Practical Responses to Pandemics: Evidence and recommendations from case studies of agri-food trade in the EU, Asia-Pacific and American regions during Covid-19

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Introduction

Food trade during a pandemic presents a special case. Agricultural and food products typically have less-integrated global value chains than do other traded goods at the product level, although agricultural supply chains are enormously complex at the industrial level. Pandemics will also affect countries’ agricultural sectors differently depending on the pandemic’s origin and spread. As the COVID-19 pandemic spread, it became clear that it has the potential to significantly disrupt the world’s food supply.

Supply and demand shocks resulting from the COVID-19 pandemic, and government efforts to contain it, have put a strain on agricultural supply chains. A complex network of workers in the fields, inputs like fertilizer and seed, and processing and distribution chains are required to get food from seed to plate. This network has been disrupted by a lack of workers, port closures, and logistics hurdles. This paper examines some of these disruptions through a series of case studies which, collectively, offer a model policy template for multilateral policymakers to ensure a stable global food supply during a pandemic. Taken individually, each chapter proposes a specific set of recommendations to tackle barriers to food trade during the COVID-10 pandemic, some of which have little to do with import or export controls.

Pandemics highlight how, in an emergency, facets of policy not explicitly related to trade have a way of controlling whether or not global trade can function at all. Policy that does not explicitly regulate trade in normal times can become trade policy in a pandemic as individuals come to realize how dependent they are on trade. While no country exceeds 10% of the world’s total exports or imports of foodstuffs, trade in food is increasingly important for meeting our nutritional needs. 20% of the calories the average person consumes crosses at least one national border, an increase of over 50% since 1980. Seventeen of the eighty countries monitored by the WTO Secretariat have enacted export restrictions to foodstuffs trade in response to COVID-19.

To date multiple governments have attempted to address some of these challenges. As policymakers develop strategies to limit the spread of the virus within their borders and to strengthen domestic food security, they should endeavor to avoid aggravating existing market distortions or creating disruptions to the food supplies of other nations. In this respect, agricultural policy represents a particularly challenging area. Multilateral and regional governance institutions and frameworks are not sufficiently comprehensive to protect the flow of financing, goods, information, and people essential for the purchase, production, transportation and distribution of...
agricultural products. Nevertheless, a growing number of Regional Trade Agreements (RTAs) and commitments within multilateral efforts have the potential to address country, region and product specific constraints to the development of open and sustainable food supply chains.

To ensure policy makers and trade negotiators have a better understanding of the institutional, macroeconomic, and industry factors required for the development and protection of open and resilient agricultural supply chains during a crisis like COVID-19, this report contains detailed and evidence-based assessments of the advantages, limitations and shortcomings of unilateral or trade-bloc actions in response to the COVID-19 crisis and their likely impact on agricultural supply chains across multiple geographies.

The nine chapters in this report leverage trade, regulatory, and macroeconomic data from the EU, Asia-Pacific, and Americas regions to provide practical policy recommendations for handling the COVID-19 crisis and future pandemic-related disruptions. The evidence presented herein is grounded in the trade, financial, logistical, macroeconomic and institutional realities faced by stakeholders in the agricultural policy response to COVID-19. Combined, these chapters cover policy responses across a diverse set of geographic, institutional and macroeconomic contexts, and thus provide policy assessments and recommendations spanning several trading relationships and institutional arrangements.

Chapters 1 and 2 assess policy and regulatory crisis management measures developed within the context of two important regional economic blocs; the European Union and the Association of South-East Asian Nations (ASEAN). In Chapter 1, Ioannis Georgopoulos identifies crises management gaps within the European Union’s Single Market Agreement and assesses the effectiveness of practical remediations enacted by the European Commission amidst the COVID-19. In Chapter 2, Froland Tajale examines the scope and effectiveness of ASEAN policy and regulatory measures intended to narrow the regulatory gap between ASEAN Member States and ensure continuity in agri-food trade during the COVID-19 pandemic.

