



How COVID-19 Is Impacting Foreign Trade, Investment, and Integration in Latin America and the Caribbean

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No. 7



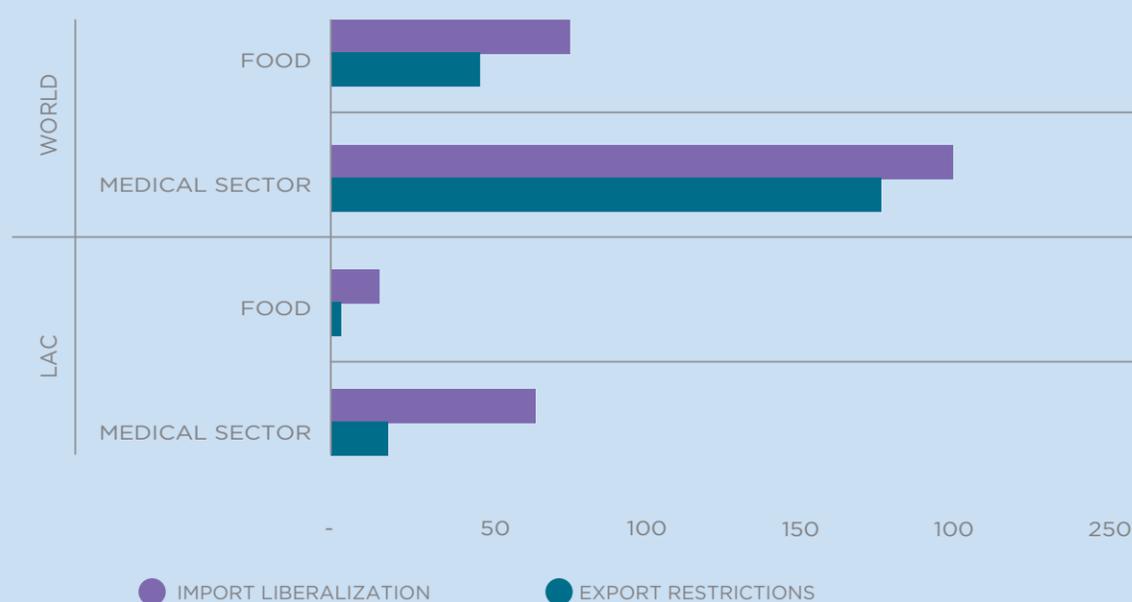
INTAL

- Trade liberalization measures have outstripped export restrictions in the food and medical sectors.
- Latin American imports contracted sharply, and the drop in commodity prices has begun to level off.
- The pace of economic recovery in LAC's main trading partners has slowed somewhat.
- Trade with the US has been affected more severely than trade with LAC's other partners.
- The export outlook is expected to improve next year.

ALTHOUGH MEASURES TO RESTRICT GLOBAL TRADE IN FOOD AND MEDICAL PRODUCTS HAVE BEEN PUT IN PLACE IN 2020 IN RESPONSE TO THE COVID-19 PANDEMIC, LIBERALIZATION MEASURES ALSO HAVE ALSO BEGUN TO BE CONSOLIDATED IN THESE SECTORS

As a consequence, the number of measures to increase openness to imports in both sectors has outstripped the number of export restrictions measures. This is true at the global level and for LAC.

Figure 1 · Number of measures applied to trade in food and medical products worldwide and in LAC
(January–July 2020*)



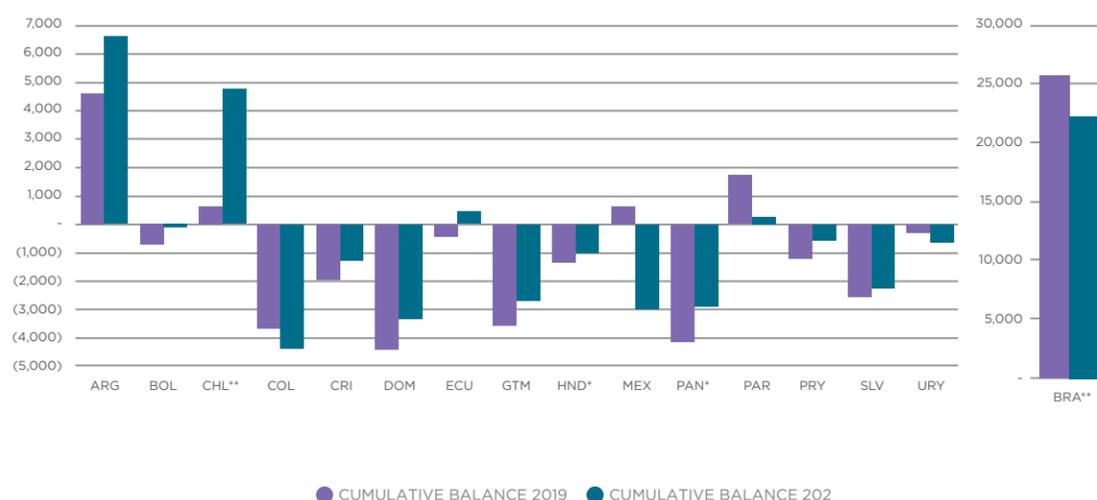
Source: IDB/INTAL based on data from Global Trade Alert.* Measures implemented in 2020 as of July 10. The medical sector includes inputs, equipment, and medicines or pharmaceuticals.

