

The role of value added services built into commodities as a development strategy: The case of coffee in Brazil, Colombia and Ecuador

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Latin America's economic development strategies are currently under debate due to poor performance in terms of international trade, global value chains and the phenomenon of outsourcing. The economic growth, shown by international trade in value-added terms, has proven the limits of the global value chains development approach in middle size economies. In this context, we analyze three countries that face the so-called "middle income trap", namely we evaluate the possibility to foster the development of one economic sector through the incorporation of added value services. Following global trends in international trade, over the last 30 years, Brazil, Colombia and Ecuador have experienced a significant increase in their exports, especially in primary goods. Using an input-output methodology and based on the national accounts of Brazil Colombia and Ecuador, this paper explores the role of services as a source of added value in one primary sector, coffee. By disaggregating the productive linkages and the contribution of services to the creation of added value, we aim to identify the public policy opportunities to promote economic development in these countries.