

## Executive Summary



COVID-19  
RESPONSE

# COVID-19: The Great Lockdown and its Impact on Small Business



International  
Trade  
Centre

TRADE IMPACT FOR GOOD



The International Trade Centre supports small business through the COVID-19 crisis.  
For more information, see <http://www.intracen.org/covid19/>

This publication is a contribution to the annual Micro, Small and Medium-Sized Enterprises Day campaign.

MSME Day takes place each year on 27 June.

The publication findings are presented in a global virtual debate that can be found at:  
[www.intracen.org](http://www.intracen.org)

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# Foreword

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The year 2019 ended with a sense that the global economy was in for a turbulent 2020. Tensions between major trading powers were on the rise, there continued to be concerns about inequality within and between countries, and climate change remained high on the agenda, ranking as the top global business risk in a 2019 survey of insurance industry experts. Global debt was reaching record levels and rapid technological change was disrupting the way that goods and services were produced, traded and consumed.

At the International Trade Centre, we were gearing up to prepare our main stakeholders – micro, small and medium-sized enterprises (MSMEs) – for the challenges ahead. We did not expect, however, that a major crisis would hit so rapidly, and that it would be so different from anything experienced in this century thus far.

The COVID-19 pandemic is an unprecedented global crisis, affecting human health and economic welfare across the globe. It is first and foremost a health crisis, with governments around the world taking measures to prevent the spread of the virus. Yet the pandemic has also resulted in a planet-wide economic slowdown, affecting trade, investment, growth and employment. The World Trade Organization estimates that world merchandise trade in 2020 could fall sharply, between 13% and 32%. Estimated global losses in GDP growth currently hover around 5 percentage points.

Although the pandemic has affected every corner of the world, the economic earthquake unleashed by COVID-19 does not affect everyone in the same way. With fewer resources to ride out the storm, MSMEs have been particularly vulnerable to the repercussions of the crisis.

These firms in developing countries will be disproportionately affected, especially in Africa, least developed countries and small island developing States. Small businesses active in trade tend to be more competitive



and resilient. Yet many of them have been shaken by serious disruptions in international supply chains.

Country profiles, specially designed for this edition and available for 85 economies, provide a detailed forecast of how the lockdowns in China, Europe and the United States will affect international supply chains.

The economic effects of health crises and lockdowns at home and abroad have been devastating. Findings from our global COVID-19 Business Impact Survey, presented in this report, suggest that one in five small firms may go bankrupt within three months. For every bankruptcy, closed store, unpicked crop or drop in online orders, people will lose jobs and families will, in many cases, lose their only income. For Africa – which should be creating 12 million–15 million jobs annually to keep up with a growing population – the implications of these employment figures could be catastrophic. And Africa risks \$2.4 billion worth of exports lost in 2020 due to factory shutdowns abroad, as our new supply chain methodology estimates.

As the only international organization fully dedicated to supporting the competitiveness of micro, small and medium-sized firms, ITC has allocated all possible resources to assist our stakeholders in weathering this crisis and in preparing them for the future:

- Through our network of business support organizations, we reached out to businesses across the globe to understand their concerns and needs. The findings of this unique COVID-19 Business Impact Survey are presented in this report;
- We developed a 15-point action plan, with concrete advice for small businesses, business support organizations and governments to help small businesses through the COVID-19 crisis and towards the future.

- We are helping businesses, business support organizations and governments around the world to implement the action plan, and develop an agile response to the crisis.
- Our assistance to firms has taken multiple forms. We are, for instance, working with MSMEs to move their business online or to go into new product lines – like the case of textile producers, which are moving into production of masks. Together with major international private sector partners, we have also delivered webinars to women-owned enterprises on how to cope with the current crisis.
- On the Global Trade Helpdesk, a joint ITC-UNCTAD-WTO effort, we have introduced specific COVID-19 features that help micro, small and medium-sized firms assess how border measures at home and abroad are evolving and potentially affecting their businesses.

The experience and evidence collected during the past four months have been compiled in this report. We hope it will serve businesses, business support organizations and governments to understand better the economic effects ahead and to design the most effective responses.

The report goes beyond the immediate crisis response by looking into the future. We expect this future, the 'new normal' as many call it, to have four characteristics.

First, the future will be about *resilience*, as societies will no longer accept to be unprepared for external threats.

Second, the future will be more *digital*. This virus has shown us the full power of these technologies in a context of crisis.

Third, the future has to be *inclusive*. The inclusiveness of globalization was already a matter of concern before the pandemic. It will be crucial to ensure that the recovery phase manages to 'lift all boats' in order to maintain popular support for open economies.

Fourth, the future has to be *sustainable*, if we want to avoid a climate shock as the next global crisis.

The multilateral trade agenda already embraces three of these four themes. The theme of resilience will make its entry into the multilateral debate. In our view, we must accompany this innovation with a redefinition of the relationship between the multilateral trading system and global supply chains. Resilience within these chains is best achieved by new approaches towards supply chain governance.

At the International Trade Centre, we are joining multi-agency and partner platforms that advocate for stronger partnerships between major buyers and suppliers and a fairer distribution of risks between different players. Governments can support this process through new engagements with supply chain players and the WTO may have a role to play in this process.