LATIN AMERICAN IMPORTS HAVE CONTRACTED FURTHER

In the first five months of 2020, the impact of the COVID-19 pandemic on the balance of trade in Latin American countries has been mixed: 11 countries out of a sample of 16 saw their balance improve, while the reverse was true for the remaining five (Brazil, Colombia, Mexico, Peru, and Uruguay). In other words, imports fell more than exports in most countries in the region, with the exception of these five countries.

Figure 2 · Latin America's balance of trade

Value in cumulative millions of US\$, January–May 2019 and 2020*



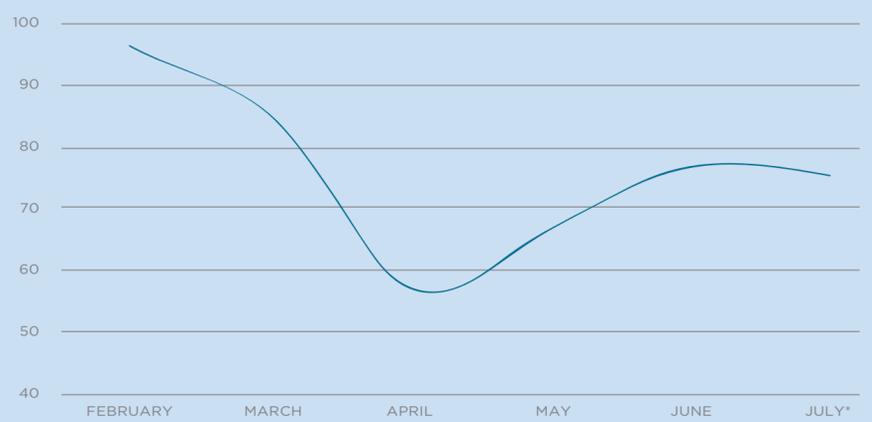
Source: IDB/INTAL using data from national sources.

Notes:* This data is cumulative through May, except for Honduras and Panama, for which records are only available up to April. ** Data for Brazil and Chile is available through June.

THE ECONOMIC RECOVERY HAS BEGUN TO SLOW IN LAC'S MAIN TRADING PARTNERS

The indicator, which INTAL built using data from the Google Mobility Report weighted according to each economy's buyer structure, shows that the trend toward economic recovery that began in May has leveled off.

Figure 3 · Evolution of mobility in LAC's main trading partners
Index, January 2020=100, February-July* 2020

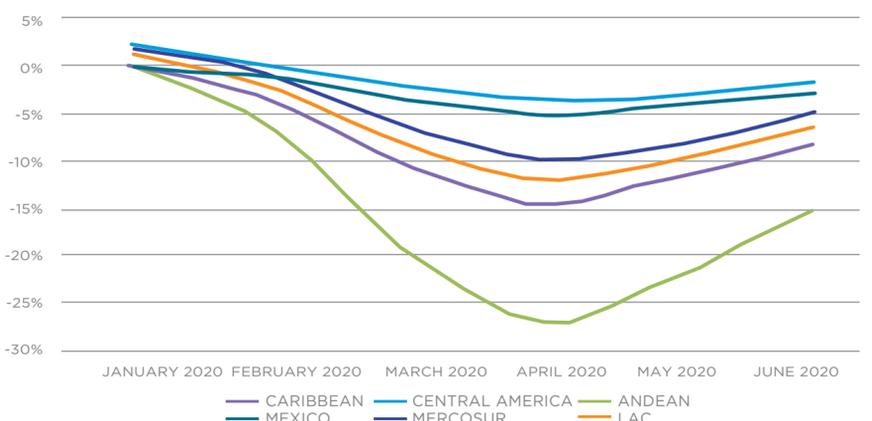


Source: INTAL/IDB with data from the Google Mobility Report, IMF, and national sources.
Note: Variation in mobility to workplaces compared to the average for the base period (January 3 to February 6, 2020), IMF (weighting of countries' trade structure for 2019), and national sources. * The July data is for the first fortnight of the month. Weekly moving averages were used to smooth out seasonality issues caused by weekends and holidays. As mobility data is not reported for China, data for Hong Kong was used as social isolation measures have evolved similarly there.

