In recent weeks, a growing number of LAC countries and integration schemes took measures to facilitate the supply of medical products. However, this trend was offset by greater restrictions on exports of these products within the region and globally.

With some exceptions, LAC exports fell in the first few months of 2020, although the effects of COVID-19 are expected to hit hardest in the second quarter.

The health emergency and low levels of economic activity in the region together explain the 12% contraction in imports of intermediate industrial goods from China (year-on-year for January–February 2020).

Surveys of companies from LAC countries revealed how COVID-19 is already impacting export activity and the export sector.

In recent weeks, LAC countries have continued to take measures to counteract the effects of the COVID-19 pandemic. There have been widespread efforts to eliminate barriers to trade so as to guarantee the supply of medical products and some foods. However, an increasing number of countries have adopted export restrictions on medical inputs and equipment (figure 1).

These restrictive measures may compromise the recently adopted initiatives aimed at a more coordinated regional response to the health crisis and supply constraints (figure 2), and they may also hurt the credibility of future cooperation efforts.

What is even more worrying is the fact that these measures tend to exacerbate the impact of the trade and supply restrictions affecting LAC’s and the world’s main suppliers (figure 3). Indeed, China, the United States, and the European Union—which together account for 68% of LAC imports of medical inputs and equipment—have already imposed limitations on exports of these goods.

Supplies of medical equipment from China have already experienced a decline in recent months, which affects LAC economies in different ways (figure 4).

The upper left quadrant of the figure contains the countries that are most affected by this shock, notably Paraguay, Honduras, and Argentina, which are relatively highly dependent on Chinese supply of medical inputs and equipment (>10%) and whose purchases of them plummeted in January–February (>10%).

The recent measure to certify exports of medical inputs and equipment (see MOFCOM) may further complicate the outlook unless the Chinese economy gets back on the road to recovery.
TRADE WITH THE UNITED STATES BEFORE THE IMPACT OF COVID-19

The United States is a major trade partner for many LAC countries, and bilateral trade evolved weakly in January–February, although the dynamics varied from country to country. Greater difficulties are anticipated from March onward as a consequence of the spread of COVID-19 there.

Overall, LAC exports to the United States continued to stagnate in January and February, replicating the pattern that was observed in 2019 (figure 6), while imports have contracted by 1.4%.

LAC IMPORTS OF INDUSTRIAL INPUTS FROM CHINA ARE DOWN

The health emergency in China, coupled with weak economic activity in LAC, reduced the region’s imports of industrial inputs by 12% year-on-year in January–February 2020.

The countries that are most affected by this slump (shown in the upper left quadrant) combine high dependence on Chinese inputs (>10%) with a downturn of more than 10% in imports and include Peru, Paraguay, Chile, Honduras, Ecuador, and Colombia (figure 7).

Although no official world trade data is available for March, the new export orders component of the global PMI for the month shows the worst drop since the 2008 financial crisis. To some extent, these figures anticipate how COVID-19 will impact international trade flows (figure 8).

PRIVATE-SECtor EXPECTATIONS IN URGUAY AND PANAMA AROUND TRADE

In a survey of 122 manufacturing firms, Uruguay’s Chamber of Industries found that:

- Some 69% of firms saw a decrease in sales in March.
- Exporting companies experienced a lower relative impact than those that focus on the domestic market.
- By April, 64% of the surveyed firms expect substantial declines in sales, while 22% anticipate slight declines. Exporting firms are somewhat more optimistic than those that mainly serve domestic markets.
- There were no major problems with raw material supplies in March: only 29% of respondents said they experienced difficulties due to logistics-related problems and delays in the arrival of shipments by sea and air.
- The industrial sector has asked the government to guarantee the free movement of goods, particularly in the rest of LAC. In Panama, the Chamber of Commerce, Industry, and Agriculture presented the results of a survey of 217 firms:
  - Some 70% of respondents claimed to have reduced their operations since the start of the COVID-19 crisis (60% said operations were done by more than 50%).
  - Some 70% of respondents said they were experiencing problems with foreign suppliers (delays in deliveries, increased costs, product shortages).
  - Companies are requesting government support for transporting export goods (due to the lack of ships) and help in negotiating with foreign suppliers.

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NEW PUBLICATIONS AND STUDIES ON TRADE AND COVID-19

The outbreak of COVID-19 has triggered a large number of publications by academics, organizations, and the media in general (see here for a complete overview of these). Some of last week’s main findings are summarized below:

- The IDB introduced trade policy guidelines for the pandemic: avoid trade-restrictive measures, particularly for medical supplies and equipment; coordinate policy responses at the regional and global levels; promote simplified customs procedures; maintain market access for services; and expand regional cooperation to guarantee the free movement of goods and services.
- The IDB and the Inter-American Development Bank announced a special aid program. The INAI and CABEI established a special aid program. The INAI and CABEI established a special aid program.
- The INAI advocated avoiding protectionist measures and coordinating responses globally. It drew attention to the WTO statement that calls for countries to guarantee flows of vital medical supplies, critical agricultural products, and other goods and services. The INAI also highlighted the need for governments and societies around the world to adopt measures to protect health professionals, who are doing their utmost to combat the pandemic, while others are bringing food imports forward (such as China with rice imports).
- Golden and Huggins argue that international health organizations were unable to achieve their primary objective of protecting global health. The complexities of globalization can only be addressed through greater international coordination. A global Marshall Plan will be fundamental to keeping governments and societies around the world afloat. The authors argue that the pandemic will accelerate the processes that have already been observed in recent years.
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- Barros et al. estimated a global GDP loss of about 1.5% in 2020. Some 54 countries have restricted exports of medical supplies and equipment. Since neither the WTO nor the G20 can coordinate efforts to curb this, the authors proposed increases in plurilateral cooperation, which will affect the whole world, but particularly the poorest countries.
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