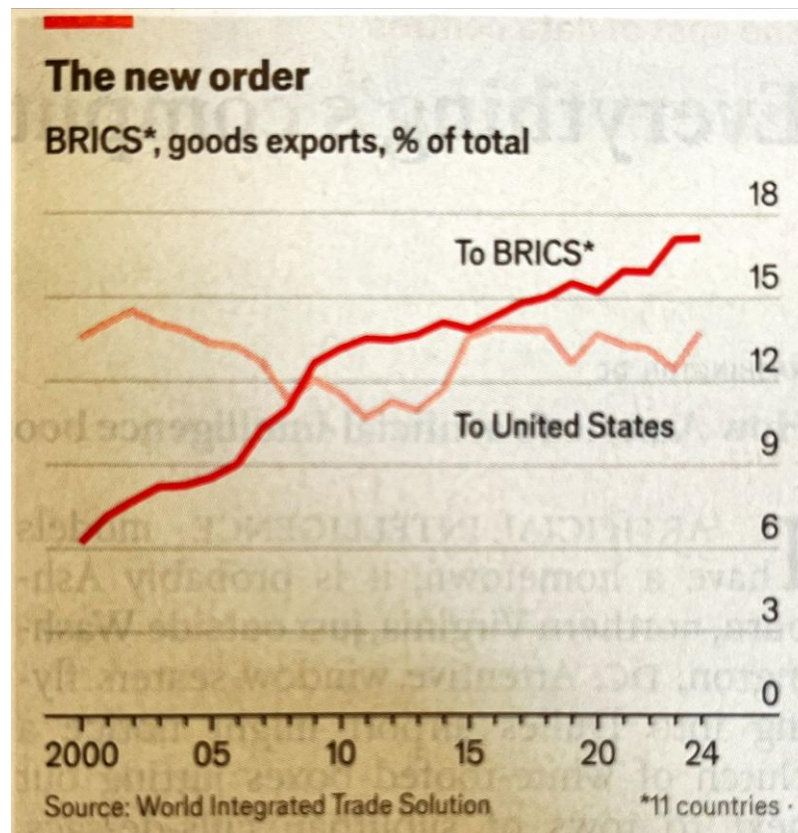


September 11, 2025

As the world order shifts, NZ should 'spread its diplomatic wings' and look at joining BRICS

Chris Ogden, University of Auckland, Waipapa Taumata Rau

By any measure, the multi-lateral BRICS forum is an economic and diplomatic powerhouse. NZ would not have to give up other alliances if it joined.



The Economist, August 23rd 2005, p. 59

Reuters

China • September 8, 2025

Brazil's Lula calls for tighter trade ties for BRICS as tariffs bite

Brazilian President Luiz Inacio Lula da Silva said on Monday that more trade and financial integration among the BRICS group of developing nations would help mitigate the effects of protectionism.

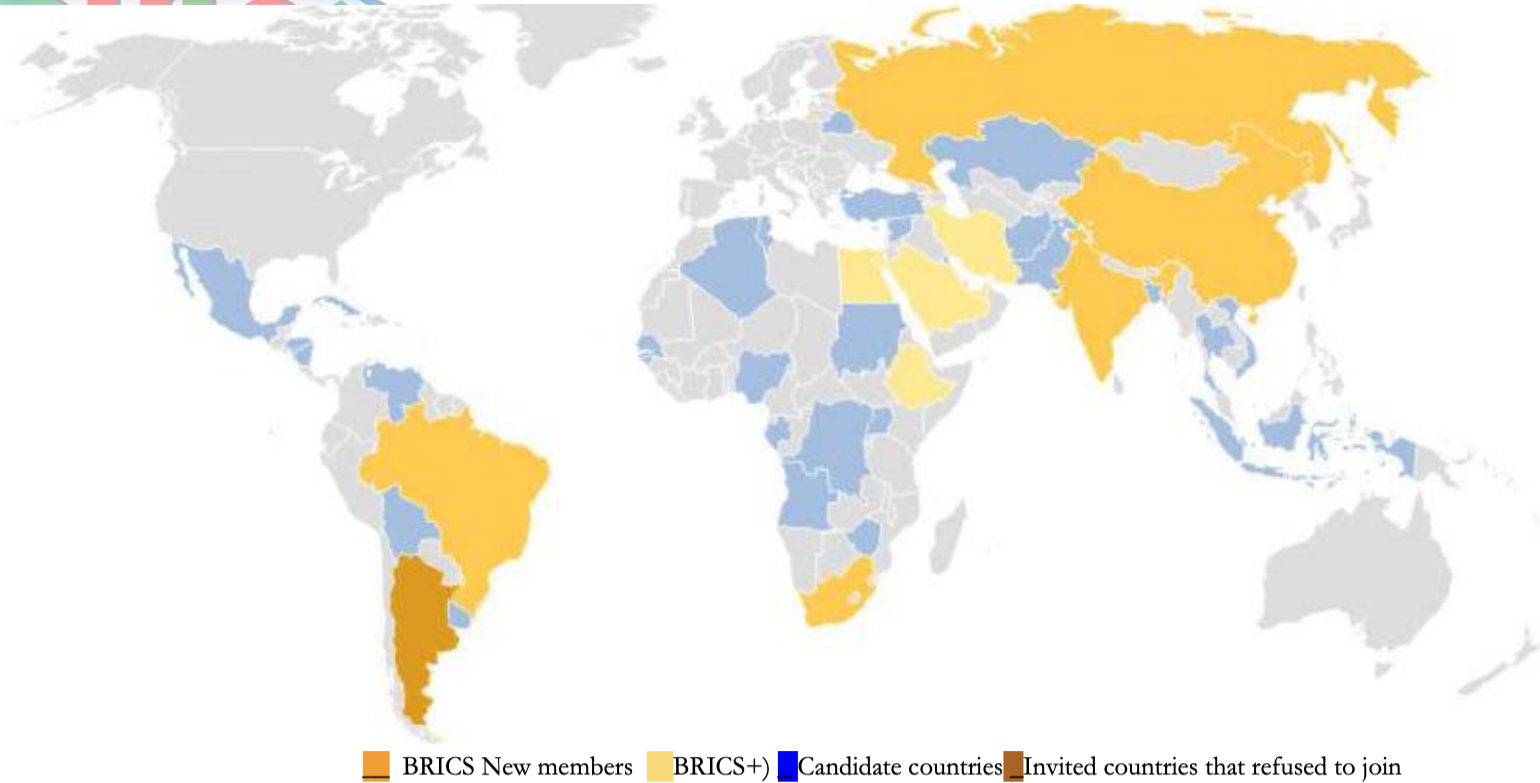
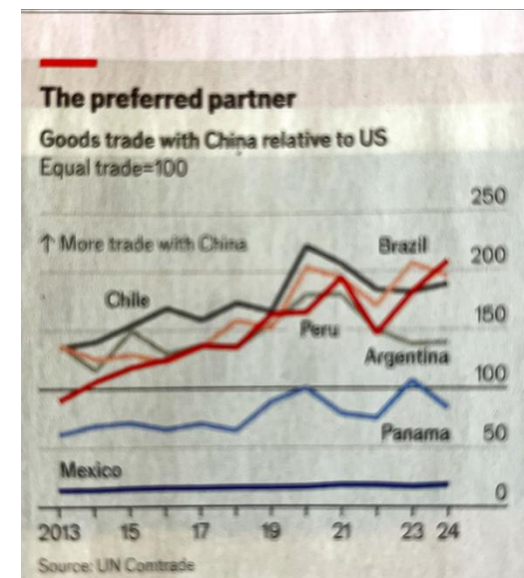


