In April, the WTO estimated that the volume of global trade would drop by between 13% and 32% in 2020, but it modified these projections to -9.2% in early October. According to these estimates, Latin American exports will drop 7.7% in real terms (instead of the 12.9% predicted in April) and it will be the region that is second-least affected by the crisis, after Asia. Likewise, although in June the IMF predicted an 11.9% drop in global trade in goods and services in 2020, it reduced this forecast to 10.4% in its October report due to an improvement in the performances of developed countries (-11.5% in June vs. -13.2% in October). However, both organizations stressed that there is considerable uncertainty around these estimations because of possible new outbreaks of COVID-19.

THE CRISIS SEEMS TO HAVE IMPACTED GLOBAL AND LATIN AMERICAN TRADE LESS THAN THE RECESSION OF 2008–2009

Following the sharp drops in global trade in April and May 2020 (-24% year-on-year), the decline in trade flows has been slowing and has accumulated a contraction of around 14% between March and August as compared to 2019. During the previous crisis, the initial downturn in global trade was more pronounced (-33% in April-May 2009) and more enduring (falling by nearly 25% to 12 consecutive months).

In Latin America, although the critical phase was shorter, the contraction during the pandemic was more intense. The largest drop in LA exports during the Great Recession occurred in May 2009 (-33.4% year-on-year), while in the current crisis the sharpest drop was 37.9% (May 2020). However, while in the 2008–2009 crisis LAC exports fell for 13 consecutive months at an average rate of nearly 24%, during the pandemic the average contraction between March and August was 18% year-on-year. However, it remains to be seen what effect the health crisis will have in the coming months. The IDB’s forthcoming Trade and Integration Monitor 2020 compares these two crises in greater detail.
**EXPORTS OF KNOWLEDGE-BASED SERVICES FROM LA ARE COMPARATIVELY MORE RESILIENT THAN EXPORTS OF GOODS, TRAVEL, AND TRANSPORTATION**

Preliminary records for 11 Latin American countries show year-on-year declines in travel, transportation, and goods exports of -53%, -22%, and -15%, respectively, in the first half of 2020. In the same period, external sales of knowledge-based services (KBSs) contracted just 3%, while financial services, information and communications technologies (ICTs), and charges for intellectual property use grew by 3%, 1%, and 4%, respectively. Chile and Brazil were the only countries in which exports of KBSs dropped more than those of goods.

**ECONOMIC ACTIVITY IN LATIN AMERICA’S MAIN TRADING PARTNERS IMPROVED SLIGHTLY IN OCTOBER**

The indicator that INTAL built using data from the Google Mobility Report weighted according to each LAC economy’s export market structure shows that activity in the first 20 days of October was only slightly higher than the September average. The indicator is still 20% below the January benchmark, before lockdown and distancing measures were implemented in the Western Hemisphere.

**EXPORT PRICES RECOVER IN CENTRAL AMERICA AND MERCOSUR**

The impact of prices on LAC exports continued to improve in September in comparison with previous months. In Central America and MERCOSUR in particular, comparisons with average prices for 2019 were positive, while for Mexico, the Caribbean, and the Andean countries, the trend toward recovery slowed before returning to 2019 levels.

**PORT ACTIVITY REMAINS FAR BELOW PRECRISIS LEVELS**

Weekly records of cargo ship departures from some of Latin America’s main ports reveal a year-on-year reduction of around 30% since the onset of the COVID-19 pandemic, with a slight trend toward recovery in recent months. However, the initial records for October point to a further deterioration that may indicate a reversal to the recent uptick.

**INTRAREGIONAL TRADE WAS AFFECTED RELATIVELY MORE BY THE PANDEMIC IN MAJOR REGIONS AROUND THE WORLD**

This difference was more marked in Latin America and the Caribbean than other parts of the world. Intra-LA trade fell 23.4% year-on-year in the first half of 2020, 101 percentage points more than extraregional sales. In ASEAN and USMCA, intrabloc exports contracted by around 7 p.p. more than those to the rest of the world. Only the EU experienced a drop in exports to both destinations. In every case, the fact that exports to China performed relatively better than those to other destinations partly explained the smaller drop in extraregional flows. Latin America’s intraregional trade performance is analyzed in greater detail in the Trade and Integration Monitor 2020, a forthcoming IDB publication.
NEW PUBLICATIONS AND STUDIES ON TRADE AND COVID-19

The most noteworthy publications of the last few weeks are summarized below.

• The Investment Trends Monitor (UNCTAD) estimates a 49% drop in global foreign direct investment flows in the first half of 2020 (-75% for developed countries and -16% for developing countries).

• The WTO estimates that global trade in services decreased 30% in the second quarter of 2020. Travel was the sector that was affected most, and IT services the least.

• The FAO noted that LAC fisheries and aquaculture have been severely jeopardized by the current crisis and suggests that technology and innovation may play a part in the recovery process.

• An ECLAC report highlights the crucial role that regional integration and public-private partnerships will play in LAC’s post-COVID-19 recovery.

• An ECIPE paper argues that online shopping platforms have facilitated global trade and that more and more goods are being purchased at better prices.

• An RSCAS working paper analyses the behavior of value chains during past health crises and concludes that COVID-19 may trigger changes in supply from China and lead to the reshoring or nearshoring of some activities.

Subregional documents on the COVID-19 pandemic

• The MERCOSUR Committee of Permanent Representatives (link in Spanish) approved a payment of USD 1 million to Argentina as part of the joint action plan to combat COVID-19 (via the FOCEM Project, which was approved in early 2020).

• The 81st meeting of SICA Foreign Ministers (link in Spanish) highlighted the importance of consolidating regional integration for the postpandemic recovery. The USD 1.9 billion Contingency Plan was reviewed, and 99% of the initiatives included in it were found to be under way.

• The Caribbean Public Health Agency, with funding from the EU, agreed to take part in the COVAX Facility to ensure fair and equitable access to a COVID-19 vaccine.

• The Andean Community (link in Spanish) approved three supranational standards to facilitate trade in household and personal hygiene products and cosmetics during the pandemic.

• The National Coordinators of the Pacific Alliance and their counterparts at ASEAN agreed on actions to strengthen relations between the two regional blocs.

1 See complete overview here

Information up-to-date as of November 02, 2020