



WORLD TRADE ORGANIZATION CHAIRS PROGRAMME
SCHOOL OF ECONOMICS



UNIVERSITY OF NAIROBI

Global perspective on effect of COVID-19 on trade facilitation

Virtual Public Forum on Trade Facilitation in the wake of Covid-19


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PROF. TABITHA KIRITI-NGANGA


Professor of Economics

Venue: Microsoft Teams


What is trade facilitation?

- WTO/EU: Trade facilitation is the simplification, modernization and harmonization of export and import processes.
 - The WTO Trade Facilitation Agreement (TFA) – entered into force on 22 February 2017 contains provisions for expediting the movement, release and clearance of goods, including goods in transit.
 - Also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues.
 - It further contains provisions for technical assistance and capacity building in this area.
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What is trade facilitation?

- According to World Bank:
 - Reduction or streamlining of the logistics, documentation requirements at a customs post at the border.
 - Environment in which trade transactions take place, where “domestic” policies and institutional structures play an important role.
 - Harmonization of standards and conformance to international norms
 - Information technology and related technology infrastructure that facilitates the processes
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What is trade facilitation?

- Bureaucratic delays and “red tape” pose a burden for moving goods across borders for traders.
 - Trade facilitation entails reducing the complexity and cost of the trade transaction process
 - It is ensuring that all these activities take place in an efficient transparent and predictable manner.
 - The whole trade value chain from exporter to importer, including transportation and payments, with emphasis on the border-crossing and the agencies involved there.
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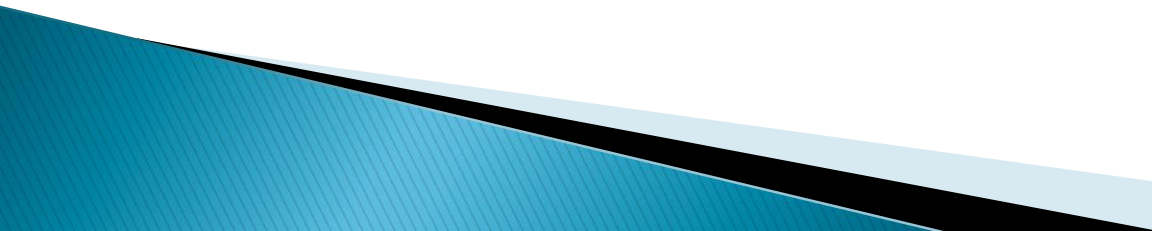
Trade Facilitation Issues

- The border trade facilitation issues include:
 - port congestion, delays in cargo, complicated and duplicative customs procedures, complex and non-transparent administrative requirements, high costs of clearing and processing information resulting from limited automation and from rent seeking behaviour, wrong declarations and transit cargo delays.
 - Behind the border trade facilitation issues are related to transport and the transport related infrastructure.
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Aim of Trade Facilitation Agreement

- Expedite the movement, release and clearance of goods, including goods in transit
 - Facilitate effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues
 - Enhance assistance and support for capacity building for developing and least developed country Members.
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Provisions for Developing Countries

- TFA–Provisions for facilitating customs and other border procedures
 - Provision on special and differential treatment (S&DT) for developing countries and LDCs
 - WTO estimates that the full implementation of the TFA could reduce trade costs by an average of 14.3% and boost global trade by up to \$1 trillion per year, with the biggest gains in the poorest countries.
 - A Trade Facilitation Agreement Facility (TFAF) was created to help ensure developing and least–developed countries obtain the assistance needed to reap the full benefits of the TFA.
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Need for Trade Facilitation

- Before the COVID-19 Pandemic international trade flows had been on the increase and one way of handling this increased volume of trade was through Trade facilitation
 - Reasons for the growth- reduction in: trade barriers, transportation costs, policy barriers (tariffs and non-tariff barriers) and internal trade and transaction costs
 - However, Non Tariff Measures have increased both in terms of the number of products covered and the number of countries utilizing them
 - Hence the need for trade Facilitation
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Importance of trade facilitation

