

SRC TRADE QUICK GUIDE

COVID-19: TRADE IMPLICATIONS FOR CARICOM

UPDATE 1

(For ease of reference find the latest updates in **red**)

COVID-19



Coronavirus disease 2019 (COVID-19) is a contagious respiratory illness, originating in Wuhan, China. As at March 18, 2020 there were **191,127** confirmed cases and **7,807** deaths globally. Confirmed cases have been reported in over 155 locations. Confirmed cases as at March 17, 2020 in the CARICOM include **Antigua & Barbuda, The Bahamas, Barbados, Guyana, Jamaica, Montserrat, St. Lucia, St. Vincent & the Grenadines, Suriname** and **Trinidad & Tobago**. This *SRC Quick Guide* highlights some trade implications of COVID-19 in select sectors.

MANUFACTURING & PRODUCTIVITY ARE DECLINING



China currently accounts for **42%** of confirmed COVID-19 cases. This outbreak has resulted in a manufacturing slowdown which could lead to a USD 50 million decrease in exports across global value chains (GVC). "Any slowdown in manufacturing in one part of the world will have a ripple effect in economic activity across the globe because of regional and global value chains" — UNCTAD Secretary-General Mukhisa Kituyi. Following this logic, where CARICOM is a net importer, significant supply challenges are likely as output falls from major trading partners. The top 4 product categories and countries most impacted by China's GVC disruption include:

GVC Product Disruptions

- Precision instruments
- Machinery
- Automotive Equipment
- Communication Equipment

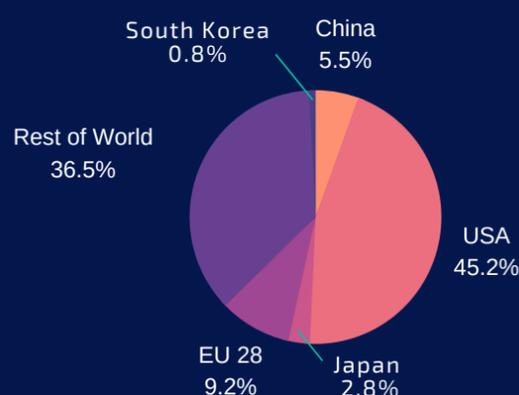
CARICOM's 2018 import value of these goods from China are highlighted below

PRODUCT CATEGORY	VALUE (USD MILLIONS)
Machinery and transport equipment	567
Manufactured goods	541
Miscellaneous manufactured articles	380

GVC Country Disruptions

- European Union
- United States
- Japan
- Republic of Korea

CARICOM's share of imports from these countries are shown below



TRAVEL & TOURISM TO BE DEALT A BLOW



During 2018 CARICOM earned USD 12 million in travel exports, accounting for 80% of total services exports. For the majority of CARICOM member states tourism is a major source of foreign exchange and employment. However, increasing travel restrictions due to the outbreak jeopardizes any predicted growth from this sector. **The WTTC figures indicate a potential 25% reduction in international travel - equivalent to a 3-month loss of global travel.** Presently, airlines and cruise ships are feeling the brunt. **Cruise Lines International Association, the largest cruise industry trade association, announced a pause on sailing of all member ocean cruise lines over the next 30-60 days.** As at March 15, 2020, the IATA reports show 9 CARICOM member states who have implemented travel restrictions - Antigua & Barbuda, Bahamas, Belize, Grenada, Haiti, Jamaica, St. Lucia, St. Vincent & the Grenadines and Trinidad and Tobago. Global travel restrictions will also have negative impacts on the region's service providers who must now seek alternative methods for the cross-border supply of their services. Some of the reports of COVID-19's impact on the travel and tourism sector are highlighted below:

JAMAICA

"This island nation has lost roughly 50,000 cruise ship passengers in recent weeks — a \$4 million blow to the economy. The tourism sector will lose an estimated \$564 million as a direct result of the virus. Tourism accounts for 11 percent of Jamaica's GDP."

- **Tourism Minister Edmund Bartlett**

ANTIGUA & BARBUDA

"Officials have turned away three cruise ships because passengers had flu-like symptoms. The nation's economy is heavily dependent on cruise passengers, which contribute around 4.1 % to GDP."

- **Tourism Minister Charles Fernandez**

THE BAHAMAS

"Given the fact that 5.4 million foreign visitors came to the Bahamas by cruise last year, it doesn't take a genius to conclude that this is going to have some impact"

- **Tourism Minister Dionisio D'Aguiar**

BARBADOS

"In the first two weeks of March hotels have lost just over \$1 million in cancellations amidst outbreak fears."

