

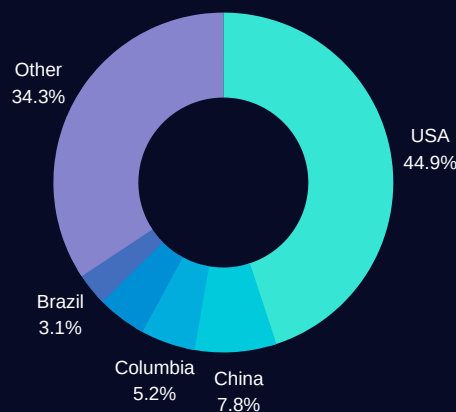
# TRADE IN 3 COVID-19 SPECIAL EDITION

## Response to Crisis

Exploring the  
Challenges and  
Opportunities

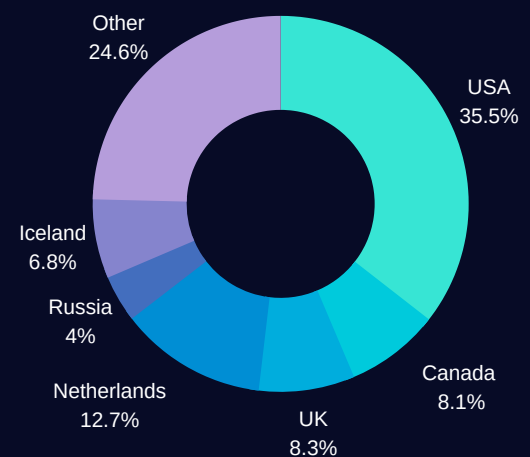
## Analysis of Import & Export Data

Imports by Principal Trading  
Partners (Value) 2019



Source: STATIN Jamaica

Exports by Principal Trading Partners  
(Value) 2019



Source: STATIN Jamaica

## ANALYSIS

- High dependence on a few markets for both imports & exports;
- Three (3) countries - USA, China and Columbia account for more than 56% of imports;
- Over 40% of the country's exports are destined for one market, namely the USA
- Increased vulnerability as supply chains are disrupted;
- Major Import Products (Value) - Soybean oil, corn for use in the manufacturing of animal feed, refined sugar and frozen (chicken) backs ;
- Major Import Products (Volume) - Corn, flour, refined sugar, rice.

# COVID-19 Impact on International Trade in Numbers

Since February/March 2020, practically all countries of the world have been dealing with unprecedented challenges posed by the rapid spread of the coronavirus, globally.

While there are signs of economic recovery, with some countries lifting lockdown restrictions, it is estimated that more than a third of the world's population is still under some form of lockdown (approx. 3 billion people).

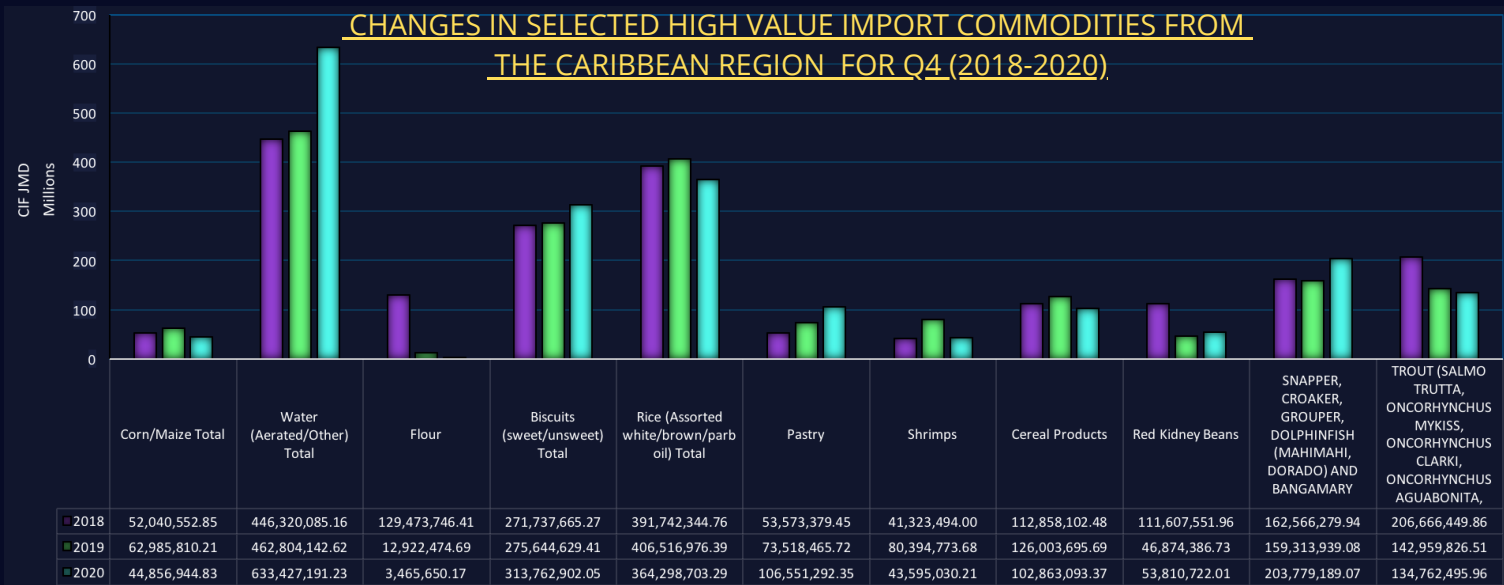
Research conducted by UNCTAD suggests a 30% to 40% cut on global FDI due to the COVID-19, much more than what had been initially estimated (ranging from 5%-15% suppression, March 8th).