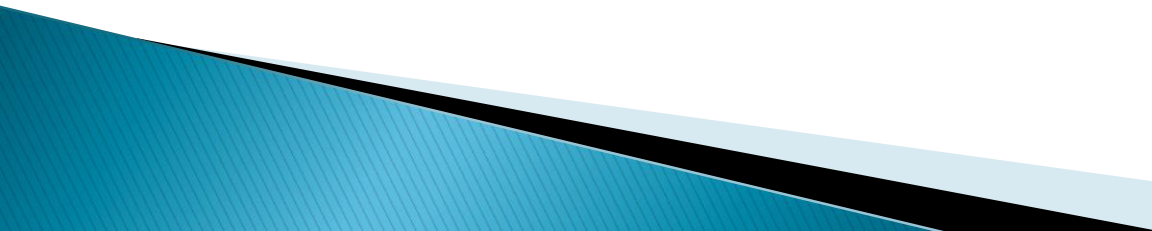
A typical international supply chain- many processes, many agents



Covid – 19 and Trade facilitation

- ▶ Countries have imposed non-tariff measures –closing of border points, lockdowns, quarantine, and curfews act as brakes on both trade flows and the global economy.
- ▶ The rise in trade costs from additional border controls, transport and associated logistics-related disruptions is estimated to account for up to a third of the decline in world trade of from 12% to 32%.
- ▶ Governments have put in place measures such as channeling traffic through fewer border crossings; conducting at-the-border health checks; or, in some cases, reintroducing border controls that had previously been removed.
- ▶ These measures place additional demands on border agencies that are also wrestling with how to efficiently carry out their functions while implementing containment measures such as social distancing.
- ▶ In the European Union, enhanced border checks are reported to have led to more than three-hour average border delays at the end of March 2020.

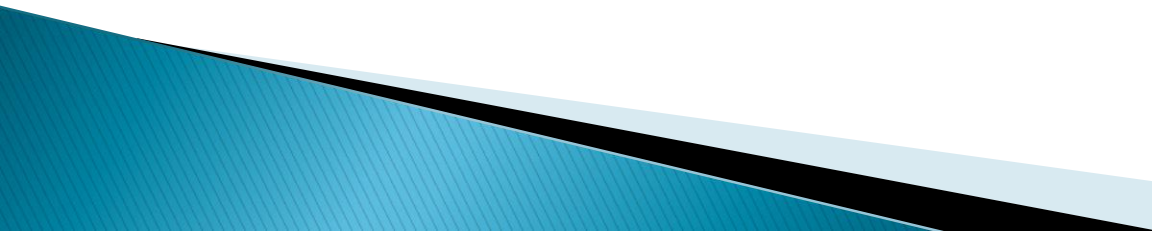
Covid – 19 and Trade facilitation

- ▶ All countries (developed and developing) affected by Covid-19..
 - ▶ The transport and logistics sector negatively impacted by Covid-19.
 - ▶ Main cog in the wheel of facilitating cargo movement to or from different geographical locations, supports key economic sectors such as manufacturing, agriculture, aid and relief, construction, education.
 - ▶ Flights cancelled, ships stopped in high seas, ports (Sea and inland ports) considered epicenters of Covid-19 infections.
 - ▶ While borders remain open for freight transportation, drivers are subject to border controls for quarantine purposes, leading to a slowdown of logistics flows.
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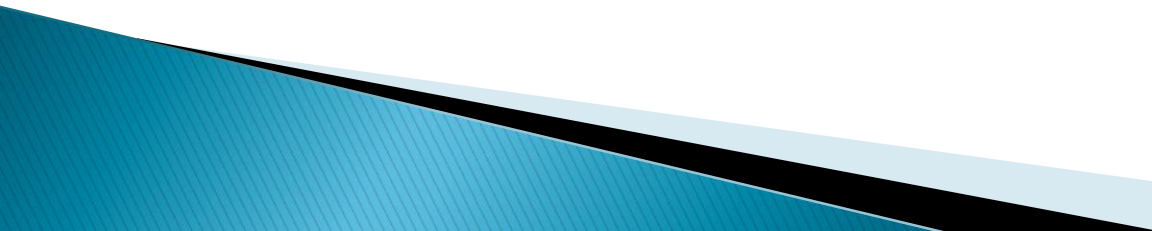
Delays at Border Posts