Exhibit 1: new membership will generate an additional \$2.6 trillion in GDP terms representing an overall BRICS economy of \$28.5 trillion and 28.1% of global output. (Ross, 2024). The BRICS account for more than 43% of global oil production and *control nearly 75% of rare earth minerals.*

Modern Trade in BRICS



- In 2024, five countries (*Egypt, Ethiopia, Indonesia, Iran, and the United Arab Emirates*) joined the original BRICS (*Brazil, Russia, India, China, South Africa*) countries, reflecting a clear commitment to become a relevant global actors. *Algeria and Argentina* declined the invitation to join as partners or candidates, *Belarus, Bolivia, Cuba, Kazakhstan, Malaysia, Nigeria, Thailand, Uganda, and Uzbekistan* were invited in 2024, and *Turkey and Vietnam* have now applied.
- Significant **heterogeneity** exists among the countries in terms of income and economic structure
 - Wide differences in income and structures; unclear implications for trade and global governance beyond Western hegemony.
 - potential consequences and implications for new countries remain uncertain.
 - How will these new members contribute to a changing trade landscape?



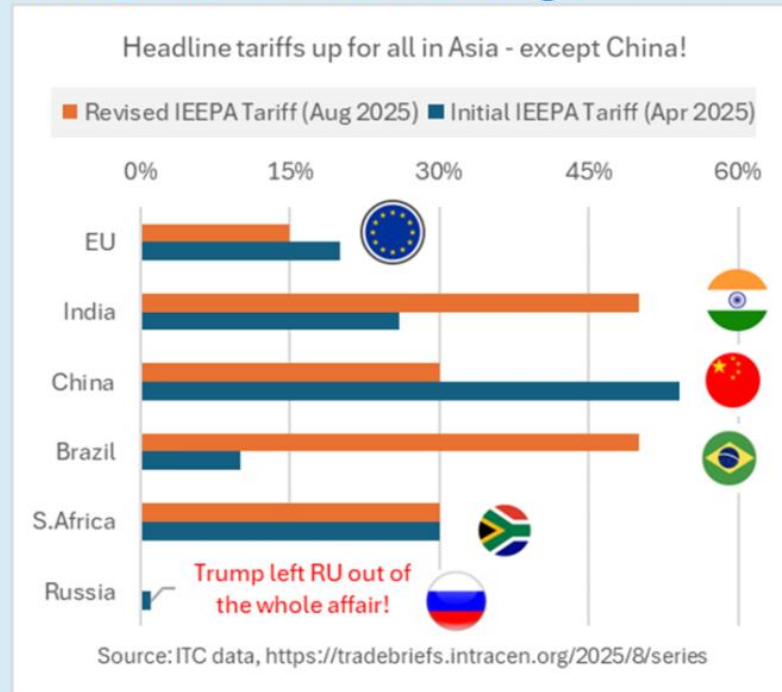
"My enemy's enemy is my friend"

Arthashastra, 4th century BC

- IR reasoning - POTUS made USA a common trade enemy for the BRICS, especially China, India & Brazil.

Donald Trump: Making the BRICS Great Again! (MBGA).

How did the IEEPA tariffs change?



How did actual (ETR) tariffs change?

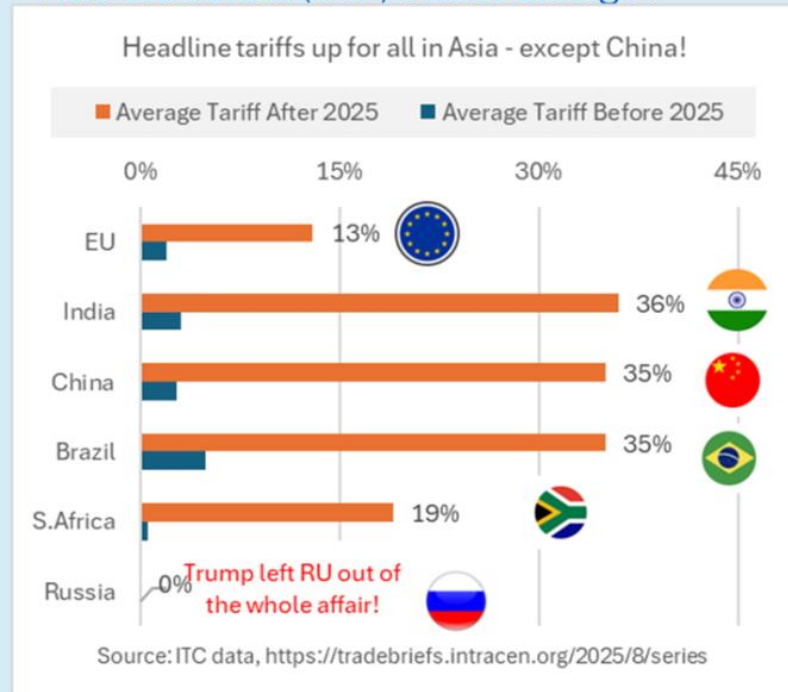
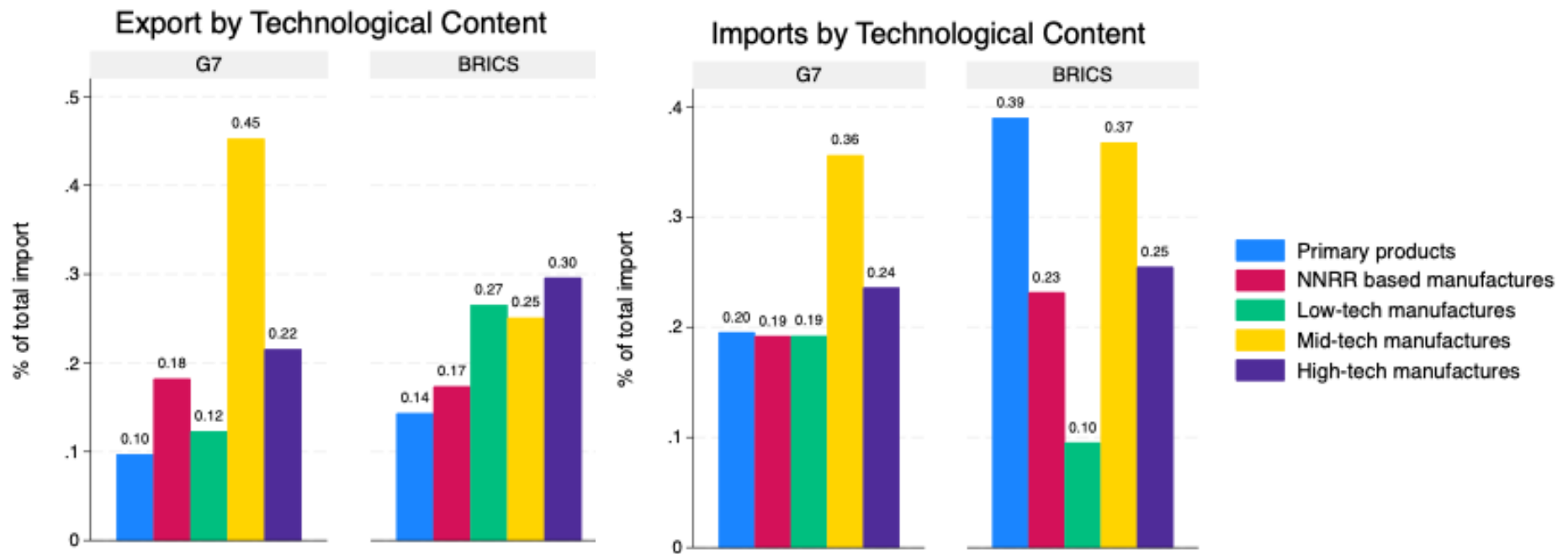


