



**International Economics**  
Strategic Analysis For Growth & Development



# STRATEGIES TO DEAL WITH THE IMPACT OF COVID-19 ON INTERNATIONAL TRADE



# About Paz Horowitz

Founded in 1991 by Jorge Paz Durini and Bruce Horowitz Rossen, Paz Horowitz has provided legal advice to national companies, multinationals, businesses and NGOs.

- Nominated by the Inter-American Development Bank for the "International Star for Leadership in Quality 2017" award in Paris.
- Recognized by the most important international legal directories (Chambers & Partners, The Legal 500, Latin Lawyer, Leaders League, IFLR, among others.) Recommended in Ecuador by The Latin America Corporate Association (LACCA), on Compliance and Anticorruption issues.
- Invited by the World Intellectual Property Organization (WIPO) to participate in the Inventor Assistance Program.



*The firm is committed to excellence and ethics in the legal services it offers.*

PREMIOS Y  
RECONOCIMIENTOS



Paz Horowitz



# About International Economics

International Economics Consulting Ltd. is a management consultancy company based in Mauritius, specialised in providing advisory services to a range of both public organisations and private companies in the areas of international trade and investment, data analytics, market intelligence, and creating value through global production networks.

The firm is composed of a multidisciplinary team of economists, legal advisors, public affairs specialists and data scientists, speaking 16 languages, with antennas in Belgium, the UK, India and Vietnam.



International Economics employs state of the art quantitative analysis and economic modelling, as well as legal, regulatory and policy assessments.

Based on our expertise, International Economics, has created its own tool, Trade Insights, in partnership with Microsoft, with multiple dashboards providing information on trade and investment performance.

# Agenda

1. Introduction to global and domestic Covid19-triggered issues
2. Distortions caused by Covid19 on supply chains & trade
3. Analysis of export markets
4. Government reactions matter to soften the impact
5. What should businesses do?
6. Q&A



# 1. Introduction to global and domestic Covid19-triggered issues

Photo credit: Vecteezy.com

**Roberto Azevêdo notes a sharp contraction in trade and urges that global solutions be found to the crisis caused by COVID-19.**

**"The COVID-19 pandemic represents an unprecedented disruption to the global economy and world trade, as production and consumption are scaled back across the globe."  
(Source: WTO)**

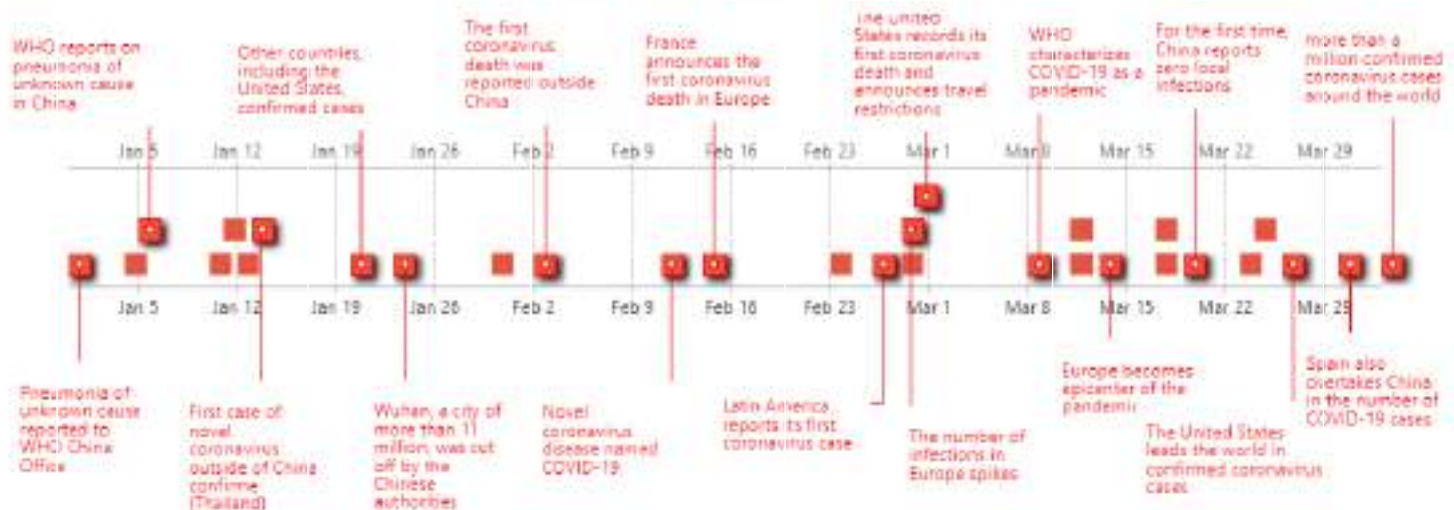


# Global situation



**Confirmed** 1,681,964    **Death** 102,026(6%)    **Recovered** 374,509(22%)    **Active** 1,205,429 (72%)    **Countries** 185

Source: John Hopkins University/International Economics Ltd - As at 10<sup>th</sup> April





# Global situation

## Impacts



Global Movement  
Patterns

59% ↓

Source: Google Data



Recession

Worst than  
2008-2009

Source: WEF



Stock Exchange

Dow Jones -19%  
Nikkei - 27%  
FTSE -33% ↓

Source: WEF



Jobs

US – 6.6 Million claims  
Spain – 900,000 jobs

Source: Bloomberg, WEF



Flights

60% ↓

Source: Flight Tracker



GDP Growth

0.5% ↓

Source: OECD



Trade

\$50 billions  
in Feb 2020 ↓

Source: UNCTAD



- **Optimistic scenario: real trade contraction of -0.9%.**
- **Pessimistic scenario: real trade contraction of -3.75%.**
- **Growth of the world economy of up to 1.5% in a pessimistic scenario, compared to 3.2% achieved last year.**
- **Whenever the effects of the COVID-19 outbreak lose intensity, the economy is expected to grow by 3.3% in 2021. Recovery of losses in two years, even in the worst case scenario (depends on actions of the G20)**



Alicia Bárcena  
*ECLAC Executive Secretary*

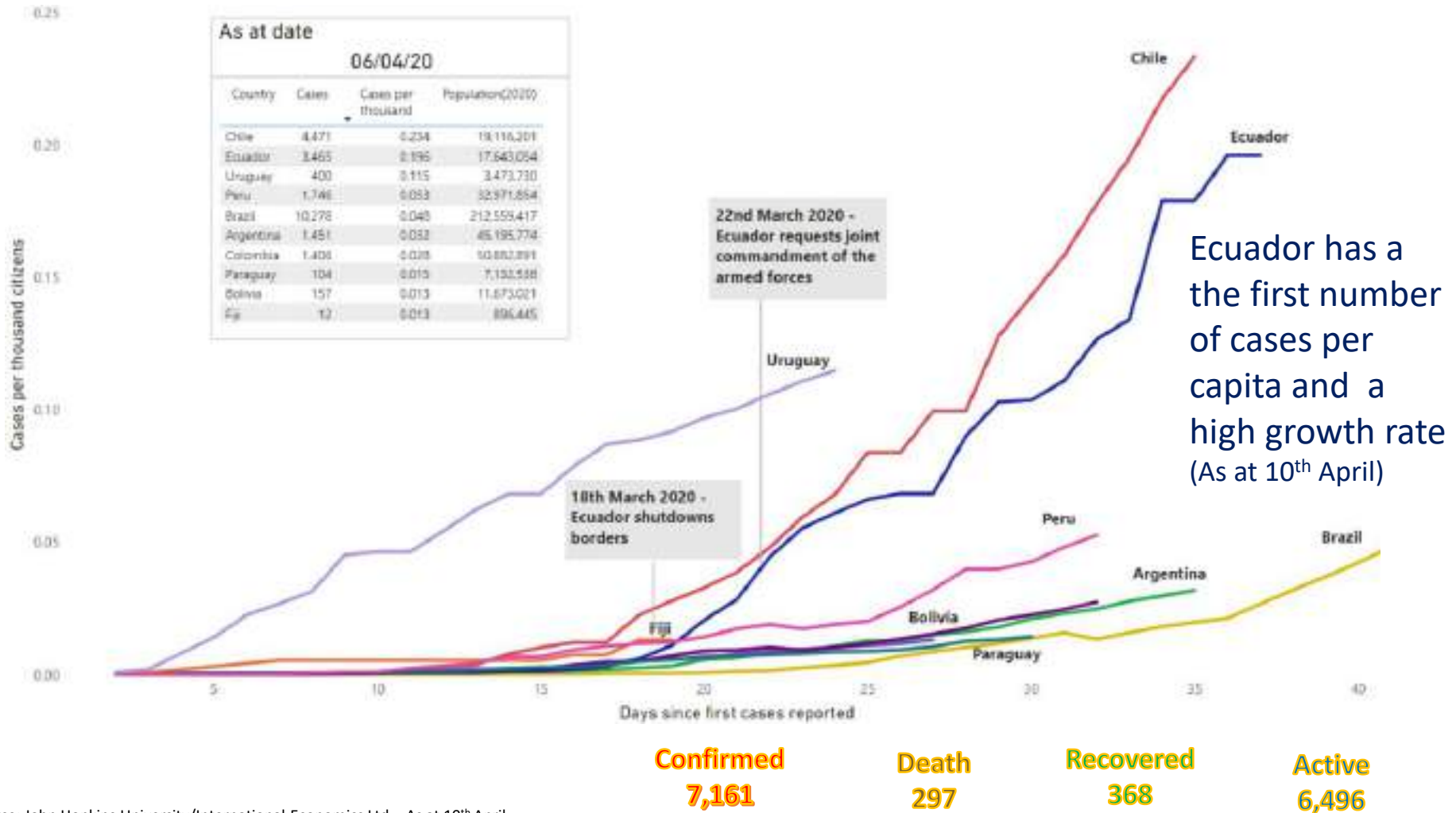
- **The population living in poverty will increase from 185 million to 220 million people.**
- **People living in extreme poverty will increase from 66.4 million to 90 million people.**
- **Emerging countries have suffered a capital outflow of more than 25.6 billion euros. (Institute of International Finance)**

Source: ECLAC / Royal Institute Elcano



- The average oil price has plummeted (-60%). This collapse puts the vast majority of oil countries in difficulties, especially Venezuela, Ecuador, Mexico, Colombia, Brazil and Argentina.
  - Decrease in other commodities: copper (-22%), iron (-1%), soybeans (-5%), sugar (-20%) or coffee (-18%)
- 
- The region comes out of a stagnation situation in 2019.
  - Forecasts for 2020 indicated an expansion of 1.8%.
  - The Economist has lowered the forecasts to a range of between -0.4% and +0.2% since its previous forecast of 0.9%.

# Ecuador situation



# “Ecuador Buckles Under Virus, Broken Oil Lines and Old Debt”

(Source: U.S. NEWS)



Photo credit: Twitter / @RecNaturalesEC



Photo credit: Carlos García Rawlins / Reuters

## Country context

- Oil price bellow projected
- High risk (3331 - JP Morgan)
- Aggregate public debt as % of GDP (53.49%)
- Decrease in international reserves (\$2,113.4 million USD)
- Drop in demand for traditional goods and paralysis of tourism
- Health crisis due to COVID-19
- Currency devaluation in Colombia and Peru
- 2019 ended with social outbursts.
- Last year of mandate
- Corruption

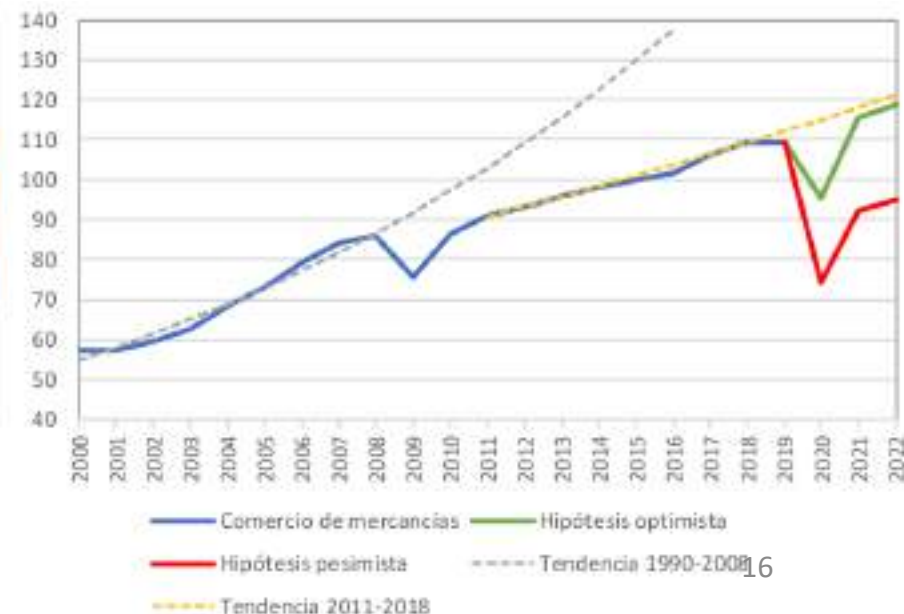
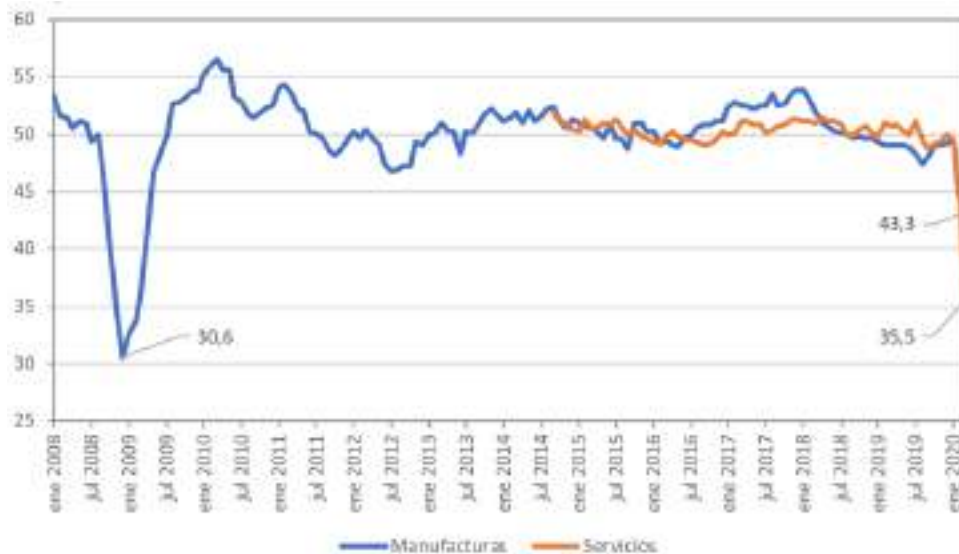