THE IMPACT OF THE DROP IN COMMODITY PRICES ON LAC EXPORTS IS WANING

April seems to have marked a turning point for the prices of LAC's main export commodities, which have since begun to recover somewhat. The Andean countries and, to a lesser extent, those in the Caribbean, remain the most affected by falling prices.

Figure 4 · The impact of the drop in commodity prices on LAC exports is waning
Growth in prices compared to average prices for 2019, January-June 2020

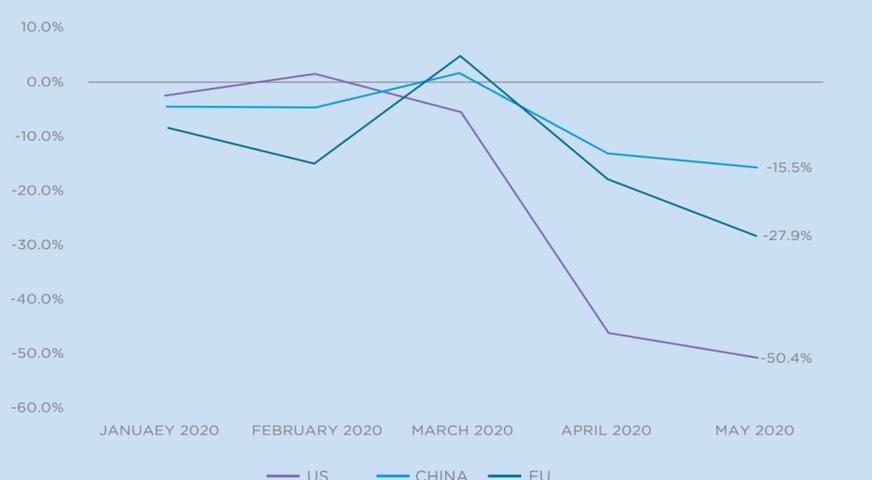


Source: IDB/INTAL using data from COMTRADE, WTO, INTrade-IDB, ECLAC, and the World Bank. Note: The World Bank's monthly commodities price data (The Pink Sheet) was used, weighted by the respective export structures of LAC countries for 2018. Energy, food, non-food agricultural products, and minerals were included using 1-digit SITC categories. A weighted average based on countries' 2018 GDP measured in constant dollars (ECLAC) was used to aggregate different country results by subregion. Country groupings are as follows: Caribbean: Bahamas, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago; Central America: Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama; Andean countries: Bolivia, Chile, Colombia, Ecuador, Peru, Venezuela; Mercosur: Argentina, Brazil, Paraguay, and Uruguay.

THE DROP IN LAC EXPORTS TO THE REGION'S MAIN TRADING PARTNERS HAS BEEN UNEVEN

In May, LAC's sales to its main three markets—which account for 70% of the region's total exports—continued to fall. However, while exports to LAC and the US contracted by 54% in May, exports to the EU and China fell by 27.9% and 15.5%, respectively.

Figure 5 · LAC exports to the US, the EU, and China
Year-on-year growth rate, January-May 2020

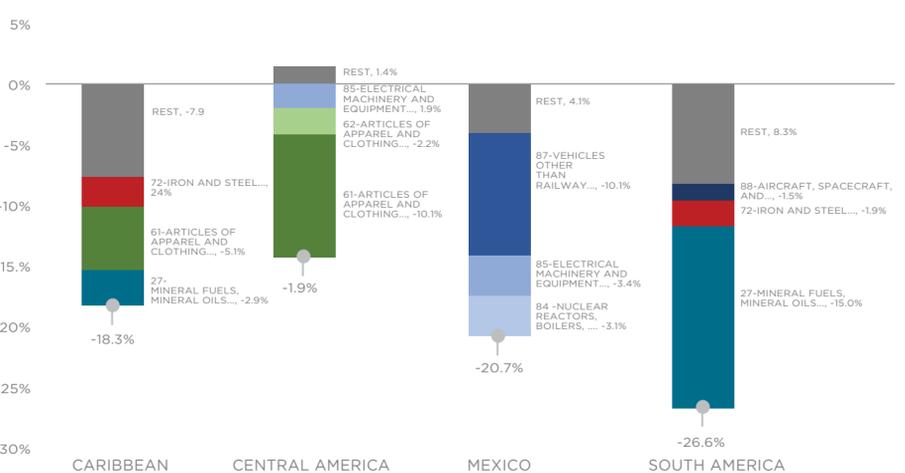


Source: INTAL/IDB with data from USITC, Eurostat, and China Customs.