Air Cargo, which accounts for approximately 35% of world trade (in value), and which is critical for movement of time-sensitive products, has been severely impacted by a 41% decline in air traffic. This was which was observed in the last two weeks of March 2020, when compared to March 2019.

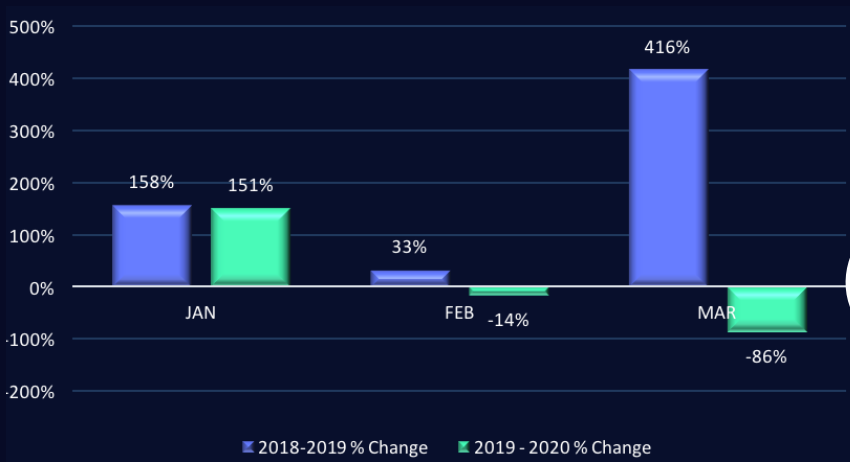
Shipping, which accounts for 80% of global trade, was one of the first industries hit, as 7 of the 9 top container-ports in the world are in China, the country first hit by the virus.

The impact of the aforementioned issues, added to the imposition of export restrictions on some goods from partner countries raises some tough questions on the strength and reliability of existing supply chains and trade security in the context of a global crisis.

In Small Island Developing States (SIDS) such as Jamaica, the disruptions caused by the pandemic may be more long-lasting, as it is expected that even when developed countries re-open their borders, it will take some time for SIDS to find back their footing. Like many other SIDS, in the case of Jamaica there are many other factors at play.



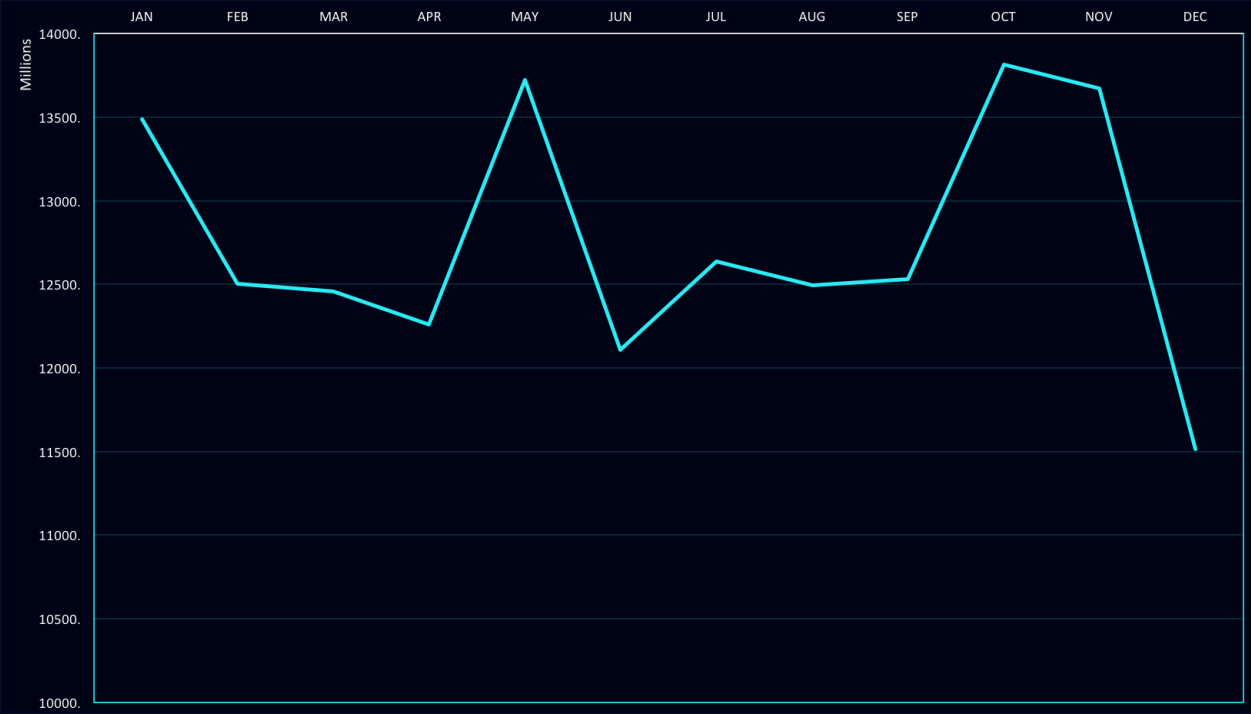
## PERCENTAGE CHANGE IN IMPORT VALUE FOR GOODS FROM CHINA IN Q1 (2018-2019)