Exhibit 2: Trade by technological content



Source: Own elaboration based on BLOCS and BACI (CEPII)

Some Relevant Literature



- Economic literature on the impact of BRICS and G7 on developing countries is very scarce.
- Most of the BRICS literature focuses on regional politics and the group's geopolitical role (Khathoun and Trivedy, 2023; Nach and Ncwadi, 2024; Tse and Hartwich, 2025).
- In comparative analyses with the G7, some literature focuses on comparing the socio-economic aspects and their evolution (Mostafa & Mahmood, 2012; Muhbubani & Kesava, 2021; Afota et al., 2024; Azevedo et al., 2025).
- We thus combine several strands of literature:
 - Structuralist development and technology, innovation, trade
 - Innovation, trade and growth
 - Industrial policy
 - International organizations and regional networks

Structuralist Approaches



- Firmly lie in the structuralist approach
 - sectoral specialization patterns, technological capacities, and the institutional arrangements concerning investment and R&D
- Some papers on investment and innovation (Gür, 2020; Vila et al., 2014) and in the context of regional trade (Khachoo and Ah Sheikh, 2023; Cheong, 2023).
- Digital and technological investment and growth (Antonietti et al., 2025; Qin et al., 2025)



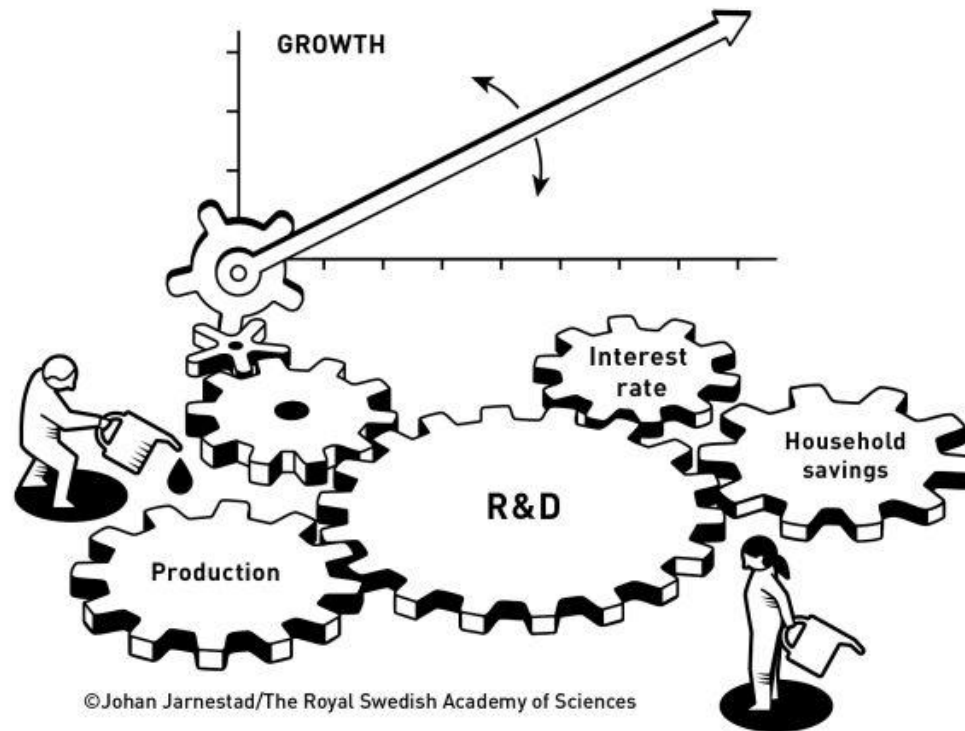
- New paper by Goldberg & Ruta (2025): Why trade-led development worked in the past
 - Access to large foreign markets expanded opportunities for scale economies, technology adoption, and sustained poverty reduction.
 - Integration into global value chains enabled learning by exporting, skill and quality upgrading, and the transfer of knowledge and technology across borders.
 - Commitment through trade agreements strengthened institutions, enhanced policy credibility, and anchored domestic reform.
 - Together, these dynamic effects transformed trade from a source of short-term gains into a lasting engine of structural change and long-run growth.

Trade and growth



- Main question in this literature is “how does trade generate growth” and “why only in some places”
- Trade and innovation channel surveyed by Shu and Steinwender (2019) supports both the escape-competition and Schumpeterian effects, depending on firms’ proximity to the technological frontier.
 - In developing economies, trade liberalization generally raises productivity and innovation, especially among large and technologically advanced firms.
 - Is this dependent on their investment in innovation and industrial capacity?

Innovation and Growth



Aghion and Howitt

Philippe Aghion and Peter Howitt “for the theory of sustained growth through creative destruction.”

Rethinking Global Hegemony and Trade Inequality



- When there are market failures, endogenous technology and political power, industrial policy matter since:
 - Change matter
 - Type of growth matters (role of learning)
- Trade has been inherently unequal, often justified by technological gaps between countries. These gaps create barriers to technological upgrading for developing nations (Dosi & Tranchero, 2019).

Global Hegemony and Trade Inequality



- Traditional global trade structures have reinforced Western hegemony, particularly the US and thus G7.
- Stiglitz & Guzmán (2024) state that rules proscribing industrial policies generate greater international inequality.
 - International trade determines not only production specialization patterns but also the extent to which industrial policy can be employed.
- Ahumada and Chang (2025) argue for a new international economic order to empower industrial policy and trade policy for the Global South. With the rise of the BRICS, they argue that the Global South now has leverage to push for change.

