

The Business Community's 'New Normal' in The Wake Of COVID-19

1. Introduction

The WTO issued its annual Trade Outlook on 8 April, and as Director-General Roberto Azevêdo said, the “numbers are ugly.” World merchandise trade is set to plummet by between **13 and 32%** in 2020 due to the COVID-19 pandemic. WTO economists believe the decline will likely exceed the trade slump brought on by the global financial crisis of 2008-09. Trade is likely to fall more steeply in sectors characterized by complex value chain linkages, particularly in electronics and automotive products. Services trade will also be highly impacted due to the imposition of transport and travel restrictions and the closure of many retail and hospitality establishments.

According to the World Bank, economic growth in Sub-Saharan Africa has been significantly impacted by the outbreak; it is forecast to fall sharply from 2.4% in 2019 to -2.1 to -5.1% in 2020, the first recession in the region over the past 25 years. It is expected to cost the region between \$37 billion and \$79 billion in output losses for 2020 due to a combination of effects namely, trade and value chain disruption; reduced tourism, FDI and foreign aid; impacts on health systems, and disruptions caused by governments' containment measures.

2. Africa COVID-19 Cases

The statistics as of 01st June 2020.

Confirmed Cases	Deaths	Recovered	Active Cases	Serious, Critical
46,694	1,584	13,425	31,685	66

Source: COMESA COMSTAT

3. COMESA COVID-19 Cases

The table highlights the statistics as at 27 May 2020.

Country	Total Confirmed Cases	Active Confirmed Cases	Recoveries	Confirmed Deaths
Burundi	42	21	20	1

Comoros	87	65	21	1
DR Congo	2,403	1,995	340	68
Djibouti	2,468	1,375	1,079	14
Egypt	18,756	12,932	5,027	797
Eritrea	39	0	39	0
Eswatini	261	95	164	12
Ethiopia	701	528	167	2
Kenya	1,348	891	405	52
Libya	77	34	40	3
Madagascar	586	437	147	2
Malawi	101	60	37	4
Mauritius	334	2	322	10
Rwanda	339	95	244	0
Seychelles	11	0	11	0
Somalia	1,711	1,391	253	67
Sudan	3,976	3,303	503	170
Tunisia	1,051	74	929	48
Uganda	253	184	69	0
Zambia	920	577	336	7
Zimbabwe	56	27	25	4
Total	35,520	24,086	10,178	1,262

Source: BBC

4. What is the role of the WTO, G20 and UN in the recovery and is there scope to better align policies with regional and bi-lateral trade dialogues?

World Trade Organization (WTO) facilitates implements, administration and smooth operation of trade agreements between the countries. The role of World Trade Organisation is to provide fair platform to its member country to help in service like exports, imports and conduct their business in a peaceful manner.

Following this the WTO have come to define and set parameters on world trade for example:

- ❖ Defining Medical products for easy reference across member countries; *defined as six-digit subheadings in the Harmonized System classified under four categories: (i) medical equipment; (ii) medical supplies; (iii) medicines; and (iv) PP products, including hand sanitizers and face masks*
- ❖ *Making frantic efforts that trade still goes on, intervening in trade measures which have been put in-place by various countries e.g. export of relevant medications and essential foods by various countries.*
- ❖ *Making sure Standards, regulations and conformity assessment are done during these crisis times especially on medical and food products.*

The G20 Ministerial Statement of 30 March 2020 stressed that "emergency measures designed to tackle COVID-19, if deemed necessary, must be targeted, proportionate, transparent, and temporary, and that they do not create unnecessary barriers to trade or disruption to global supply chains, and are consistent with WTO rules." More recently, the G20 Agriculture Ministers Statement of 21 April 2020 reaffirmed the "agreement not to impose export restrictions or

extraordinary taxes on food and agricultural products purchased for non-commercial humanitarian purposes by the World Food Programme (WFP) and other humanitarian agencies".

Definitely there is more to be done for consistency in policies across regions especially on;

- ❖ Movements of critical and essential goods.
- ❖ Movement of humans across borders.
- ❖ Investments across borders.
- ❖ Movement of flights and cargo ships.

5. Should some policies be prioritised over others with a focus on digitisation, climate action, sustainability, inclusion and resilience?

Definitely the Digitalization has now taken the centre stage and should be given enough priority. It has affected a lot of dimensions in trade;

- ❖ Internal Communication
- ❖ Communication with customers and other stakeholders
- ❖ Communication with Governments
- ❖ Production methods.
- ❖ Supply and value chain management.

The enforcement of social distancing, lockdowns and other measures in response to the COVID-19 pandemic has led consumers to ramp up online shopping, social media use, internet telephony and teleconferencing, and streaming of videos and films.

This has resulted in spikes in business-to-consumers (B2C) sales and an increase in business-to-business (B2B) e-commerce. The increase in B2C sales is particularly evident in online sales of medical supplies, household essentials and food products.

Demand has also increased for internet and mobile data services. The network capacity and spectrum to accommodate the shift to online activities has urgently had to be adapted by both operators and governments. Demand has fallen, however, for certain services with a large online component, such as tourism services.

Moreso, other areas like sustainability is crucial for continuity and profitability of companies and also on Governments. This is supposed to be given enough priority.

6. How radical should we be – should regulatory frameworks be suspended and if so, which ones would make the most difference?

- ❖ Though regulatory frameworks give room for Non Tariff barriers in Trade, they work as a framework of operation in trade.

