Impact of COVID-19 on international trade: Lessons for African LDCs

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COVID-19 disruption to international trade

- Severe Effect on trade projected, worse than 2008-09 Global Financial Crisis (GFC)
  - Impacted Aggregate Demand / Supply; Essential / non-essential goods & services
  - Collapse in the Production activity and Logistics network: Disruption in Global Value Chains
  - Lack of cooperation between countries to tackle this crisis
  - Added to geopolitical tensions and distrust between trading partners
- Profound impact on trade-dependent least-developed countries (LDCs) located in Africa
- WHY? Heavy reliance on
  - Exports of commodities and tourism services
  - Imports of medical, pharmaceutical and food products
Reaction to the Pandemic

Geopolitical competition via protectionism

State-led nation-building and self-sufficiency

Short term nationalistic solution

vs

International community building

Hyper-Globalization

- Global manufacturing organized in GVCs
- RTAs: 214 (2010) to 303 (2020), WTO

Pragmatic long term solution

International cooperation and interdependence via shared norms and treaties
Lack of Provisions in Current RTAs

- # of RTAs have increased in the last decade
  - 214 in 2010 to 303 in 2020 (WTO)
- RTA utilization has increased, greater intra-regional trade across the world
- BUT, lack of emergency provisions to tackle COVID-19 like crisis situation
- Countries unsure on how to react
- Quickly turned protectionist and nullified progress and openness in international trade achieved in the last thirty years.
Restrictive Measures

- Promote national production, subsidies for reshoring, reduce dependence on China
  - Japan, India, United States, European Union, Saudi Arabia, Republic of Korea

- Export bans on essential items: medical, pharma, food
  - EU, China, Argentina, India

- Import Restrictions due to sanitary/ phytosanitary concerns
  - Egypt, Georgia, Jordan, Russia
Towards Model Provisions for Trade in Times of Crisis and Pandemic in Regional and Other Trade Agreements

Webinar Series - 28, 29, 30 October and 2 November 2020

African LDCs
33 out of 47
(United Nations)
Impact on African LDCs

- Slump in commodity prices - oil, metals, minerals - fall in export earning, livelihood
- Impacted by restrictive policies imposed by major trade partners outside the region
  - **Pharmaceutical products** - COVID related supplies (WTO list at HS6 level)
    - Average imports worth US$ 2.8 billion in 2018/19, met 90 percent of domestic demand
    - Major suppliers: EU (51.5%) CHE (8%) CHN (5%) USA (4%)
  - **Food Products**
    - 66% of countries are net importers of food
    - Increase in Food insecurity (Gambia, Liberia, Mauritania, Sierra Leone)
Trade disruption in African LDCs

- Small traders (Mozambique, Niger, Uganda)
- Local lockdowns in several LDCs & South Africa - disrupted value chains in Africa; reduction in intra-africa trade
- Tourist-dependent island economies (Madagascar)- travel restrictions
- Additional government spending on medical supplies, business subsidies for SMEs, foregoing taxes - deteriorating fiscal position (Eritrea, Sudan)
- Lower FDI inflows
Best Practices to reduce impact

- Strengthening regional cooperation in public health, epidemic preparedness, open market (ASEAN)
- Maintain supply chain connectivity, logistics and increase resilience (ASEAN, APEC, G20)
- Information sharing on recovery plan (APEC)
- Promote digital trade to bounce-back from this pandemic (APEC, G20)
- Resume essential cross-border business travel (AUS, CAN, NZL, KOR, SGP)
- Maintain food security in vulnerable countries- reduce stockpiling, provide aid, expedite exports of essential items (G20, 67% of agri-exporters: (29 exporters) AUS, BRA, CAN, CHL, COL, ECU, HKG, JPN, PRY, SAU, TWN, GBR, URY, USA, Cairn Group)
- Reduce impact on MSMEs (G20, African Union Commission)
- Joint global plan (G20, Ottawa Group)
Recommendations for regional growth in Africa and future trade agreements
Towards greater regional cooperation

**RECOMMENDATION 1:** EXPEDITED CUSTOM CLEARANCE - GREEN LANES

**RECOMMENDATION 2:** SUPPORT MSMEs AND RVCs

**RECOMMENDATION 3:** DIGITAL CUSTOMS, PAPERLESS TRADE

**RECOMMENDATION 4:** REGIONAL COOPERATION IN PUBLIC HEALTH (under AfCFTA)
Towards regional recovery and future trade agreements

**RECOMMENDATION 5:** REGIONAL POST-PANDEMIC RECOVERY PLAN UNDER AfCFTA

**RECOMMENDATION 6:** AFDB: Special FINANCIAL ASSISTANCE during crises

**RECOMMENDATION 7:** SIGN PLURILATERAL AGREEMENTS TO ENSURE UNRESTRICTED TRADE IN ESSENTIAL ITEMS FOOD

**RECOMMENDATION 8:** MAINTAIN FOOD SECURITY: FOOD RESERVES, SUBSIDIZED INPUTS
CONCLUSION

● Africa has been experiencing growth in trade over the last few years, however, the continent needs more international trade agreements.

● This crisis has presented an opportunity for the continent to take more concrete steps towards realization of the AfCFTA as countries make concerted efforts to harmonize their trade-related regulations, customs controls, and reduce both tariff and non-tariff barriers, while improving the infrastructure and addressing connectivity issues to lower logistics costs.

● There is also a strong case to amend the present text of the AfCFTA to strengthen the participation of industries located in the LDCs in regional value chains, reduce vulnerability in supply of food and essential goods as well as make the African economies resilient to future pandemics and crises.

● Assistance to meet excessive fiscal costs during a crisis and maintain trade networks could be made a central theme in all future negotiations of any bilateral or regional trade agreement by the African LDCs.

● Scope for them to sign future plurilateral agreements with existing, economically-advanced trade partners, to ensure that no new protectionist measures will be erected against them during crisis periods especially for trade in food and pharmaceutical products, given they are the most vulnerable during any crisis.
THANK YOU!

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