Covid – 19 and Trade facilitation

- ▶ Sectors such as distribution (especially retailing services), tourism and passenger transport have been heavily affected.
 - ▶ Mobility-related measures have created significant disruptions in air, maritime and land transportation, with severe repercussions on goods trade and supply chains.
 - ▶ Trade in certain modes of supply has experienced severe downturns.
 - ▶ Supply under mode 2 (consumption abroad) relevant for tourism, has been paralyzed.
 - ▶ Travel restrictions have also severely limited mode 4—the temporary movement of natural persons across borders.
 - ▶ Pandemic negatively affected the supply of services through mode 3 (commercial presence), both due to its impact on existing operations in foreign markets and its influence on decisions concerning the set-up of new establishments.
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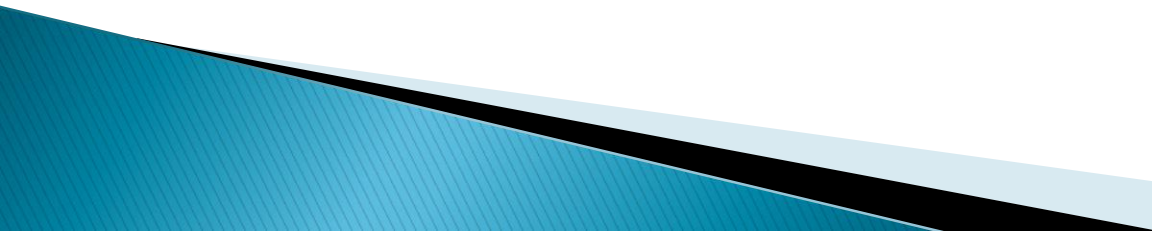
Covid – 19 and Trade facilitation

- ▶ Negative impact on supply chains especially trade in services, –tourism, transport, retail and health services.
 - ▶ E-commerce now the engine driving the economies–greater reliance on online services connecting supply chains and facilitating merchandise trade.
 - ▶ Services such as telecommunications, computing, information services, business services, financial services, audiovisual services that are vital for online supply and those such as distribution, transport and logistics that facilitate merchandise trade will help to support economic growth.
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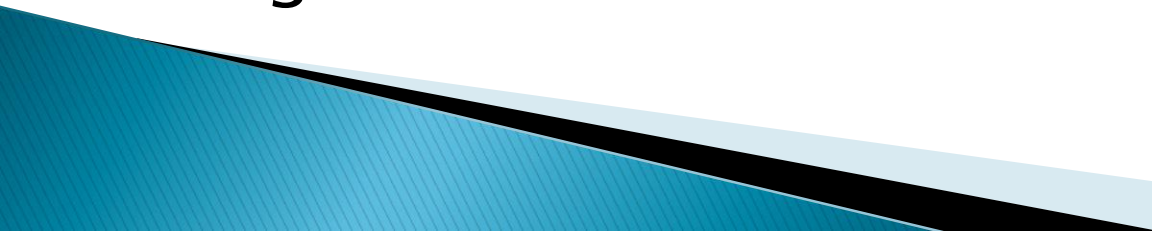
Covid – 19 and Trade facilitation

- ▶ Trade facilitation is critical in the current crisis to ensure the fast movement of essential medical, food and IT supplies.
- ▶ Implementing reforms in the WTO Trade Facilitation Agreement can help.
- ▶ Countries should ensure all formalities on trade regulations are transparent and accessible to all traders, especially Micro, Small and Medium-sized Enterprises;
- ▶ They should expedite standard formalities to leave room for necessary additional sanitary controls measures required in light of COVID-19
- ▶ They should digitize all processes to speed up processing and reduce the need for physical contact between border agencies and traders.

Covid – 19 and Trade facilitation

- ▶ Trade facilitation important for the MSMEs hardest hit by the crisis.
 - ▶ Important to automate and streamline border procedures, simplify fees and foster inclusion of MSMEs in the consultation.
 - ▶ Governments should expedite electronic lodging of documents in advance, electronic payment of all trade-related taxes, digital certificates and signatures, or 24/7 automated processing of trade declarations.
 - ▶ There should be acceptance of digital trade-related documents, including sanitary and phytosanitary certificates, in place of physical copies
 - ▶ Single Windows also play an important role in speeding up border procedures, allowing “one stop shop” processing.
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Covid – 19 and Trade facilitation

