The Coronavirus crisis has caused a situation in the international economy unknown until now and of which there is no possible reference, not even the financial crisis of 2008, which, starting from the bankruptcy of Lehman Brothers in the United States, spread in stages to every developed country.

By contrast, the Coronavirus, in just three months, has confined hundreds of millions of people to their homes, and most of the employees of large multinationals are teleworking.

For exporting companies, this crisis is having consequences that are difficult to assess at present, although there are some trends that must be taken into account, both in the international strategies as well as in practice of foreign sales.

With an 18-month perspective - until the end of 2021 - these are some of the keys to understanding the new international environment that exporting companies should take into account if they plan to continue and even increase their commercial activity in the coming months.

Greater decline in international trade than in world production

According to forecasts made in early April 2020 by the IMF (International Monetary Fund) and the WTO (World Trade Organization), world GDP by 2020 will decrease by 3%, compared to 12% drop in foreign trade flows. This four-fold drop in world trade in relation to world production has also occurred in other international economic crises, and is justified by the actions of economic agents:

- Governments implement protectionist measures to protect their national industries.

- Importing companies, both manufacturers and distributors, become much more cautious and conservative in their purchases: they reduce their number of suppliers and adjust the negotiating conditions. On the other hand, they are not favourable to begin commercial relations with new suppliers whose offers come from other countries.

- Consumers, in addition to a reduction in their income, instinctively change their purchasing criteria favouring national products.

The European Union, the market most affected in the health situation and economically

It is easy to observe a correlation between the numbers of infected and deceased people, and the decreases in the GDP of each country; in other words, the health crisis marks the
evolution of the economic crisis. Europe has become the center of the pandemic. The five largest economies in the EU are among the countries with the worst economic outlook for 2020: Germany (-7%), the United Kingdom (-6.5%), France (-7.2%), Italy (-9.1%) or Spain (-8.0%). Therefore, European companies will have best business opportunities in other geographical areas than in the EU.

**Geographical areas with the best perspectives: Eastern Europe, Southeast Asia and Sub-Saharan Africa.**

The reorientation in the search for new markets has, a priori, three target areas in which the fall in GDP will be lesser than other areas and, therefore, the recovery is expected to be faster.

The Eastern countries, especially the members of the EU (Poland, Czech Republic, Baltic countries) have had very few cases of infection, which has allowed them to keep their economies active in the first quarter of 2020. The exception is Russia which generates uncertainty as to the veracity of the data of infected and deceased people.

Without a doubt, the economic zone that is going to come out of this crisis in the best position is Southeast Asia. Countries such as Japan, Korea or Singapore, in addition to having faced the pandemic with great discipline, have reinforced their image as a competitive area in the application of technology to solve new problems, in this case health problems.

The particular idiosyncrasy of sub-Saharan Africa in order to cope with major health crises, suggests that the Coronavirus will not have the economic effect that one might expect as Ebola did, not even AIDS.

**United States, a more federal market**

The consequences of the Coronavirus on the North American economy are, at present difficult to foresee. The IMF forecasts a decrease in GDP of 5.9% for 2020, somewhat less than the average for the EU countries (-7%). Recovery for 2021 is set at 4.7%, the same figure that the EU.

The fact that President Trump has given federal states full powers to apply the sanitary and economic recovery measures that they consider most appropriate, suggests that the evolution of business in each state will be very different, although supported by the dynamism that characterizes the American economy. Exporting companies that choose the United States as a target market will have to be very careful in the geographical area (states) in which to focus their commercial efforts. In principle, states like New York (the center of the pandemic) or Florida (tourist center) have worse perspectives for recovery.
Business opportunities in the Least Developed Countries (LDC)

The group of the world's poorest countries - approximately 80 with a per capita income of less than $1,085 - will improve their financial situation through debt cancellations and preferential financing for investment projects financed by international financial institutions such as the World Bank or regional development banks (African Development Bank or Asian Development Bank). These projects can be an important source of opportunities for western companies in sectors such as infrastructure, telecommunications, electricity, transportation, the environment, water, training, etc. who will be the suppliers of these projects. In this sense, countries like Senegal, Ghana or Ivory Coast can be very interesting markets in the coming years.

Change in means of payment: from bank transfer (open account) to letter of credit

The uncertainty generated by the Coronavirus crisis implies the use of secure means of payment that guarantee exporters and importers the successful completion of operations. In this sense, many of the operations that were paid through open account (bank transfer) are already being done through letter of credits. In this way the exporter ensures the payment of the merchandise and the importer the supply under the conditions agreed upon in the opening of the letter of credit. The fact that many banks facilitate the opening of letter of credits online makes this means of payment the most suitable for international sales of a certain volume and risk in the time of Coronavirus.

Currency volatility: use instruments to cover currency risk

Another consequence of the economic crisis caused by the Coronavirus is the sudden changes in the price of currencies, specifically, between the euro and the dollar. As an example, can be mentioned that in just 20 days (from March 8 to March 27, 2020) the euro depreciated by about 10%, going from 1.06 to 1.17 EUR/Dollar.

It is expected that these significant short-term changes in the exchange rate will continue in the coming months, so it is advisable that companies that export or import on deferred payment cover the exchange risk with instruments such as currency insurance or currency options.

Difficulties in supply chains

Those exporting companies that import products necessary in their manufacturing processes must take into account that difficulties are occurring in the supply chain with a shortage situation in various sectors (components, electronic products, textiles), mainly in Asian countries like China, Vietnam or India. For future months, they must diversify their supply sources.
Virtual tools for business presentations and negotiations

The new concept of "social distance" is aggravated internationally with difficulties in travelling to foreign countries has made online communication tools a very useful tool to communicate with international clients. In addition to the well-known Skype or Face Time, a videoconferencing platform has been added with enormous diffusion Zoom that during the month of April 2020 doubled its users to 300 million, despite news about possible security problems. Export executives should learn to use all these online in order to communicate and negotiate effectively with their international clients and suppliers.

In summary, the Coronavirus crisis is causing very significant changes in some of the essential aspects of exports such as: preferred target markets, use of payment methods, or the way of communication with international clients. Some of them will remain beyond the time horizon of this great health crisis. The exporting companies that adapt to these changes faster and better will be in a better position to maintain their international activity and, even, will emerge stronger from this difficult situation.

You can find the best strategies for doing business in the main world markets in the publication:

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