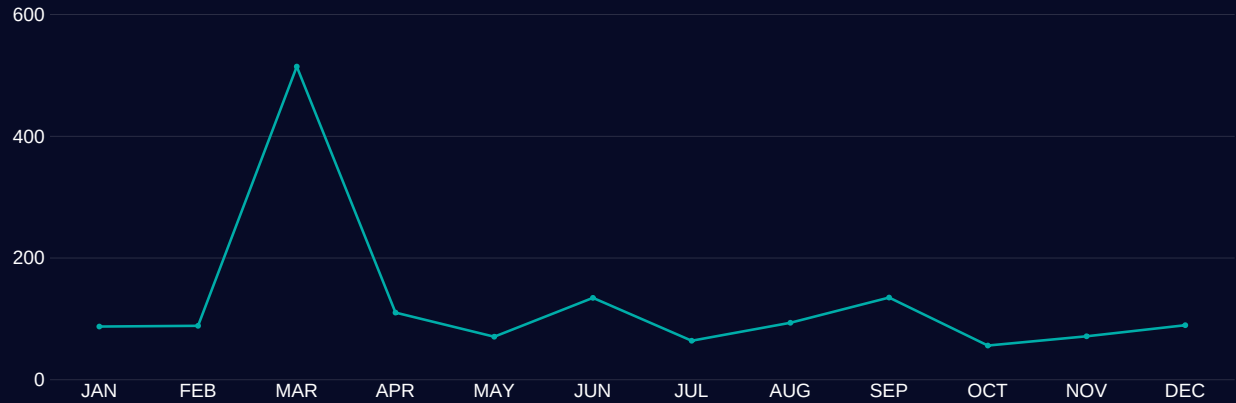
SOURCE: JAMAICA CUSTOMS AGENCY CURRENT TO MARCH 23,2020

As countries continue to look inwards and implement export restrictions, the effects can get progressively worse in the coming months.

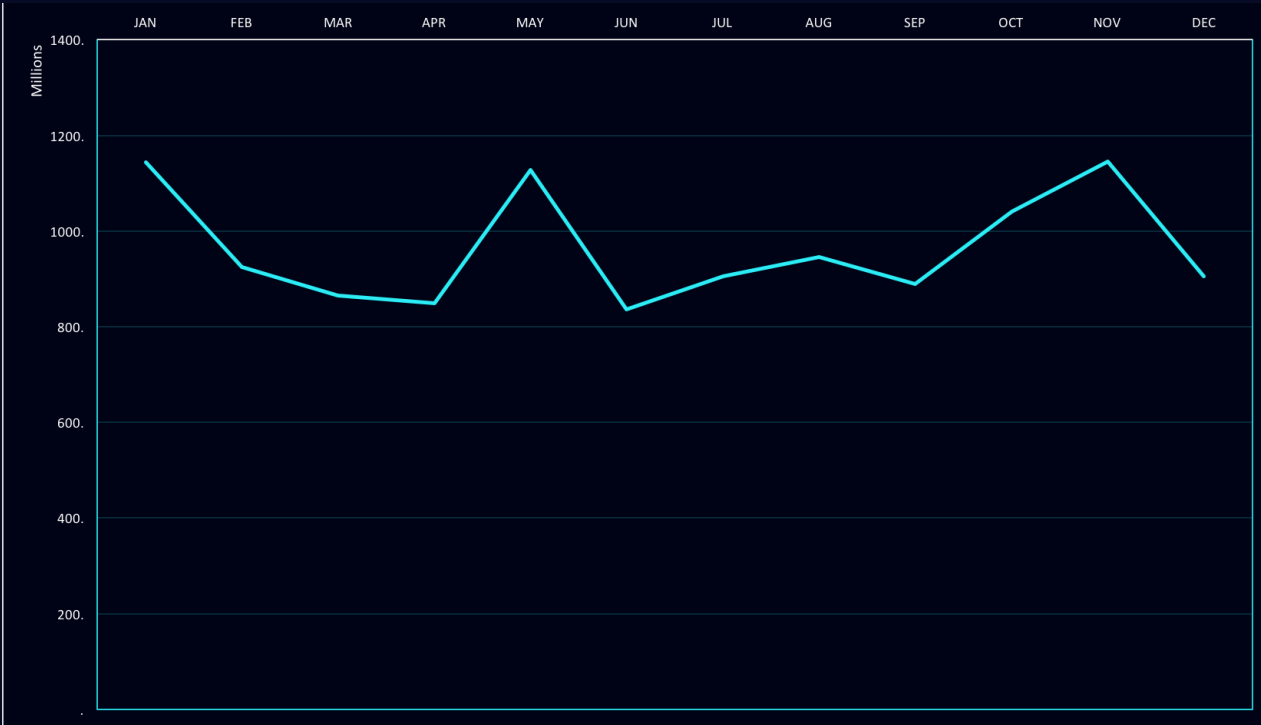
JAMAICA'S PATTERN OF FOOD IMPORTS FROM TRADING PARTNERS (2019).JMD MILLION