## 2. Distortions caused by Covid19 on supply chains & international trade

# Distortions to trade flows

**“Coronavirus COVID-19 wipes \$50 billion off global exports in February alone”– UNCTAD, March 2020**

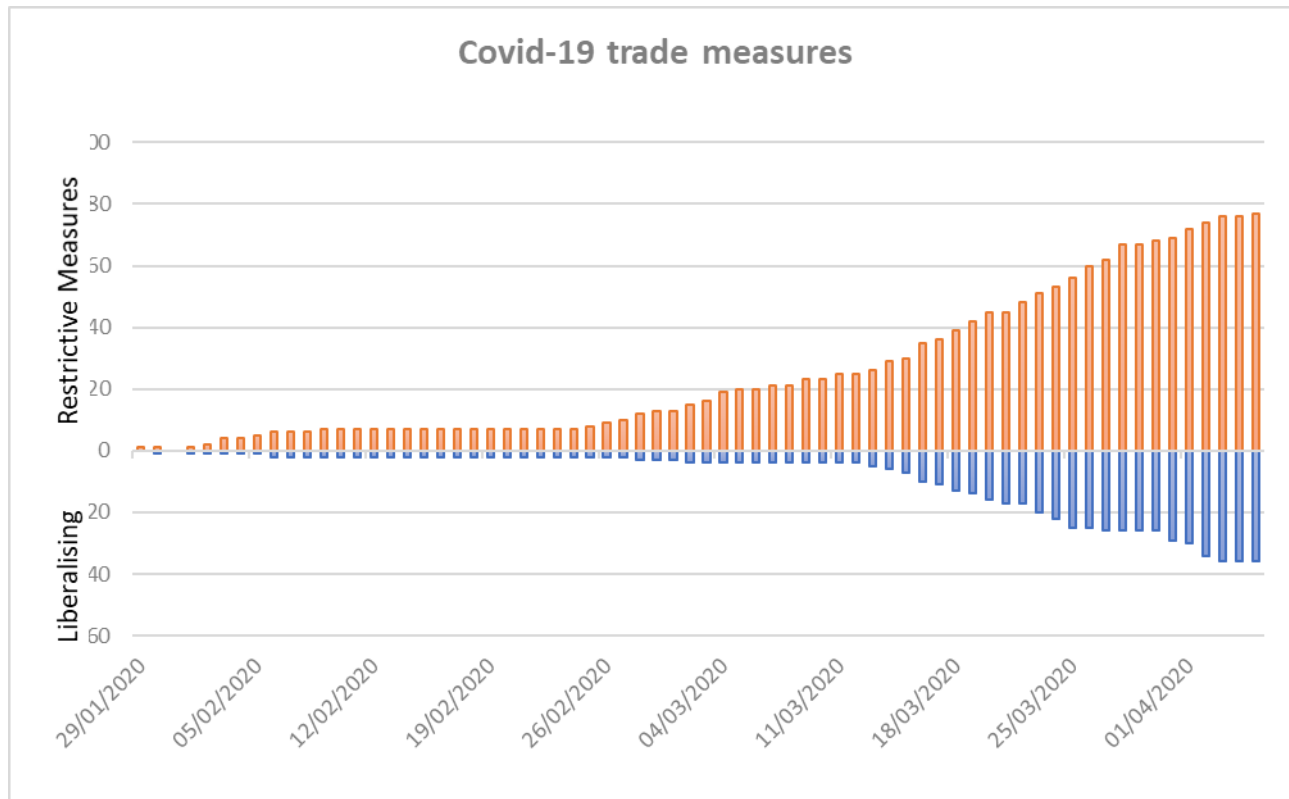
**“Trade collapses in the face of the COVID-19 pandemic, which is disrupting the world economy: "World trade is expected to fall by between 13% and 32% in 2020 as the COVID-19 pandemic disrupts normal economic activity and life around the world," - WTO, April 2020**





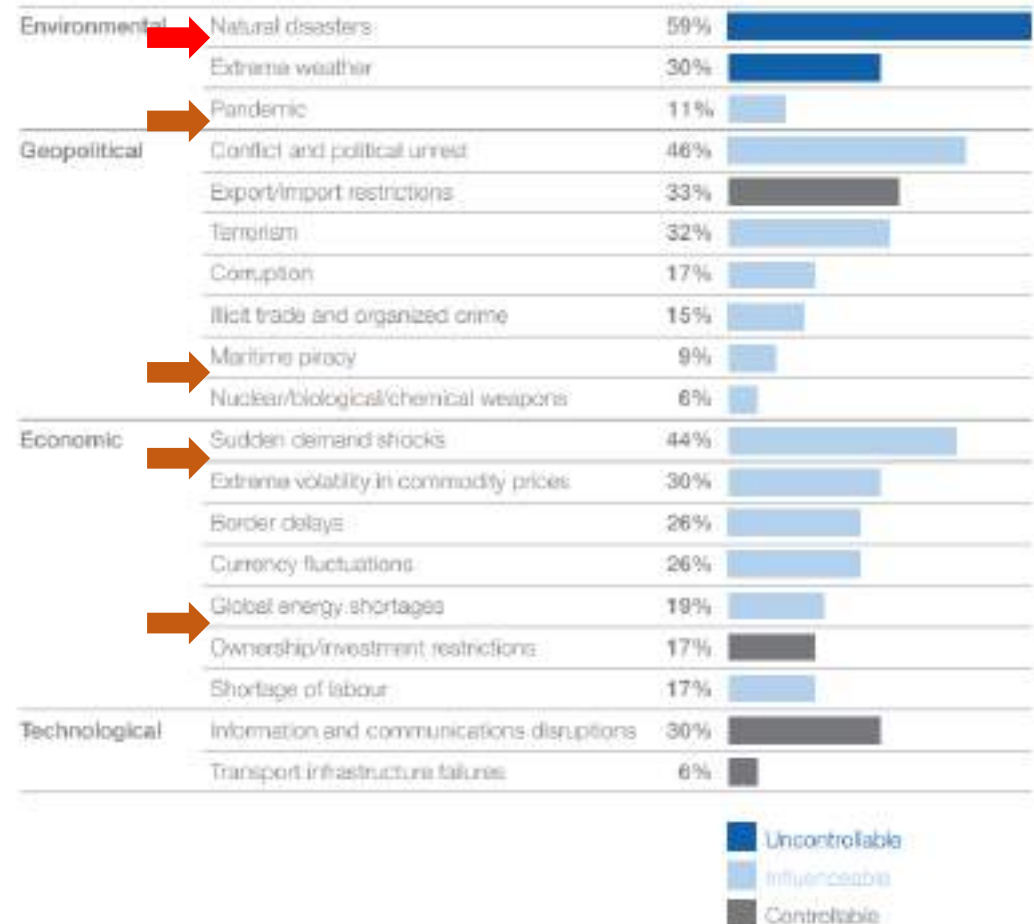
# Distortions to trade policies

Governments have enacted temporary trade measures to restrict exports and/or liberalize imports of vital medical supplies and food products



# Underestimation of the impact of pandemics on supply chains

- Pandemic is ranked as an influenceable factor to supply chains and transport by only 11%.
- However, the Covid-19 has knock-on effect to other triggers, including
  - (i) Export/Import restrictions
  - (ii) Sudden demand shocks
  - (iii) Border delays
  - (iv) Shortage of labour



Source: World Economic Forum Supply Chain and Transport Risk Survey 2013

# Distortions to supply chains

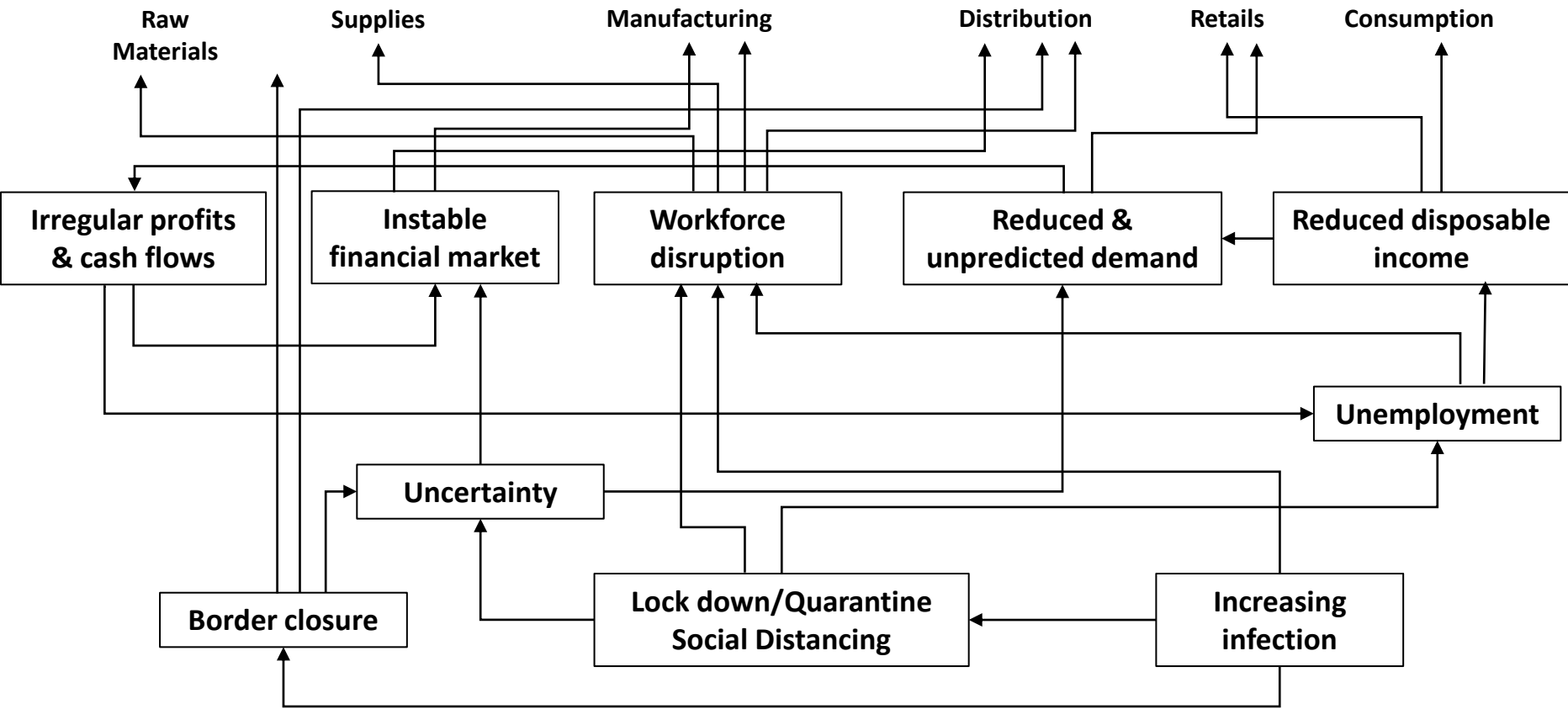
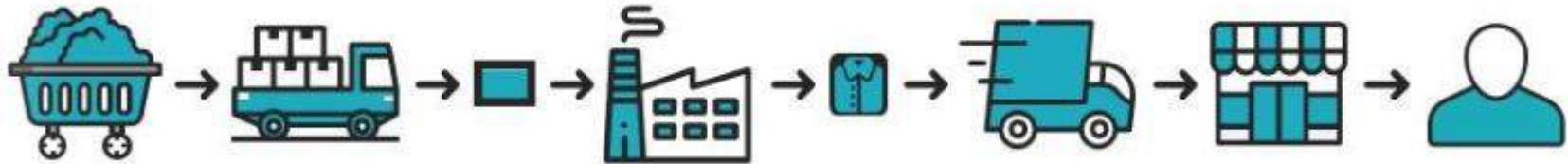


## Dimension of supply chain disruptions by Covid-19

	Typical Disruptions	COVID-19
<b>Geography</b>	Mostly <b>local or regional</b>	Widespread and <b>global</b>
<b>Scope</b>	Limited with <b>fewer industries affected</b> (e.g, petrochemical industry during a hurricane)	More widespread, impacting both <b>goods and services sectors</b>
<b>Demand vs. Supply</b>	Most often impact supply, sometimes demand	Impact <b>both demand and supply</b>
<b>Prior Planning &amp; Experience</b>	<b>Disaster planning</b> has been done, and <b>prior experience</b> is available	<b>Limited disaster planning</b> for global pandemic, with <b>limited prior experience</b>
<b>Financial System</b>	<b>Low to moderate correlation</b> with global financial system	<b>High correlation</b> with financial system
<b>Term</b>	<b>Short-term</b> needs for emergency services (i.e. flood rescues)	<b>Longer-term</b> needs for emergency service (i.e. hospital beds, ventilators)
<b>Human impact &amp; Behavior</b>	Localized human impact, with limited duration. Short-term public fear.	Widespread human impact, with <b>unknown duration and impact</b> . Long-term public fear.

