

# Trade facilitation in times of crisis and pandemic: Practices and lessons from the Asia-Pacific region



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## **Executive summary**

The Coronavirus 2019 (COVID-19) pandemic has hit international trade worldwide, underscoring the importance of maintaining trade connectivity not only for the immediate pandemic response, but also for the subsequent recovery efforts in order to build resilience to future disruptions. In response to the COVID-19 pandemic, various trade facilitation (TF) measures have been implemented in the Asia-Pacific region in the areas of: (a) transparency and institutional coordination; (b) simplification of customs procedures and expedited clearance; (c) digital trade; (d) transport and transit; and (e) other business facilitation (including Micro, Small and Medium-sized Enterprises (MSMEs)). However, pre-existing shortcomings, including fragmented digital infrastructure, a lack of relevant legal frameworks and a lack of streamlined trade facilitation practices, have further constrained trade resilience and post-pandemic recovery in the region.

In this context, the Survey on Trade Facilitation in Times of Crisis and Pandemics was carried out in order to further identify good practices in the Asia-Pacific region. The Survey instruments, which addressed TF measures identified from subregional studies, as well as TF for essential supplies and facilitating movement of people engaged in TF, as well as the feedback was incorporated in the forthcoming United Nations Global Survey on Digital and Sustainable Trade Facilitation 2021.

The implementation rate of trade facilitation measures during the COVID-19 pandemic has generally been consistent with the overall implementation rate of trade facilitation measures prior to the pandemic. Countries achieving higher implementation rates of trade facilitation measures, as evidenced by the Global Survey results, have tended to mobilize their existing trade facilitation mechanisms better as well as leverage a wide range of national and regional instruments in response to the pandemic. Singapore, the Republic of Korea, China and Japan have achieved the highest implementation rates in the region during the pandemic. In countries with lower implementation rates, COVID-19 has accelerated the adoption of digital technologies and services to keep trade flowing. These countries are now migrating their trade and customs operations to virtual environments and are speeding up the transfer towards digitization.

To overcome bottlenecks in trade facilitation and to build a regional mechanism for resilient trade recovery, five areas warrant attention and action. First, a holistic approach to trade facilitation at the national level is needed. This can be supported by national trade facilitation committees (NTFCs) supporting the development of comprehensive national TF strategies, encompassing all supply chain activities and including adequate responses in times of crisis and pandemic. Second, the importance of expedited clearance based on risk management, contributing to minimized trade disruptions and trade cost reduction, was further highlighted during the pandemic. Third, further and continued acceleration and/or implementation of paperless trade is essential for achieving resilient trade connectivity. Fourth, countries need to establish permanent mechanisms for cross-border exchange of trade-related data and documents, by ensuring streamlined procedures and establishing the necessary legal framework. Last, collaboration at all levels including with the private sector remain a key to facilitating trade effectively during and after the pandemic. Overall, trade facilitation measures undertaken during the pandemic have been mostly emergency ad-hoc responses rather than planned rule-based actions. What has emerged as good practices should be embedded in long-term TF plans to build back better and ensure a more resilient and sustainable recovery.

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## 1. Introduction

The COVID-19 pandemic has hit global trade with an unprecedented speed and scale and continues to wreak havoc on the global economy. Transport and travel restrictions as well as the closure of manufacturing plants and business establishments, together with reduced work force capacity, have resulted in dramatic declines in both the manufacturing and services sectors. Supply chain disruptions have had a devastating impact on goods and services trade. The COVID-19 pandemic has revealed the fragility of the global supply chain. Global international trade value dipped by 14.5% in 2020.<sup>1</sup> The WTO estimates suggest that transport and travel costs could potentially have the most significant impact on international trade during the pandemic.<sup>2</sup> Closures of ports of entry—air, sea and land—along with strengthened border crossing and quarantine procedures could increase trade costs by 25 per cent given the scale of the impact and the severity of the containment measures,<sup>3</sup> which in turn impede the seamless flow of goods. To the extent that containment policies continue to disrupt transport and supply chains and weaken consumption and investment, global trade value and volume growth rates are expected to continue on a downward trend.<sup>4</sup> Trade facilitation measures – such as expediting customs formalities, simplifying clearance procedures, and digitalizing and streamlining border processes – can address current challenges. The measures can also contribute to speeding up the processing of border checks for time-sensitive essentials, such as medical products and foodstuffs, while minimizing the need for physical interaction between border agencies and traders at borders.

