INTEGRATION PROCESSES CONTINUE TO PROGRESS DESPITE THE COMPLEXITIES OF THE INTERNATIONAL ARENA AND THE COVID-19 PANDEMIC

Despite a backdrop of sharp declines in global trade and little progress in the multilateral sphere, various integration agreements have made significant progress.

THE RECOVERY OF GLOBAL TRADE AND THE WORLD ECONOMY HAS STABILIZED

Some high-frequency indicators\(^1\) that are published with less of a lag than trade and activity-level data but that are highly correlated with these reveal that after the strong rebound seen in both variables in June and July, the dynamic stabilized in August.

\(^1\) These include container throughput (RWI/ISL), business climate and expectation indexes (IFO), and purchasing managers indexes (PMI).
ECONOMIC ACTIVITY IN LATIN AMERICA AND THE CARIBBEAN'S MAIN TRADING PARTNERS BEGAN TO RECOVER SLIGHTLY AT THE START OF SEPTEMBER AFTER TWO MONTHS OF CONTRACTION

The indicator that IDB/INTAL built using data from the Google Mobility Report weighted according to each LAC country’s population started to improve in comparison with previous months. Even so, July and August for a limited sample of countries reveal a tempering of this positive trend, in line with what is happening in the global pandemic.

LAC'S EXPORT RECOVERY LOSES STEAM

After experiencing the world-wide year-on-year drop between April and May, LAC's export volumes started to show signs of recovery in June. However, the recovery for July and August for a limited sample of countries was tempering of this positive trend, in line with what is happening in the global pandemic.

PRICES CONTINUE ON AN UPWARD TREND

In August, the impact of prices on LAC exports continued to increase, with a spread in the price effect on the region's exports ranging from negative to about positive 20%.

LAC'S AUTOMOTIVE SECTOR IS RECOVERING BUT REMAINS ON NEGATIVE GROUND

Although both production and external sales have recovered since May in LAC, results both variables continue to show negative year-on-year growth.

MANUFACTURES HAVE BEEN MORE AFFECTED BY THE CRISIS THAN ANY OTHER AREA OF TRADE BETWEEN LATIN AMERICA AND THE EUROPEAN UNION

Between January and July, exports from LA to the EU contracted by 15.1%, while the drop was explained by a 50% decrease in goods exports and a 2% drop in services. This was in line with the patterns observed in other areas of the world.

EXPORTS OF KNOWLEDGE-BASED SERVICES FROM LAC BEHAVED UNEVENLY IN THE FIRST HALF OF 2020

Based on a sample of four countries (Colombia, Mexico, Brazil, and Chile), sales of knowledge-based services (KBS) in the world were 13% lower in the first half of 2020 than in the first half of 2019, while sales in services related to the business services sector were 6% higher.

THE COVID-19 CRISIS HAS LED TO NEW MEASURES TO SUPPORT THE AGRICULTURAL SECTOR WORLDWIDE, ADDING TO A TREND THAT HAS BEEN ON THE RISE SINCE 2008

The OECD indicator that estimates annual state flows to the agricultural sector (total support estimate or TSE) in different countries has increased sharply since the start of the COVID-19 crisis, reaching 16.1% in 2020. In addition to the restrictive trade measures implemented to support the agricultural sector, which may be temporary, a number of countries in the region have introduced new measures.
NEW PUBLICATIONS AND STUDIES ON TRADE AND COVID-19

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

• An Americas Market Intelligence report analyzes and quantifies the growth in e-commerce in Latin America as a consequence of the COVID-19 pandemic.
• An OECD document tracks the risks and challenges that COVID-19 poses to global value chains.
• An IIF study examines how the pandemic has catalyzed and accelerated the digitization of financial services.
• The WTO Services Trade Barometer points to signs of resilience in certain specific activities despite the widespread downturn in the sector.
• An ECLAC (link in Spanish) newsletter analyzes how the digital transformation of logistics processes has accelerated as a result of the COVID-19 pandemic and where LAC stands in this regard.
• A GTA policy brief warns of the increase in industry subsidies (and the resulting impact of these on trade) in response to COVID-19 and suggests possible solutions to this within the G20.

Subregional documents on the COVID-19 pandemic

• The MERCOSUR Common Market Group (link in Spanish) met online at the start of September and agreed on a shared course of action on economic and trade-related issues, cooperation, foreign affairs, and institutional matters.
• The 73rd Meeting of the Executive Committee of SICA (link in Spanish) took place on September 8, with the aim of monitoring the regional agenda. The digital transformation and the functional organization of SICA were at the core of the agenda.
• The fourth meeting of the presidents of PROSUR (link in Spanish) took place at the end of August. The main topics of discussion were access to COVID-19 vaccines and proposals to reopen borders.
• On September 18, the CARICOM heads of government agreed on a “travel bubble” to foster the recovery of tourism and free transit in the region.
• The presidents of the CAN (link in Spanish) countries signed a declaration in support of democratic rule in Peru and called for dialogue to preserve the current constitutional order.
• The 22nd Meeting of the Pacific Alliance Finance Ministers (link in Spanish) was held in late August. The meeting stressed the importance of the PA as a platform for economic and financial integration and for articulating cooperation efforts.

3 See complete overview here