Source: Based on Brent Moritz. Supply Chain Disruptions and COVID-19. March 2020

# Distortions to supply chains



*“You will not find it difficult to prove that battles, campaigns, and even wars have been won or lost primarily because of logistics.”* - Army General and US President Dwight D. Eisenhower

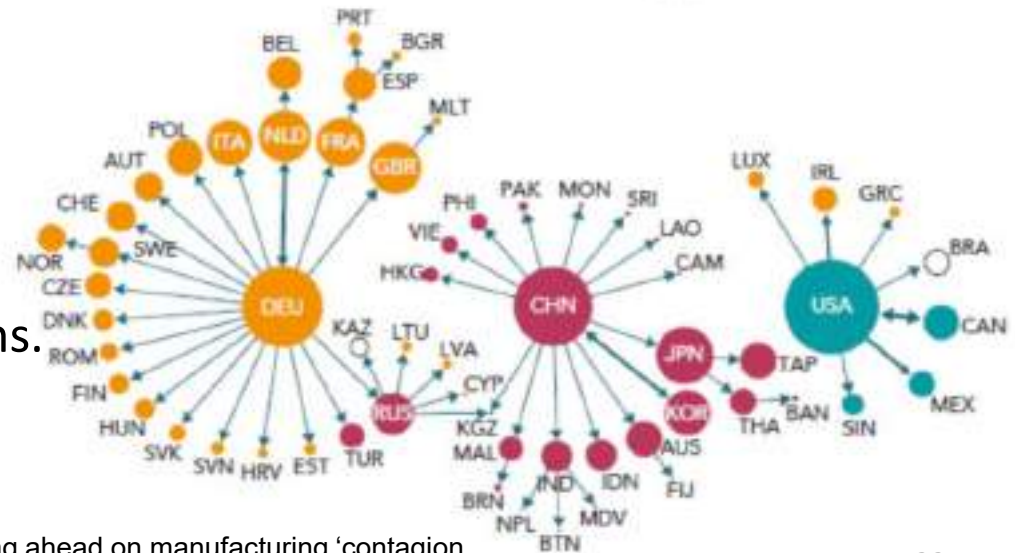


Photo credit: [U.S. Army Pictorial Agency](https://www.armypictorial.com/)

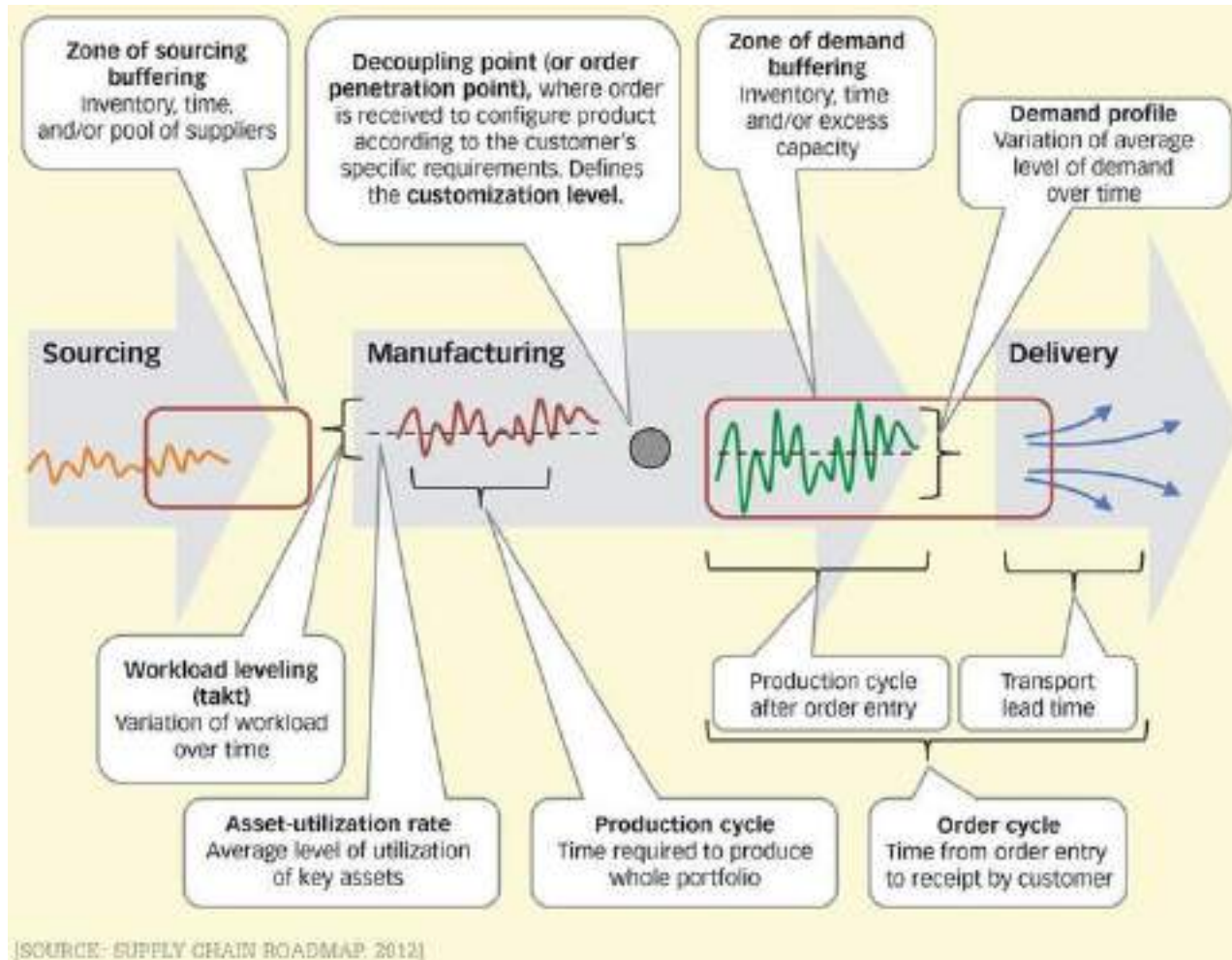
# Effect on manufacturing supply chains

The world manufacturing sector is getting a triple hit.

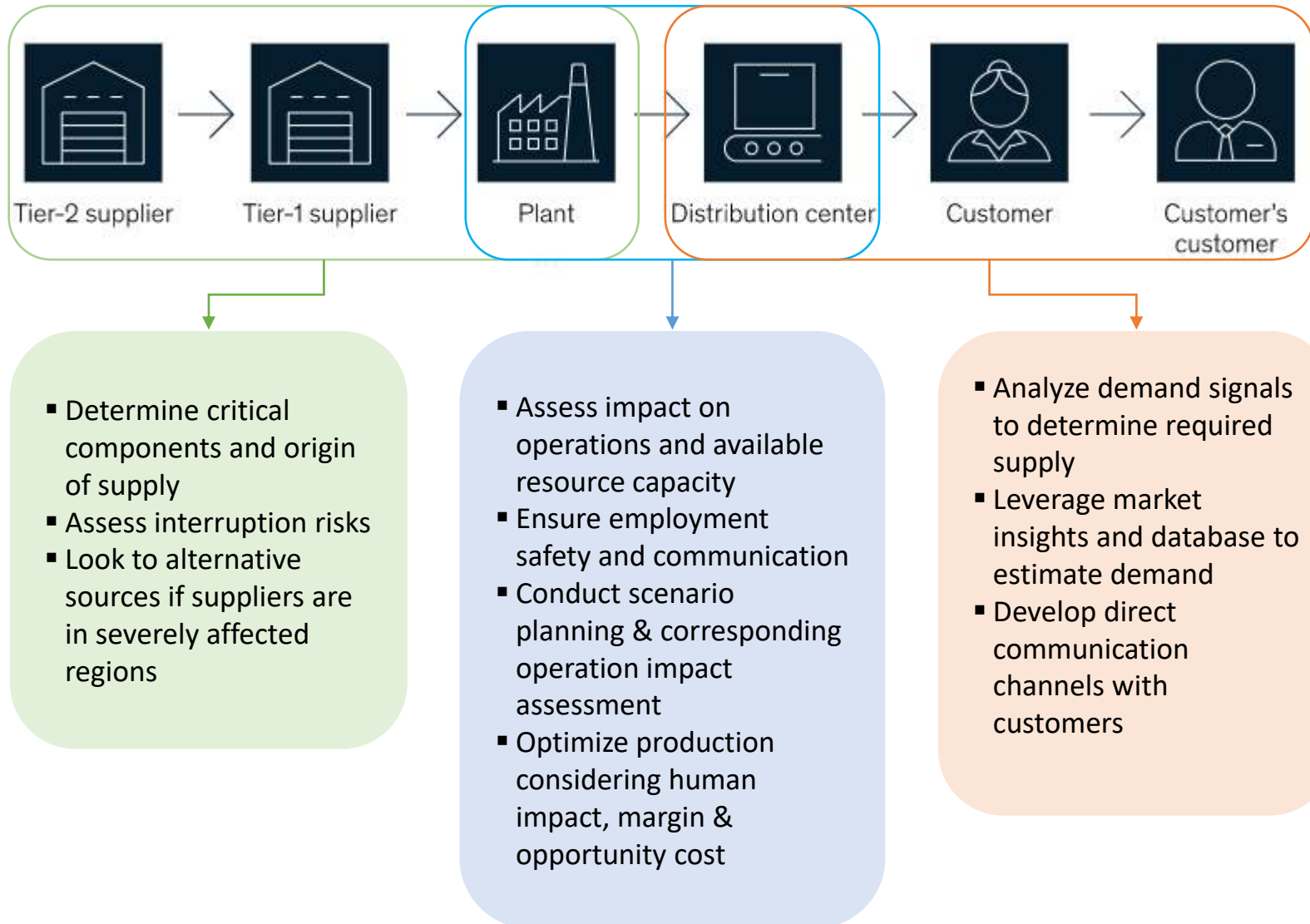
- Direct supply disruptions as the disease is focused on the **world's manufacturing hubs** (East Asia) and **industrial giants** (US, Germany, etc)
- **Supply-chain contagion** will amplify the direct **supply shocks** as manufacturing sectors in less-affected nations find it **harder and/or more expensive** to acquire the necessary imported industrial inputs from the hard-hit nations, and subsequently from each other.
- **Demand disruptions** due to:
  - i) macroeconomic **drops in aggregate demand** (i.e. recessions);
  - ii) wait-and-see **purchase-delays** by consumers;
  - and iii) **investment-delays** by firms.