Chapter 3 and 4 assess the relevance and effectiveness of different types of bilateral efforts to remove agricultural barriers to trade erected in response to the COVID-19 crisis. In chapter 3, Ky Anh Lee evaluates the impact of the COVID-19 on EU-Vietnam trade relations and the effectiveness of trade facilitation measures under the EU-Vietnam Free Trade Agreement (EVFTA). In Chapter 4, Chau Cao uses the New-Zealand - Singapore Declaration on Trade of Essential Goods and Services to evaluate the coverage, depth, and effectiveness of ad-hoc cross country collaborations to reduce barriers to agricultural trade amid a global crisis.
Chapters 5 and 6 examine the relevance and effectiveness of unilateral ancillary policy decisions by two of the world’s largest agricultural markets—US and China—in reducing supply-side disruptions to national and bilateral agricultural trade. In Chapter 5, Hannah Anderson investigates disruptions to the agricultural labor market in the U.S. from policies regarding migrant workers and health risks faced by the agricultural labor force. In Chapter 6, EddiE Cai examines the Chinese government’s countermeasures to manage disruptions in China’s value chain through the digitalization of the agricultural value chain and the strengthening of E-commerce channel capabilities.

Chapter 7 explores cross-cutting trade and supply chain finance requirements, instrumental for the resilience of agricultural supply chains during a crisis. In this chapter, Alice Yi provides a policy response framework for assessing the health of trade finance resources, governance, and financial infrastructure during a crisis.

Chapter 8 and 9 provide a critical overview of the depth and coverage of WTO and RTA provisions in the context of supply and demand side challenges associated with pandemics like Covid-19. In Chapter 8, Sebastian Cortes explores whether agriculture provisions in recent RTAs—especially new agreements like the CPTPP, USMCA and EU-Asia agreements--address supply side and demand side challenges associated with pandemics like Covid 19. In Chapter 9, Cortes develops model principles for the development of RTA provisions relevant to agri-food trade in the context of different institutional governance and economic arrangements by leveraging the issue-specific insights and recommendations from Chapters 1 - 7 and the RTA analysis from Chapter 8. This serves as a guide for the incorporation of RTA provisions and policy measures highlighted throughout this volume into ongoing and future RTA negotiations.

Collectively, this work can serve as a guide to policymakers seeking to rebuild the global trading system in the aftermath of the COVID-19 pandemic in a more resilient manner. It is equally important to both identify the obstacles to smoothly-functioning trade during a pandemic and to offer policy recommendations which, if implemented, could either prevent these issues from arising during a future global emergency or establish a policy roadmap so that those responding to the crisis know immediately how to respond. We believe this compendium offers such a guide through its multi-faceted approach and cross-regional study and hope the recommendations herein spur thoughtful discussion among policymakers.
Chapter 1: Intra-EU Trade and COVID-19: Challenges & Initiatives

By Ioannis Georgopoulos

Abstract

This case study addresses the lack of specific provisions within the European Union’s Europe’s Single Market Agreement on crisis management, such as the recent COVID-19 crisis, and its potential adverse impact on intra-EU trade; it examines challenges, initiatives and best practices observed during the COVID-19 crisis, it evaluates their effectiveness under urgent or unusual circumstances, and concludes with practical provisions to be incorporated not only into a revision of the agreement, but also into future trade agreements. The paper draws special attention to specific information-technology solutions, the provision for specific exceptions from temporary bans, and how the adoption of such measures can safeguard both public health and trade lanes.

Introduction

The Coronavirus crisis posed unprecedented challenges and risks to global trade. Several countries, unaware of the degree of contamination of the virus, prioritized public health at any cost. This had a toll on trade flows and transport of goods, and in a few cases, an adverse effect on food availability. In its very nature, global trade involves the transport of goods and, indirectly, the movement of people; this led a few authorities to classify global trade flows as potential carriers of the COVID-19 virus. Horizontal measures applied by countries disrupted the supply and demand equilibrium, with the side effects on the prices and availability of some commodities visible early on.¹

Chapter 1: Intra-EU Trade and Covid-19: Challenges & Initiatives

This report focuses on the European Union’s food stability during the crises and the impact of COVID-19 on the intra-EU agri-food trade. It starts with a review of the historical trade flows of food-related products and evaluates the inter-dependencies between EU Member States when it comes to food security. It continues by reviewing the Single Market agreement and by exploring the intra-EU trade and any best practices observed, concluding with an extensive review of the innovative measures taken to protect the trade of agri-food products.

