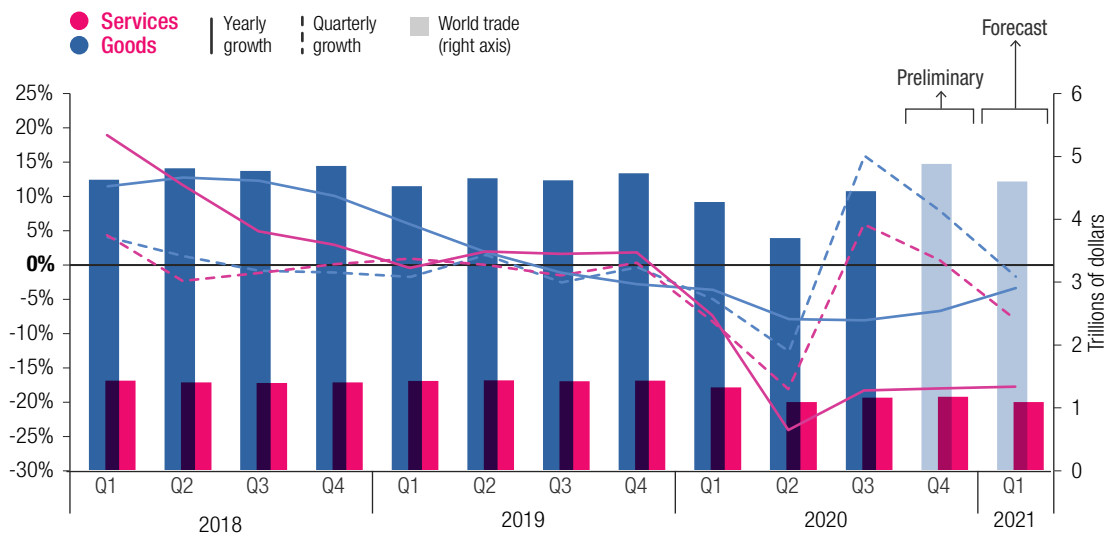


Trade and investment under COVID-19

Trade begins uneven recovery from the pandemic

The COVID-19 pandemic was responsible for a decline of about 9 per cent in international trade in 2020, with trade in goods declining by about 6 per cent and trade in services decreasing by about 16.5 per cent. Global trade slumped in the first half of 2020, while recovering in the second half of 2020. In 2021, the recovery is expected to gain traction but trade in services will remain below average, largely because of continued disruptions in the travel sector.

> **Figure 1. World trade in goods recovers in the second half of 2020, but trade in services lags**