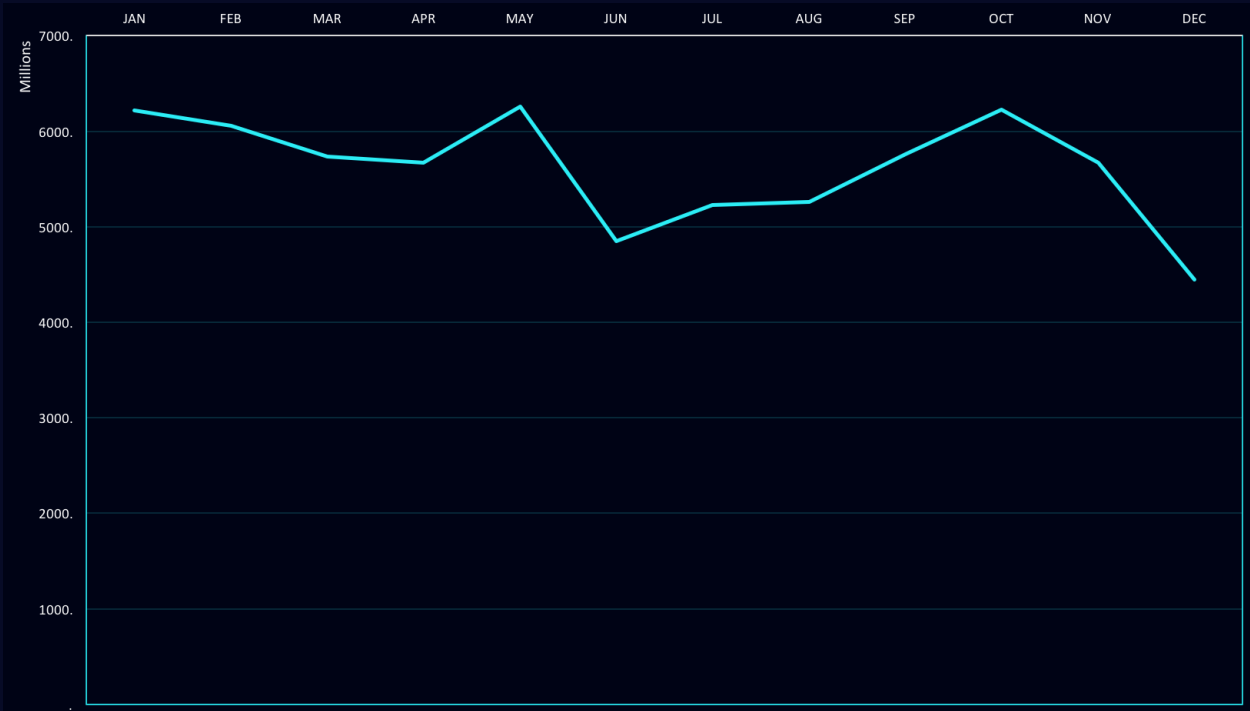
JAMAICA'S PATTERN OF FOOD IMPORTS FROM CHINA (2019).JMD MILLION