Persistent Inequalities and Technological Barriers



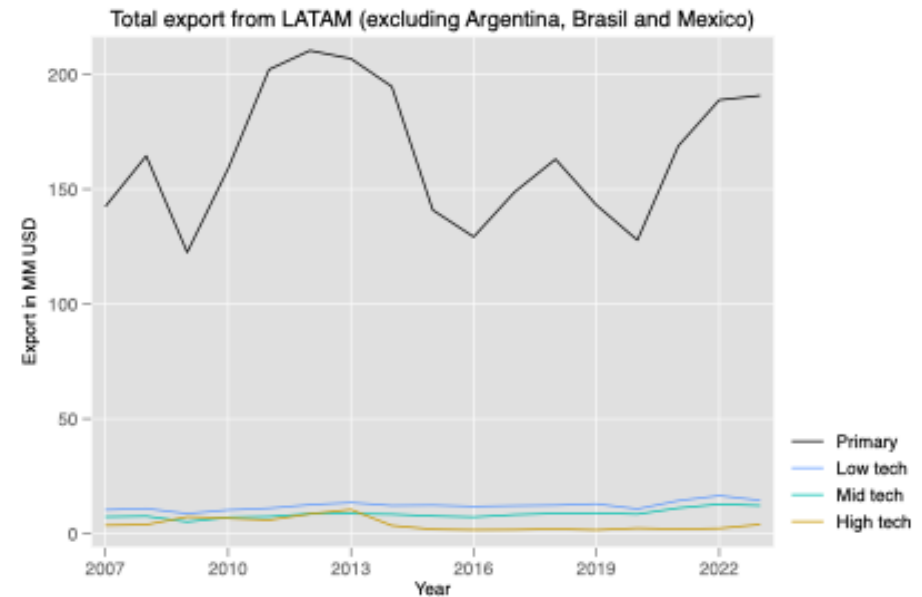
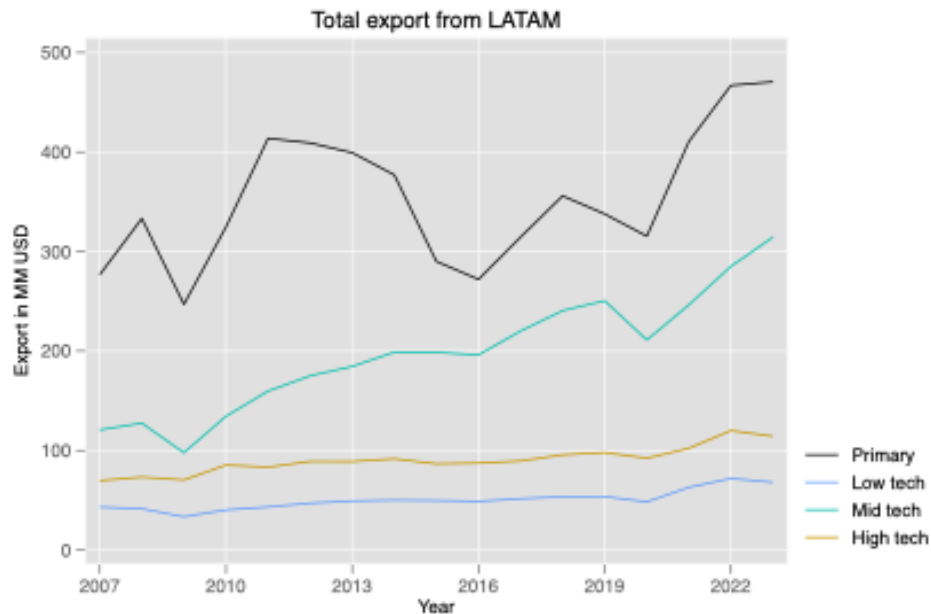
- Latin American countries face structural constraints in moving up the technological value chain.
- Export patterns toward BRICS vs G7 may reflect or reproduce existing global inequalities.
- The comparison highlights potential shifts in global trade hegemony if BRICS integration changes demand structures.
- Can trade with BRICS offer a path to less unequal technological integration, or does it replicate G7 patterns?

Research Questions:

- Has the emergence of the BRICS reshaped Latin America's pattern of trade specialization toward BRICS countries compared to the G7?
- To what extent do technological factors play a decisive role in shaping these patterns across the two blocs?
 - We do not concern ourselves with the underlying decision of the firm to invest in innovation or R&D.