# Example of factors of focus in GVC process

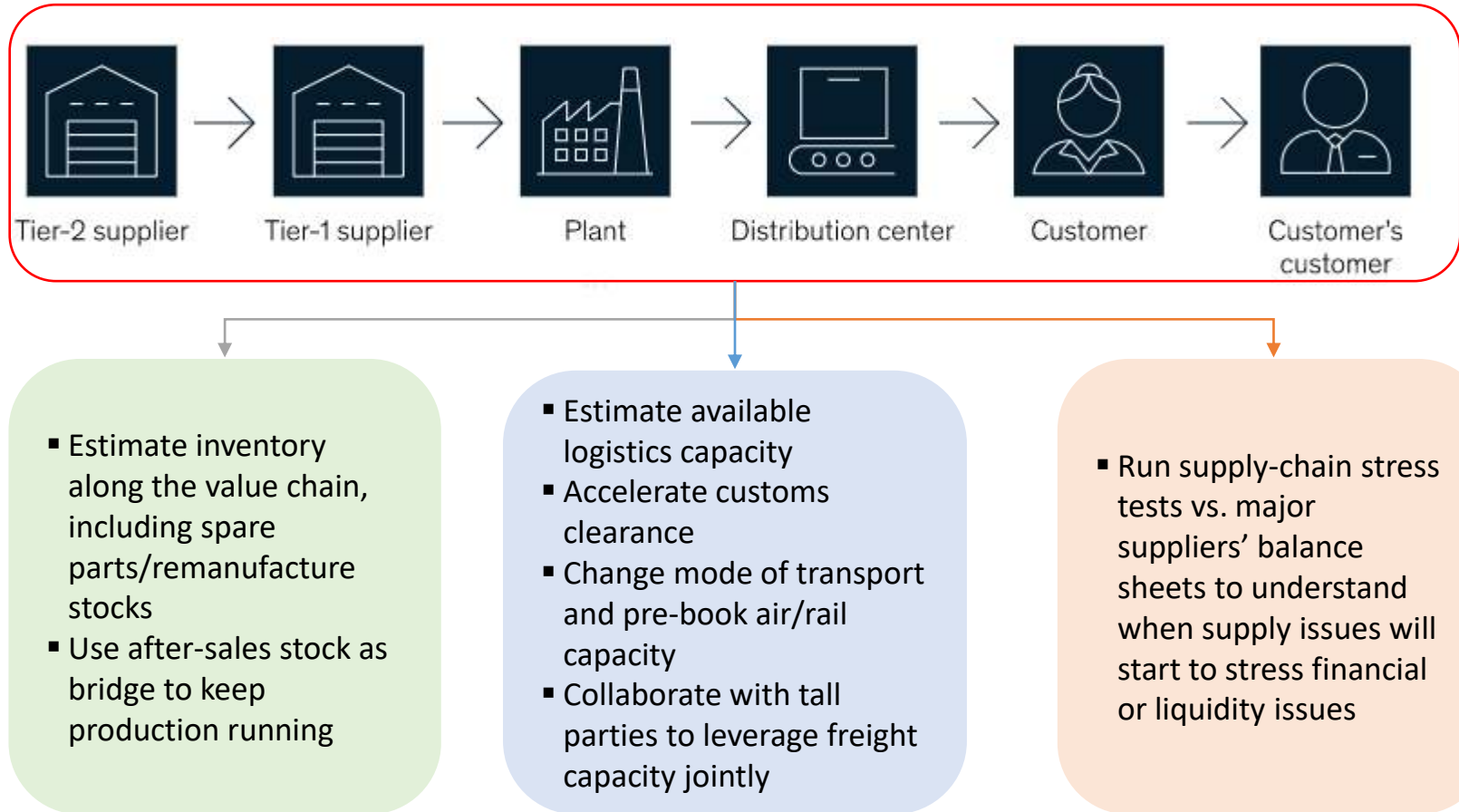


# Distortions to supply chains: What business should consider?



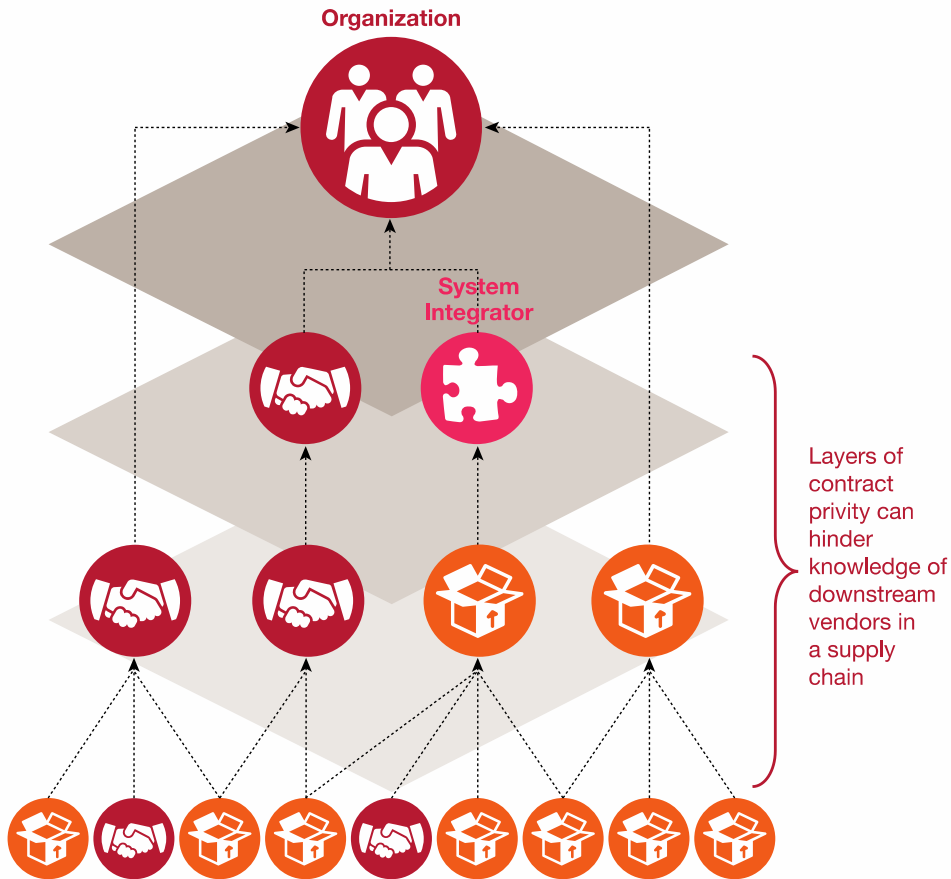


# Distortions to supply chains: What business should consider?



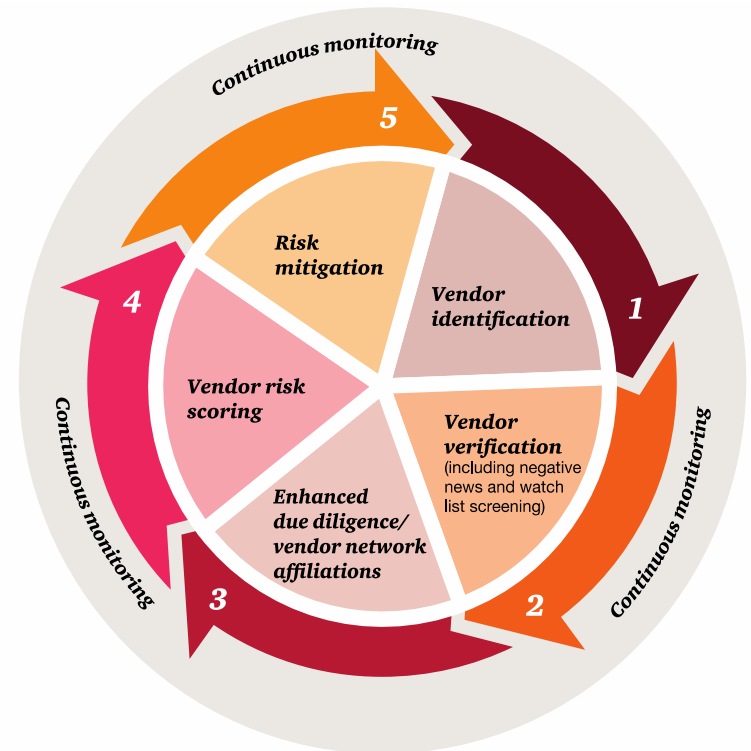
# Vendor-Supplier Risks

## Origin of Uncertainty



● External Service Provider    ● Suppliers

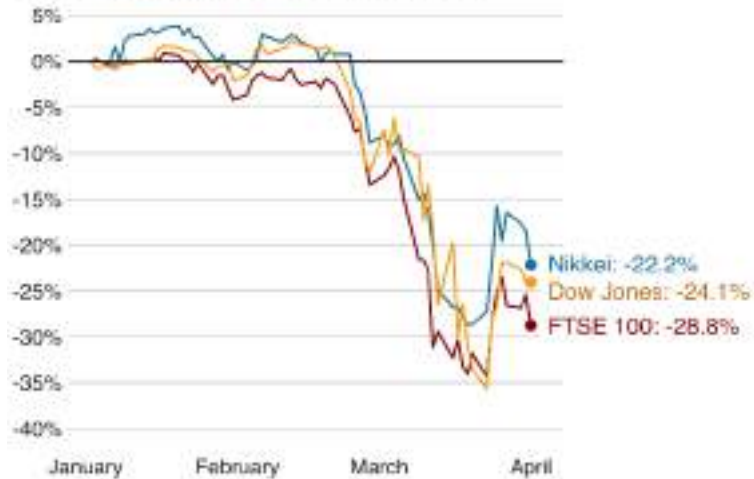
## Solutions



Source: PwC

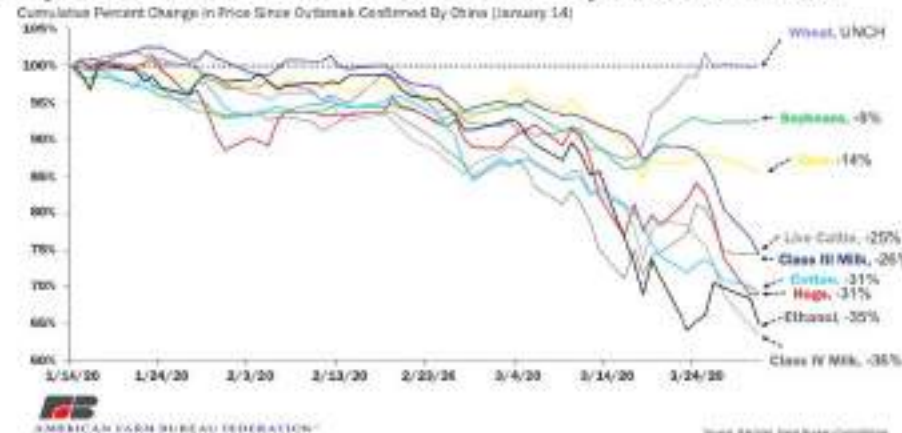
# Distortions to demand and prices

## The impact of coronavirus on stock markets since the start of the outbreak



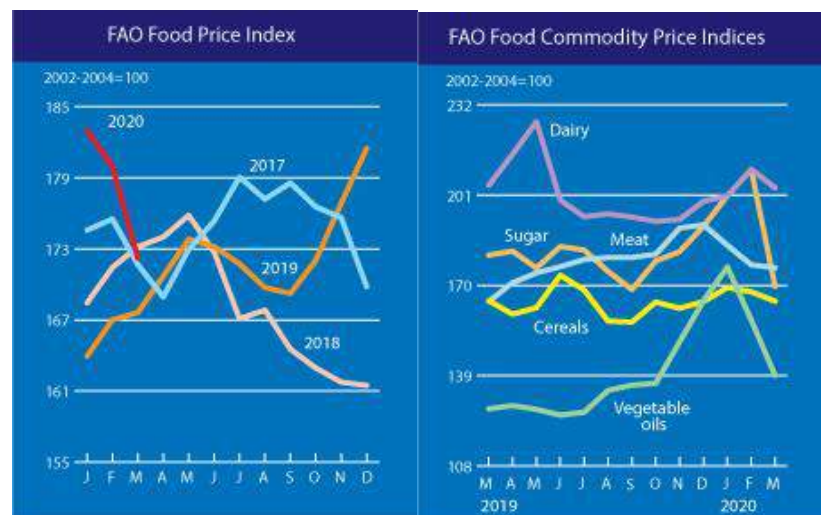
Source: Bloomberg, 01 April 2020, 09:00 GMT

## Impact of COVID-19 on U.S. Commodity Futures Prices



AMERICAN FARM BUREAU FEDERATION

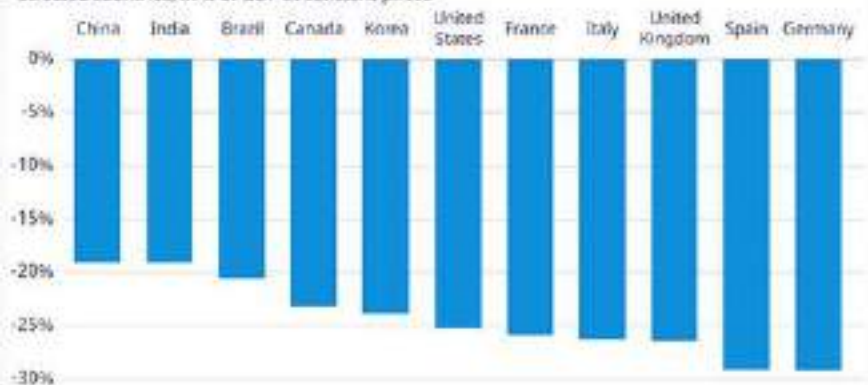
Source: Reuters, April 24, 2020



Source: FAO Food Price Index, Apr 2020

## The initial impact of containment measures will be felt worldwide

Selected countries, in % of GDP at constant prices

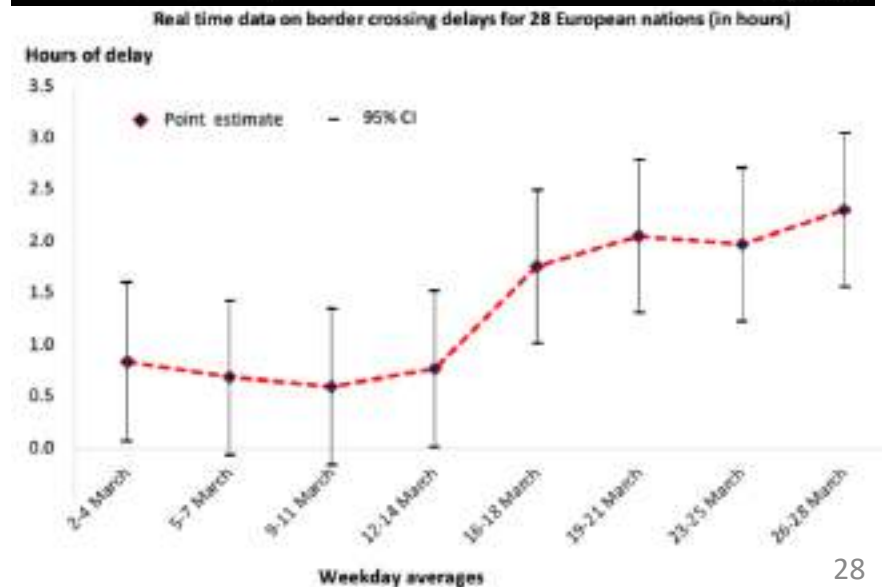


Source: OECD Annual National Accounts; OECD Trade in Value-Added Database; Statistics Korea; Brazilian Institute of Geography and Statistics; and OECD calculations.

Source: OECD. OECD updates G20 summit on outlook for global economy. 27 March 2020

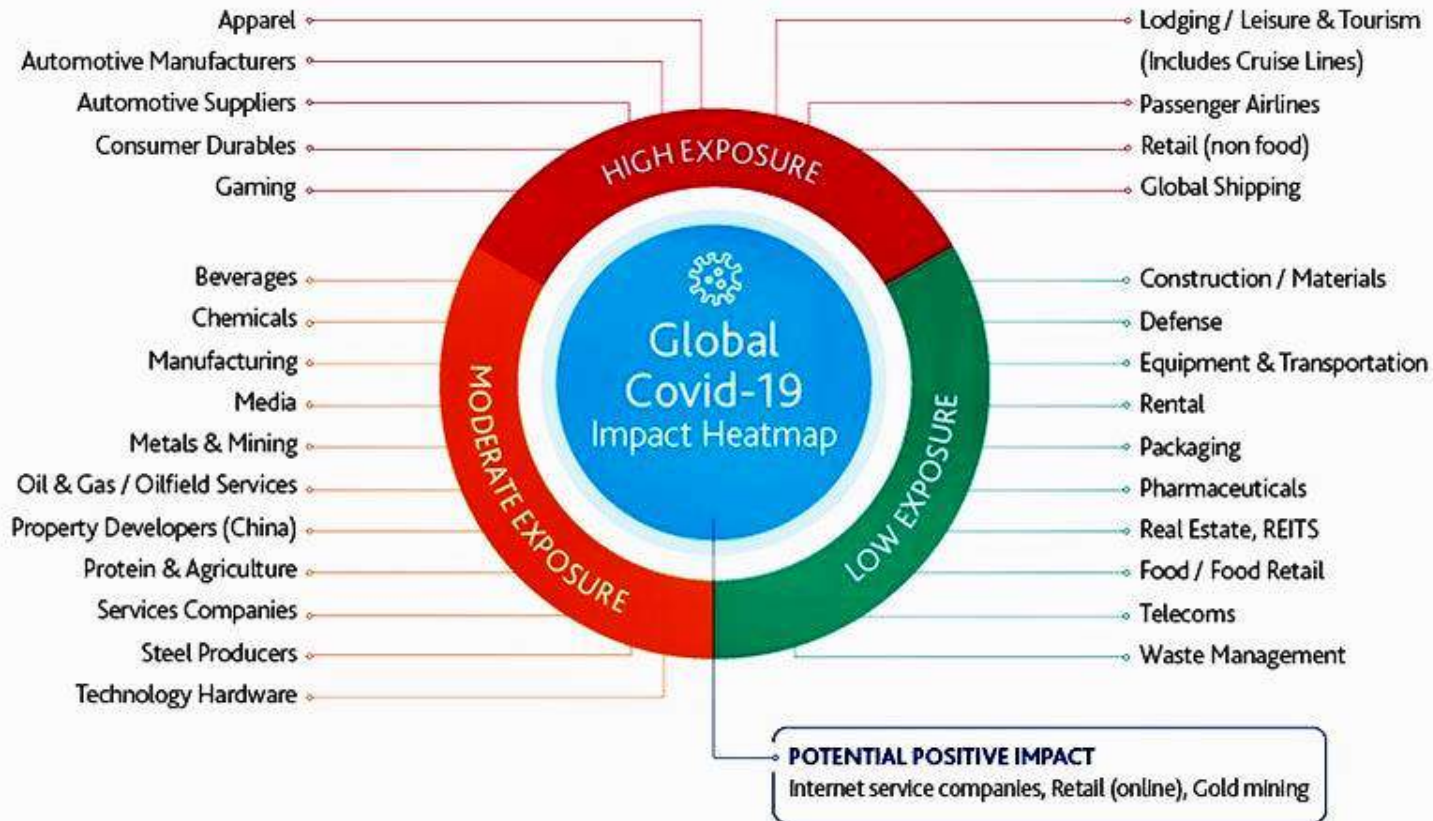
# Other effects on trade

- Demand side changes
- Disruptions in intermediate goods
- Slower border controls
- Emergence of new SPS standards?
- Diversion of interest
- E-commerce and digital trade channels
- AI and automation
- Drive away from multilateralism towards regionalism