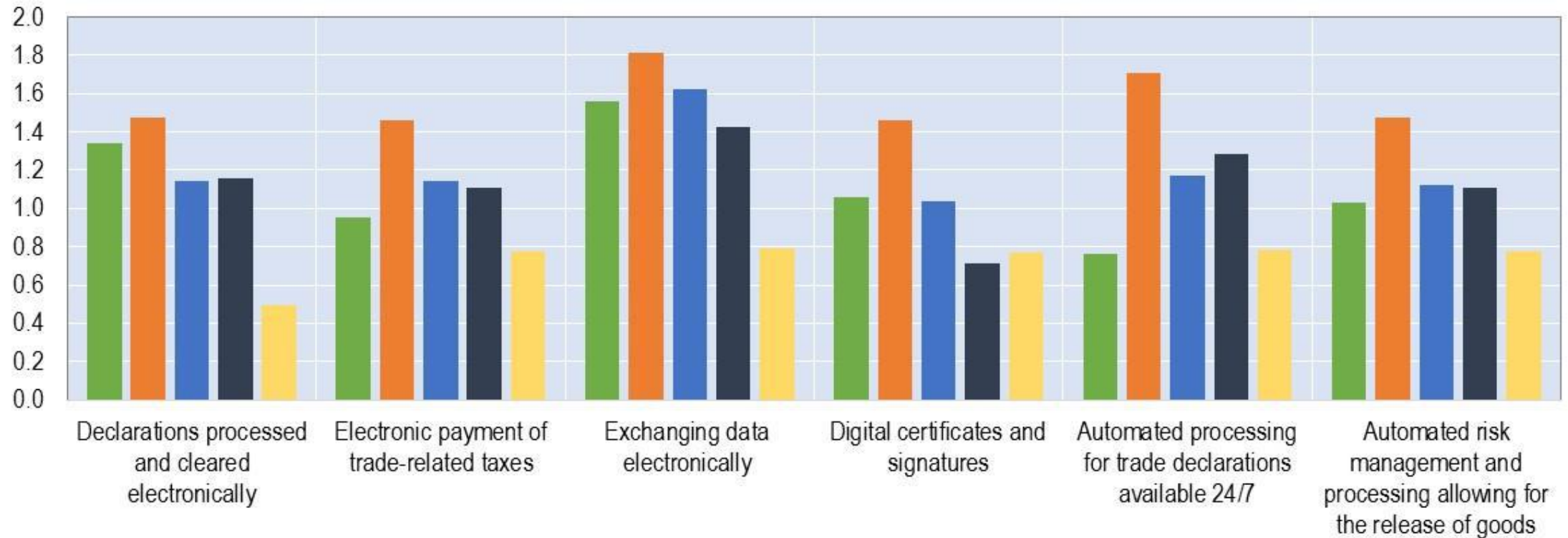
- ▶ Agencies should make full use of their interconnected or shared computer systems and real-time availability to share relevant data among themselves to facilitate cross-border data exchange or clearing of export and import declarations electronically.
 - ▶ Given the differences in capacities among countries, and the global nature of the crisis, enhanced international co-operation in risk management is key at this stage, requiring the sharing of inspection and control results among border agencies.
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Mechanisms in place to speed up border processes and reduce physical contact by Region

Source: OECD Trade Facilitation Indicators (TFIs) (2020).