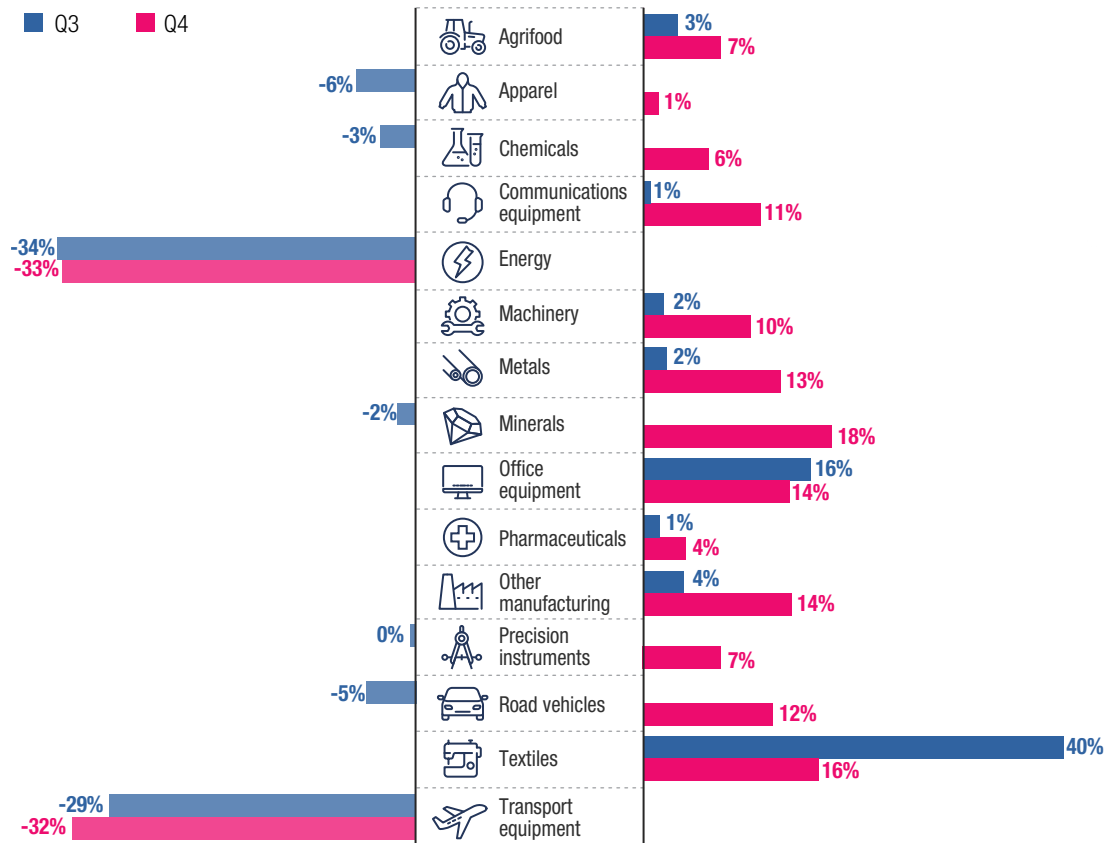
Source: [Global trade update](#), UNCTAD.

Note: Quarterly growth is the quarter over quarter growth rate of seasonally adjusted values. Yearly growth is the average growth rate of the last four quarters. Figures for Q4 2020 are preliminary. Q1 2021 is a forecast.



A positive indication for the coming months is that the trade recovery in Q4 2020 was more broad-based, as trade in most sectors recovered some of the losses of previous quarters. By contrast, in Q3 2020 the recovery was largely driven by sectors related to goods for which demand increased due to the pandemic, such as personal protective equipment and home office equipment.

> **Figure 2. A broad-based trade recovery for Q4 2020**



Source: [Global trade update, UNCTAD](#).

Note: Percentage changes in world trade are year over year. Changes are estimated from Harmonized System six-digit data of China, the United States and the European Union. Data excludes intra-European Union trade.

Notably, the trade recovery during the second half of 2020 was very uneven. While trade of goods from and to East Asian economies rebounded, negative trends remained for goods exports originating from most other regions. This pattern is even more marked when considering trade among developing countries (South–South trade). While South–South trade has outperformed global trade, excluding trade of East Asian developing economies results in a significant drop in South–South trade, even for Q4 2020.

> **Table 1. Developed and developing countries' trade recovery shows different patterns**