Asia and the Pacific performed better than the rest of the world during 2020, with export and import value contractions of 9.7% and 10.3%, respectively.<sup>5</sup> Despite the region's prominence in global merchandise trade, the ongoing pandemic continues to create uncertainty for the global trading system. The movement of goods is likely to slow in the fourth quarter, as a resurgence of the coronavirus is unlikely to be avoided by some countries, pent-up demand becomes exhausted and inventory restocking is completed.<sup>6</sup> In addition, trade costs in the Asia-Pacific region are projected to have risen by 7 per cent on average in 2020 as a result of the COVID-19 crisis; such increases are not expected to return to pre-crisis levels before 2022.<sup>7</sup>

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<sup>1</sup> ESCAP, Trade in Goods Outlook in Asia and the Pacific 2020/2021, available at <https://www.unescap.org/resources/trade-goods-outlook-asia-and-pacific-20202021#>

<sup>2</sup> World Trade Organisation, "Trade Costs in the Time of Global Pandemic", Information Note, 12 August 2020.

<sup>3</sup> Maryla Maliszewska, Aaditya Mattoo and Dominique van der Mensbrugghe (2020), "The Potential Impact of COVID-19 on GDP and Trade: A Preliminary Assessment", World Bank Policy Research Working Paper 9211, (April 2020).

<sup>4</sup> ESCAP and ADB (2020), "Issues Note for High-Level Meeting on Regional Cooperation for Trade and Transport Connectivity in the Age of Pandemics in Asia and the Pacific."

<sup>5</sup> ESCAP, Trade in Goods Outlook in Asia and the Pacific 2020/2021, available at <https://www.unescap.org/resources/trade-goods-outlook-asia-and-pacific-20202021#>

<sup>6</sup> WTO (2020), "Goods Barometer signals trade resilience amid ongoing COVID concerns" (20 November 2020) [https://www.wto.org/english/news\\_e/news20\\_e/wtoi\\_20nov20\\_e.htm](https://www.wto.org/english/news_e/news20_e/wtoi_20nov20_e.htm)

<sup>7</sup> Utoktham C. and Y. Duval (2020), "ESCAP-World Bank Trade Cost Database" ESCAP, available at <https://www.unescap.org/resources/escap-world-bank-trade-cost-database>



The Asia-Pacific region was the first part of the world affected by the crisis. Most economies in the region have a small domestic market and rely on foreign suppliers of raw materials and intermediate as well as foreign sources of capital and technologies. The developing economies in the region are bearing the brunt of the crisis and they have been hit with a triple shock: the COVID-19 pandemic, the economic impact of lockdowns, and the ensuing global recession.<sup>8</sup> In addition, the pandemic has pushed up trade costs, leading to trade policy uncertainty.

Mitigation measures and the introduction of export restrictions have further increased the vulnerability of developing economies, particularly the least developed countries (LDCs), landlocked developing countries (LLDCs) and Small Island Developing States (SIDS) in the region. COVID-19 has also had a profound impact on macro, small and medium-sized enterprises (MSMEs), which comprise the majority of enterprises in all the region's economies.<sup>9</sup>

The challenges related to COVID-19 have underscored the importance of maintaining trade connectivity and the cross-border movement of goods. This is not just for the immediate pandemic response, but also for the subsequent recovery efforts in order to build resilience to future disruptions. In response to the COVID-19 pandemic, the Asia-Pacific region has increased the implementation and digitalization of trade facilitation practices, and has sought to improve the efficiency of cross-border trade. However, pre-existing shortcomings, including a fragmented digital infrastructure, a lack of relevant legal frameworks and a lack of streamlined trade facilitation practices, have further constrained trade resilience and the post-pandemic recovery in the region.

Against this background, and based on good practices of trade facilitation measures in times of crisis and pandemic gathered during subregional studies and an expert group meeting, ESCAP together with other United Nations Regional Commissions developed a short "Survey on trade facilitation in times of crisis and pandemic" (hereafter called the "survey"). The survey was pilot tested in the Asia-Pacific region to further identify good practices for knowledge sharing and capacity-building as well as to include relevant measures in the forthcoming United Nations Global Survey on Digital and Sustainable Trade Facilitation, 2021 (untfsurvey.org).

Section II of this report describes the initial developments and lessons learnt in trade and transport facilitation practices in response to the COVID-19 pandemic. Section III presents the results of a Survey on trade facilitation in times of crisis and pandemic in the Asia and the Pacific

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