

# SRC TRADE QUICK GUIDE

## COVID-19: TRADE IMPLICATIONS FOR CARICOM

### EDITION #3

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

## COVID-19

Coronavirus disease 2019 (COVID-19) is a contagious respiratory illness, originating in Wuhan, China. As at April 6, 2020 there were **1,210,956** confirmed cases and **67,594** deaths globally. **All CARICOM member states have confirmed cases. Member states with the most recorded cases to date include: Trinidad and Tobago, Barbados, Jamaica and The Bahamas.** This SRC Trade Quick Guide highlights some of the trade implications of COVID-19 in select sectors and examines some of the identified trade-related responses across CARICOM Member States.

## PRODUCTIVITY DECLINES & MANUFACTURING DISRUPTIONS



China (originally the epicentre of the virus) experienced a drastic manufacturing slowdown, evident by its decline of 22 points in the Manufacturing Purchasing Manager's Index (PMI) – a critical production index highly correlated with exports. China's PMI reading stands at 37.5, the lowest since 2004. UNCTAD predicted that this slowdown could lead to a USD 50 billion decrease in exports across global value chains (GVC) when considering China's integral role as a global manufacturing hub. The top 4 most impacted product chains and countries by this disruption are:

### GVC Product Chain Disruptions

- Precision instruments
- Machinery
- Automotive Equipment
- Communication Equipment

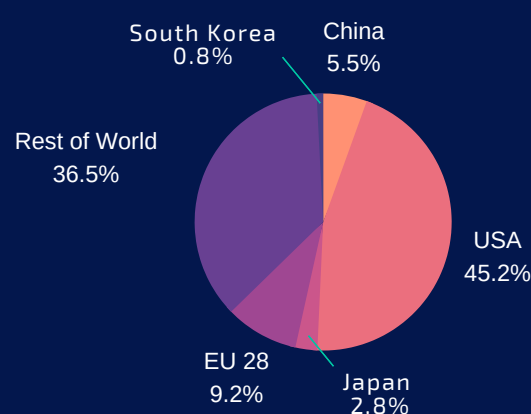
CARICOM's 2018 import value of these goods from China are highlighted below:

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:



Following recent containment of the virus in China, the China Economic Recovery Index compiled by WeBank indicated that 68% of business activities including manufacturing and consumption have resumed. "However, even if China demonstrates extra-ordinary domestic resilience (still not evident in current data), the global spread of COVID-19 has shut down all of China's major trading partners at just the wrong time" – CEO of China Beige Book. Therefore, any recovery efforts are likely to be slowed by the virus' global spread.

Concerning still for the region are the direct impacts of COVID-19 on the United States of America (USA) and the European Union (EU) – CARICOM's two largest import sources, which are now contending to be the new global epicentres of COVID-19. With such strong dependence on these two markets, any supply disruptions affecting their export capacities are likely to create supply challenges for CARICOM Member States.



### USA SITUATIONAL ANALYSIS

- 307,318 confirmed COVID-19 cases and 8,358 deaths in the USA as at April 6, 2020.
- Manufacturing PMI fell to 48.5 –the lowest reading since August 2009.
- A PMI reading below 50 indicates contraction in the manufacturing sector.
- The decline is being attributed to widespread supply shortages related to COVID-19.



### EU SITUATIONAL ANALYSIS

- 655,339 confirmed COVID-19 cases and 49,479 deaths as at April 6, 2020 in the European region.
- The Eurozone Manufacturing PMI fell to 44.5 –the lowest reading in 7.5 years.
- A PMI reading below 50 indicates contraction in the manufacturing sector.
- Export trade, purchasing activity and output have declined.

### CARICOM'S IMPORT TRADE WITH THE USA AND EU

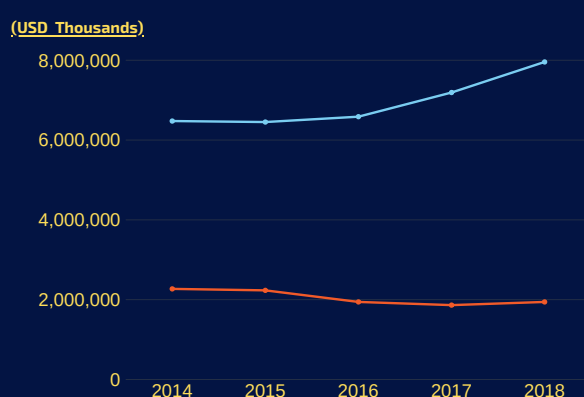
#### CARICOM's Import Trade from the USA and EU

CARICOM's imports from the USA totalled USD 13.68 billion in 2018. This included USD 7.95 billion worth of manufactured goods.