The paper intends to create useful literature – in terms of findings, proposals, or guidelines on health crises management – that can be relied upon in any drafting work on crisis-management provisions in the context of future trade agreements. Despite the focus of the paper on specific trade blocks and countries, we argue that the lessons learned from the recent COVID-19 crisis can benefit other trade agreements and that their adoption into policies can better safeguard the global food chain. Hence, we conclude this case with specific examples of provisions or policy approaches that proved effective towards the protection of agri-food trade in the context of COVID-19.

1. Facts & Figures on Agri-Food Trade in the EU and the International Inter-dependencies of Food Chains

On a first analysis of the numbers, it can be misleadingly claimed that the European Union is self-sufficient when it comes to food products. The local production of the block by far exceeds the respective demand. In monetary terms, the EU has been consistently a net exporter of Agri-Food products, with 183 Billion EUR of exports and 121 Billion EUR of agri-food imports for the period March 2019 to February 2020. However, close examination of the block’s trade flows with the rest of the globe reveals that dependencies with trading partners are strong, bi-directional and product specific. Thus, food security should not be taken for granted on the continent.

When it comes to the agri-food space in the EU, examining trade between Member States reveals several interdependencies. Intra-EU trade of food & beverages (CPA classification) represents about 240 Billion Euros in value. In percentage terms, food & beverages account for

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nearly 8% of all trade conducted\(^4\) between Member States, with considerable variations in terms of each Member State’s imports and exports. Food and non-alcoholic beverages accounted for 12.1\% of EU households’ consumption\(^5\), or a total of 6.6\% of EU’s GDP\(^6\) and this level has been relatively stable for decades, partially thanks to the integration of the Single Market that efficiently bridges supply and demand regions. Agri-food product availability on the continent has been greatly secured by the intra-EU trade flows; any disruption or blockade would automatically create shortages of specific products with certain Member States.

Food availability is not only relying on the intra-EU trade, but, as illustrated on later cases of this publication, on global trade flows. For instance, tropical fruits, nuts, coffee, soybeans, and tropical oils – ingredients crucial for the food industry – are mostly imported into the EU. Indirectly, EU’s meat industry is also heavily dependent on imports, such as soymeal or soybean products. Any disruption in the food chain can adversely affect all market participants and eventually harm the consumer. The rest of the world is also partially dependent on EU agri-foods; wine, infant food, milk, chocolate, pasta, water, and soft drinks, are exported in significant volumes from the European Continent. Pork meat has also been an important export commodity for the EU, with the block partially covering the unforeseen Chinese production loss in recent years caused by the African Swine Flu. More precisely, the EU shipped 2.41 Million MT of pork meat to China in 2019, versus 1.35 Million MT in 2018\(^7\) – signifying the importance of global trade in alleviating disruptions on local food chains.

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\(^5\) European Union – Eurostat, “Household consumption by purpose – Statistics Explained”, EU’s Official Website, Published November 2020
\(^6\) European Union – Eurostat, “Final consumption expenditure of households by consumption purpose (COICOP 3 digit)”, Eurostat’s Official Database, Accessed 05 June 2020
https://appsso.eurostat.ec.europa.eu/nui/show.do?query=BOOKMARK_DS-423035_QID_7B5FFDBA_UID_-3F171E80&layout=UNIT,L,X,0;GEO,L,Y,0;COICOP,L,Z,0;TIME,C,Z,1;INDICATORS,C,Z,2;&zSelection=DS-423035INDICATORS,OBS_FLAG;DS-423035TIME,2018;DS-423035COICOP,CP01;&rankName1=INDICATORS_1_2_-1_2&rankName2=COICOP_1_2_0_0&rankName3=TIME_1_0_1_0&rankName4=UNIT_1_2_0_0&rankName5=GEO_1_2_0_1&rStp=&cStp=&rDCh=&eDCh=&rDM=true&eDM=true&footnes=false&empty=false&wai=false&tme_mode=ROLLING&time_most_recent=true&lang=EN&cfo=%23%23%23%23%23%23%23%23&time_mode=ROLLING
\(^7\) European Commission – DG AGRI, “DG AGRI - Pigmeat Trade”, EU’s Official Website, Update of 14 May 2020,

The EU’s Single Market\(^8\) is Europe’s post-war greatest achievements and has undisputedly contributed to Europe’s food security. It turns EU as one single territory without any internal borders or other regulatory obstacles to the free movement of goods and services and has fueled tremendous economic growth. The question of this paper is: has the Single Market indeed functioned in a similar uninterrupted fashion during the recent COVID-19 crisis, and if not, which have been the main causes? We initiate our analysis by reviewing the agreement itself and determine the crisis management provisions in place.