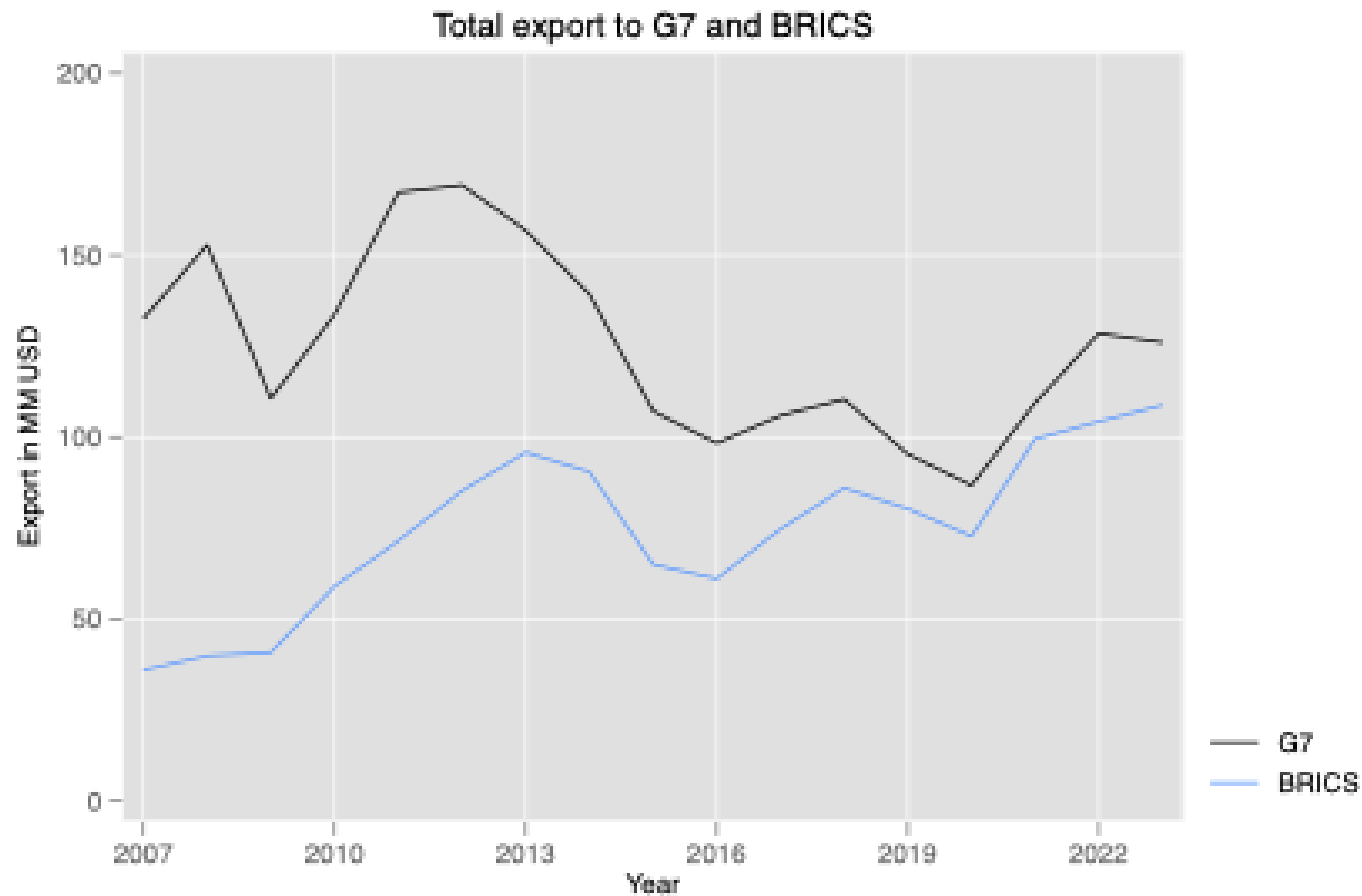
Export Data by Technological Content



Source: Own elaboration using BLOCS and BACI



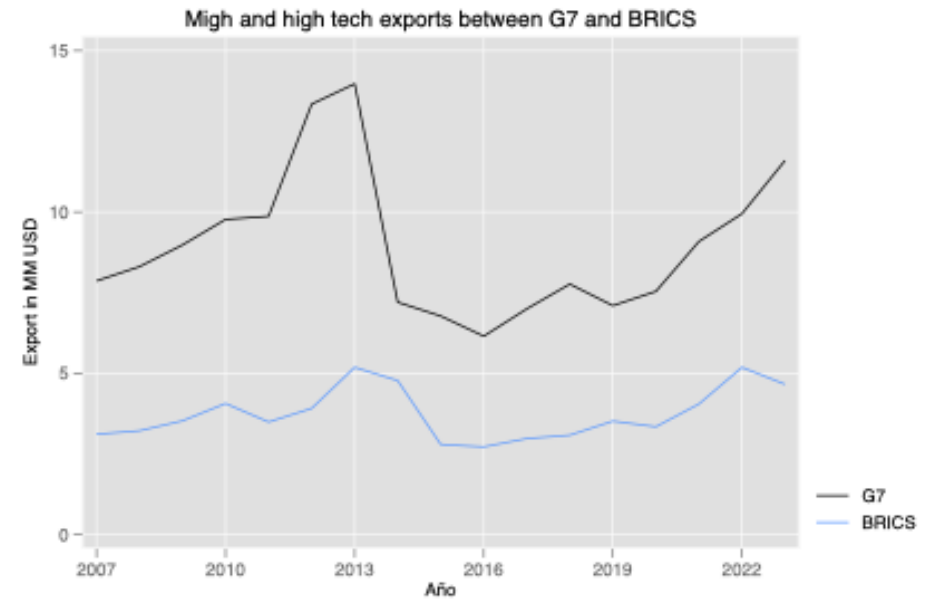
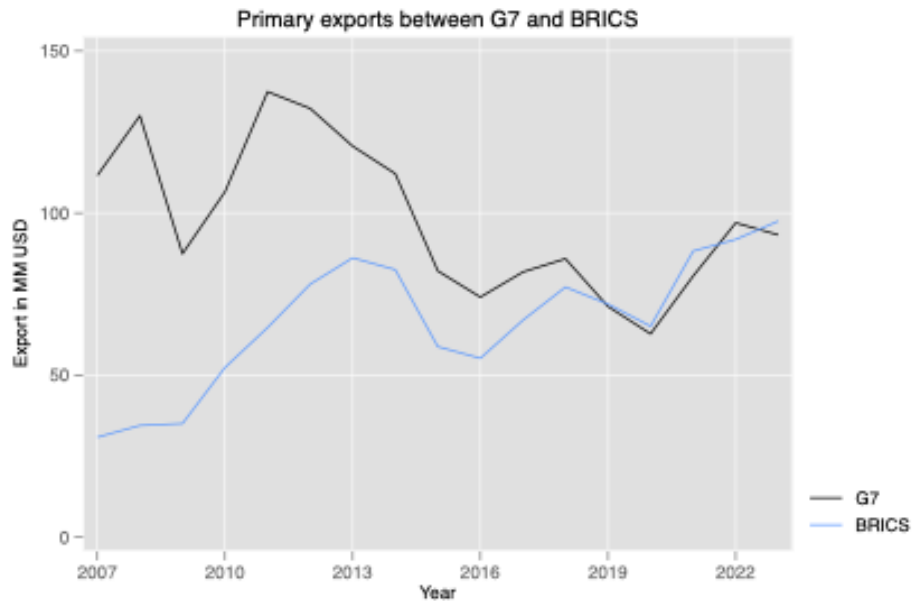
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BLOCS data



- provides **bilateral** observations on trade, foreign investment, regional trade agreements, macroeconomic information, gravity model variables and other historical information;
- consolidates information **for 218 countries between 1948 and 2022, with 584 variables** for more than 1.3 million observations;
- joins **15 existing databases** using a system that can join data that uses varying country code systems. The data combines institutional features of the bilateral pairs with economic data from standard sources;
- **Open source repository at Aletheia!**

Other data



- Lal (2000) method used to divide technological content of manufactured goods
- R&D activities are measured using the number of publications and patents filed on the 17 frontier technologies in a country, from UNCTAD: R&D activity in the Frontier technology readiness index.
- Industry is the industrial activity measure from UCTAD Frontier tech readiness index, industry activity.
 - Concentrates on the three sectors that are early adopters: manufacturing, with high-tech manufacturing as the frontrunner; finance; and ICT, which tends to interact with other technologies.

Methodological approach



The structural gravity equation is specified as:

$$\begin{aligned} X_{ij,t} &= \exp[\beta_1 FDI\ in_{ij,t} + \beta_2 FDI\ out_{ij,t} + \beta_3 R\&D_{i,t} + \beta_4 Industry_{i,t} \\ &+ \beta_5 R\&DXIndustry_{ij,t} + \beta_6 other\ export_{i,t} + \beta_7 GDP_{ij,t} + \beta_8 Import_{ij,t} + Z_{ij,t} \\ &+ \eta_{i,t} + \lambda_t] + \varepsilon_{ij,t} \end{aligned}$$

$X_{ij,t}$ denotes the exports of Latin American countries, disaggregated by technological content, from exporter i to partner j at time t , where j belongs to either the BRICS or the G7.