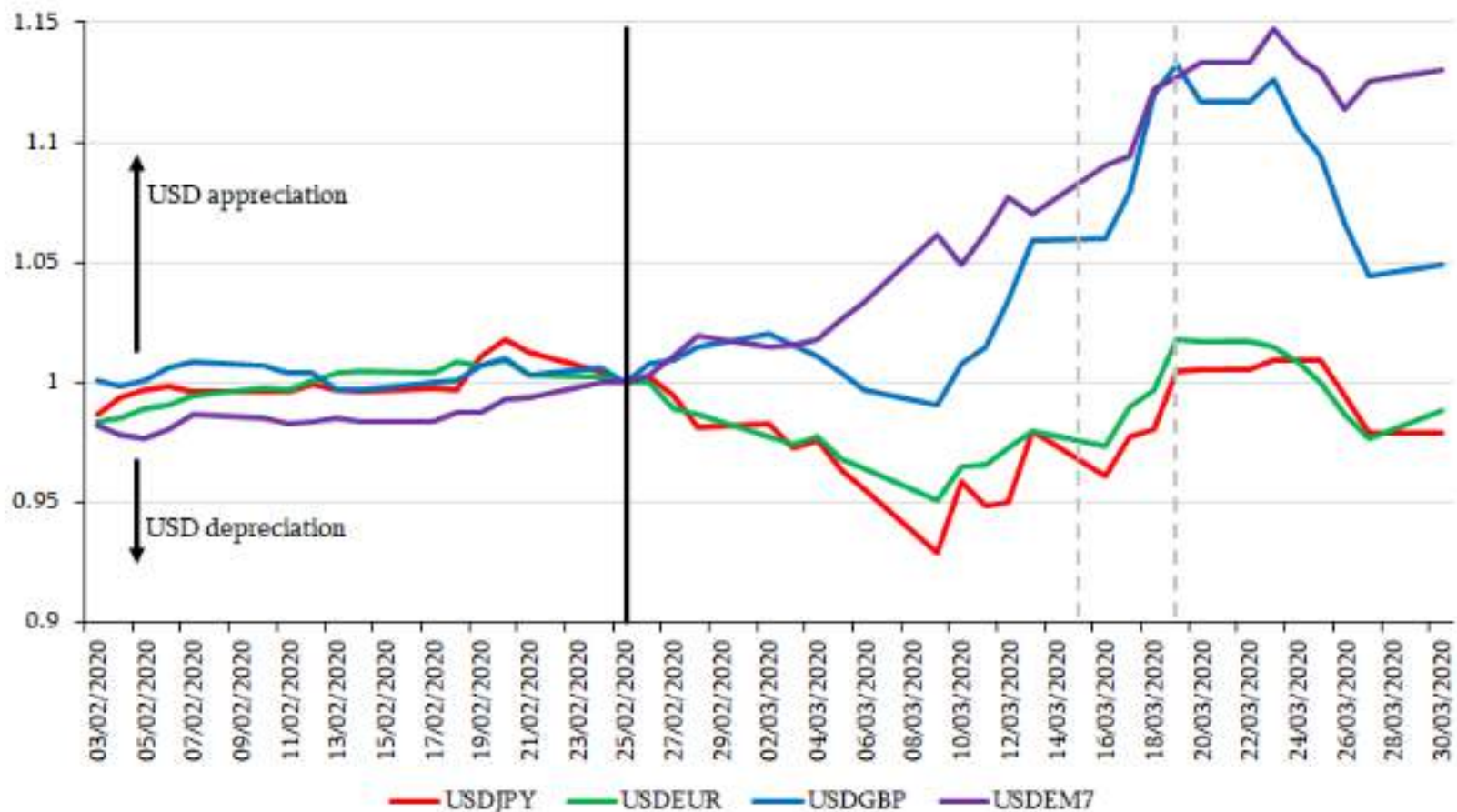
# Outlook for international trade (1)

## Sectors most exposed to the effects of the virus



# Outlook for international trade (2)

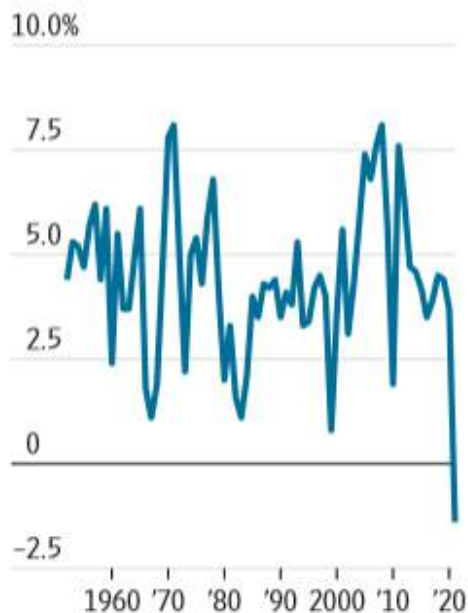
Tough time for Ecuador as the USD appreciates



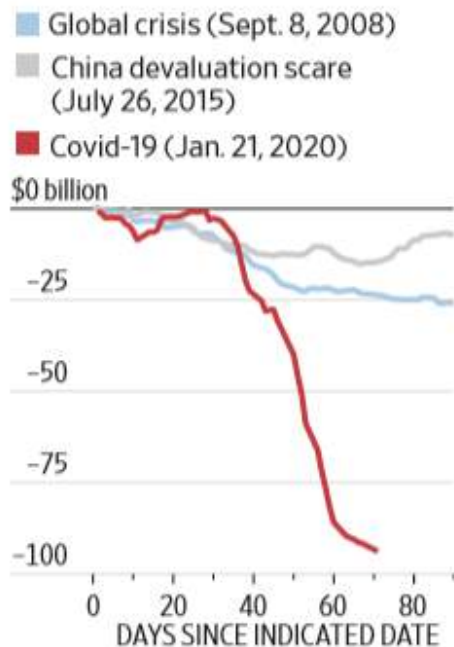
# Outlook for international trade (3)

Financing squeeze on emerging markets, compounded by trade contraction will depress growth

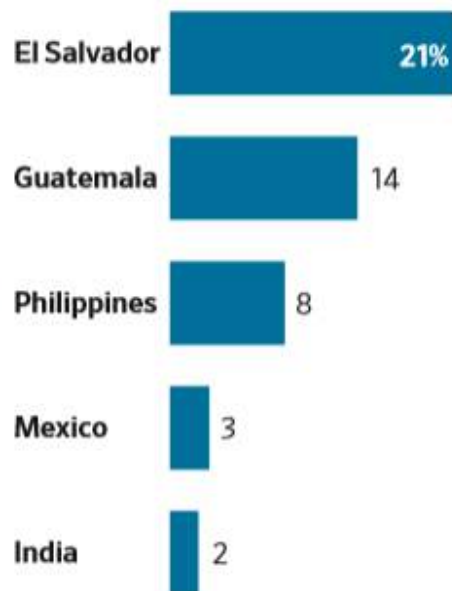
Emerging markets GDP growth



Cumulative nonresident portfolio flows to emerging markets

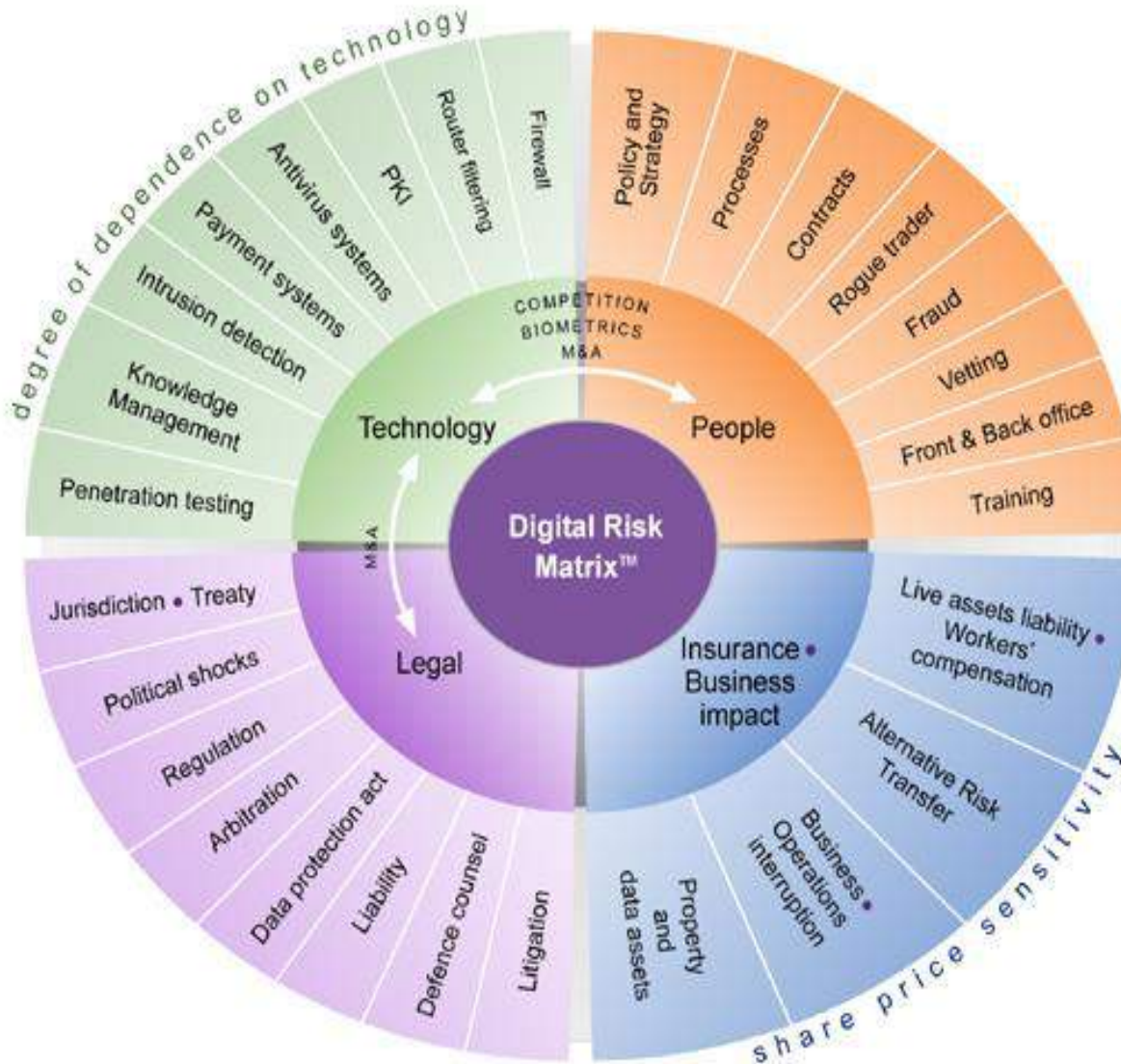


Remittances as percentage of GDP



Sources: Maddison, Refinitiv, Capital Economics (GDP); Institute of International Finance (flows, remittances)