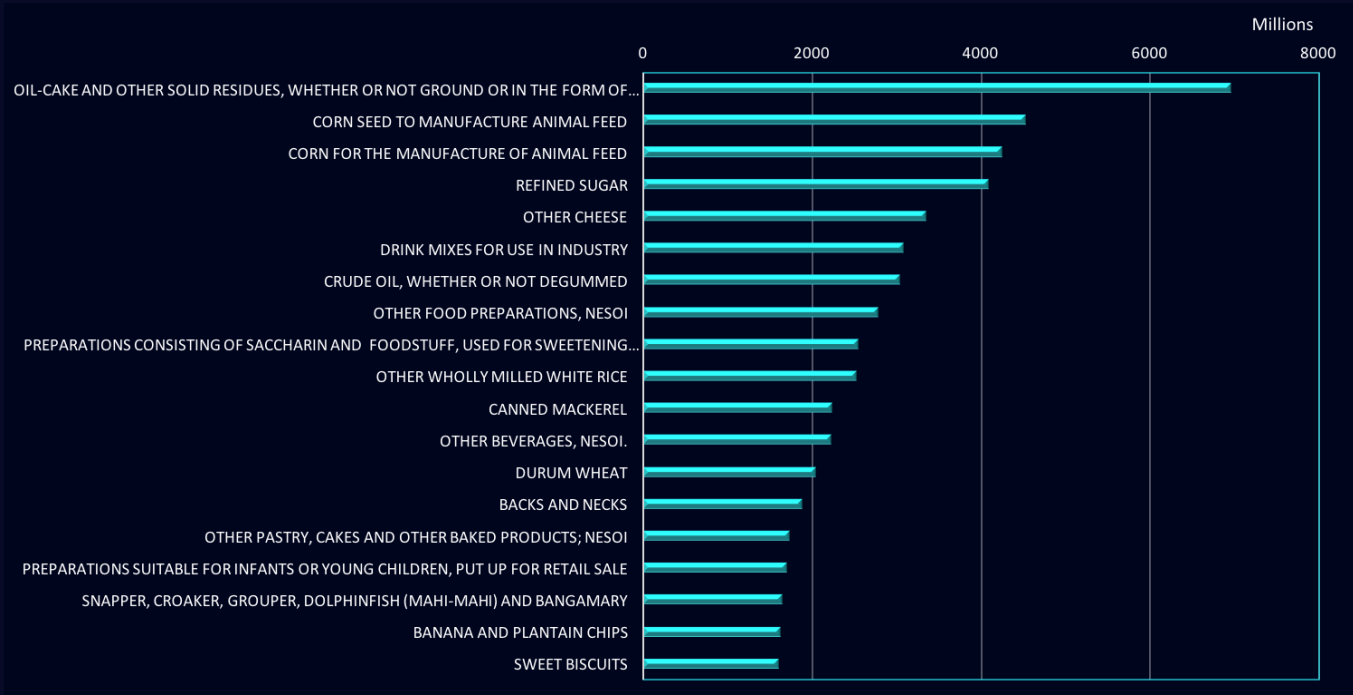
JAMAICA's IMPORT TRENDS FOR FOOD IMPORTS FROM TRINIDAD AND TOBAGO (2019).



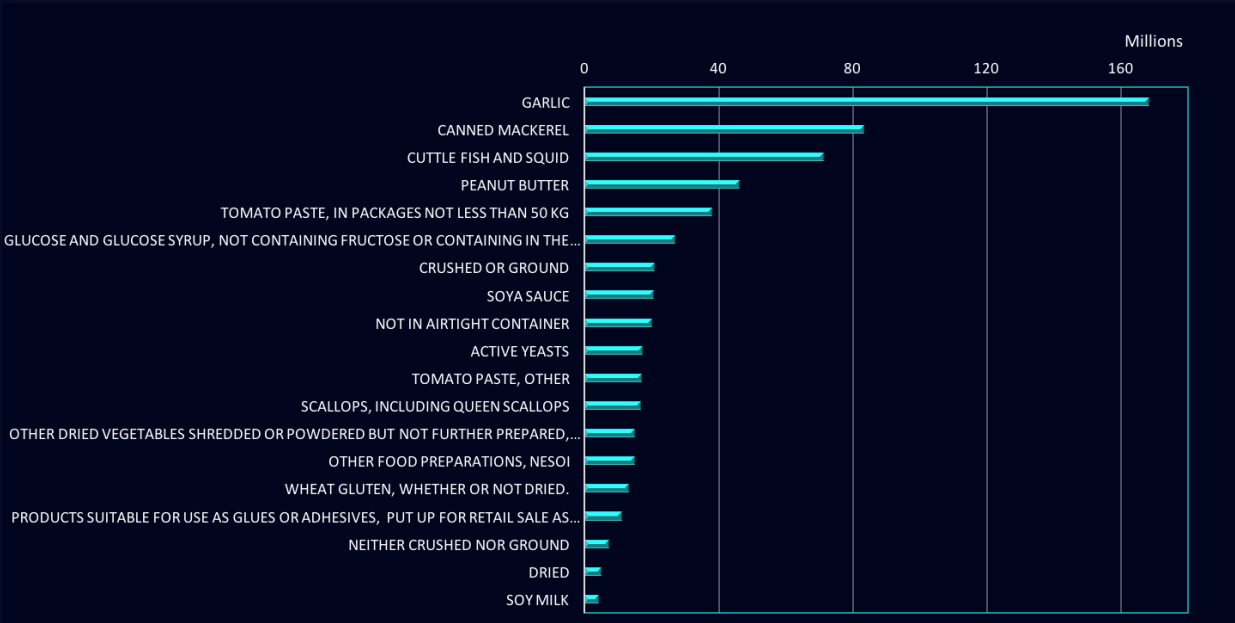
# JAMAICA's IMPORT TRENDS FOR FOOD IMPORTS FROM THE UNITED STATES (2019)