$R\&D_{i,t}$ is a continuous variable from 0-1 capturing R&D activities using the number of publications and patents filed on the 11 frontier technologies in a country.

$Industry_{i,t}$ is a continuous variable from 0-1 capturing ongoing activities in an industry related to the use, adoption and adaptation of frontier technologies.

$Other\ export_{it}$ is the same-tech exports to the alternative bloc

$FDI\ in_{ij,t}$ and $FDI\ out_{ij,t}$ are inflows and outflows of FDI (either to BRICS or G7)

Results (1)



VARIABLES	Primary		Low tech manufacture		Mid tech manufacture		High tech manufacture	
	BRICS	G7	BRICS	G7	BRICS	G7	BRICS	G7
R&D index	0.850 (1.938)	-0.827 (0.832)	-3.787** (1.830)	-1.367** (0.583)	-3.995** (1.805)	-1.975* (1.116)	2.479 (3.635)	9.231** (3.952)
Industry index	-1.320 (1.194)	0.501 (0.572)	0.147 (3.250)	0.448 (0.437)	-2.611* (1.376)	-0.487 (0.628)	5.725*** (2.018)	14.69*** (1.952)
Interaction term (R&D X Industry)	-2.605 (3.481)	1.685 (1.495)	6.894** (3.161)	-0.154 (1.384)	7.172* (3.752)	5.076** (2.249)	2.583 (7.452)	-20.55*** (5.480)
Export to the other bloc	-0.0267 (0.212)	-0.0151 (0.0490)	0.170 (0.171)	0.0545 (0.0372)	0.458*** (0.113)	0.240*** (0.0540)	0.470*** (0.115)	0.244** (0.114)
FDI (instock)	0.0474* (0.0262)	-0.0229** (0.00918)	-0.0136 (0.0399)	-0.0211** (0.0107)	-0.0889*** (0.0252)	0.0387** (0.0167)	-0.238*** (0.0572)	0.0212 (0.0433)
FDI (Outstock)	-0.103*** (0.0236)	0.0274** (0.0114)	-0.0223 (0.0253)	-0.0277** (0.0126)	-0.0195 (0.0246)	-0.0349** (0.0155)	-0.0453 (0.0600)	-0.0818* (0.0466)
Trade agreement	1.340*** (0.182)	0.0163 (0.0709)	0.561*** (0.149)	0.166** (0.0816)	0.0627 (0.109)	-0.136 (0.0870)	0.0933 (0.209)	-0.939*** (0.266)
Distance (Log)	-1.718*** (0.277)	-3.140*** (0.209)	-2.335*** (0.680)	-4.004*** (0.267)	-3.529*** (0.215)	-0.329 (0.333)	-2.907*** (0.444)	-0.618 (0.996)
GDP (Log)	-0.0276 (0.147)	0.441*** (0.140)	0.390* (0.215)	0.277 (0.174)	0.114 (0.168)	0.534** (0.214)	0.373 (0.342)	-1.450** (0.664)
Import (Log)	0.173 (0.121)	-0.0632 (0.0550)	-0.589** (0.260)	0.0927 (0.0641)	-0.280** (0.121)	0.526*** (0.0904)	-0.00896 (0.192)	1.257*** (0.198)
Constant	28.98*** (7.186)	25.61*** (6.730)	24.83*** (8.111)	32.96*** (7.924)	39.61*** (6.968)	-20.85** (9.304)	13.59 (12.62)	38.21 (33.52)
Country fix effect	included	included	included	included	included	included	included	included
Time fix effect	included	included	included	included	included	included	included	included
Observations	1,087	1,179	1,087	1,179	1,087	1,179	1,087	1,179

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Results (2)



VARIABLES	Primary		Low tech manufacture		Mid tech manufacture		High tech manufacture	
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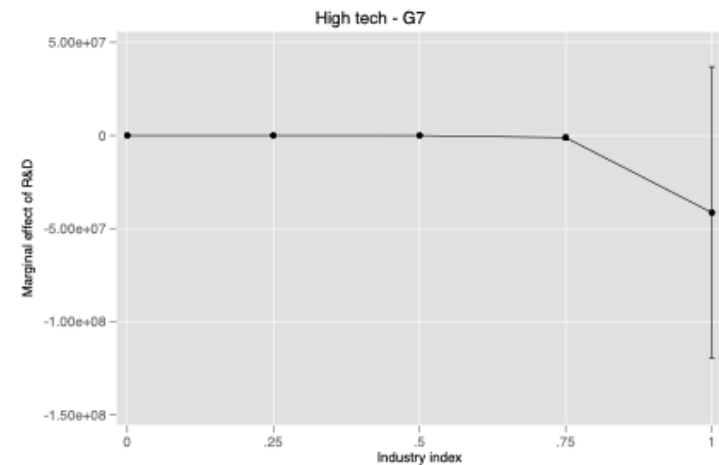
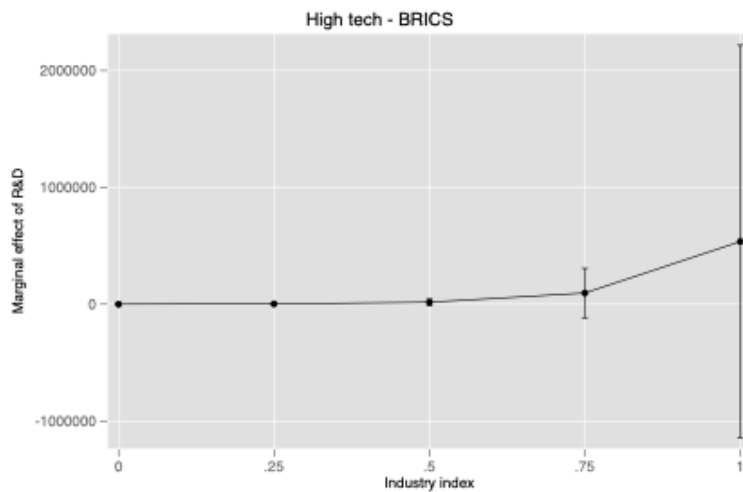
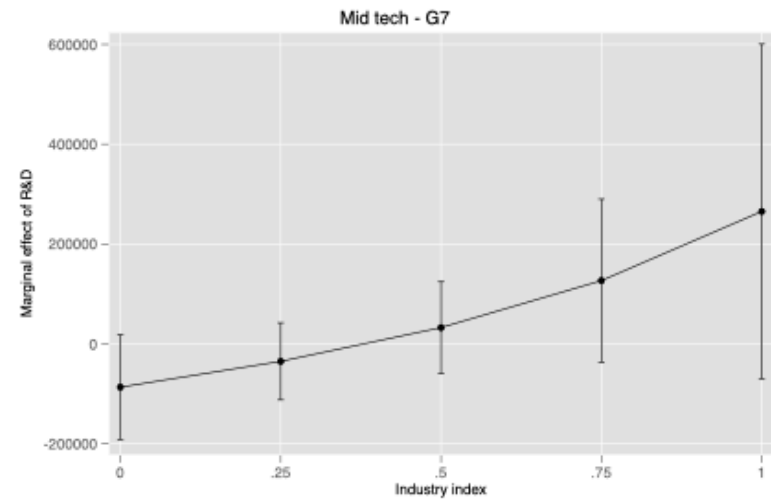
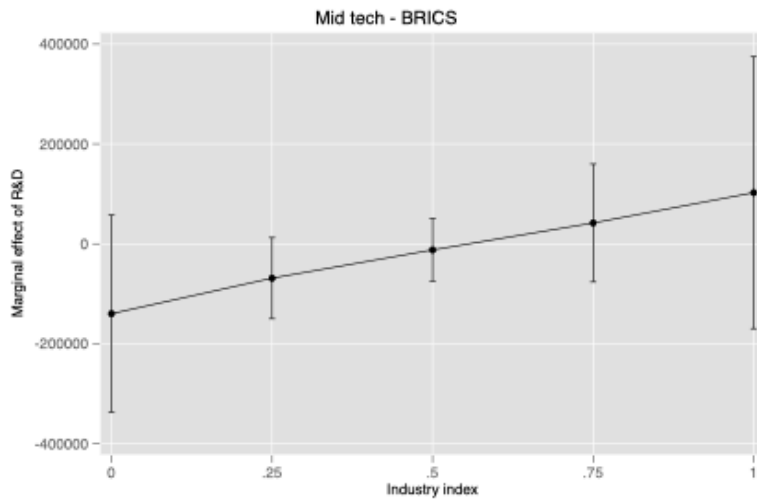


