TRADE POLICIES TO ADDRESS COVID-19 AND FOOD SECURITY

In recent weeks, countries around the world, including some in Latin America, have begun to apply policies that affect trade in food, mainly cereals, oils, rice, legumes, meats, and other food preparations (figure 1). Schemes are being implemented to facilitate purchases abroad, while export restrictions are being applied to safeguard domestic food supplies. These measures may interfere with the normal functioning of the international food market, creating price volatility and/or availability problems and causing a negative impact on global food security. Up to now, three countries in the world have applied both instruments simultaneously, while twenty-one have only implemented export restrictions and nine have introduced trade facilitation measures.

In LAC, changes to food security policies are having the greatest impact on the Caribbean and Central America, the subregions that are most dependent on external food supplies. As figure 2 shows, many of these economies import food from outside the region, mostly from the United States. However, the share of purchases that originate from within LAC reveals the importance of regional policy coordination to address the challenges the health crisis is causing.

Two-thirds of the purchases of the 10 net food-importing countries in LAC1 are concentrated in grains and grain products; meats, hides, and byproducts; and dairy products, eggs, honey, and other products. Several of these categories are subject to restrictive measures at the global level.

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The initial statistic shows that tourism has fallen dramatically, for example, hotel occupancy rates in the Caribbean plummeted to 10% during the first two weeks of April (22-26), as compared to 80% the same time last year. In Central America, recent reports point out that tourism in countries such as Costa Rica and Panama, which are severely impacted by the pandemic. The number of flights from the US to these countries dropped in April 2020 by 75% compared to the same period in 2019 (figure 4).

If this trend is consolidated, the negative impact on the subregion’s GDP will be significant. For example, the IDB estimates that a 75% downturn in tourist arrivals between the second and third quarters of 2020 will result in a contraction of 15.5% of GDP for South and Central America; a contraction of 13% for the Caribbean subregion; and a contraction of 7.5% for the Andean countries. These results suggest that tourism accounts for over 45% of these countries total exports and over 15% of their GDP.

FOREIGN INVESTMENT CONTRACTS SIGNIFICANTLY

According to FDI Intelligence, FDI flows to LAC contracted by 26% year-on-year in January and February 2020. A similar trend was observed in the first two months of 2020, when show sharp drops in external sales, which give an initial indication of just how much the health crisis impacted the LAC’s trade (figure 4). Data for the remaining countries in the region is only available for January and February; for Brazil, Chile, Colombia, and Peru, the data is only estimated for the first two months of 2020 (figure 5). For the whole of 2020, the FDI Intelligence forecasts that LAC flows will fall by around 30% and that there will be sustained outflows of portfolio equity.

THE FIRST SIGNS OF THE PANDEMIC’S IMPACT ON LAC BEGIN TO SHOW

Exports of goods from LAC began to decline on a downward trend in the first few months of 2020. Data from Brazil, Chile, and Colombia for the first two to three weeks of April show sharp drops in external sales, which give an initial indication of just how much the health crisis impacted the LAC’s trade (figure 4). Data for the remaining countries in the region is only available for January and February; for Brazil, Chile, Colombia, and Peru, the data is only estimated for the first two months of 2020 (figure 5). For the whole of 2020, the FDI Intelligence forecasts that LAC flows will fall by around 30% and that there will be sustained outflows of portfolio equity.

LAC-EU TRADE AT THE START OF 2020

EU imports from LAC contracted by 5.1% year-on-year in the first two months of 2020 (figure 7). Fuels and other manufactured products showed the worst drop, together accounting for half the contraction. For example, hotel occupancy rates in the Caribbean plummeted to 10% during the first two weeks of April (22-26), as compared to 80% the same time last year. In Central America, recent reports point out that tourism in countries such as Costa Rica and Panama, which are severely impacted by the pandemic. The number of flights from the US to these countries dropped in April 2020 by 75% compared to the same period in 2019 (figure 4).

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