CARICOM's imports from the EU totalled USD 2.79 billion in 2018. This included USD 1.95 billion worth of manufactured goods.

Together the USA and the EU account for approximately 54.4% of CARICOM's total imports

#### CARICOM's Import Trend of Manufactured Goods from the USA and EU



Imports of Manufactured goods from the USA  
Imports of Manufactured goods from the EU

N.B. in the case of the EU since the most recent data is 2018 CARICOM's trade with the UK would have also been captured within the EU data above.

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## TRAVEL & TOURISM TAKES A BLOW



During 2018 CARICOM earned USD 12 billion in travel exports, accounting for almost 80% of total services exports. For several CARICOM member states tourism is a major source of foreign exchange and employment. **Statistics show that travel and tourism account for around 15.5% of total GDP and 14% of total employment in the Caribbean.** However, increasing travel restrictions and suspensions of both airline and cruise ship operations 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. 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. Additionally, almost all major airlines have suspended flights to the Caribbean. **As at April 6, 2020, member states like the Bahamas, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, Suriname and Trinidad & Tobago have closed their borders to passenger travel. With borders effectively closed across several CARICOM Member States, the region's tourism industry is at a standstill. Under a best case scenario (containment of the virus by the end of June), the Organisation of Eastern Caribbean States (OECS) predicts a 20% decline in tourism for the region, but if conditions worsen a greater decline can be expected.** 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'Aguilar**

### BARBADOS

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

- **Barbados Hotel & Tourism Association**

On a positive note, some CARICOM Member States like Barbados appear to be in a position to reap benefits from the cruise industry post COVID-19. Barbados' Minister of Tourism Kerrie Symmonds reported that the island's decision to allow several cruise ships to anchor in Barbados' waters has opened the possibility for a southern Caribbean cruise alliance that could see a cruise itinerary for the summer period being made available to Barbados, following their act of hospitality.

## 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. **So far Trinidad and Tobago has adjusted its oil prices from USD 60/barrel to USD 40/barrel within their budget. Finance Minister, Colm Imbert, predicts that the collapse in oil prices and reduced revenue earnings would create a USD 560 million budget shortfall for the Republic. For Guyana and Suriname investment in oil exploration and subsequent upstream growth is likely to decelerate. However, for CARICOM energy importers, lower oil prices are attractive, but are likely to be offset by the significant revenue loss in the tourism industry.**

### TRINIDAD & TOBAGO

Oil & gas accounts for  
40% of GDP  
80% of exports  
> 5% of employment

### SURINAME

Exports of oil and gold  
account for  
approximately 85% of  
exports and 27% of  
government revenues.

### Guyana

With Guyana's  
offshore discovery of  
over 3.2 billion barrels  
of oil, the country is  
expected to become a  
major player in the oil  
industry

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## 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, as various Heads of Governments across CARICOM have assured citizens of adequate food supplies. However, 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.

Concerning though are the considerations of export restrictions by various food exporters. If this occurs on a large scale it will have the effect of a price increase, as witnessed in 2007-2008 when large exporters imposed export restrictions on staple grains. So far, Russia (world's largest wheat exporter) has announced a 10-day ban on buckwheat and rice exports; Vietnam (world's third largest rice exporter) has issued a moratorium on new rice export contracts; Kazakhstan (3% share in global wheat exports) has suspended its exports of cereal products, oil seeds and vegetables; and other countries like Cambodia, Ukraine and Serbia have begun to follow suit. Although none of these countries are major food import sources for CARICOM (see breakdown below), their restrictions can cause global food prices to rise, especially for wheat and rice which are among CARICOM's top 10 food imports. Eventually, this would impact the region's food security position, especially if import cover is to be significantly reduced by losses from the tourism industry - one of the region's main foreign exchange earners.

