

COVID-19: TRADE IMPLICATIONS FOR CARICOM

COVID-19

Coronavirus disease 2019 (COVID-19) is a contagious respiratory illness, originating in Wuhan, China. As at March 11, 2020 there were 118,322 confirmed cases and 4,292 deaths globally. Confirmed cases have been reported in 114 locations including Jamaica, Guyana and St. Vincent and the Grenadines. This *SRC Quick Guide* highlights some trade implications of COVID-19 in select sectors.



MANUFACTURING & PRODUCTIVITY ARE DECLINING



China currently accounts for 71% 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

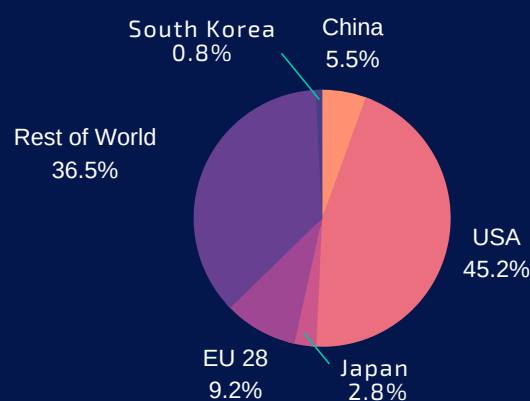
CARICOM's 2018 import value of these goods from China are highlighted below

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. As at March 12, 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. As a result any expected growth from services exports must be reconsidered. Some of the reports of COVID-19's impact on the 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

BARBADOS

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

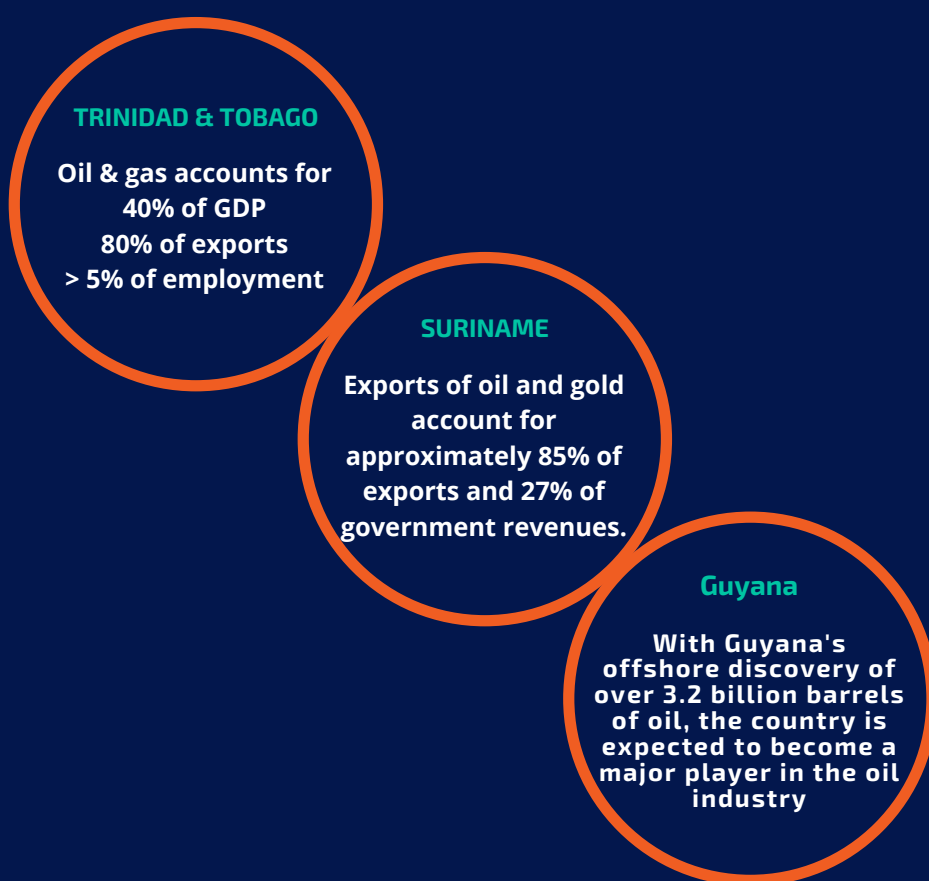
- Barbados Hotel & Tourism Association

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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.

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.



SOURCES

This factsheet 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.

Informational sources included:

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Data sources included:

- UNCTADStat
- CIA World Factbook