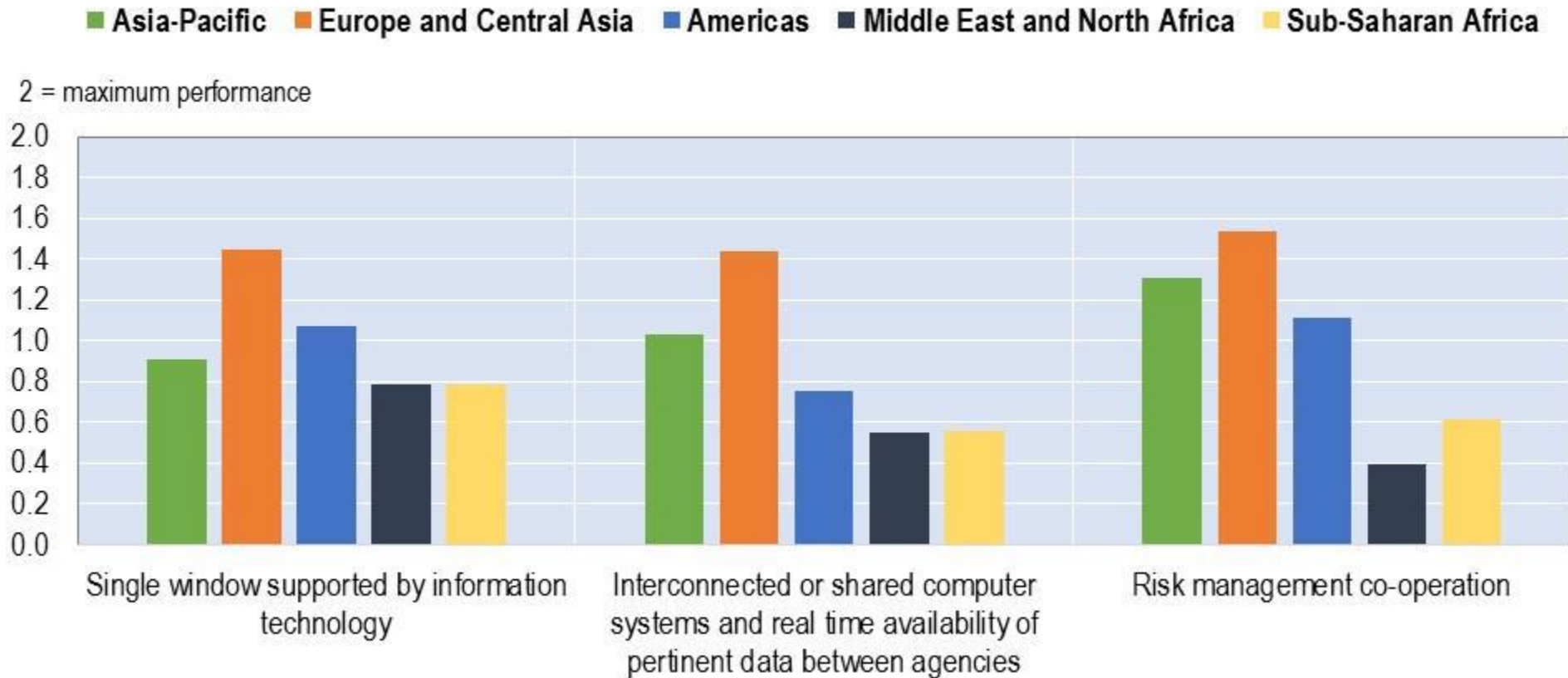
■ Asia-Pacific ■ Europe and Central Asia ■ Americas ■ Middle East and North Africa ■ Sub-Saharan Africa

2 = maximum performance

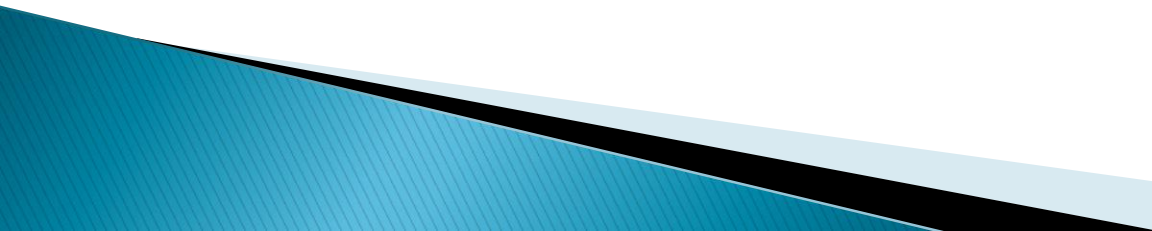


Cross-border co-operation on risk management and interconnected systems by region

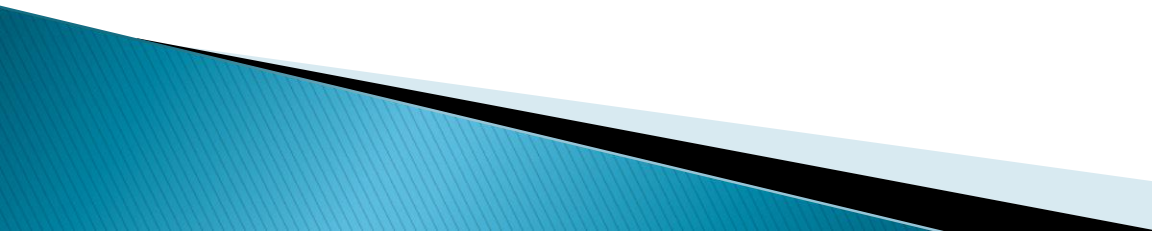
Source: OECD Trade Facilitation Indicators (TFIs) (2020).



