Lessons from the COVID-19 Pandemic: A Renewed Agenda for the Free Trade Area of the Asia-Pacific

Purpose: Information
Submitted by: Policy Support Unit, APEC Secretariat
Lessons from the COVID-19 Pandemic: A Renewed Agenda for FTAAP

Carlos Kuriyama
Policy Support Unit, APEC Secretariat

Committee on Trade and Investment (CTI2)
15-16 May 2022

Advancing Free Trade for Asia-Pacific Prosperity
COVID-19: Critical challenges affecting trade

1. Disruption in accessing essential goods.

2. Disruption in trade in services.

3. Difficulties in supply chain logistics.

4. Digital transformation.

5. Transparency issues.

Challenge # 1: Disruption in accessing to essential goods
Issues with export restrictions/prohibitions and import charges

NTMs in the APEC region in response of the COVID-19 pandemic (as of 7 March 2022, change from 8 September 2020 in parenthesis)

<table>
<thead>
<tr>
<th>Measures/Status</th>
<th>In Force</th>
<th>No Longer in Force</th>
<th>Accumulated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilitating Trade</td>
<td>19 (+1)</td>
<td>10 (+1)</td>
<td>29 (+2)</td>
</tr>
<tr>
<td>Restricting Trade</td>
<td>6 (-6)</td>
<td>22 (+11)</td>
<td>28 (+5)</td>
</tr>
<tr>
<td>Total</td>
<td>25 (-5)</td>
<td>32 (+12)</td>
<td>57 (+7)</td>
</tr>
</tbody>
</table>

Import tariff reduction in response of the COVID-19 pandemic

<table>
<thead>
<tr>
<th>Status/Date</th>
<th>As of 8 Sep 2020</th>
<th>As of 7 March 2022</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>In force</td>
<td>10</td>
<td>20</td>
<td>+10</td>
</tr>
<tr>
<td>Not in force</td>
<td>5</td>
<td>7</td>
<td>+2</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>27</td>
<td>+12</td>
</tr>
</tbody>
</table>
Challenge # 2: Disruption of trade in services
Services relying on cross-border movement of people are mostly affected

Trade in services by APEC member economies
(USD billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Goods-related services</th>
<th>Transport</th>
<th>Travel</th>
<th>Other commercial services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 IQ</td>
<td>259</td>
<td>93</td>
<td>96</td>
<td>123</td>
<td>475</td>
</tr>
<tr>
<td>2019 IIQ</td>
<td>259</td>
<td>93</td>
<td>96</td>
<td>123</td>
<td>475</td>
</tr>
<tr>
<td>2019 IIIQ</td>
<td>269</td>
<td>96</td>
<td>95</td>
<td>128</td>
<td>502</td>
</tr>
<tr>
<td>2019 IVQ</td>
<td>269</td>
<td>96</td>
<td>95</td>
<td>128</td>
<td>502</td>
</tr>
<tr>
<td>2020 IQ</td>
<td>212</td>
<td>79</td>
<td>66</td>
<td>172</td>
<td>475</td>
</tr>
<tr>
<td>2020 IIQ</td>
<td>412</td>
<td>136</td>
<td>143</td>
<td>718</td>
<td>1103</td>
</tr>
<tr>
<td>2020 IIIQ</td>
<td>417</td>
<td>143</td>
<td>157</td>
<td>760</td>
<td>1286</td>
</tr>
<tr>
<td>2020 IVQ</td>
<td>444</td>
<td>157</td>
<td>155</td>
<td>785</td>
<td>1386</td>
</tr>
<tr>
<td>2021 IQ</td>
<td>495</td>
<td>157</td>
<td>168</td>
<td>820</td>
<td>1502</td>
</tr>
<tr>
<td>2021 IIQ</td>
<td>494</td>
<td>168</td>
<td>170</td>
<td>825</td>
<td>1599</td>
</tr>
</tbody>
</table>

Source: WTO. APEC Secretariat, Policy Support Unit calculations
Challenge # 3: Difficulties in supply chain logistics
Connectivity issues, delays and soaring shipping costs.

