Call for diagnostic proposals and policy interventions

Trade and Integration in the Post-COVID-19 World: Opportunities and Challenges for Latin America and the Caribbean

1. Background and rationale

In addition to its dramatic impacts on health, the COVID-19 pandemic will also have severe economic consequences. In her speech on April 9, 2020, the managing director of the International Monetary Fund, Kristalina Georgieva, anticipated that this year will bring the worst downturn in the global economy since the Great Depression and that 170 countries will see their per-capita GDP drop. Meanwhile, the World Trade Organization predicts that global trade in goods will fall by between 13% and 32%. The greatest effects will be felt by the sectors that depend most on global supply chains, such as vehicle manufacturing or electronics. While activities such as transportation or tourism will decline dramatically, trade in some knowledge-based services may not feel quite the same impact (for example, the increase in remote work and online meetings is boosting demand for IT services). In a report published on March 26, UNCTAD predicted that foreign direct investment (FDI) would drop by up to 40% in 2020–2021 as the effects of the pandemic spread.

The crisis will have severe effects on Latin America and the Caribbean (LAC). In its recent publication “Policies to Fight the Pandemic. 2020 Latin American and Caribbean Macroeconomic Report,” the Inter-American Development Bank (IDB) estimated that the region’s GDP could contract by between a more optimistic 1.8% and a more pessimistic 5.5% in 2020, based on a model that includes different assumptions about how the US and Chinese markets will perform and how much disruption global financial markets will experience. The Southern Cone and Andean countries will be most affected by the drop in international commodity prices (particularly in the energy sector, which will also impact Mexico and some Caribbean oil-exporting nations) and capital outflows. In contrast, Mexico and Central America will be hit by disruptions to value chains. Like the Caribbean, Central America will also feel the effects of the collapse of tourism and shrinking remittances from migrants living in developed countries.

Despite this hostile, uncertain outlook, there are still relatively optimistic forecasts about the global economy’s potential recovery in 2021. However, the likelihood of these forecasts being correct depends on a number of assumptions about how long the COVID-19 crisis will last, how much it will end up costing, and what lingering effects it will have, along with how these are handled both within LAC and beyond. It is particularly hard to anticipate whether the future will bring cooperative action in search of common solutions to the problems
plaguing the global economic order, both old and new, or whether isolationist trends will increase and beggar-thy-neighbor–policies will proliferate.

The considerable uncertainty around the future does not, however, prevent us from assuming that some events are more likely to occur than others. These include protectionism, the tendency toward greater state control or supervision, and less trust in foreign supplies of goods in critical or strategic sectors (which range from the food and pharmaceutical industries to health systems and certain public services). Other probable outcomes are the reshoring of productive activities to developed countries, which would trigger the partial dismantling of some global supply chains, and greater restrictions on the movement of people. Indeed, recent years have already brought steps in almost all of these directions, so the COVID-19 crisis is only reinforcing pre-existing trends.

As mentioned above, the final outcome of these processes will depend largely on how they are channeled and resolved through international negotiations. In a scenario in which the leaders of the world’s largest economies reach agreements around matters such as channeling aid packages through multilateral financial bodies and preventing isolationist measures from proliferating to preserve the foundations of the global trading system, there may indeed be less disruption to the economy. This would also hold true within the different regional blocs (such as the European Union, NAFTA, MERCOSUR, CAN, and so on).

But even in such an “optimistic” outlook, it seems plausible to expect that the foreseeable future will entail lower levels of international trade in goods (with impacts that vary from sector to sector), downturns in FDI flows, and a sharp decline in tourism and migration. However, downturns and disaster are not the whole story. The trend toward automating tasks and remote working is likely to increase, opening up opportunities for new businesses and trade and investment flows in the world of digital technologies. Likewise, in some sectors and parts of the world, the disruption of global value chains (be it temporary or lasting) may help generate new export opportunities. This could strengthen value chains within or from LAC.

Consequently, the threats and challenges facing LAC and other parts of the emerging world as they come out of the COVID-19 crisis are much greater than those that developed countries will have to deal with. This is partly because LAC countries have fewer resources at their disposal for dealing with the health and economic consequences of the pandemic, but also because they are generally more exposed to external shocks. Despite this unfavorable context, the post-pandemic world will also bring new opportunities for social and economic progress, some of which we can begin to identify today, while others will emerge as the process unfolds.

Addressing these threats, challenges, and opportunities will imply rethinking development strategies and the ways that LAC countries integrate into the global economy. As pressing needs continue to surround us, it may seem too early to begin thinking about life after the
pandemic. However, reflecting on “the day after” is an important part of facilitating more effective exit strategies. Academic establishments and experts have a key role to play in this process: their recommendations and observations provide valuable input for diagnostic exercises and provide those responsible for public policy decisions with essential information. Although these exercises will naturally be implemented in a context of great uncertainty, they can help decision-makers adopt initiatives that are more likely to help LAC’s economies recover quickly and effectively from the crisis while having a broader positive impact on their development trajectories once the pandemic has been brought under control.