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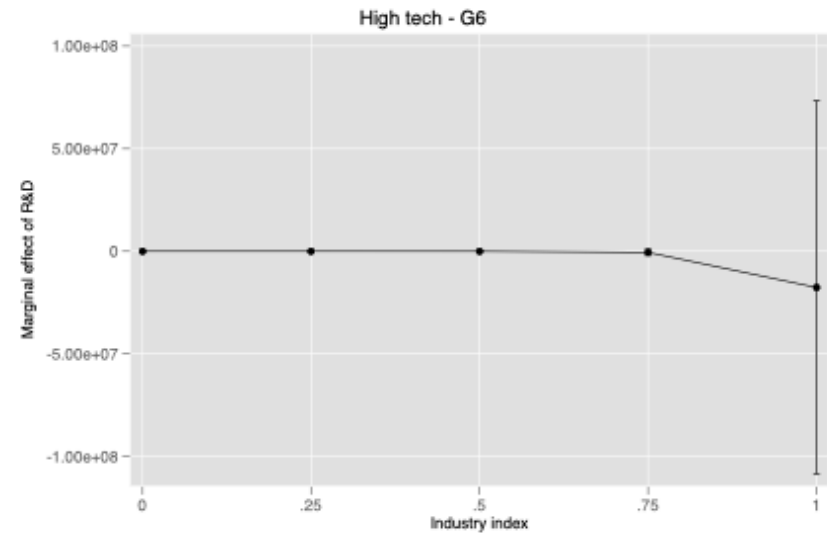
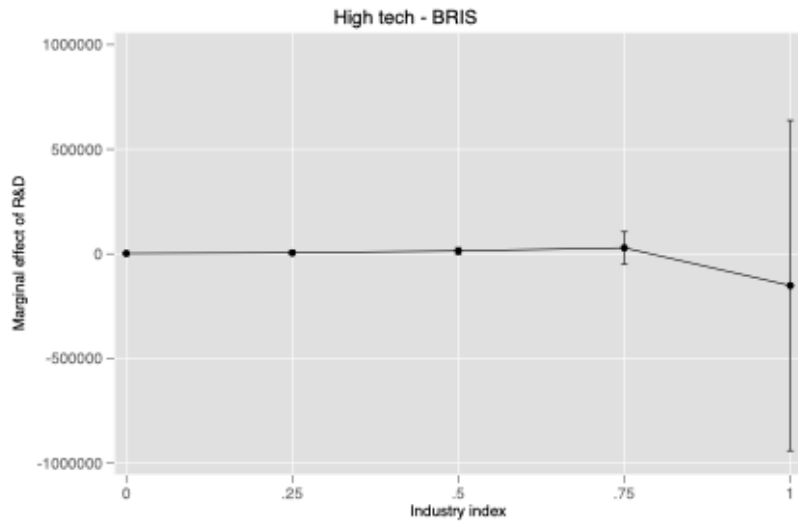
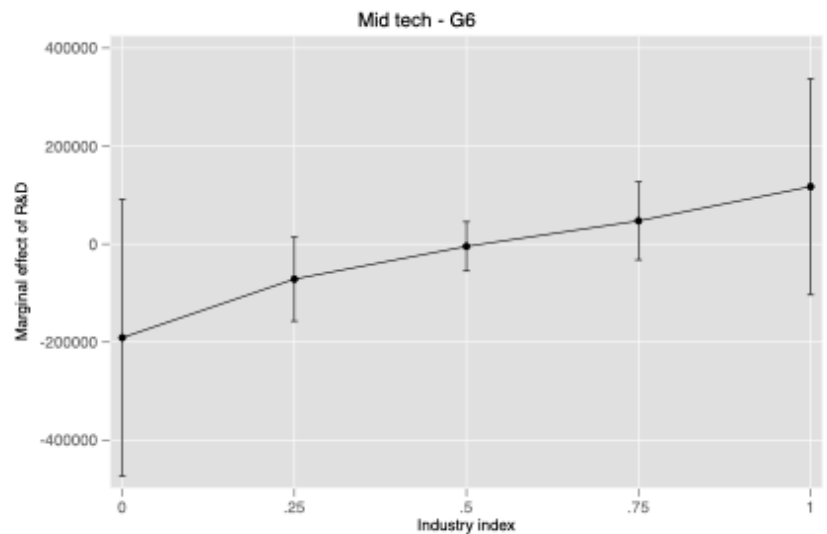
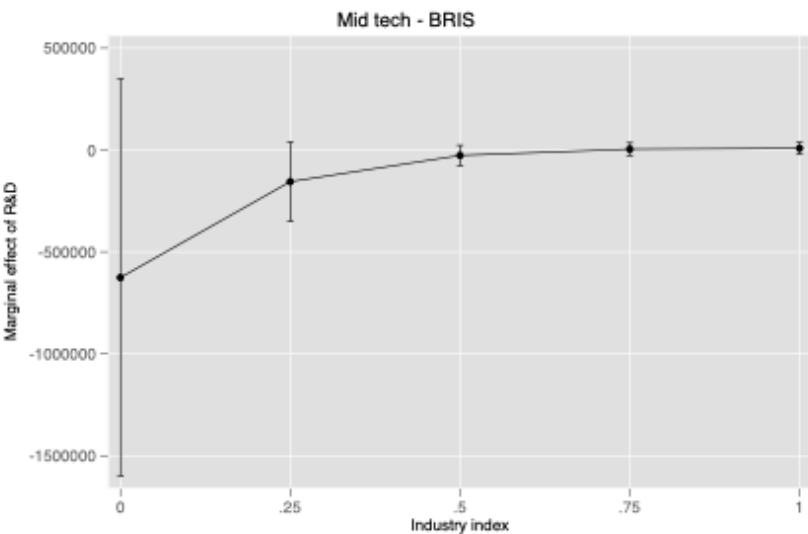
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Results (4)