Historically, the Single Market Agreement has functioned efficiently, by eliminating any barriers to trade; in scenarios when Member States enact law or apply measures that breach the Single Market Agreement, the Commission is responsible on launching an investigation and restore free trade. According to the official EU website, the Commission is working on removing or reducing barriers to intra-EU trade by prohibiting quantitative restrictions on imports and exports, while it manages the notification procedures on technical regulations and technical barriers to trade. The Commission also monitors the application of EU law and can launch infringement proceedings against EU countries that do not comply. The Article 34 (ex-Article 28 TEC) of the Single Market Agreement mentions that “quantitative restrictions on imports and all measures having equivalent effect shall be prohibited between Member States”, while Article’s 35 (ex-Article 29 TEC) stresses the “illegality of any quantitative restrictions on exports, or any measures having equivalent effect”. Hence, it is reasonable to conclude that the Single Market is constructed to function without any barriers to trade.

Although the above statement is principally correct, the agreement does have in place provisions for exceptions that allow barriers to trade in certain extraordinary situations. Specifically, “prohibitions or restrictions on imports, exports of goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property can justify trade barriers in exceptional situations. Such prohibitions or restrictions shall not, however, constitute a

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means of arbitrary discrimination or a disguised restriction on trade between Member States’”.

Finally, provisions concerning physical barriers to trade by individuals, such as border blockades, demonstrations or attacks to drivers are covered by the early warning mechanism, introduced in the Regulation 2679/98.

With the above mentioned, it can be argued that, although the trade agreement does indeed explicitly include health-related crisis situations in its list of extraordinary circumstances, it has limited scope when it comes to the breadth of restrictions or limitations the Member States can impose to tackle the crisis. In practical terms, this allows individual countries to implement horizontal, flat measures without advance consultation from the EU; these actions can create panic, confusion, unreasonable interruption of trade flows and even undermine the initial purpose of public health protection. Moreover, prompt centralization of information on crisis-related temporary measures enacted by individual states is not provisioned in the Agreement. As the recent COVID-19 experience proved, lack of precise information has been a key disruption factor, with producers, traders, customs agents, and border control officers lacking a complete, fully updated database of the very recent urgent measures in place. Finally, the agreement fails to address how trade can be dramatically affected by any restrictions on the free movement of people. Practical clauses that allow for exemptions of specific critical professionals from any temporary restrictions on movement of people would also shield intra-EU trade from any unexpected side-effects. In the following chapter, we review how these deficiencies of the agreement adversely affected the intra-EU trade when the COVID-19 crises outbroke.

3. The Challenges & Initiatives to Protect Trade of Agri-Food Products

From the very beginning of the COVID-19 crisis, the Intra-EU trade was put to the test. Member States, seeing infections rise in other Member States, imposed complete border closures to reduce contamination risks for the local population. This initially horizontal measure adversely impacted the transport of goods; transport workers –mainly truck drivers, but also train and barge personnel– were facing the risk of being quarantined for weeks when and if entering another Member State. Traffic jams of up to 60 km at border crossings were reported in the initial breakout
of the virus\textsuperscript{10}. Air-Cargo flight personnel was also facing similar risks. The restrictions in the free movement of people initially affected another unexpected aspect of trade – the trade in services. Within the EU, seasonal farm workers and family-owned companies based in EU countries have been regularly providing their services to farm owners in other Member States. At the beginning of COVID-19 crisis in Europe, their work was hindered due to the restrictions on cross-border labor mobility, consequently putting the agricultural production output of Europe into risk\textsuperscript{11}. One Member State, Romania, banned the exports of grains\textsuperscript{12} in general, but quickly reversed the measure after pressure from the European Commission. Other EU countries stated their arbitrary intentions to put potential measures in place\textsuperscript{13} that would ban exports and promote consumption of local produce, but eventually refrained from implementing their plans.