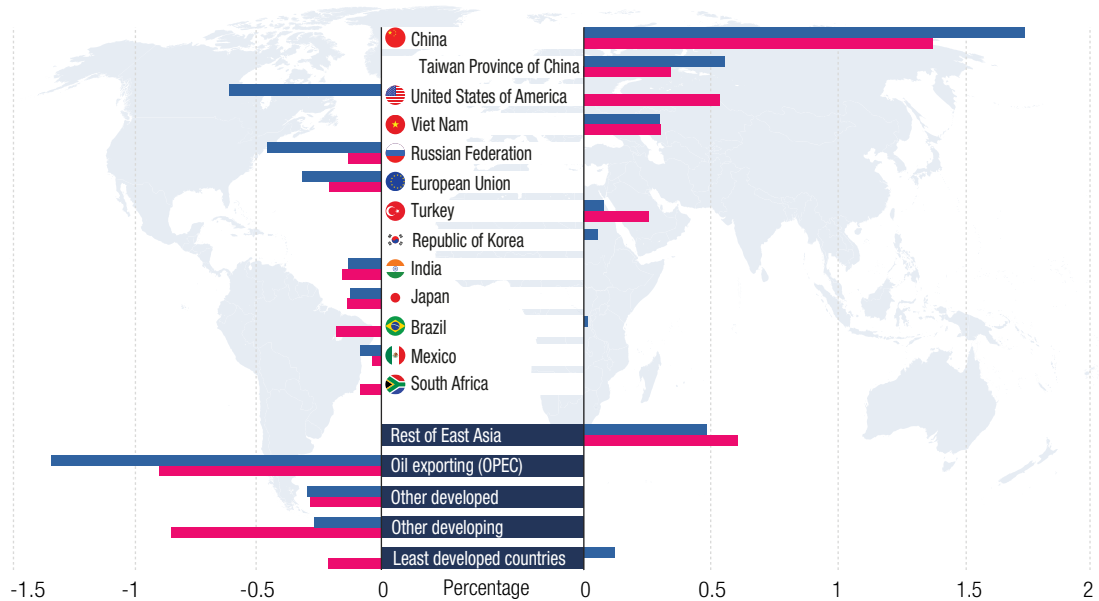
	Q3 2020		Q4 2020	
	IMPORT	EXPORT	IMPORT	EXPORT
Developed countries	↓ 5%	↓ 9%	↑ 1%	↓ 1%
Developing countries	↓ 5%	↓ 2%	↑ 6%	↑ 8%
South–South Trade	↓ 3%		↑ 7%	
Developing countries (excluding East Asia)	↓ 12%	↓ 14%	↓ 1%	0%
South–South trade (excluding East Asia)	↓ 14%		↓ 9%	

Source: [Global trade update, UNCTAD](#).

Note: Changes are year over year. Data excludes intra-European Union trade. Data does not include trade in services.

It is probable that the trade recovery for the rest of the world will follow the patterns observed in the East Asia region. However, the pandemic may result in changes in international competitiveness. The fall in global demand brought about by the pandemic has forced least competitive suppliers out of global markets, while enabling the most competitive suppliers to thrive during the recovery process. Economies of East Asia, in particular China, Taiwan Province of China and Viet Nam, significantly increased their global market share during 2020.

> **Figure 3. Change in global market share (selected economies)**



Source: [Global trade update, UNCTAD](#).

Note: Estimates are based on changes between 2019 and 2020. The statistics for the groups are cumulative.

Use of trade policy instruments was prominent during the pandemic, particularly in the first half of 2020. Over 140 export restrictions were applied to prevent shortage of essentials. Trade facilitating measures, such as relaxation of licencing and conformity assessment requirements, were also used.

As at February 2021, countries had adopted nearly 300 non-tariff measures, 63 per cent of which were of a trade restricting nature. The use of trade policy instruments was reduced considerably in the second half of 2020. Further, as at February 2021, 39 per cent of all trade restricting non-tariff measures adopted had been terminated.