Weekly Freightos Baltic Global Container Index (USD)

Source: Freightos. https://fbx.freightos.com/
Challenge # 3: Difficulties in supply chain logistics
Connectivity issues, delays and soaring shipping costs.

Global Average Delays for Late Vessel Arrivals (days)

Source: “Maritime Shipping: On-time Rate & Delays by Sea Intelligence,” MacroMicro,
Challenge # 4: Digital transformation
Trade rules are not evolving at the same pace

Number of data localization measures in force and implementing economies

Source: Cory & Dascoli (2021), Information Technology & Innovation Foundation
**Challenge # 5: Transparency**
Many new regulations or changes during pandemic. They need to reach exporters, importers, producers and consumers quickly.

**UNESCAP survey on implementation of transparency measures in times of crisis and the COVID-19 pandemic**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Yes (%)</th>
<th>No (%)</th>
<th>Don’t Know (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publish or share trade facilitation measures with international orgs.</td>
<td>88</td>
<td>13</td>
<td>0</td>
</tr>
<tr>
<td>Publish emergency trade facilitation measures on websites of agencies</td>
<td>78</td>
<td>22</td>
<td>0</td>
</tr>
<tr>
<td>Publish emergency trade facilitation measures on trade portal</td>
<td>69</td>
<td>28</td>
<td>3</td>
</tr>
<tr>
<td>Regional or sub-regional mechanism to share information</td>
<td>59</td>
<td>28</td>
<td>13</td>
</tr>
<tr>
<td>Information provided in languages other than local language</td>
<td>56</td>
<td>38</td>
<td>6</td>
</tr>
</tbody>
</table>

*Source: UNESCAP*

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Challenge # 6: Regulatory Issues
Regulatory bottlenecks could affect trade of essential goods

- Lack of proportionality and compatibility of measures.
- Complexity of intellectual property rights
- Good Manufacturing Practice and divergences in protocols among economies
- Lack of proper inter-institutional coordination

Source: UNESCAP
# Recommendations to revise FTAAP work programmes in the context of the COVID-19 pandemic

**Trade in Goods on essential goods**
- **Definition** of essential goods
- Commitments to ensure **availability**
- Avoid **export restrictions** and exempt them from **import tariffs** on a permanent basis

**Trade in Services**
- Keep airports, port, customs and border facilities **operational**
- Facilitate **cross-border movement of business people** and those working in **essential business**
- **Harmonization of criteria** to allow travel

**Trade Facilitation and border management**
- Facilitate cross-border **movement of airline crew and maritime seafarers**
- Accelerate implementation of **WTO TFA**
- Use of **technology** and **paperless** procedures
- Border **cooperation** and technical **assistance**
Recommendations to revise FTAAP work programmes in the context of the COVID-19 pandemic

**Digital Issues**
- Modern trade rules to foster digital economy
- Rules on data privacy, localization, cross-border data flows
- E-commerce rules on e-payments, consumer protection, e-signatures

**Transparency**
- More “teeth” to transparency provisions
- Emergency situations
- Appropriate sanctions against not duly reporting new regulations or changes.

**Regulatory Issues**
- Standards & Conformance: Work on risk assessment, harmonization, mutual recognition and equivalence
- Intellectual Property: Support temporary waiver of certain obligation on the WTO TRIPS
Recommendations to revise FTAAP work programmes - Issues with rising interest

Areas in mega-FTAs not recently addressed at the APEC Capacity-Building Needs Initiative (CBNI):
- **Trade in goods**: Rules of origin, SPS
- **Trade in services**: Sectoral services sectors, movement of natural persons/business people
- **Other disciplines**: government procurement, state-owned enterprises, environment, labor, regulatory coherence

Other areas of rising interest with limited or absent rules at multilateral levels:
- **Inclusion** (e.g. gender, SMEs, indigenous cooperation)
- Development and economic cooperation