LATIN AMERICAN TRADE FLOWS PLUMMET

The cumulative year-on-year contraction of Latin American imports reached 10.7% in the first four months of 2020. The sharpest declines were in Panama and Bolivia, while Brazil, Uruguay, Guatemala, and Costa Rica also showed decreases that were well below the average. Regional exports experienced a similar decline (-10.9%) in the same period. El Salvador, Peru, Colombia, and Uruguay saw the steepest drops, while Costa Rica and Guatemala remained on positive ground.

ECONOMIC ACTIVITY IS RECOVERING IN LATIN AMERICA’S MAIN TRADING PARTNERS

Using our indicator for the evolution of economic activity in Latin America and the Caribbean’s main trading partners, which uses data from the Google Mobility Report weighted according to each economy’s buyer structure, we were able to infer that the first fortnight of June brought an increase in activity, building on a trend that was already beginning to show in May.

This recovery is more pronounced in countries that buy products from the Andean region and MERCOSUR than among buyers of goods from Central America, Mexico, and the Caribbean. The reason for this difference may be that the first group’s external sectors have closer economic ties with Asia, where the health crisis has waned and lockdown measures have been almost completely lifted over the last few months. Demand for products from the rest of Latin America’s subregions is more concentrated in the US and thus has seen relatively less improvement.

Figure 1 · Latin American countries’ imports and exports
Cumulative growth rate, January–April 2020

Source: INTAL/IDB with data from official sources.
Nota: *This data is cumulative up to April, except for Brazil, Chile, El Salvador, Paraguay, and the Dominican Republic, for which data up to May is shown.

Figure 2 · Evolution of mobility in LAC’s main trading partners
Index, base average for January 2020=100, March–June* 2020

Source: INTAL/IDB with data from official sources.
Nota: *This data is cumulative up to April, except for Brazil, Chile, El Salvador, Paraguay, and the Dominican Republic, for which data up to May is shown.

1 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.

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

• In the first four months of 2020, Latin America’s global exports and imports dropped by around 11%.
• Economic activity in the region’s main trading partners (China, the United States, and the European Union) remains on the road to recovery.
• Although the drop in commodity prices is impacting the whole of LAC, the Andean countries appear to be the most affected by this, and Central American countries the least.
• Latin America and the United States are gaining share in the Chinese food market.
• Foreign direct investment flows are plummeting both globally (-30% to -40%) and in Latin America (-40% to -55%).
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Beijing and Shandong, which together account for 33% of China’s total imports from LAC, were among the Chinese regions whose purchases from LAC dropped most in the first quarter of 2020 (-25.1% and -30.7%, respectively). This was partially offset by other regions in the country, resulting in a total average drop of 6.2% in LAC exports to China in the first quarter of 2020.

LATIN AMERICA AND THE UNITED STATES GAIN SHARE IN THE CHINESE FOOD MARKET

By focusing on trade in a group of agricultural/food-industrial products, we found that in the first four months of 2020, the United States gained market share as a supplier to China (except for fish), as did LAC (except for soybean).

FOREIGN DIRECT INVESTMENT FLOWS PLUMMET

According to estimates published by UNCTAD, FDI has contracted more in LAC than in any other region in 2020. Indeed, while global FDI is expected to drop by 30% to 40% over the course of the year, this increases to between 40% and 55% in the case of LAC. Specifically, Brazil reported that its FDI inflows were down approximately 50% in the first quarter of 2020, while Mexico’s dropped by 31% in the same period.
NEW PUBLICATIONS AND STUDIES ON TRADE AND COVID-19

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

• An article from CINDES (link in Portuguese) analyzes the impact of COVID-19 on trade policy globally, while also focusing specifically on Brazil. It argues that the Brazilian economy needs to avoid protectionist responses and continue with an agenda of trade openness and reform.

• In an article in Foreign Affairs, Robert Lighthizer explains how trade policy must balance efficiency and economic security with labor issues. The author analyzes the renegotiation of NAFTA in light of this balance.

• UNCTAD published its World Investment Report 2020, which examines the impacts of the pandemic on FDI flows and investment-related policies.

• CEPR released an e-book on COVID-19 and developing economies, which looks at how the pandemic is affecting economic, labor-related, and social factors.

• The WTO published the June update to its 2020 trade outlook, in which it estimates that trade in goods fell 3% year-on-year in the first quarter and 18.5% in the second.

• A Brookings article argues that COVID-19 will trigger a certain amount of reshoring in manufacturing, and services will become the driver for globalization.

• A Project Syndicate article calls for the WTO to be “revived,” focusing on its role in articulating international trade as an engine for economic growth. Although the article admits that the multilateral system is in crisis, it argues that there is still room for recovery.

Subregional documents on the COVID-19 pandemic

• MERCOSUR (link in Spanish) concluded negotiations for the political and cooperation chapter of its agreement with the EU. It also decided to hold the midyear meetings of its executive bodies and the presidents’ meeting (link in Spanish) online. These will be attended by the associated states and the EU High Representative for Foreign Affairs.

• SICA (link in Spanish) estimates that 79% of the Regional Contingency Plan to address the COVID-19 crisis has now been implemented. The plan was approved on March 26, 2020.

• PROSUR (link in Spanish) held its second annual meeting of national coordinators, which made progress on cooperation around health and border issues and the repatriation of nationals affected by COVID-19.

• CARICOM’s Pan-Caribbean Partnership against HIV and AIDS (PANCAP) met to monitor joint efforts around health and health services.

• CAN (link in Spanish) presented its COVID-19 response strategy, which includes initiatives to facilitate trade within the bloc, online trade procedures, a protocol to prevent the spread of the virus in rural areas, online training for MSMEs, and the promotion of occupational health and safety management systems.