> **Figure 4. Pandemic-related trade measures, as at 1 February 2021**



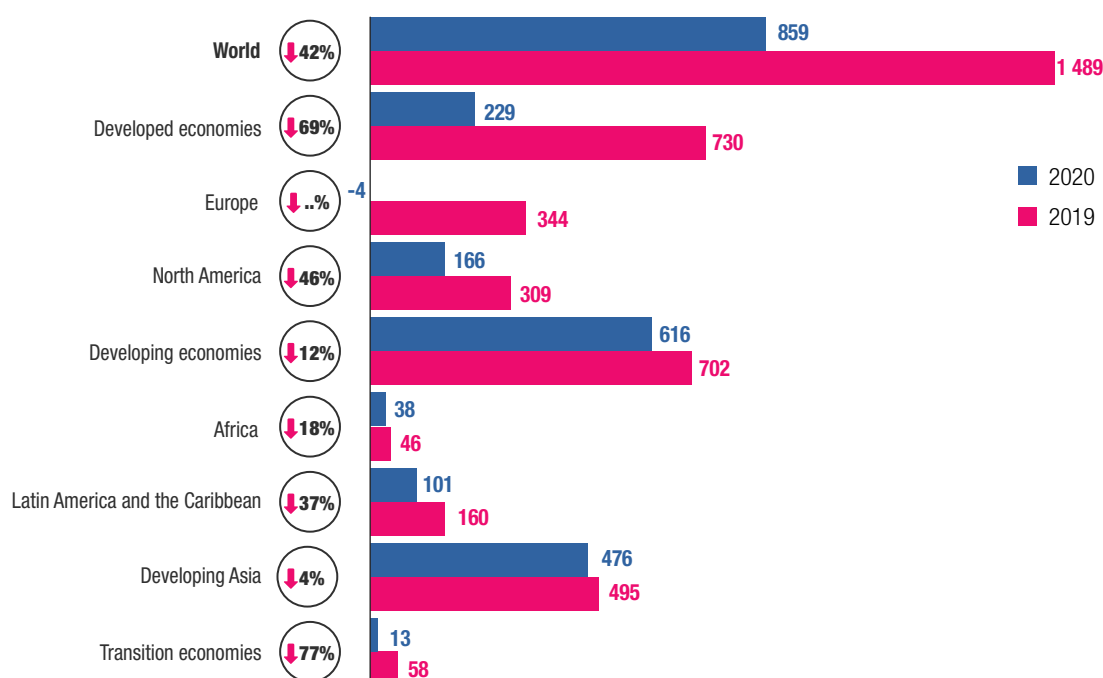
Recently, **5 new measures to facilitate trade in vaccines** and **one export restriction** have emerged.

Source: [COVID-19 and non-tariff measures, UNCTAD](#).

Global foreign direct investment fell by 42 per cent in 2020, outlook remains weak

The COVID-19 pandemic has had a severe impact on international investment flows, including investment directed to the Sustainable Development Goals, despite varying impacts across regions and development groups. Global foreign direct investment (FDI) inflows fell by 42 per cent in 2020, reaching an estimated \$859 billion, in line with the forecast in *World Investment Report 2020*. Falling flows to Europe (more than 100 per cent) and North America (-46 per cent) contributed to the greatest decline. FDI flows fell by only 4 per cent in developing Asia (figure 5). As a result of these regional differences, the share of developing economies increased to 72 per cent of the world's total FDI inflows.

➤ **Figure 5. Foreign direct investment inflow trends in 2020 by region and development status**
(Billions of dollars)



Source: [UNCTAD FDI/MNE database](#).

Note: Estimates for 2020 are based on extrapolations of available data and are thus preliminary. Final data for 2021 will be published in *World Investment Report 2021*.

The COVID-19 pandemic impacted all types of investment: greenfield investment project announcements (-35 per cent), cross-border mergers and acquisitions (-10 per cent) and new international project finance deals (-2 per cent) (table 2). Cross-border merger and acquisition sales reached \$456 billion in 2020 – a decrease of 10% compared with in 2019. In developed countries, they fell sharply in North America (-43 per cent) but increased in Europe by 26 per cent due to one major deal. In developing economies, merger and acquisition sales in Asia rose by 31 per cent, while those in Latin America and the Caribbean (-67 per cent) and Africa (-45 per cent) fell.

Announced greenfield projects reached an estimated \$547 billion in 2020 – a decline of 35 per cent compared with in 2019. The largest decline took place in developing economies (-46 per cent), mainly in Latin America and the Caribbean. International project finance deals were as weak as greenfield investment up to the third quarter of 2020. A flurry of new projects in the final months of 2020, mainly in developed economies, dampened the overall decline to only -2 per cent.