### CARICOM TOP 10 FOOD IMPORTS (2018)

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 EXTRA-REGIONAL FOOD IMPORT SOURCES

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

New  
Section

## MEDICAL SUPPLY CRISIS

COVID-19 is placing an unprecedented burden on the region's already fragile healthcare systems. Suffering from a critical shortage of healthcare workers, several CARICOM Member States have requested assistance from Cuba - who is currently dispatching teams across the world to aid in the COVID-19 fight. CARICOM has also found itself in a race to secure medical supplies, given the limited availability of ventilators and other equipment. In 2018, CARICOM's imports of medicinal and pharmaceutical products totaled around USD 513 million. The top 10 import sources are highlighted below. However, several countries are imposing export restrictions on medical supplies. These include the EU who placed export restrictions on personal protective equipment (face shields, surgical masks and gowns); India who has banned exports of ventilators and sanitizers; Argentina with their temporary implementation of export licensing requirement on medical ventilators; and Costa Rica who has a temporary export ban on certain personal protective equipment (face masks, disinfectant) and medical equipment. Several other countries have notified the WTO of similar export restrictions on medical supplies. Already some CARICOM Member States are feeling the effects of these trade restrictive measures, with Barbados' Minister of Health Jeffrey Bostic, noting the island's recent difficulty in obtaining purchased ventilators from the USA. As more of the region's suppliers continue to implement such measures the situation is likely to worsen. Positive though has been supply donations to various CARICOM Member States from PAHO, Cuba and China, among others.



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## MEDICAL SUPPLY CRISIS (CONTD.)

### CARICOM TOP 10 IMPORT SOURCES OF MEDICAL & PHARMACEUTICAL PRODUCTS (2018)

United States of America (USD 122 million)  
 Panama (USD 85 million)  
 India (USD 58 million)  
 Germany (USD 31 million)  
 United Kingdom (USD 22 million)  
 France (USD 19 million)  
 Canada (USD 18 million)  
 Hungary (USD 17 million)  
 Netherlands (USD 17 million)  
 Costa Rica (USD 16 million)



## COVID-19 TRADE RELATED RESPONSES ACROSS CARICOM

Against the backdrop of a variety of social distancing measures including island-wide lock-downs, various CARICOM countries have announced COVID-19 Response Plans and Economic Stimulus Packages. Included within these plans and packages are some trade related measures.



### • **Travel Restrictions**

As at April 6, 2020 The Bahamas, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, Suriname and Trinidad & Tobago have closed their borders to the movement of people. Other Member States have imposed restrictions such as mandatory quarantines for incoming arrivals and suspended entry for arrivals from certain destinations. While borders across CARICOM remain open to the trade of goods, the extent to which travel restrictions can be considered trade related is evident by its impact on tourism and trade in services under mode 4 (temporary movement of natural persons), both of which are hindered by existing travel restrictions. Health services remain one of the only services still supplied under Mode 4 with current travel restrictions. Cuba has been supplying various CARICOM Member States including: Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Haiti, Jamaica, St Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Suriname with healthcare workers to combat COVID-19.



### • **Suspension of Customs Duties & Other Charges**

**Jamaica** has indicated that it will waive customs duties on the importation of masks, gloves, hand sanitizers and liquid hand soap for a 90-day period. The customs requirement for BPO firms to keep the equipment used in their operations physically at their place of business will also be waived for a specific period to allow working from home and for business continuity.

**St. Kitts and Nevis** announced the removal of VAT and import duty for six months on hand sanitizers, hand sanitizer dispensing machine, disinfecting wipes, rubbing alcohol, gloves, masks and protective gowns; along with the removal of import duty and customs service charge for six months on vegetables, fruits, fruit Juices, cough and cold preparations and vitamins.

**St. Vincent and the Grenadines** noted the removal of VAT and duties from March 20 to June 30, 2020 on the importation of bleach, disinfectants, liquid hand soap, hand sanitizers, rubbing alcohol, hydrogen peroxide, soap dispensers, bath soap, toilet paper, paper towels, glycerin, hydrogen peroxide, acetaminophen and oral rehydrating salts. There will also be a duty-free barrels regime from May 1 to August 31 in the first instance to allow for family members sending aid from the Diaspora.



### • **Domestic Support for Agricultural Farmers**

The **Agriculture Ministers** and other stakeholders met in a special session of the Council for Trade and Economic Development (COTED) . While there are adequate food supplies, the overall recommendation remains increasing local production to meet future demands.

**Jamaican** Government Senator, Don Wehby, is calling for the suspension of agricultural imports for products produced locally to help mitigate farmers' losses.

In **St. Vincent and the Grenadines** a COVID-19 Food Security and Impact Mitigation Plan is to be launched, as the island's sea food exports grind to a halt.

**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.**

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## 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](http://www.shridathramphalcentre.com).

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

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### Databases:

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CIA World Factbook

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