Results (excluding China & USA)



Results(5)



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Export to the other bloc	-0.0267 (0.212)	-0.0151 (0.0490)	0.170 (0.171)	0.0545 (0.0372)	0.458*** (0.113)	0.240*** (0.0540)	0.470*** (0.115)	0.244** (0.114)
FDI (instock)	0.0474* (0.0262)	-0.0229** (0.00918)	-0.0136 (0.0399)	-0.0211** (0.0107)	-0.0889*** (0.0252)	0.0387** (0.0167)	-0.238*** (0.0572)	0.0212 (0.0433)
FDI (Outstock)	-0.103*** (0.0236)	0.0274** (0.0114)	-0.0223 (0.0253)	-0.0277** (0.0126)	-0.0195 (0.0246)	-0.0349** (0.0155)	-0.0453 (0.0600)	-0.0818* (0.0466)
Trade agreement	1.340*** (0.182)	0.0163 (0.0709)	0.561*** (0.149)	0.166** (0.0816)	0.0627 (0.109)	-0.136 (0.0870)	0.0933 (0.209)	-0.939*** (0.266)
Distance (Log)	-1.718*** (0.277)	-3.140*** (0.209)	-2.335*** (0.680)	-4.004*** (0.267)	-3.529*** (0.215)	-0.329 (0.333)	-2.907*** (0.444)	-0.618 (0.996)
GDP (Log)	-0.0276 (0.147)	0.441*** (0.140)	0.390* (0.215)	0.277 (0.174)	0.114 (0.168)	0.534** (0.214)	0.373 (0.342)	-1.450** (0.664)
Import (Log)	0.173 (0.121)	-0.0632 (0.0550)	-0.589** (0.260)	0.0927 (0.0641)	-0.280** (0.121)	0.526*** (0.0904)	-0.00896 (0.192)	1.257*** (0.198)
Constant	28.98*** (7.186)	25.61*** (6.730)	24.83*** (8.111)	32.96*** (7.924)	39.61*** (6.968)	-20.85** (9.304)	13.59 (12.62)	38.21 (33.52)
Country fix effect	included	included	included	included	included	included	included	included
Time fix effect	included	included	included	included	included	included	included	included
Observations	1,087	1,179	1,087	1,179	1,087	1,179	1,087	1,179

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Results (6)



VARIABLES	Primary		Low tech manufacture		Mid tech manufacture		High tech manufacture	
	BRICS	G7	BRICS	G7	BRICS	G7	BRICS	G7
R&D index	0.850 (1.938)	-0.827 (0.832)	-3.787** (1.830)	-1.367** (0.583)	-3.995** (1.805)	-1.975* (1.116)	2.479 (3.635)	9.231** (3.952)
Industry index	-1.320 (1.194)	0.501 (0.572)	0.147 (3.250)	0.448 (0.437)	-2.611* (1.376)	-0.487 (0.628)	5.725*** (2.018)	14.69*** (1.952)
Interaction term (R&D X Industry)	-2.605 (3.481)	1.685 (1.495)	6.894** (3.161)	-0.154 (1.384)	7.172* (3.752)	5.076** (2.249)	2.583 (7.452)	-20.55*** (5.480)
Export to the other bloc	-0.0267 (0.212)	-0.0151 (0.0490)	0.170 (0.171)	0.0545 (0.0372)	0.458*** (0.113)	0.240*** (0.0540)	0.470*** (0.115)	0.244** (0.114)
FDI (instock)	0.0474* (0.0262)	-0.0229** (0.00918)	-0.0136 (0.0399)	-0.0211** (0.0107)	-0.0889*** (0.0252)	0.0387** (0.0167)	-0.238*** (0.0572)	0.0212 (0.0433)
FDI (Outstock)	-0.103*** (0.0236)	0.0274** (0.0114)	-0.0223 (0.0253)	-0.0277** (0.0126)	-0.0195 (0.0246)	-0.0349** (0.0155)	-0.0453 (0.0600)	-0.0818* (0.0466)
Trade agreement	1.340*** (0.182)	0.0163 (0.0709)	0.561*** (0.149)	0.166** (0.0816)	0.0627 (0.109)	-0.136 (0.0870)	0.0933 (0.209)	-0.939*** (0.266)
Distance (Log)	-1.718*** (0.277)	-3.140*** (0.209)	-2.335*** (0.680)	-4.004*** (0.267)	-3.529*** (0.215)	-0.329 (0.333)	-2.907*** (0.444)	-0.618 (0.996)
GDP (Log)	-0.0276 (0.147)	0.441*** (0.140)	0.390* (0.215)	0.277 (0.174)	0.114 (0.168)	0.534** (0.214)	0.373 (0.342)	-1.450** (0.664)
Import (Log)	0.173 (0.121)	-0.0632 (0.0550)	-0.589** (0.260)	0.0927 (0.0641)	-0.280** (0.121)	0.526*** (0.0904)	-0.00896 (0.192)	1.257*** (0.198)
Constant	28.98*** (7.186)	25.61*** (6.730)	24.83*** (8.111)	32.96*** (7.924)	39.61*** (6.968)	-20.85** (9.304)	13.59 (12.62)	38.21 (33.52)
Country fix effect	included	included	included	included	included	included	included	included
Time fix effect	included	included	included	included	included	included	included	included
Observations	1,087	1,179	1,087	1,179	1,087	1,179	1,087	1,179

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Preliminary conclusions

- Latin American trade remains resource-based, but BRICS emergence is reproducing the same export patterns.
- R&D plays a limited role overall; its effect is more visible in higher-tech exports. Industrial capacity matters more than R&D spending for moving up the value chain. Industrial policy is significant.
- Having a signed trade agreement with the G7 reduces high-tech exports (to them?).
- For mid- and high-tech products, there is no evidence of substitution of exports (to LA) between G7 and BRICS.

Further directions

- Further examine the firm ownership details and their investments relation to innovation.
 - fdiMarket data would help in this direction
- Regulatory aspects of tech trade.
- Going Green....
 - Primary goods need differentiation
 - More heterogeneous trade

Thank you!