> Table 2. Investment trends by type and region

	Cross-border mergers and acquisitions	Greenfield projects*	International project finance**
World	↓ 10%	↓ 35%	↓ 2%
Developed economies	↓ 11%	↓ 19%	↑ 7%
Europe	↑ 26%	↓ 15%	↑ 7%
North America	↓ 43%	↓ 29%	↓ 2%
Developing economies	↓ 4%	↓ 46%	↓ 7%
Africa	↓ 45%	↓ 63%	↓ 40%
Latin America and the Caribbean	↓ 67%	↓ 51%	↓ 9%
Asia	↑ 31%	↓ 38%	↑ 17%
Transition economies	↑ 147%	↓ 60%	↓ 50%

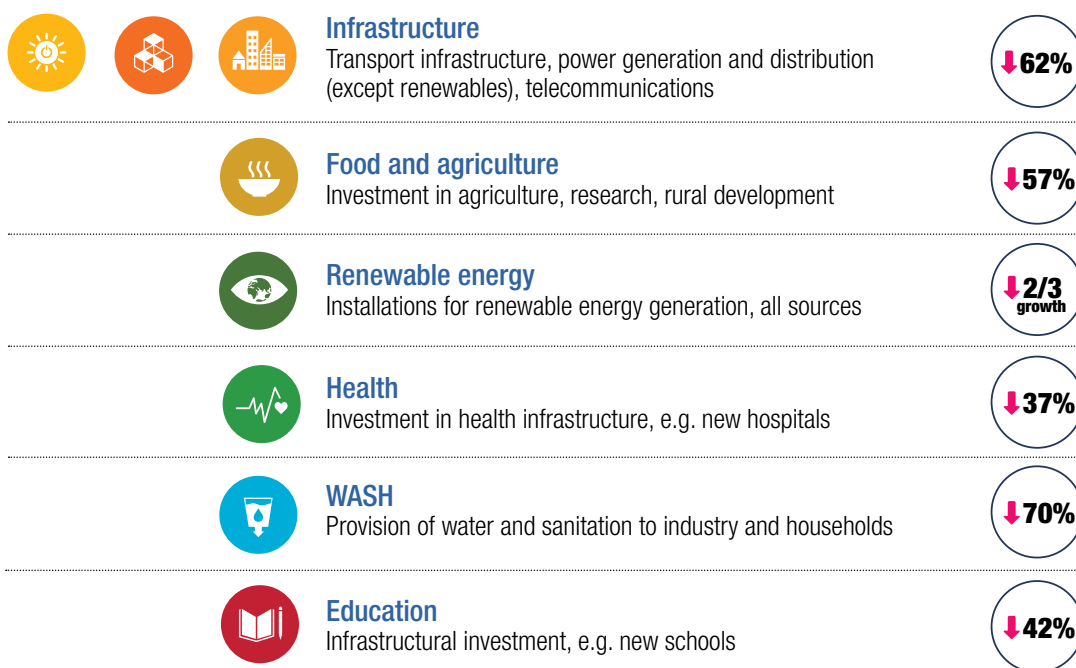
Source: UNCTAD cross-border mergers and acquisitions database, information from the Financial Times Ltd, FDI Markets (www.fdimarkets.com) for announced greenfield projects and Refinitiv SA for announced cross-border project finance deals.

* The trend in greenfield projects refers to the first 11 months of 2020

**International project finance refers to the number of deals, as project values for the latest months are unavailable.

International private sector investment flows to developing and transition economies in sectors relevant to the Sustainable Development Goals fell by an estimated one third in 2020 because of the COVID-19 pandemic. In the first three quarters of the year, the value of newly announced greenfield investments shrank by 40 per cent and that of international project finance (used for large infrastructure projects requiring multiple investors) by 15 per cent. Except for renewable energy, where growth in new projects continued but was cut to one third of the pre-pandemic level, investment activity fell sharply across all Goals-related sectors (figure 6). In contrast to overall FDI, the decline in Goals-relevant investment was much greater in developing and transition economies than in developed countries.

> Figure 6. Impact of the pandemic on investment in Goals-relevant investment sectors



Source: UNCTAD based on data from Financial Times Ltd, FDI Markets (www.fdimarkets.com) for announced greenfield projects and Refinitiv SA for announced cross-border project finance deals.