The year 2020 is not only the year of the COVID-19 pandemic. It is also the year of the 75<sup>th</sup> anniversary of the United Nations and the 25<sup>th</sup> anniversary of the World Trade Organization. The year 2020 may also enter history books as a turning point. We may be standing before the stark choice of national or regional blocs in permanent lockdown versus a more carefully and jointly managed open world. The International Trade Centre stands firmly on the side of the latter, by charting in this report a path out of the economic crisis that is true to the values of the United Nations and the 2030 Agenda.



**Dorothy Tembo**

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International Trade Centre

# Executive Summary

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The year 2020 has been incredibly challenging for the global community. The spread of the novel coronavirus, known as COVID-19, has led to an unparalleled health crisis in countries across the world. The crisis has had unprecedented and serious impacts on all aspects of how people communicate, work, produce, trade, consume and live.

The economic ramifications of the pandemic quickly became apparent, and small and medium-sized enterprises (SMEs) have been on the front lines. With workers and customers staying indoors, and supply chains tested by shutdowns, the small companies that provide 70% of jobs in countries around the world and about half of economic activity have been put under stress.

## International trade in turmoil

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The pandemic hit the world when trade was already in turmoil. World trade dropped in all quarters of 2019, with declines intensifying in early 2020 in a ripple effect that started in China.

Monthly data presented in this report show that Chinese exports fell about 21% in February 2020 from a year earlier. Although Chinese exports recovered slightly in March, the pandemic began to hit exports from other countries. Exports from European countries and the United States in March decreased 8% and 7% year on year. The full effects of the crisis are not yet visible, as most countries went into lockdown in late March or April 2020, and data about the months that followed were not available at the time of publication.

Travel and tourism are among the most affected sectors. As of 7 May, 113 countries had banned travel to contain the spread of COVID-19. The World Tourism Organization predicts that international tourist arrivals could decline 60%–80% in 2020 from 2019. This would mean a reduction 15 to 20 times larger than during the 2008 global financial crisis.

Travel and tourism are key industries in many developing countries – and international tourist arrivals constitute a major source of their service exports. Nine of the 10 countries that are most dependent on travel exports are small island developing States.

When it comes to merchandise trade, sectoral data for China, the European Union and the United States suggest that skins and leather products, footwear, vehicles and clothing are among the most affected goods. Exports of all these products have fallen at least 20% since the COVID-19 outbreak.

Many developing economies face further headwinds due to the appreciation of the US dollar, which increases costs for trade between third countries priced in dollars. On a trade-weighted basis, the dollar strengthened by 9.5% in February–April 2020 against emerging-economy currencies. This puts further downward pressure on international trade.

China, the European Union and the United States are not only the largest exporters in the world. They are also major players in global supply chains, and therefore important importers of raw materials, parts and components. Lockdowns in these three economies not only affect domestic business – they also affect firms in partner countries and even companies in third countries that have no direct trading relationship with China, the EU or the United States.

*China, the EU and the US account for over 60% of supply chain trade. This has had an impact on economies everywhere.*

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*African exporters may lose more than \$2.4 billion in global industrial supply chain exports, due to factory shutdowns in China, the EU and the United States.*

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Together, these three major trading hubs are responsible for 63% of world supply chain imports and 64% of supply chain exports. ITC estimates that the global disruption of manufacturing inputs will amount to \$126 billion (Figure 1).

Factory shutdowns in the European Union will have the biggest repercussions for the supply chain exports of other countries. The EU is highly integrated into global supply chains and is the top importer of industrial inputs (China is the leading exporter) and the largest market for both Africa and Asia.

African exporters may lose more than \$2.4 billion in global industrial supply chain exports due to the shock caused by factory shutdowns in China, the EU and the United States. More than 70% of this loss results from the temporary disruption of the supply chain linkages with the EU.

This report contains country profiles with data on supply chain trade (Figure 2). Evidence in these profiles suggests that a few product lines and countries are driving the results that we see at a regional level. For instance, Morocco is expected to lose almost \$300 million in exports of wiring sets for vehicles to the European Union. That amounts to 15%–20% of the entire loss of African exports to the EU.

## Stress tests and new beginnings for supply chains

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COVID-19 has given governments around the globe the challenge of directing essential goods, such as food and medical equipment, where they are most needed to address the immediate health crisis. High demand for certain sanitary products, supply chain disruptions and logistical constraints made this difficult. Fearful that their populations would be unable to obtain goods needed to cope with the immediate health crisis, many governments imposed new trade measures on these items.

### Ensuring access to essential goods

This report finds that export bans and other restrictions cover 73% of worldwide trade in virus-related products as of early May 2020. A total of 93 countries apply temporary export measures related to the virus, such as export bans or restrictions on medical products and, less frequently, food.

The frequency and type of export restrictions differ by region. Few African countries restrict exports of goods related to COVID-19, largely attributable to the fact that they do not manufacture them. Most export restrictions around the globe involve masks, with 55 measures on textile masks and 48 on masks with filters. These measures affect 90% and 76% of world trade in the two products, respectively.

预览已结束，完整报告链接和二维码如下：

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