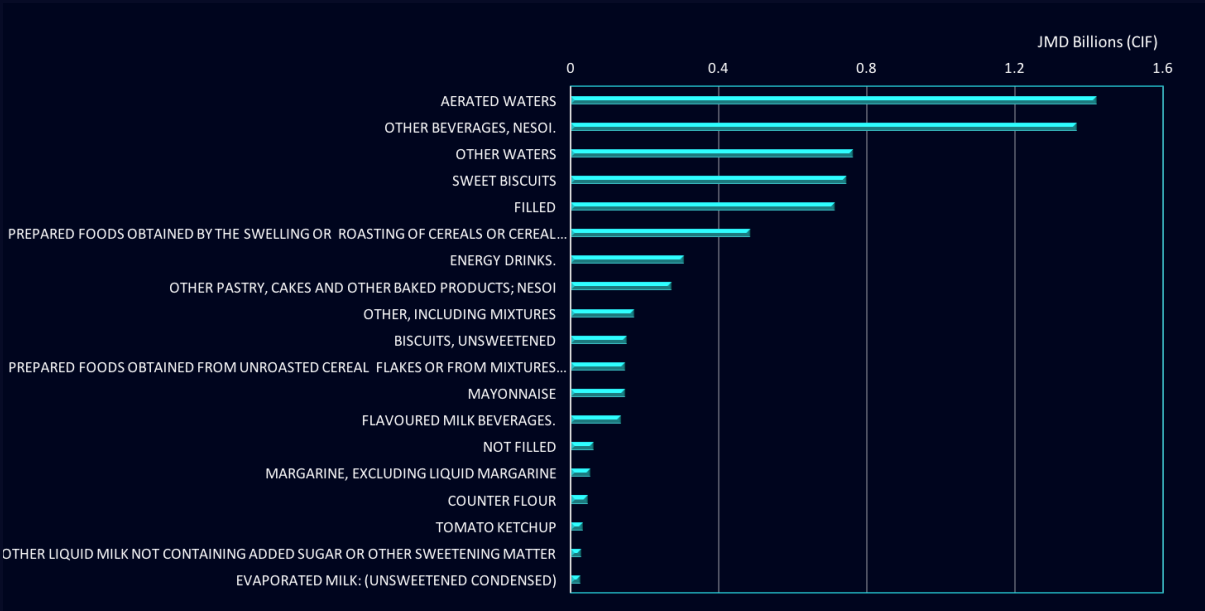
# JAMAICA'S TOP 20 FOOD IMPORTS FOR (2019)



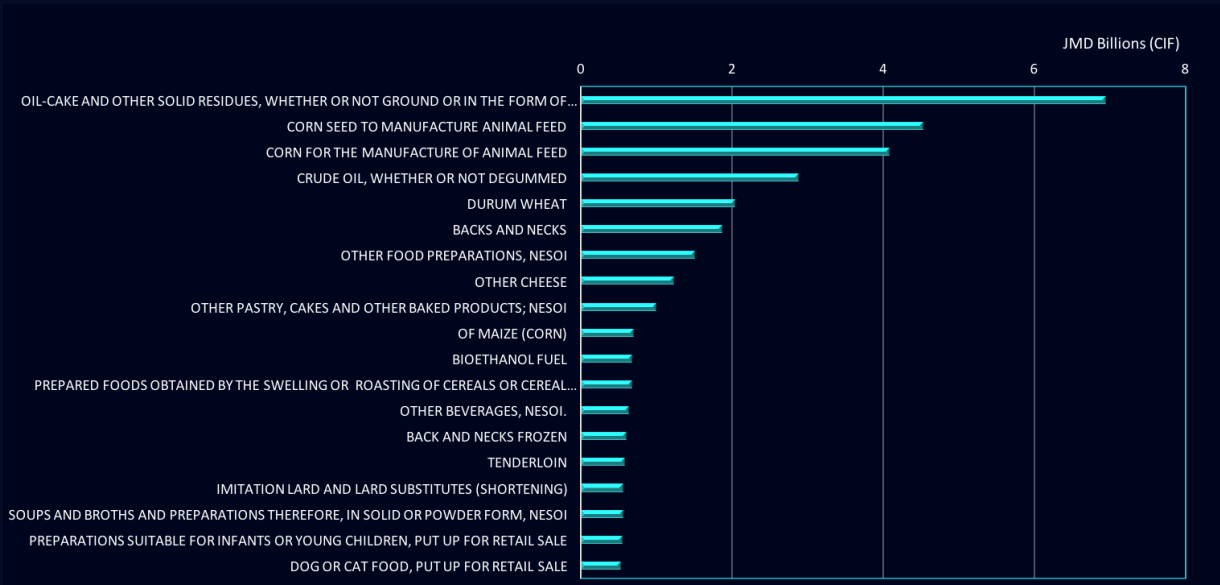
TOP 20 FOOD IMPORTS FROM CHINA (2019)