- ❖ Regulations only need to be approached with an open mind where if a hindrance is observed adjustments are immediately done.
- ❖ The major area which will need to be addressed during this crisis time will be bureaucracy. Governments and Private sectors need to be fast and efficient in addressing challenges and processes as they come. It's a thing of the past where Public and Private sector had a liberty to take weeks and months addressing problems.

7. Is the dramatic escalation of protectionist measures a serious long-term threat to global value chains or a short-term response to the crisis?

- ❖ It is important to note that trade plays an important role in ensuring the availability and affordability of essential goods, raw materials, vital medicines, medical products and health care services, particularly among its most vulnerable members.
- ❖ International trade is crucial to ensuring access critical inputs to production value chains - no country is entirely self-reliant for the products and equipment it needs for its public health systems.
- ❖ The main **effect of protectionism** is a decline in **trade**, higher prices for some goods, and a form of subsidy for protected industries. Some jobs in these industries may be saved, but jobs in other industries are likely to be lost.
- ❖ Protectionist measures leads to retaliation by trading partners, this will have a bearing in the short-term and long term in Global Value Chains.
 - Free movement of goods and services is a recipe for success of production and efficient global value chains.

8. Are we doing enough to promote the adoption of policy priorities and if not, what more could be done to help SMEs?

- ❖ The current crisis has made SMEs failing to cope due to failure to move goods and services across borders.
- ❖ Some of the SMEs who are operating in LDCs will find it hard to operate after the COVID crisis.
- ❖ Most of the SMEs have not yet much invested in Information Technology, and the New Normal highly demands most of the things to be done online – buying and selling.
- ❖ LDCs SMEs were used to do physical presents in exports markets hence due to the crisis people are no longer able to move around the world.

Following this, the policies which have been put in place are not favourable to SMEs for example some of the solutions which have been put in place by countries on movement of goods where the relay system is introduced where the exporter will need to find another transporter in the next country. This has proved to be expensive even to Multinational Companies, so for SMEs they will die a natural death if policies like these are put in place.

What could be done:

- ❖ Proper consultations are important when policies are being developed

- In some cases, government officials use hypothesis to come up with policies which are not compatible with current situations.
- ❖ Avoiding conflicting policies at National and Regional level – It have been a trend in LDCs that even at national level policies are conflicting from investment to trade policies. At regional level this has led to challenges in moving goods and services across countries so products end up being stuck at borders attracting demurrage charges and SMEs will not be able to bear the cost and hustle.
- ❖ Harmonization of standards and regulations in regions. It is easier for SMEs to move products if their regulations are harmonized for example in Africa, COMESA, SADC etc. harmonization can be in:
 - Market authorisations;
 - Pre-approval requirements;
 - General standard for labelling of pre-packaged food;
 - General standard for horizontal food safety standards (Food Hygiene, Food contaminants, Food additives);
 - General harmonized food Law;
 - Net weight regulations;
 - Plastics regulations for industrial packaging; and
 - Lack of Mutual recognition of COMESA countries standards, among others.

9. What is the new norm managing rolling outbreaks and what does it mean for business?

The new norm is for companies and Governments is to adapt to the crisis which is prevailing otherwise the incurred losses will be unbearable. Business need to adapt in many ways which include:

- ❖ **Investing in technologies** – uses of technology is the new normal. The importance of digital to customers, suppliers, and to the entire economy has rapidly accelerated and executives must speed up their digitization plans.
- ❖ **Finding efficient supply chains** - Businesses need to check availability across the supply chain and realistically assess demand given how much of the world economy is slowing, but they also need to put a plan in place to reactivate orders once restrictions are lifted and demand begins to grow.
- ❖ **Adopt tactical pricing** - The aim is to ensure the material and psychological conditions that enable customers to make their purchases and create favorable business conditions for a rebound in consumption, while avoiding a dangerous situation in which simultaneous pressure on prices from suppliers and customers put companies in difficulty across the value chain. Depending on these requirements, companies will have to finely measure the promotional or discount models they will use.
- ❖ **Help core clients with solvability** - To secure sales, pragmatic assistance should be provided to customers and suppliers in financial difficulty by providing them with payment facilities or extensions of deadlines in a highly targeted way. Again, the choice between

usual practices and exceptions must be made strategically so as not to upset the economic balance of the whole sector.

- ❖ **Increased engagement and open communication amongst all stakeholders** – Companies should always keep relevant stakeholders in the loop of what is happening. This also takes into account the workforce because thus the greatest asset companies and organizations have.
 - ❖ **Tax and trade** - Governments are changing their tax regulations in response to COVID-19. The changes are affecting both indirect and direct taxes and vary from country to country. For companies that operate in different jurisdictions, keeping up with the changes may help the business survive. Tax is one form of stimulus, and changes in tax rates and due dates can help companies conserve cash and plan.
 - ❖ **Finance and liquidity** - Managing liquidity is the top priority for keeping companies' solvent, and liquidity analysis and planning will help that management. This can include developing a dynamic, rolling 13-week short-term cash flow forecast that can be tested against best- and worst-case scenarios. Businesses should review current cash and any foreign exchange reporting processes and controls, which might include hedging strategies.
 - ❖ Companies should prepare a list of key suppliers and critical payments that must be made to ensure operational continuity; at the same time, they should look to see where they can conserve cash by, for example, canceling orders if demand has dwindled. If possible, they should identify pockets of excess working capital and establish initiatives to quickly convert it into cash
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