Trade Facilitation Measures During Covid-19

- ▶ Governments have adopted trade facilitating measures related to specific services sectors and modes of supply in response to the crisis.
 - ▶ These include:
 - ▶ Measures to ensure that more telecommunications capacity is made available to operators;
 - ▶ Measures facilitating access for the population to internet and mobile data and to online education and health services;
 - ▶ Measures to provide – and in certain instances reintroduce – flexibility for suppliers of transport services and facilitate the continued supply of cross-border transport of freight;
 - ▶ More lenient requirements imposed on banks (such as in terms of liquidity and capital requirements) to ensure that they are well positioned to continue to provide credit.
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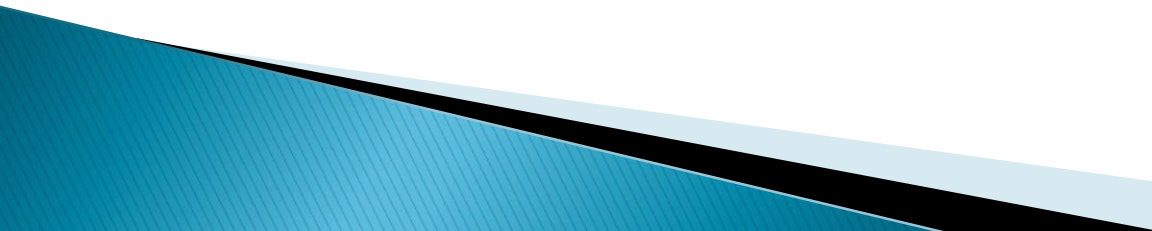
Trade Facilitation Measures During Covid-19

- ▶ Need to build capacities for online supply in order to increase resilience in coping with the crisis by facilitating virtual work and virtual education.
 - ▶ However, there are digital disparities and related policy challenges with respect to services for online supply.
 - ▶ The creation of conditions conducive to trade in services under different modes of supply will be key to the recovery from the economic slowdown.
 - ▶ Cargo movement across the region needs to be expedited through pre-clearance and or prompter clearance.
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Covid – 19 and Trade facilitation

- Preferential clearance should be given to food products, chemicals, agricultural products, medical equipment, agricultural inputs and raw materials for use in industries among others.
- Tax relief measures such as extending payment of duties, payment of duties in installments, duty drawback, waive penalties for delay in submission of export documentation, and setting up of help desk online to facilitate trade
- Truck drivers in cross-border transit , and those delivering essential goods inland, should be facilitated as needed

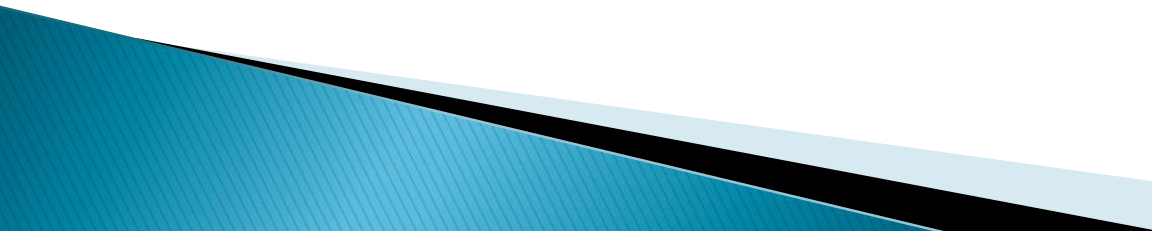
Covid – 19 and Trade facilitation

- ▶ Customs authorities should ensure availability of their customs declaration processing systems to avoid system failures that lead to long queues at the port of entry
 - ▶ Reduce as much as possible physical checks of goods in transit by having mandatory pre-clearance processing of goods to reduce congestion and dwell-time at the border.
 - ▶ Transparency by publishing all regulatory measures pertaining to the Covid-19 restrictions and the list of goods/essential goods being applied within the country
 - ▶ Clearance of medical and hospital supplies, equipment and personal protective equipment, veterinary supplies and raw materials and inputs such as chemicals, packaging and ancillary products used in the production these products should be expedited
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Conclusion

- ▶ Implementing trade facilitation reforms is very important for keeping trade flowing, and keeping MSMEs trading, even in normal times.
 - ▶ International co-operation in trade facilitation remains important to keep trade flowing.
 - ▶ Continued aid for trade very important to assist developing countries to implement trade facilitation measures needed in the crisis.
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Conclusion

- ▶ Implementation of the WTO TFA would result in trade cost reductions of between 14% and 18%, with low and lower middle-income countries seeing the biggest reductions in trade costs.
 - ▶ However these countries also face the largest challenges in implementing reforms.
 - ▶ TFA links implementation to provision of assistance.
 - ▶ In order to address the global challenge of COVID-19, it will be important to continue the provision of assistance, and to enhance co-operation in the short term.
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END

▶ **THANK YOU**