- **Barbados Hotel & Tourism Association**

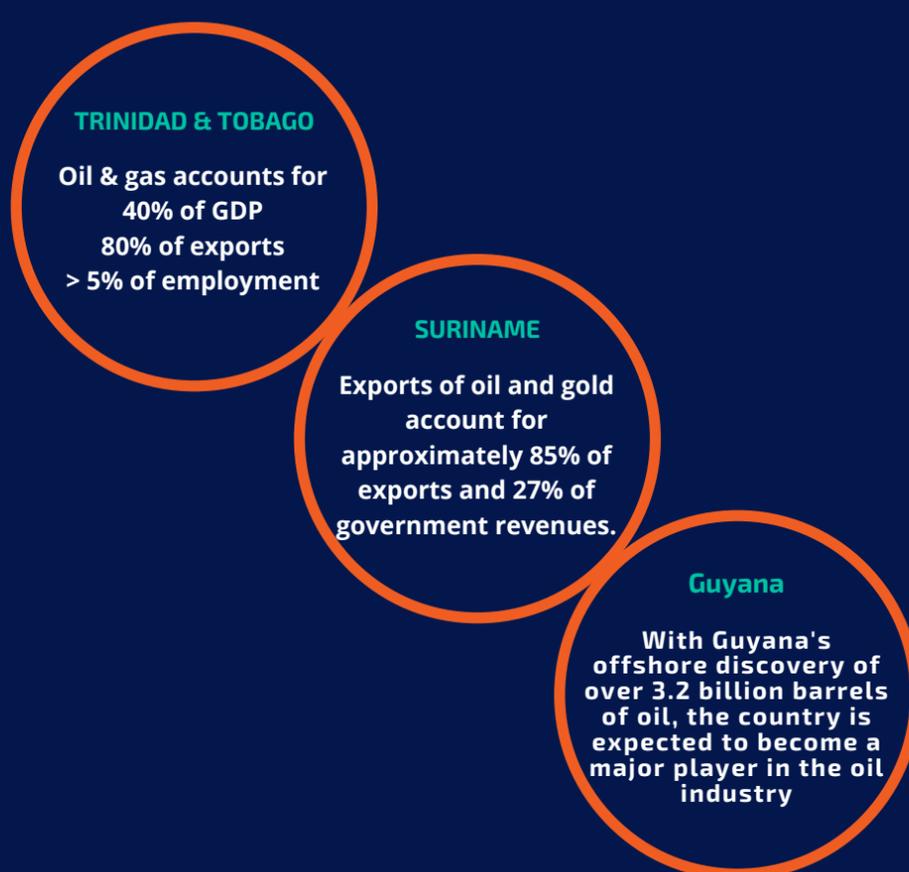
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ENERGY SECTOR TAKES A HIT



Global oil demand is expected to fall for the first time since 2009. Worst case scenario points to falls in demand by as much as 730,000 barrels daily, as sharp declines in transport and economic activity continue amidst worsening outbreaks. Significant falls in global demand are likely to depress global oil prices having negative implications for CARICOM's net oil exporters — Trinidad & Tobago, Guyana and Suriname. The lack of export diversification, especially for Trinidad & Tobago and Suriname, is likely to have negative revenue implications, if global oil prices fall dramatically for an extended period.




EXPECTED DECLINES IN FDI

Global FDI is expected to shrink by 5-15%. Such declines have not been seen since the 2008 global financial crisis. Negative investment impacts are expected to be strongest in the automotive, airlines and energy industries — but as the outbreak worsens this impact will spread. FDI flows to the Caribbean totaled USD 5.623 billion in 2018, which was an 11.4% decline compared to 2017 levels. With the projected declines in global FDI due to the outbreak, a continued decline from 2018 levels is likely to occur in the Caribbean. A decline in FDI for the region will hinder various development projects which are dependent on external investments.

FOOD SECURITY CONCERNS



Previous pandemics (particularly SARS, the avian influenza and MERS) led to market panics and food price hikes. Fortunately for the time being, the IFPRI reports indicate stable prices for staple crops, no major disruptions in the production of staple foods and sufficient global reserves of non-perishable grains to meet any demand surges. However, food distribution channels may be disrupted by transport interruptions and quarantine measures. That said, there is no need for panic but countries are urged not to become complacent. During 2018, CARICOM's food import bill reached an all time high totaling USD 5.36 billion. A breakdown of this bill is provided below - showing the top 10 food imports and trade partners. Should the COVID-19 situation worsen and the global food market becomes impacted, then CARICOM being a net food importer will have to reconsider its food security position, especially if its top food imports and trade partners are the areas most affected.

CARICOM TOP 10 FOOD IMPORTS (2019)

Product	Value (USD Millions)
Rice.....	662
Edible products and preparations, n.e.s.	499
Other meat and edible meat offal.....	377
Milk, cream and milk products (excluding butter, cheese)....	274
Wheat (including spelt) and meslin, unmilled.....	270
Sugar, molasses and honey.....	270
Cereal preparations, flour of fruits or vegetables.....	268
Vegetables.....	252
Alcoholic beverages.....	223
Feeding stuff for animals (no unmilled cereals).....	189

CARICOM TOP 10 FOOD IMPORT TRADING PARTNERS

United States of America
Netherlands
Colombia
Malaysia
Canada
Brazil
United Kingdom
France
New Zealand
Peru

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Note: This guide should not be seen as a holistic analysis of the trade impact of COVID-19, but rather an overview that can be used to gain initial insight on some of the expected outcomes in select sectors. As time progresses more concrete analysis will be possible and stated figures are subject to change, especially considering the live nature of this issue.



SOURCES

This *SRC Trade Quick Guide* was compiled by Chelcee Brathwaite, a trade researcher with the Shridath Ramphal Centre for International Trade Law, Policy & Services of The University of the West Indies, Cave Hill. Learn more about the SRC at www.shridathramphalcentre.com.

The following sources and databases were used to aid in this report's compilation.

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