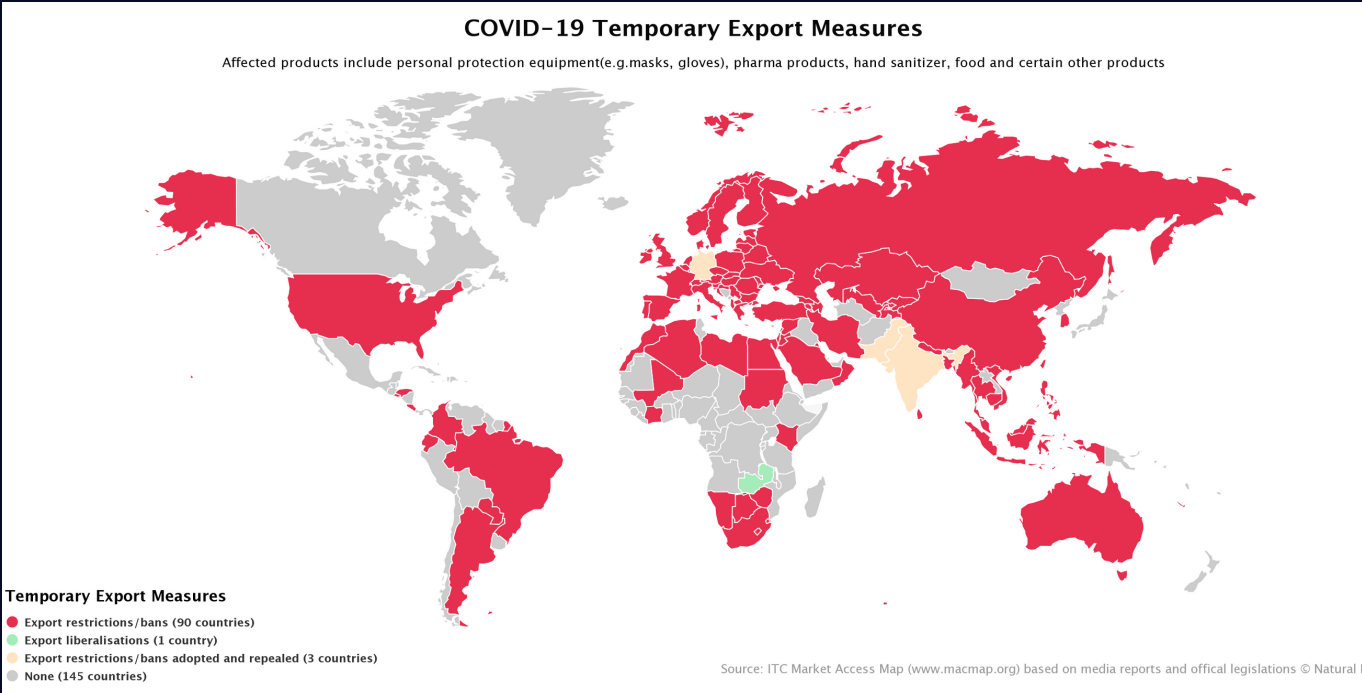
MAJOR IMPORTED FOOD COMMODITIES FROM TRINIDAD AND TOBAGO (2019)



TOP 20 FOOD IMPORTS FROM THE UNITED STATES OF AMERICA (2019)



# Securing Food for the Future : Opportunities for Local Producers



As at April 27, 2020, 90 countries have enacted trade restricting measures, including some of Jamaica's major trading partners, notably the US, UK and China. While these restrictions are limited to PPEs in majority of the cases, some countries have already started to place these restrictions on food products. Vietnam, the largest exporter of rice, has implemented an export quota on this commodity. Countries like the UK have also placed restrictions on the export of more that 80 'vital drugs'.

These moves by national governments are indicative of pending volatilities in trade that could have an adverse impact on import dependent countries, such as Jamaica. More importantly, with these the inward-looking actions being taken globally, it behooves countries like Jamaica to apply a two-track strategy which should include:

1. Diversifying production to lessen vulnerability in times of shortages
2. Strengthening trading relationships with traditional and non-traditional partners to ensure that our eggs are not in one basket.