# Types of Business Risks

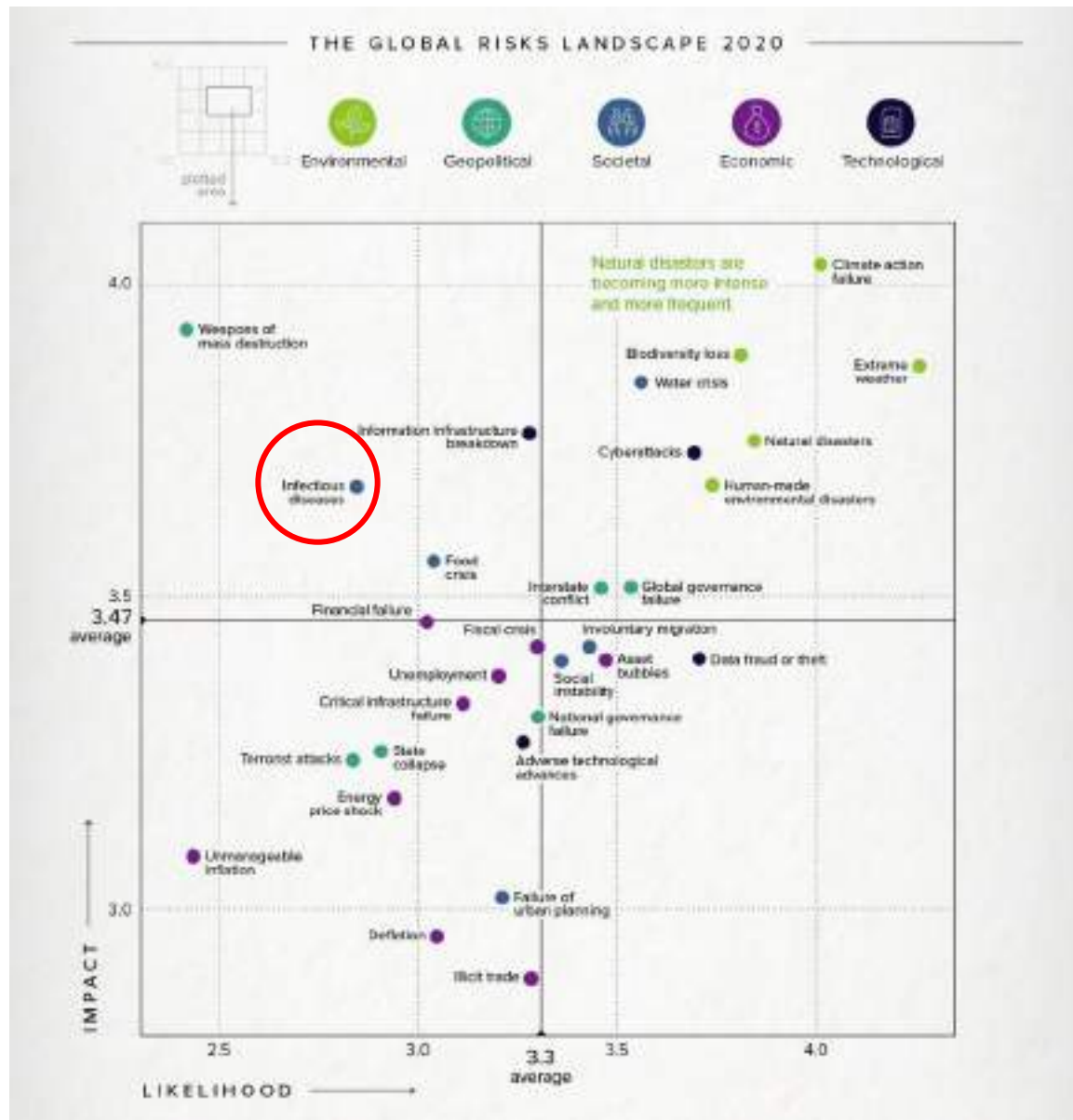




# Risk Management Matrix

Likelihood	Consequences				
	Insignificant <i>Risk is easily mitigated by normal day to day process</i>	Minor <i>Delays up to 10% of Schedule Additional cost up to 10% of Budget</i>	Moderate <i>Delays up to 30% of Schedule Additional cost up to 30% of Budget</i>	Major <i>Delays up to 50% of Schedule Additional cost up to 50% of Budget</i>	Catastrophic <i>Project abandoned</i>
<b>Certain</b> <i>&gt;90% chance</i>	High	High	Extreme	Extreme	Extreme
<b>Likely</b> <i>50% - 90% chance</i>	Moderate	High	High	Extreme	Extreme
<b>Moderate</b> <i>10% - 50% chance</i>	Low	Moderate	High	Extreme	Extreme
<b>Unlikely</b> <i>3% - 10% chance</i>	Low	Low	Moderate	High	Extreme
<b>Rare</b> <i>&lt;3% chance</i>	Low	Low	Moderate	High	High

# Forecasted Risks for 2020



Source: <https://www.visualcapitalist.com/biggest-risks-global-economy-2020-environment/>



# 3. Analysis of exports markets

Photo credit: Vecteezy.com

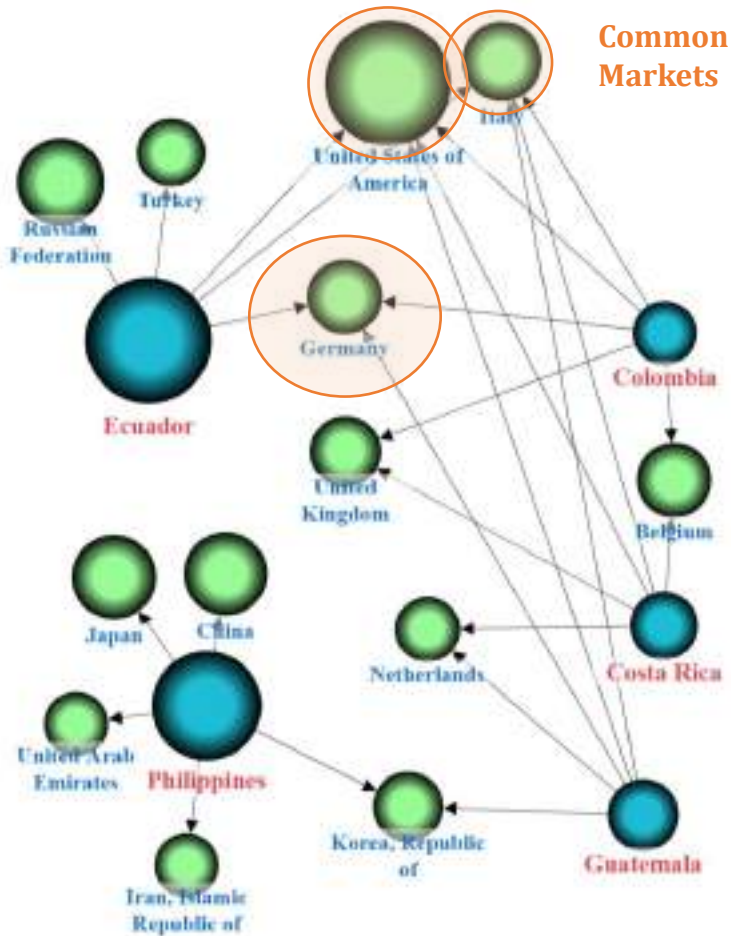
# Transport Impact

The maritime transport industry is suffering majorly from the consequences on the Covid-19 lockdowns. The below table analyses the top 10 export partners of Ecuador in regards to the capacity impact, operations and additional rates imposed.

Export Destinations	Percentage of Export %	Port Capacity	Port and Terminal Operations	Shipping Rates
United States of America	30	Vessel capacity Shortage. Shipments likely to be affected till mid-may	Ports are operating under mostly normal conditions, though productivity is noticeably lower in light of given factors	New Charges. Carriers announced General Rate Increase, Equipment Imbalance/Reposition Charges.
China	13	Available but constrained to Americas and Middle East	Ports are fully operational, and volumes are almost back to normal levels in most ports	Cancellation of the Reefer Equipment Surplus charge by most carrier
Panama	9	Vessel capacity Shortage.	Port operating normally but with lower efficiency due to manpower reduction	New Charges. Carriers announced General Rate Increase, Equipment Imbalance/Reposition Charges.
Chile	7	Vessel capacity no shortages. Container availability is normal - no shortages	Port operating normally but with lower efficiency due to manpower reduction	New Charges. Carriers announced General Rate Increase, Equipment Imbalance/Reposition Charges.
Peru	4	Vessel capacity no shortages. Slight container and equipment shortages	Port operating normally but with lower efficiency due to manpower reduction	New Charges. Carriers announced General Rate Increase, Equipment Imbalance/Reposition Charges.
Russian Federation	4	Vessel capacity no shortages. Acute container and equipment shortages	Port operating normally (100% depots resumed)	Peak Season Surcharges of \$200-\$350 per container. Booking Cancellation fees in the range of \$100-200.
Colombia	4	Vessel capacity no shortages. Container availability is normal - no shortages	Port operating normally but with lower efficiency due to manpower reduction	New Charges. Carriers announced General Rate Increase, Equipment Imbalance/Reposition Charges.
Spain	3	Vessel capacity available for Africa and Americas but constrained fo Asia Pacific and Middle East.	Port operating normally (100% depots resumed) except in Madrid	Peak Season Surcharges of \$200-\$350 per container. Booking Cancellation fees in the range of \$100-200.
Netherlands	3	Constrained fo Asia Pacific and Middle East.	Port operating normally (100% depots resumed)	Peak Season Surcharges of \$200-\$350 per container. Booking Cancellation fees in the range of \$100-200.
Italy	2	Vessel capacity available for Africa,Europe and Middle East but constrained fo Asia Pacific and Americas.	Port operating normally but with lower efficiency due to manpower reduction	Peak Season Surcharges of \$200-\$350 per container. Booking Cancellation fees in the range of \$100-200.
Japan	2	Vessel Capacity - No Shortages	Port operating normally but with lower efficiency due to manpower reduction	Cancellation of the Reefer Equipment Surplus charge by most carrier

# Banana (HS 080390) Competitive Analysis

## Ecuador Top Competitors Markets



● Exporters ● Importers

Size of Bubble size indicates volume of exports or imports

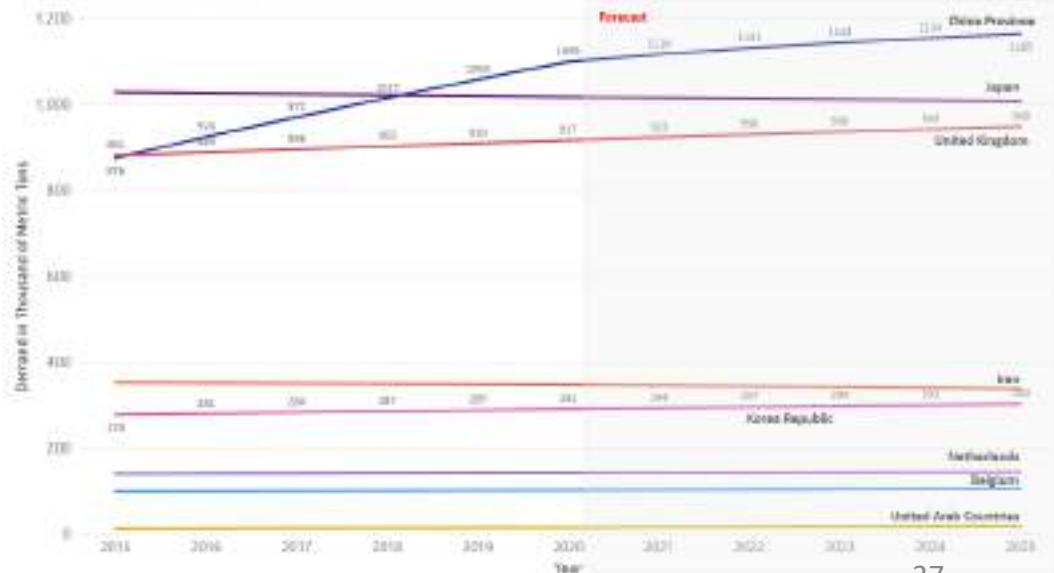
## Analysis

Ecuador is the top exporter of fresh or dried bananas in the world. Its main competitors are Colombia, Costa Rica, Guatemala and Philippines. Ecuador has a high dependency on United States and Russia markets.

There is potential to explore untapped markets in Asia (China, Japan, Republic of Korea, Iran), Europe (United Kingdom, Belgium and Netherlands) and also in the Middle East (UAE). Forecasts predict that China will have high a growth of demand by 2025 as well as the UK and Republic of Korea.

## Demand Forecasts for untapped markets of Ecuador

Banana Demand Forecasts till 2025



# Banana (HS 080390) Competitive Analysis

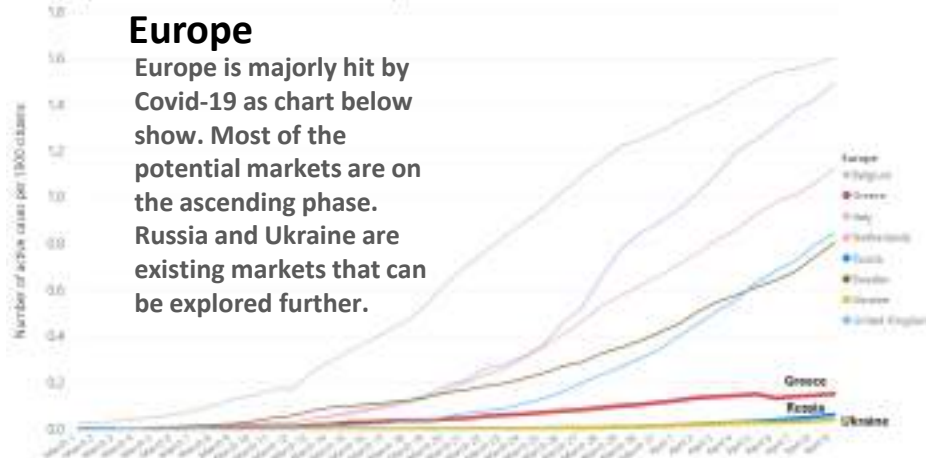
## Top markets to further explore

Rank	Importers	Ecuador exports to country in 2018 (USD)	Share in world imports in 2018 (%)	Annual growth in value of country in 2014-2018 (%)	Forecasted Demand (2018-2025)	Shipping Cost (USD)	Tariff
1	United States of America	●	●	●	●	●	●
2	Russian Federation	●	●	●	●	●	●
3	Saudi	●	●	●	●	●	●
4	United Kingdom	●	●	●	●	●	●
5	Canada	●	●	●	●	●	●
6	Algeria	●	●	●	●	●	●
7	Viet Nam	●	●	●	●	●	●
8	Japan	●	●	●	●	●	●
9	Argentina	●	●	●	●	●	●
10	Poland	●	●	●	●	●	●
11	Ukraine	●	●	●	●	●	●
12	Tanzania, United Republic of	●	●	●	●	●	●
13	China	●	●	●	●	●	●
14	Netherlands	●	●	●	●	●	●
15	Uganda	●	●	●	●	●	●
16	Italy	●	●	●	●	●	●
17	United Kingdom	●	●	●	●	●	●
18	Iran	●	●	●	●	●	●
19	Sweden	●	●	●	●	●	●
20	Germany	●	●	●	●	●	●

