

## Global trade after the pandemic\*

The staggering impact of the coronavirus pandemic on world trade is still reverberating and will for many months. Businesses are struggling to adjust to the current challenges that travel bans and factory stoppages present to their firms. They are concerned about how to keep their employees safe, informed, and employed in the face of an economic turndown. But once this pandemic is over, what will its lasting impact be on global trade? How will the trade environment change and how will successful business respond?

### The jury is still out

What the final economic and personal toll of the coronavirus will be to the U.S. and global economy remains to be seen. It may take several months or years to ride out the pandemic and sort out the first stage economic loss that it will bring to the world economy. The coronavirus pandemic has already drawn comparisons to 9/11 and the 1987 and 2008 recessions as far as its overall impact on the U.S. and global [economy](#). It is a uniquely painful moment for international business, especially in regards to the movement of people and products. The recent nationwide lock-down in [Italy](#) and then France, and the travel ban from Europe to the United States, for example, have no historical precedents. Much like the world looked to regulatory changes in the wake of 9/11 or the financial cascade of problems from 2008, they will again as this pandemic recedes and governments



Empty airports - AFP via Getty

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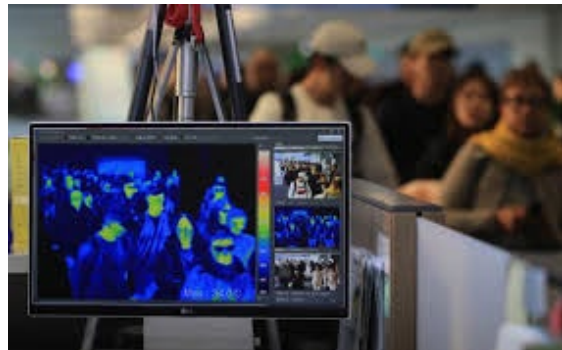
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assess how they failed to prepare for this pandemic and how they help to curtail the damage of such occurrences in the future.

### **Worker safety and transportation screening will be promoted**

Unions, companies, and government regulators are already looking at how working conditions will need to change to better protect employees who work in the global trade trenches. From [airport workers](#) to [longshoremen](#), workers in many key industries are exposed to cargo and passengers from overseas that potentially could be carrying new diseases across borders. The potential costs of improved detection and phytosanitary procedures will eventually be passed to consumers, but these expenses will be difficult issues to negotiate for industries that have already been hammered by first the U.S.-China trade war and then the dramatic world-wide reduction of traffic flow due to the pandemic.

Much as the terrorist attacks of 9/11 and related incidents gave rise to a host of new security measures at ports and borders, the spread of the pandemic will eventually be the subject of substantial discussion, public hearings, and eventual regulatory changes. Governments will look for systems that would help them to better screen for potential pathogens at transportation nodes, which may include longer periods of isolation for cargo, and longer lines at the airport for global travelers (not to mention more tax funds to set up these screening and control systems).



*Passenger screening - USA Today*

### **Air and cruise industries: only the strong will survive**

Passenger airlines and the cruise industry will not likely recover from the economic impact of the pandemic without some substantial government assistance. Even with that financial support, both industries will face substantial challenges to get back to a healthy volume of traffic as the pandemic brought air traffic to a standstill. Coming on the heels of [‘flight shaming’](#) and a widespread movement to reduce their carbon emissions, as well as the Boeing crashes and 737 Max delays, the airlines were already in a delicate position. The pandemic was the knock-out punch. In the short term, airline CEOs such as British Airway’s Alex Cruz have noted that this is a “crisis of [global proportion](#) like no other we have known.” Airlines are [projected](#) to lose as much as \$113 billion in 2020 alone. Cruises have come to a virtual standstill, essentially given a



[‘death blow’](#) by the U.S. State Department warning to avoid cruise ships and lockdowns in the [Mediterranean](#).

### **What will change as a result?**

The economic results of the pandemic have had some additional first-tier effects beyond border safety and damage to the transportation industry. For example, commentators have already noted that the pandemic has forced us into a great [virtual working](#) experiment.

*‘Stay at home’ - Italy - Washington Post*

[Insurance companies](#) and their clients will be looking closely into (and likely litigating over) the responsibility for losses as a result of the pandemic.

Governments will look to fix the problems we are already seeing in regards to testing and readiness. But what are the secondary effects of the pandemic for businesses? How can companies position themselves to



survive and possibly benefit from the changing business landscape that awaits us?

### **Firms will invest in strategy, security, and sourcing flexibility**

Is this the coronavirus pandemic an isolated incident? Not according to the World Health Organization (WHO), which warns that ‘global catastrophic biological risks’ may be seen on a more [regular basis](#) in the coming decades. On top of that natural risk, consider that terrorist organizations have also seen the remarkable disruption caused by the pandemic and may attempt to [weaponize](#) biological weapons, which is a risk that governments have [known about](#) for some time, but seems a bit more realistic now that we’ve seen a pandemic in action.

This future risk should result in companies spending more time and energy on both corporate strategy and security. The increasingly volatile state of the global markets means that companies will need to beef up their existing forecasting and modeling capabilities. On the risk side, security of employees and assets will take on a new urgency in the wake of the pandemic. Preparing a company to flex and survive in volatile times will define the difference between companies that thrive and those that go bankrupt. Many companies will also be doing a complex overhaul of their logistics and production concepts. The US-China trade conflict, and other isolationist tendencies that will linger after this pandemic, will encourage companies to both look closer to home for their production as well as to value the benefit of having alternative sources.



Countries like Canada, Mexico or Latin America will seem more attractive after this experience to U.S. companies. In Europe, sourcing within the EU makes much more sense once the factors of reliability and local access are properly factored into cost comparisons.

### **The Bottom Line**

This pandemic will break firms that cannot handle the financial strain of such a dramatic and abrupt downturn. Government investment and bail outs will allow many to keep their head above water, but others will simply disappear. Those that do survive will find a different global trade environment: one that demands a greater focus on logistics flexibility and security and the ability to succeed in an international business environment that has new regulatory boundaries which will challenge 'just in time' concepts and put a greater value on diverse and more local sourcing. As with all challenges, this situation will also bring opportunities – companies whose products foster virtual communication in businesses and provide equipment that can identify and protect workers from biological agents will see a new surge in interest. Global world trade will not be killed, but it will have a different and potentially more chaotic nature.

This is the time for companies to embrace the need for political risk analysis as part of their standard operating procedures for strategic planning and global business awareness. The world markets will continue to roil and shift without warning in the years to come as the secondary effects of this pandemic continue to impact the world economy. In this new economy, a penny of prevention absolutely beats a pound of cure; inserting a solid political risk analysis into your business planning processes, even for 'mere' domestic business operations, will ensure that your company is prepared to pivot on short notice, avoid risk, and embrace new opportunities as they arise.

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