## Select Export Bans Implemented (as at April 27, 2020)

Country	Product Restricted	Type of Measure	Active/Inactive
United Kingdom	Personal Protective Equipment, Medicines & Drugs	Export Prohibition & Licensing/Permit to Export	Active
United States	Personal Protective Equipment & Respirators	Export Prohibition	Active
Russian Federation	Medical Supplies & Masks wheat, rye, barley & maize	Export Prohibition & export quota	Active
Viet Nam	Rice & Masks	Export Prohibition	Active
Colombia	Personal Protective Equipment	Export Prohibition	Active
France	Hydroxychloroquine Medicaments	Export Prohibition	Active
India	Medical Supplies, Personal Protective Equipment & Raw materials for Mask Production	Export Prohibition	Active
South Africa	Face Mask & Hand Sanitizers	Licensing/Permit to Export	Active
European Union	Personal Protective Equipment, Medical Supplies	Licensing or permit requirements to Export	Active

# The Silver Lining

While some countries enact trade restrictions to secure their own food security, others have opened their borders for the very same reasons. It is in these cases that opportunities are presented for Jamaica to showcase its supply capabilities.

The table below details some of the trade liberalizing measures being taken by some of Jamaica's trading partners. While based on the country's existing trade agreements, most of these goods would have already qualified for duty free treatment. It should be noted that these actions on the part of national governments not only indicate a demand for these products, but also present opportunities for Jamaican manufacutureres.

Country	Measure	Product(s)	Details
United Kingdom	Tariff reduction	medical devices or equipment	No import duty and VAT on protective equipment, relevant medical devices or equipment brought into the UK from non-EU countries during the coronavirus (COVID-19) outbreak.
Saint Vincent and the Grenadines	Tariff reduction	personal protective equipment, pharmaceutical products	Cabinet granted approval for 100% waiver of import duty and VAT on a number of products during the Covid-19 pandemic.
Saint Kitts and Nevis	Tariff reduction	vegetables, fruits, juices, pharmaceuticals, personal protective equipment	Temporary import tariff reduction/elimination on certain products.
Colombia	Tariff reduction	medical supply products	Elimination of customs tariffs on medical, hygiene and disinfectant products.
		medical supply products, refer to official document	Certain medical goods are exempted from VAT.
Dominican Republic	Tariff reduction	ethyl alcohol	Temporary exemption of VAT on imports of ethyl alcohol.
		masks, gloves, respirators	Import tariffs on certain medical and hospital products were reduced/set to zero.
Panama	Tariff reduction	medicines, medical supply	Imports of medicines and supplies necessary to face the epidemic are exempt from tariffs.



Analysis of the country's trade data shows that soybean oil, corn for use in the manufacturing of animal feed, refined sugar, and frozen backs and necks of fowls make up some of the country's main food import products, when analysed on the basis of import value. When the data is analysed by volume, even more opportunities to build local capacity become apparent. The data shows relatively high import volumes of grains, wheat, onions, potatoes, flour and rice.

In each case, there is clear evidence that the good can be produced locally, or a viable substitute can be identified within Jamaican borders. The current campaign being spear-headed by the Honourable Floyd Green, Minister of State in the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAFA), summarize the appropriate action to be taken - **SAY YES TO FRESH!**

Importantly, the manufacturing and agricultural sectors have indicated that they have 6 weeks and 3 months supply respectively, and have assured that production will continue and will be ramped up as required. We are encouraged by this show of tenacity by our local producers in this time of uncertainty.



# Trade Strategy - Post COVID-19

While COVID-19 continues to spread across the globe, Jamaican investors need a solid strategy to diversify post COVID-19.

Acknowledging the aforementioned constraints, the Trade Unit is proposing a Trade Strategy to be pursued by the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF). The Trade Strategy will provide a framework with a menu of trade related initiatives that MICAF utilize to advance and diversify exports. The key elements of the Strategy are as follows:

- Safeguard measures for sensitive sectors
- Product diversification
- Market diversification
- Production integration (CARICOM)
- Digitization (SMART Agriculture and SMART Fisheries)
- Export capacity building
- Development of the Service Sector
- Trade facilitation

## Special Look on Services

Services trade may be the component of world trade most directly affected by COVID-19 through the imposition of transport and travel restrictions and the closure of many retail and hospitality establishments. Unlike goods, there are no inventories of services to be stored and restocked at a later stage. As a result, declines in services trade during the pandemic may be lost forever.

Locally, in 2019, services accounted for more than 70 percent of GDP. Agriculture and manufacturing combined contributed to only about 15% of GDP. This makes the country vulnerable to global crises, such as the current pandemic, and other natural disasters. For example, due to the COVID-19 crisis, the tourism sector, Jamaica's second-largest earner of foreign exchange, is expected to hemorrhage approximately US\$4.2 billion.

### Where are the Opportunities?

Despite the negative impact of COVID-19 on the country's main service sector, opportunities abound in others; these include:

- Health and Wellness (estimated at US\$4.2 trillion);
- Medical Tourism (estimated at US\$ 50 billion);
- Creative Industries (estimated at US \$600 billion);
- ICT Services (estimated at US\$11.4 trillion), and;
- Professional Services (estimated at US\$1.4 trillion).

Do you have questions, comments or would like to make a contribution?

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