2. Objectives

The objective of this call for proposals is to identify research projects that enable rapid diagnostic exercises and specific proposals for intervention to be developed in connection with trade and regional and global integration in LAC in the post-COVID world. The call is not targeting proposals that seek to analyze or suggest measures to contain and mitigate damage during the pandemic. Instead, it is seeking trade and integration-related proposals that focus on the “day after”—in other words, proposals that governments should implement to bring about a solid, lasting, sustainable recovery for the region’s economies. However, consideration will also be given to projects that explore the outcomes of regional initiatives that were implemented during the crisis that may serve as examples in the event of any similar episodes in the future (SICA’s Regional Contingency Plan, for example).

Given the rationale behind this call, in this first phase, we are inviting researchers to submit proposals for short studies (up to 25 pages including bibliography) that can be drafted quickly (see the timeframe below) and provide clear, concise outlines of their objectives, research hypotheses, methodology, data sources, diagnosis of the problem/opportunity, and suggested courses of action or intervention. Once this phase is complete, a limited number of papers will be selected and a second, longer, more comprehensive phase of research will be funded. The selection criteria will be based on the quality of the proposals that are submitted, the significance of the expected impact, and the likelihood of the studies in question leading to feasible, concrete recommendations for interventions.

Proposals that focus on any of the following four thematic areas are welcome. More specific subareas that proposals could concentrate on have also been included as guidelines, with the ultimate goal always being LAC’s prospects after the pandemic.

i. Trade and foreign investment policy
   a. Strategic design for international integration
   b. Tariff structure and nontariff barriers
   c. Export and integration support agencies
   d. Export and investment attraction incentives
   e. Trade and investment treaties
ii. Regional integration processes
   a. The role of Latin American integration during a new phase of growth
   b. Regional trade blocs
   c. Negotiations/agreements with countries/blocs outside LAC
   d. Regional cooperation beyond trade (health, innovation, the environment, financing, etc.)
   e. Positions on key issues in the global agenda (climate change, the organization and governance of trade, intellectual property rights, etc.)

iii. Prospects for specific sectors/value chains (opportunities and threats)
   a. Transformations in the configuration of global and regional value chains
   b. Prospects for specific sectors (markets, regulations, technoproductive organization)
   c. The trend toward digitization and automation
   d. Changes in human mobility patterns
   e. New patterns of energy consumption and use
   f. E-commerce

iv. The physical, technological, and regulatory infrastructure for trade
   a. Hard and soft infrastructure for regional integration
   b. New health and safety standards

3. Participation and selection criteria

This call is open to individual researchers and research teams from universities, research centers, and think tanks in LAC and the rest of the world (with the caveat that all proposals should focus on impacts and policies for the LAC countries). Proposals should cover a specific subregion (e.g. CAN, MERCOSUR, CARICOM, SICA) or LAC as a whole.

In line with the objectives mentioned in the previous section, the main selection criteria are:

a) The potential for developing valid diagnostic exercises in a short time and suggesting concrete, replicable, feasible policy interventions/initiatives. The selection committee is particularly interested in proposals for highly concrete, specific interventions.

b) The relevance of the issues addressed in the proposals and the expected impacts of the resulting policy interventions.

c) The soundness of the methodologies that will be employed.

d) The experience and capabilities of the researchers/research teams (both in general and in the specific area that the proposal focuses on). For proposals
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from researchers or research teams based outside LAC, previous knowledge of the region is an asset.

The call is subdivided into two areas, one for researchers in general and another for young researchers (those up to 35 years of age at the time of submission—the age limit applies to all team members for proposals from more than one person).

4. Proposal contents

All proposals must include the following:

i. Description of the problem to be studied and why it is relevant (up to 1 page)
ii. Objectives (up to 0.5 pages)
iii. Methodology and data types and sources If the data in question is not public, the team must prove its ability to access it (up to 1.5 pages)
iv. Impacts, expected policy interventions, and proposals for continuing the study into a second stage1 (up to 1 page)
v. Relevant experience of the researchers/teams/institutions involved in the proposal (up to 1 page)

Proposals may be submitted in English, Spanish, or Portuguese, and should be no longer than 5 pages in total (including both the above sections and the bibliography). Short résumés (up to 4 pages) for each member of the research team may be attached separately.

Submissions should be sent to: propuestas@intalbid.org

Any queries regarding this call can also be sent to this e-mail address.

5. Selection Committee
   a. Juan Blyde (IDB)
   b. Pablo García (IDB-INTAL)
   c. Andrés López (IIEP UBA-CONICET)
   d. Dorotea López Giral (University of Chile)
   e. Sandra Rios (CINDES)

1 As was mentioned above, at the end of this first stage, four to five of the final proposals will be selected and a second stage of research will be financed in which the diagnostic exercise will be expanded and different aspects of the design, implementation, and monitoring of the suggested interventions will be defined.
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6. Key dates

The key dates for this call are as follows:

i. May 15: call for proposals launched
ii. June 30: deadline for submissions of proposals (6:00 PM Buenos Aires time, UTC-3)
iii. July 10: selected proposals announced
iv. July 16–17: initial online meetings between the coordination team and the teams behind the selected proposals
v. September 30: deadline for draft versions
vi. October 16: second round of online meetings for the committee to comment on the draft versions
vii. December 1: deadline for final versions

7. Financing

A budget of USD5,000 is available for each of the selected proposals. A maximum of 10 proposals will be selected during the initial stage. Up to 7 of the selected proposals can come from the general call and up to 3 from the call for young researchers.

Submissions and requests should be sent to: propuestas@intalbid.org