VEHICLES, OIL, AND APPAREL EXPLAIN THE SHARP DROP IN US PURCHASES FROM LAC

US imports from LAC fell by 21.3% year-on-year between January and May. The subregion that was hit hardest was South America, where the drop was 26.6%, which was largely due to the collapse in oil prices. US purchases from Mexico, its main trading partner in LAC, fell by 20.7% (half of which was explained by vehicle imports). In the Caribbean and Central America, imports contracted by 18.3% and 12.9%, respectively, with apparel making a significant negative contribution in both cases.

Figure 6 · US imports from LAC by HS chapter
Contribution to the year-on-year growth rate, January-May 2020



Source: IDB/INTAL using USITC data.

THE IMPACT OF THE COVID-19 PANDEMIC ON EXPORTS HAS VARIED BY TRANSPORTATION MODE

Lockdown measures and border closures in different countries have led to changes in transportation usage as exports have fallen. In three of a sample of four countries in LA, land transportation proved more resilient than other modes (and is even on the rise in Bolivia and Brazil). In contrast, air and sea/river transportation appear to be more affected by the current crisis.

Figure 7 · Exports by transportation mode, selected countries
January-February 2020 and March-June 2020, year-on-year growth

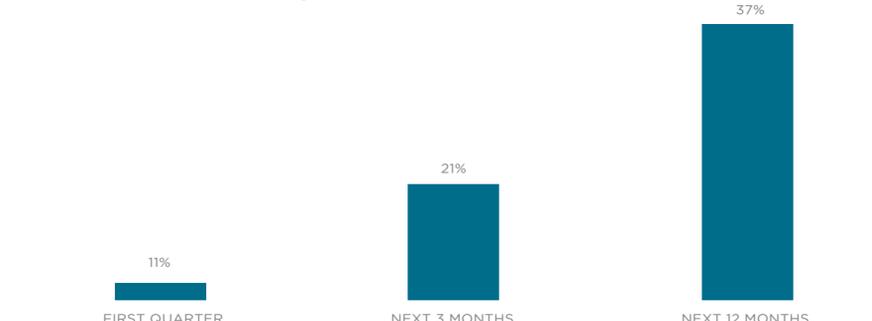


Source: INTAL/IDB using data from national sources.
Note: Data for Bolivia is available through April, Colombia through May, and Chile and Brazil through June 2020.

ACCORDING TO AN IDB/INTAL¹ SURVEY, LAC FIRMS' EXPECTATIONS REGARDING EXPORTS ARE GRADUALLY IMPROVING

While just 11% of the firms included in the survey said that their exports had increased in the first quarter of 2020, almost double that number expected their performances to improve in the next three months, and 37% thought their global sales would improve over the next year.

Figure 8 · Percentage of survey respondents who say their exports have increased or who think that they will increase



Source: INTAL/IDB with data from the CO-BID.TRADE survey INTAL 2020
Note: The data for the first quarter is real data, while the data for the following quarters represents respondents' expectations.

¹http://conexionintal.iadb.org/descargas/index.php?file=Encuesta%20Exportadores&origen=conexion_INTAL

New publications and studies on trade and COVID-19²

Here are some of the most noteworthy publications of the last few weeks:

- A recent report from the [European Commission](#) analyzes the impact of COVID-19 on trade and trade policy. It suggests that the EU should move towards a model of “open strategic autonomy,” which would allow it to strengthen the European economy by defending it from abusive practices.
- The latest [BIS](#) bulletin looks at the implications of the COVID-19 pandemic for global credit and supply chains.
- An [ITC](#) document assesses how the crisis is affecting small-scale producers in Central America, the Caribbean, and Africa, and how they are responding to it.
- A report from [ECLAC](#) analyzes how companies and sectors in LAC are responding to the COVID-19 emergency and preparing for the subsequent economic reactivation process.
- The [WTO](#) published a report for the Sustainable Development Forum that analyzes the impact of COVID-19 on trade-related aspects of the 2030 Agenda.

Subregional documents on the COVID-19 pandemic

- [MERCOSUR](#) (link in Spanish) held its 56th Summit, at which it analyzed the initiatives that were implemented in the first half of 2020, with Paraguay as pro tempore president of the bloc, taking into account the impact of the pandemic. Uruguay will hold the pro tempore presidency for the remainder of the year.
- Officials from the [PROSUR](#) (link in Spanish) countries’ cooperation area held a videoconference to decide on joint health actions.
- [CARICOM](#) made headway on a short-term digital transformation plan to respond to the challenges of the pandemic. This will be discussed by the bloc’s ministers at the end of July.
- At [CAN](#) (link in Spanish), the Andean Presidential Council met and decided to move forward with negotiations for the Andean Environmental Charter to foster greater rapprochement with the Pacific Alliance and MERCOSUR and to continue evaluating joint actions to tackle COVID-19.

²See the complete list [here](#)

Information up-to-date as of July 23, 2020