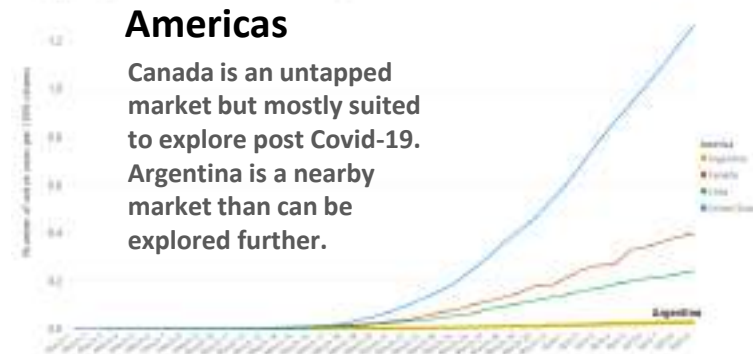
● Top 33% ● 33 - 67% ● Last 33%

Untapped Markets

Europe potential countries - Covid-19 Epidemic Evolution



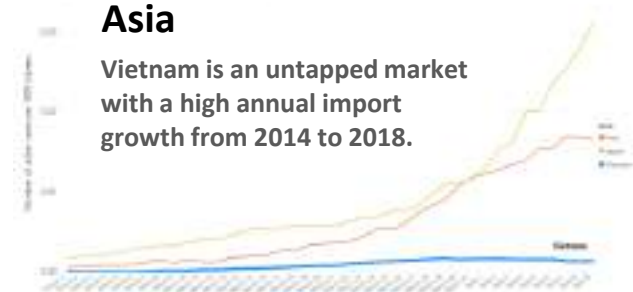
Americas potential countries - Covid-19 Epidemic Evolution



Africa & Middle East's potential countries - Covid-19 Epidemic Evolution

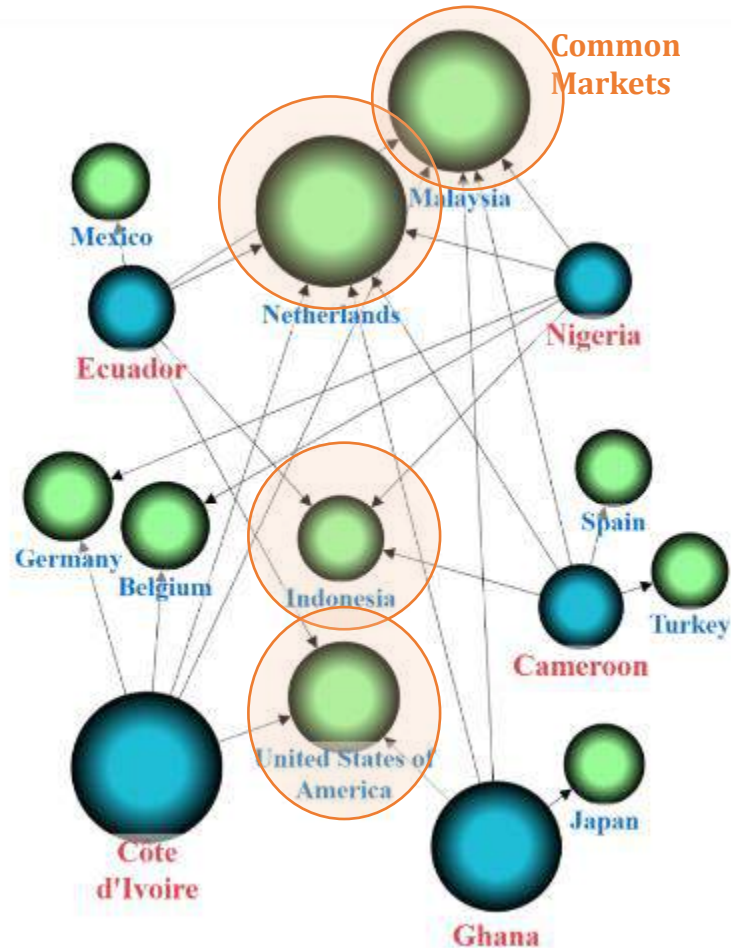


Asian potential countries - Covid-19 Epidemic Evolution



# Cocoa Beans (HS 180100) Competitive Analysis

## Ecuador Top Competitors Markets



● Exporters ● Importers

Size of Bubble size indicates volume of exports or imports

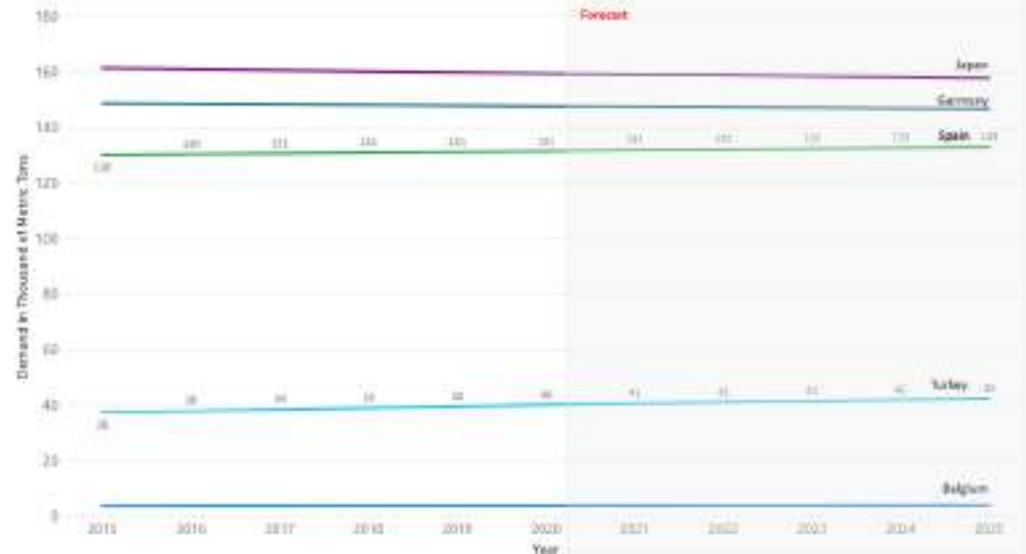
## Analysis

Ecuador is the third biggest exporter of Cocoa beans in the world. Its main competitors are from Africa namely Côte D'Ivoire, Ghana, Cameroon and Nigeria. Ecuador has a high dependency on United States, Netherlands as well as Malaysia markets.

There is potential to explore untapped markets in Asia (Japan) and mainly Europe (Germany, Spain, Belgium and Turkey). Forecasts predict that Spain and Turkey will have a growth of demand by 2025 while Japan and Germany will maintain high demands in the coming 5 years.

## Demand Forecasts for untapped markets of Ecuador

Cocoa Demand Forecasts till 2025



# Cocoa Beans (HS 180100) Competitive Analysis

## Top markets to further explore



International Economics  
Strategic Analysis For Growth & Development

Rank	Importers	Exports to country in 2018 (USD)	Share in world imports in 2018 (%)	Annual growth in value of country in 2014-2018 (%)	Forecasted Growth (2018-2025)	Shipping Cost (USD)	Tariff
1	Malaysia	Green	Green	Yellow	Green	Green	Green
2	Indonesia	Green	Green	Green	Red	Green	Green
3	United States of America	Green	Green	Red	Green	Green	Green
4	Netherlands	Green	Green	Green	Yellow	Green	Green
5	Canada	Green	Yellow	Yellow	Green	Green	Green
6	Mexico	Green	Yellow	Yellow	Green	Green	Green
7	Germany	Green	Green	Green	Red	Green	Green
8	United Kingdom	Yellow	Green	Green	Yellow	Green	Green
9	India	Yellow	Yellow	Green	Green	Green	Green
10	India	Yellow	Yellow	Red	Green	Green	Green
11	Korea, Republic of	Yellow	Red	Yellow	Green	Green	Green
12	France	Yellow	Green	Yellow	Red	Green	Green
13	Belgium	Green	Green	Red	Green	Green	Green
14	Italy	Yellow	Green	Red	Green	Green	Green
15	Spain	Yellow	Green	Red	Green	Green	Green
16	Turkey	Red	Yellow	Yellow	Green	Green	Green
17	Bulgaria	Red	Yellow	Green	Green	Green	Green
18	Kazakhstan	Red	Red	Yellow	Green	Green	Green
19	Russian Federation	Red	Red	Red	Green	Green	Green
20	Saudi	Red	Yellow	Green	Red	Green	Green

● Top 33 % ● 33 - 67 % ● Last 33 %

Tapped Markets

Un-Tapped Markets

## Asia

## Americas

Americas potential countries - Covid-19 Epidemic Evolution

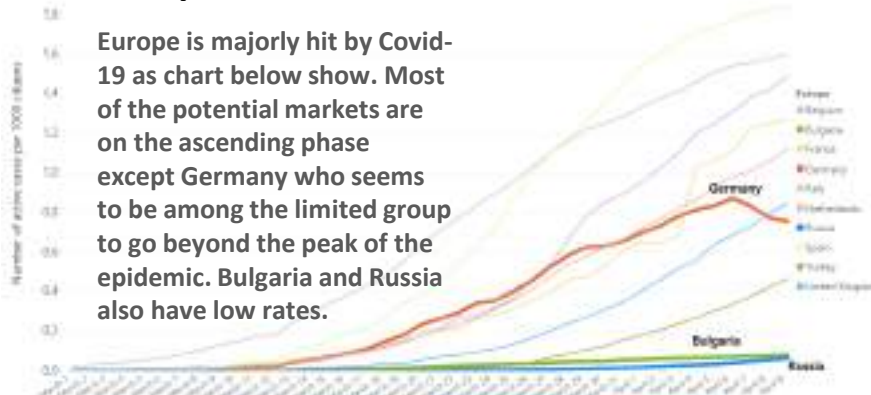


USA, already one big market for Ecuador is the worst hit country in the world by the pandemic. Port operations are reduced and charges are being applied. Brazil is one un-tapped nearby market with growing demand that can be explored.

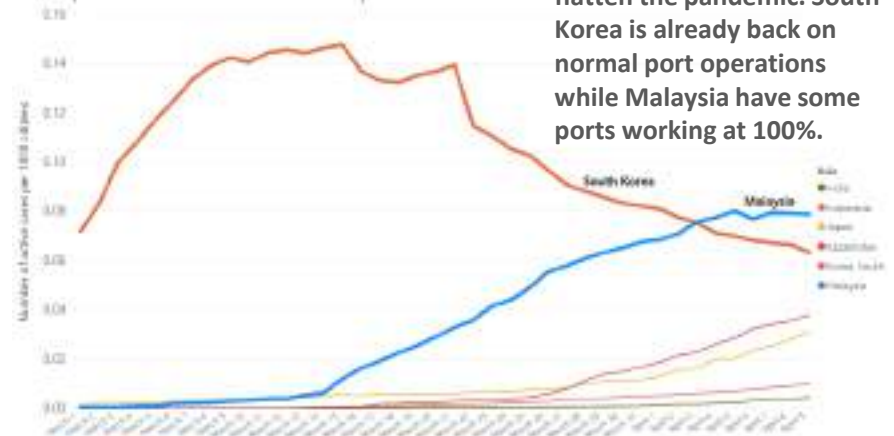
Europe potential countries - Covid-19 Epidemic Evolution

## Europe

Europe is majorly hit by Covid-19 as chart below show. Most of the potential markets are on the ascending phase except Germany who seems to be among the limited group to go beyond the peak of the epidemic. Bulgaria and Russia also have low rates.



Asian potential countries - Covid-19 Epidemic Evolution



After China, South Korea and Malaysia are among the countries managing to flatten the pandemic. South Korea is already back on normal port operations while Malaysia have some ports working at 100%.



# Plantains (HS 080310) Competitive Analysis

## Ecuador Top Competitors Markets

### Analysis

The top 3 competitors of Ecuador in terms of size of exports for Plantains are Dominican Republic, Guatemala and Colombia. The United States, United Kingdom and Netherlands markets remain common (circled in orange) for all of the top competitors including Ecuador. Dominican Republic has a greatest number markets while Guatemala who is 3<sup>rd</sup> behind Ecuador has fewer in common.

There are some markets that are already exploited by the competitors (especially Dominican Republic and Colombia) yet to be exploited by Ecuador. Examples are Portugal and Sweden from Europe and Curacao. El Salvador and Honduras are interesting growing markets that are only being exploited by Guatemala.