The pandemic and electronic commerce

The pandemic has led to a further acceleration of digital transformation, as social distancing and restrictions on movement have become the new normal.



The share of e-commerce in global retail trade is estimated to have surged **from 14 per cent in 2019 to about 17 per cent** in 2020. Further acceleration of digital transformation was also observed in other sectors such as teleworking, distance learning, online conferencing, gaming and digital entertainment.

The pandemic has benefited the world's leading digital platforms. Most solutions being used for e-commerce, teleworking and cloud computing are provided by a relatively small number of large companies, based mainly in China and the United States.

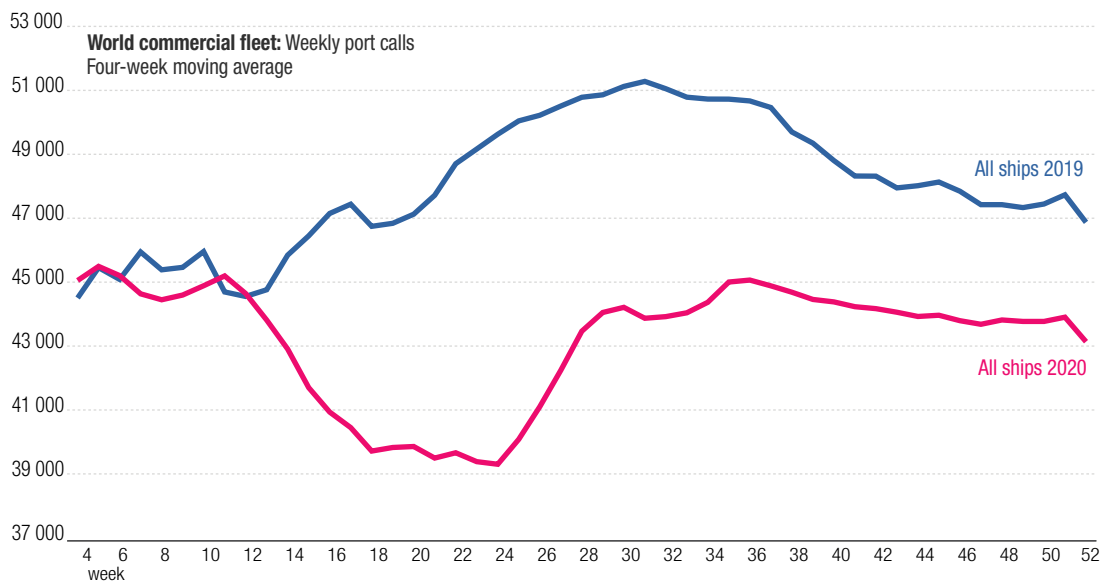
As shown in a new [Global Review](#), however, in many of the world's least developed countries, consumers and businesses have not been able to capitalize on the new e-commerce opportunities due to persistent bottlenecks and weaknesses in their e-trade readiness. There is a high risk that digital divides between and within countries will worsen in the wake of the pandemic.

The [UNCTAD eTrade for all initiative](#) is a global partnership that helps developing countries have better access to the capacity-building and technical assistance programmes that the international community offers, with the overarching goal of fostering inclusive and sustainable development.

Maritime transport and the pandemic

International maritime traffic was also impacted by COVID-19. Vessel port calls – passenger and cargo – fell drastically when lockdowns were first implemented towards the end of Q1 2020, somewhat recovering subsequently (figure 7).

