Premature deindustrialization in Latin America: Comparative analysis of Argentina, Brazil, and Mexico

Topic: Input-Output Analysis: Trade and Global Value Chains policies (9)
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Premature deindustrialization is a critical challenge for developing countries, particularly in Latin America, where manufacturing employment lags behind that of earlier industrialized nations. This study examines the different experiences of Argentina, Brazil, and Mexico, shedding light on the different trajectories of deindustrialization within these countries. We use a multiregional subsystem approach to examine whether the observed decline in manufacturing within these economies represents premature deindustrialization.

Is the evidence of deindustrialization in these countries consistent with the historical trajectories of currently developed economies? Or does this deindustrialization reflect a premature pattern that could undermine their future development potential? Applying the multiregional subsystem approach to deindustrialization developed by LÃ¡baj and MajzlÃkovÃ¡ (2022), we provide new empirical evidence on premature deindustrialization in these countries. We document that the exposure to premature deindustrialization differs across these countries in terms of the magnitude and structural composition by technological and knowledge intensity.

The empirical analysis is based on the FIGARO inter-country input-output tables, which more precisely stands for â€˜Full International and Global Accounts for Research in Inputâ€“Output Analysisâ€™. They are produced annually by Eurostat as official statistics and provide the most up-to-date global inter-country input-output tables. Specifically, we use the FIGARO 2022 release. All data represent transactions in nominal millions of euros, valued at basic prices, covering 64 industries and 64 products as defined in the ESA 2010 national accounts transmission programme.

Argentinaâ€™s manufacturing subsystem shows a clear shift toward low-tech employment, with an increasing dominance of low- and medium-low-tech industries, undermining the potential for higher-value-added manufacturing. Brazil, on the other hand, faces the most severe deindustrialization, characterized by a growing reliance on low-tech manufacturing and low-knowledge-intensive services, exacerbating its economic challenges. While Mexico has avoided the worst effects of premature deindustrialization, it still faces problems related to productivity differentials across sectors, suggesting that even high-tech industries may be shifting to lower-value tasks.