● Exportadores ● Importadores

# Plantains (HS 080310) Competitive Analysis

## Top markets to further explore

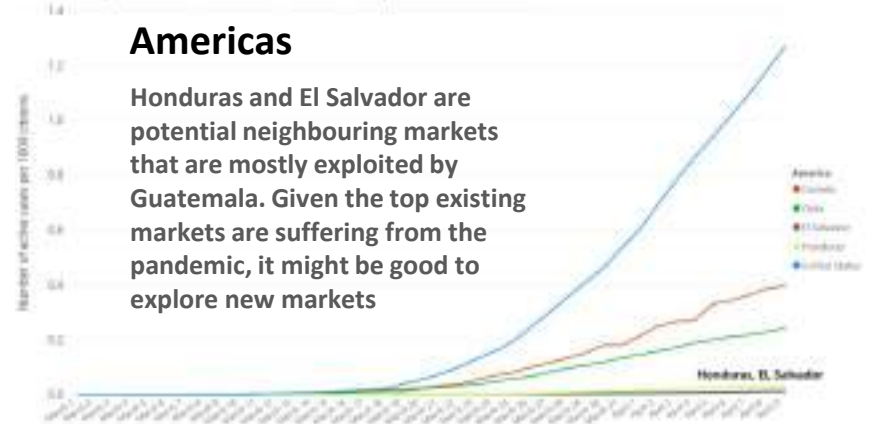
Rank	Importing country	Ecuador exports to country in 2018 (USD)	Share in world imports in 2018 (%)	Annual growth in 2014-2018 (%)	Forecasted growth 2019-2025 (%)	Shipping cost (USD)	Tariff
1	United States of America	●	●	●	●	●	●
2	Netherlands	●	●	●	●	●	●
3	Canada	●	●	●	●	●	●
4	South Africa	●	●	●	●	●	●
5	United Kingdom	●	●	●	●	●	●
6	Germany	●	●	●	●	●	●
7	China	●	●	●	●	●	●
8	France	●	●	●	●	●	●
9	Spain	●	●	●	●	●	●
10	Singapore	●	●	●	●	●	●
11	United Arab Emirates	●	●	●	●	●	●
12	Italy	●	●	●	●	●	●
13	Qatar	●	●	●	●	●	●
14	Germany	●	●	●	●	●	●
15	Bulgaria	●	●	●	●	●	●
16	Honduras	●	●	●	●	●	●
17	El Salvador	●	●	●	●	●	●
18	Senegal	●	●	●	●	●	●
19	Czech Republic	●	●	●	●	●	●
20	Poland	●	●	●	●	●	●

● Top 33 % ● 33 - 67 % ● Last 33 %



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Americas potential countries - Covid-19 Epidemic Evolution

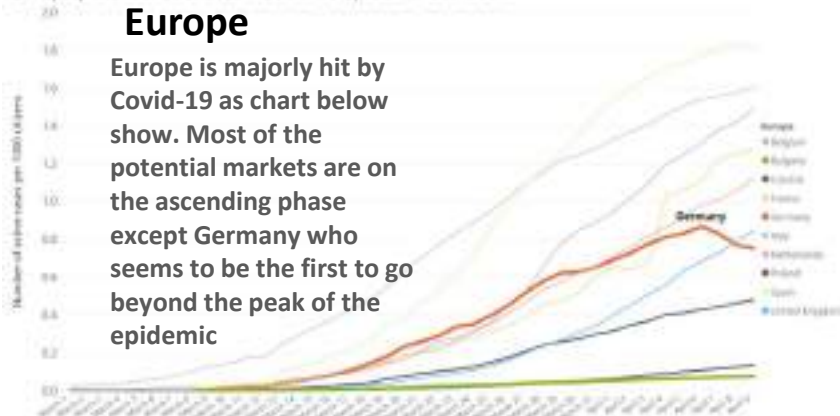


### Americas

Honduras and El Salvador are potential neighbouring markets that are mostly exploited by Guatemala. Given the top existing markets are suffering from the pandemic, it might be good to explore new markets

Un-Tapped Markets

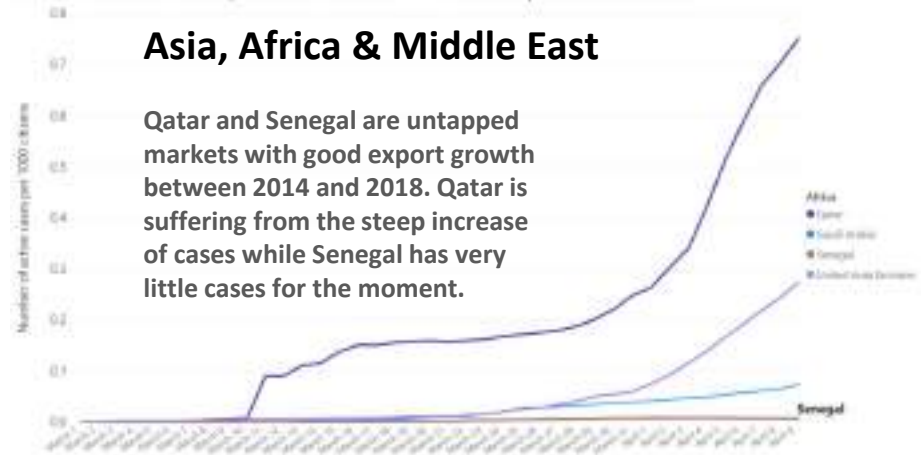
Europe potential countries - Covid-19 Epidemic Evolution



### Europe

Europe is majorly hit by Covid-19 as chart below show. Most of the potential markets are on the ascending phase except Germany who seems to be the first to go beyond the peak of the epidemic

Africa & Middle East's potential countries - Covid-19 Epidemic Evolution



### Asia, Africa & Middle East

Qatar and Senegal are untapped markets with good export growth between 2014 and 2018. Qatar is suffering from the steep increase of cases while Senegal has very little cases for the moment.



## 4. Government reactions matter to soften the impact

# Measures taken by Ecuador's Government

## Government Measures



## Trade Measures

Member/ Observer	Measure	Source/Date	Status
Ecuador	Temporary elimination of import tariffs on face masks (HS 6307.90.30), due to the COVID-19 pandemic	Ministerio de Producción, Comercio Exterior, Inversiones y Pesca (5 March 2020)	Effective 2 March 2020
Ecuador	Temporary export ban on face masks (HS 6307.90.30), due to the COVID-19 pandemic	Ministerio de Producción, Comercio Exterior, Inversiones y Pesca (5 March 2020)	Effective 5 March 2020, for 1 year
Ecuador	Temporary elimination of import tariffs on certain personal protective equipment and pharmaceutical ingredients (in HS Chapters 28; 30; 39; 40; 62; 65; 90), due to the COVID-19 pandemic	Resolución 004-2020 - Comité de Comercio Exterior (22 March 2020). Viewed at: <a href="https://www.produccion.gob.ec/wp-content/uploads/2020/03/Resolución-COMEX-004-2020-.pdf">https://www.produccion.gob.ec/wp-content/uploads/2020/03/Resolución-COMEX-004-2020-.pdf</a>	Effective 22 March 2020

Source: WTO, UNCTAD & IMF, 7 Apr 2020



- **International Trade Policies**
- **Promote regional and multilateral trade agreements / Support trade liberalization**
- **Promote regional integration**
- **Trade facilitation**
- **Strengthen export promotion agencies**

- **Support to MSMEs**
- **Food security policies**
- **Fight against corruption in public procurement procedures**
- **Trade defense mechanisms**
- **Promote the use of digital documents**
- **Promotion of training in International Trade Law and Policy**
- **Investment facilities**

# Lessons

## Meet immediate needs of vulnerable populations: Issues on trade and tax policies

### Adjustments to trade and tax policies



Encourage better functioning food markets through improved regional political and economic integration and better functioning for trade in food



Immediately review trade and taxation policy options and their likely impacts



Avoid generalized subsidies for food consumers



Reduce restrictions on use of stocks



Improve efficiency of trade facilitation



Use limited strategic grain reserves



Minimize use of export restrictions



Reduce import tariffs and other restrictions



Temporarily reduce VAT and other taxes

Source: FAO. Coronavirus Food Supply Chain Under Strain What to do? 24 March 2020.



# 5. What should businesses do?

Photo credit: Vecteezy.com



**There is the possibility of a quick recovery - the so-called "V" recovery**



Photo credit: Directorio general de carga internacional (DGCI)

- **Market intelligence**
- **Building resilience**
- **Cooperation agreements**
- **Observe changes in consumer behaviour**
- **Digitalization and E-commerce**

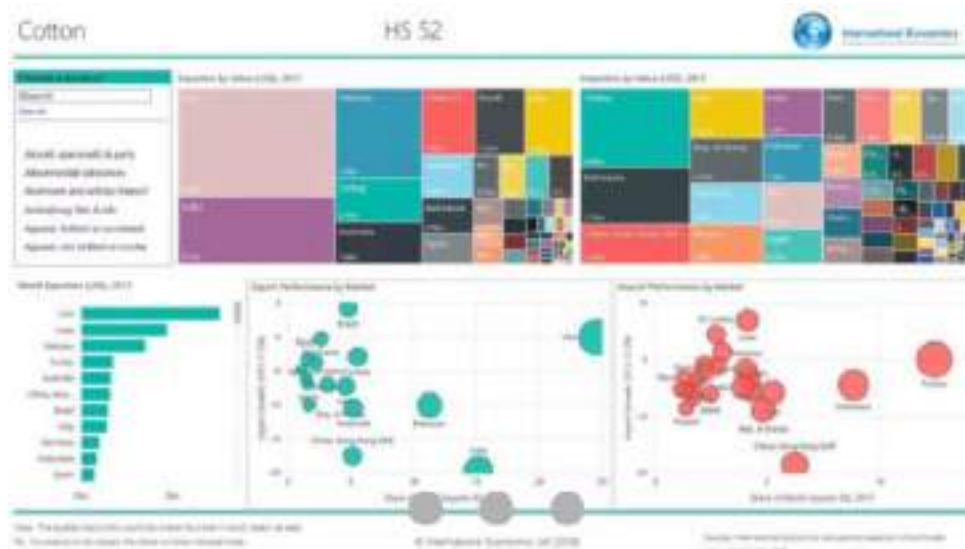
# Market Intelligence

- Leverage market insights and external data bases to support decision making
- Conduct business-specific scenario planning and corresponding action plan
- Maintain close communication with business partners to update on changes and develop contingency plans



# Building Resilience

- Identify alternative sources of input supplies
- Estimate available inventory and demand to optimize production and distribution capacity
- Identify and secure logistics capacity



Source: International Economics

# Cooperation agreements



Cooperation among competitors (actual or potential)

- Research and Development Agreements
- Joint Purchasing
- Commercialisation Agreements

# Cooperation agreements

Agreement	Benefits
Research and Development Agreements	<ul style="list-style-type: none"><li>- New products or processes</li><li>- Less cost and time</li></ul>
Joint Purchasing	<ul style="list-style-type: none"><li>-Efficiency gains, lower prices, reduced transaction, transportation and storage cost, and innovation on the part of suppliers</li><li>-Economies of scale</li><li>-Beneficial for consumers in certain circumstances</li></ul>
Commercialisation Agreements	<ul style="list-style-type: none"><li>-Selling, distribution and promotion of their products</li><li>-Allow to enter a market</li><li>-Significant efficiencies</li><li>-Beneficial for consumers in certain circumstances</li></ul>

# Consumer Behaviour

## NIELSEN SIX CONSUMER BEHAVIOR THRESHOLDS OF COVID-19 CONCERN

#1 PROACTIVE HEALTH-MINDED BUYING	#2 REACTIVE HEALTH MANAGEMENT	#3 PANTRY PREPARATION
<b>CONSUMER BEHAVIOR SHIFTS</b>		
Interest rises in products that support overall maintenance of health and wellness.	Prioritize products essential to virus containment, health and public safety. E.g. face masks	Pantry stocking of shelf-stable foods and a broader assortment of health-safety products; spike in store visits; growing basket sizes.
<b>COMMON COVID-19 EVENT MARKERS</b>		
Minimal localized cases of COVID-19 generally linked to an arrival from another infected country.	Government launches health and safety campaign. Local transmission and / or first COVID-19 related deaths.	Small quarantines begin; borders close more broadly. Often represented by accelerating cases of COVID-19, but not necessarily by deaths.
#4 QUARANTINED LIVING PREPARATION	#5 RESTRICTED LIVING	#6 LIVING A NEW NORMAL
<b>CONSUMER BEHAVIOR SHIFTS</b>		
Increased online shopping, a decline in store visits, rising out-of-stocks, strains on the supply chain.	Severely restricted shopping trips, online fulfillment is limited, price concerns rise as limited stock availability impacts pricing in some cases.	People return to daily routines (work, school, etc.) but operate with a renewed cautiousness about health. Permanent shifts in supply chain, the use of e-commerce and hygiene practices.
<b>COMMON COVID-19 EVENT MARKERS</b>		
Localized COVID-19 emergency actions. Restrictions against large gatherings; schools and public places close down. Percentage of people diagnosed continues to increase.	Mass cases of COVID-19. Communities ordered into lockdown. Restaurant closures, restrictions on small gatherings.	COVID-19 quarantines lift beyond region/country's most-affected hotspots and life starts to return to normal.



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## PEAK PANTRY LOADING AMONG AMERICANS AS COVID-19 CONCERNS RISE

U.S. sales % growth vs. year-ago

Category	2020 (vs. 2019) (Week Ending Dec. 28, 2020)	2020 (vs. 2019) (Week Ending Feb. 7, 2020)	2020 (vs. 2019) (Week Ending Feb. 23, 2020)
Food & Beverage	+11.8%	-0.8%	+45.0%
Meat	+3.9%	-4.4%	+50.0%
Chicken	+13.8%	-0.7%	+41.8%
Seafood	+0.7%	+3.8%	+20.8%
Pork	+0.1%	-1.0%	+25.3%
Turkey	+2.0%	-3.3%	+24.9%
Beef	+0.2%	-0.1%	+20.2%
Breakfast	+8.2%	-7.2%	+10.0%
Dairy	+7.0%	+1.4%	+11.8%
Alcohol	+8.9%	-0.9%	+10.7%

Source: Nielsen Retail Information Services, Total U.S. All-Outside Consumer (AOC) - Week periods vs. year-ago



Source: NIELSEN. Key consumer behavior thresholds identified as the coronavirus outbreak evolves 10 April 2020.

# Consumer Behavior



## GETTING AHEAD OF PANICKED PURCHASING

#4 QUARANTINED LIVING PREPARATION	#5 RESTRICTED LIVING	#6 LIVING A NEW NORMAL
<b>PREDICTION</b>		
Online shopping infrastructure will be put to the test.	Supply chain challenges will drive consumers to be less price sensitive on high demand packaged goods or those that guarantee hygiene standards.	Crisis-buying patterns during the outbreak will speed adoption of new, permanent behavior change.
<b>EARLY INDICATORS</b>		
In Italy, consumers grew heavily reliant on online shopping and fulfillment (while significantly reducing in-store visits) to meet their health and household needs. This will challenge areas where fulfillment infrastructure cannot keep up with demand.	China experienced severely restricted shopping trips and online fulfillment challenges at this stage. And, price hikes on in-demand products will occur in some countries, but not all. We expect these factors will drive increased basket sizes in other markets and in some cases, influence consumer willingness to spend more on hygiene needs and healthful food products.	New health and safety labeling may be critical in winning over cautious consumers, based on changes made in China, particularly in home delivery products. Older generations are turning to online shopping to meet more of their household needs.

Source: NIELSEN. Key consumer behavior thresholds identified as the coronavirus outbreak evolves 10 April 2020.

# Digitalization & E-Commerce



- Digitized supply chain and operation to strengthen capabilities in anticipating risk, achieving greater visibility and coordination across the chain
- Use of digital documents
- Exploring new channels: online & direct-to-customers
- For retails sector: delivery matter!







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