> **Figure 7. Vessel port calls, 2020 versus 2019**

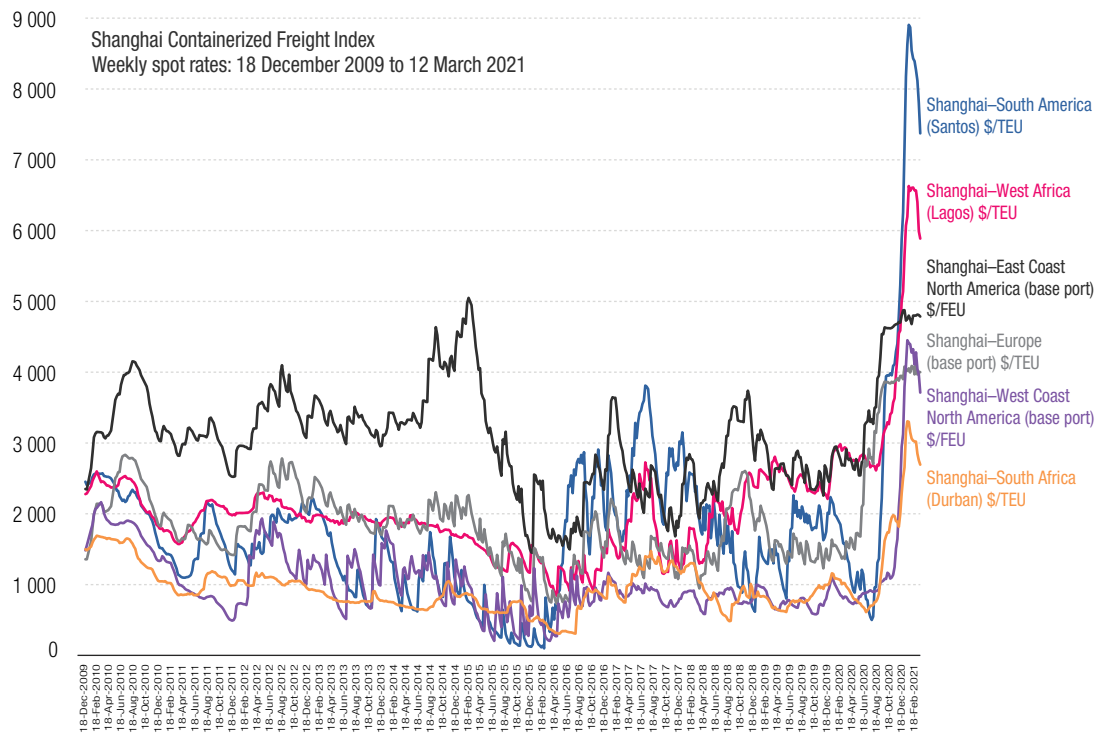


Source: UNCTAD calculations, based on automatic identification system data provided by MarineTraffic.

Note: Aggregated figures are derived from the combination of automatic identification system data and port mapping intelligence by MarineTraffic, covering ships of 5,000 gross tons and above.

A lower than expected impact of the pandemic on the maritime cargo sector combined with pandemic-related delays in ports has led to a surge in container freight rates in recent months (figure 8). As containers are held up due to changes in demand and delays in repositioning, the resulting global shortage has affected all regions.

► **Figure 8. Container freight rates, 2009–2021**



Abbreviations: FEU, 40-foot equivalent; TEU, 20-foot equivalent.

Source: UNCTAD calculations, based on data provided by Clarksons Research.

Supporting customs operations during the pandemic

At the start of the pandemic, customs administrations faced urgent new sanitation requirements while needing to ensure that merchandise kept moving. The UNCTAD Automated System for Customs Data (ASYCUDA) issued guidelines for customs administrations to accelerate paperless processing, tailor risk management, review organizational arrangements and implement tax policy changes to address the pandemic. ASYCUDA also surveyed customs administrations and found that only 56 per cent of administrations were carrying out regular analyses of crisis impact monitoring, and that as many as 42 per cent of beneficiary countries had yet to assign relevant staff to increase the monitoring of consignments. The guidelines and survey allowed customs administrations in beneficiary countries to improve their pandemic responses.

ASYCUDA is the largest technical cooperation programme of UNCTAD, running in over 100 countries and territories, helping to accelerate customs procedures while improving tariff revenue collection, tackling corruption and increasing transparency.

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