Notwithstanding the initial challenges, we can safely say in July 2020 that trade within Europe has so far been only minimally disrupted. In view of Member States lacking bilateral coordination in their initiatives to control the virus, and with no concrete provisions on the span of restrictions members states could impose in times of crisis management, the European Commission took concrete action to secure trade between Member States. With its oversight role over the Member States, the Commission announced in mid-March 2020 specific directives, measures, and actions to secure intra-EU trade, while it has been supervising closely the Member States’ measures since then. In the scope of COVID-19, further legislation was enacted, and official guidelines drawn that tackled the main areas of disruption.

The Commission focused on clear communication, prevention of confusion and avoidance of ambiguity, targeting all stakeholders, such as Member States, exporters, importers, and freight operators. It also addressed practical border management issues that were initially left on the

\textsuperscript{10} Sam Morgan, “Keep on trucking: EU deploys ‘green lanes’ to unclog freight”, EurActiv, Published 23 March 2020
\textsuperscript{11} Gerardo Fortuna & Natasha Foote, “EU recommends keeping borders open as agri-labour conundrum looms large”, EurActiv, Published 02 April 2020
\textsuperscript{12} Monica Dobrescu, “Romania Reverses Decision to Ban Grain Exports”, United States Department of Agriculture – Foreign Agricultural Service Official Website, Published 20 April 2020
\textsuperscript{13} Natasha Foote, “Commission warns against shift towards protectionism in agri-food sector”, EurActiv, Published 23 April 2020
discretion of member states, while it provided room for exceptions when it comes to free movement of critical professionals. These initiatives, even if they did not address directly the main cause of disruption – the ambiguity of the Single Market Agreement’s provisions on crisis management measures – they successfully protected trade and can serve as proven successful approaches that could eventually be formally integrated in trade agreements.

More specifically, main initiatives related to Intra-EU trade can be summarized as per below:

- Guidelines for border management measures to protect health and ensure the availability of goods and essential services (16.03.2020). This included:
  - The exemption of any transport worker from border controls within the EU. Truck drivers, train personnel, barge operators and airline crew could enter the borders of other EU countries and without having to serve a 14-day quarantine.
  - The creation of “Green Lanes for freight transport” with the respective website/mobile app\(^{14}\). The Green Lanes initiative officially gives customs-handling priority to trucks transporting goods, with truck drivers not having to leave their vehicles during inspections and with only essential documents like driving licenses and IDs being requested by customs. Moreover, local road restrictions related to the movement of trucks over the night or over the weekend were lifted. The online platform and the mobile app has also helped freight providers plan logistics based on the load of each border entry point and the flow of traffic by providing live information on the status of Europe’s internal and external borders, hence proving critical for the transportation of perishable products.
  - The prohibition of Member States from imposing additional certification requirements for EU goods entering their territory from another Union state. The Commission considered recent scientific research and concluded that there exists no risk for contamination from the transport of food and thus any arbitrary additional requirements are illegal. This proactive approach ensured the circulation of food products.
  - The decision that excluded workers in critical industries from the temporary ban from crossing EU internal borders as soon as this is related directly to their professional services. This practically meant that medical personnel, transport personnel and seasonal farm workers could freely enter other EU countries and perform their

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\(^{14}\) European GNSS Agency, “Clarity and security through border crossings”, Green Lane Official Website, Accessed 05 June 2020
https://galileogreenlane.eu
professional services. This ensured agricultural perishable products ready to be harvested eventually made their path through the supply chain instead of rotting on the fields due to lack of workforce.

- The creation of a COVID-19 official online “Customs Guidance for Trade” Website\(^\text{15}\) with extensive guidelines and practical information for all stakeholders, with extensive and regularly updated information. This was a successful effort to centralize information on measures, formalities, and updates relevant to all trade stakeholders.
- The collection and listing of exceptional measures on customs practicalities by Member State\(^\text{16}\) Database, publicly accessible and organized in a simple, clear, and efficient format, including information for the national customs offices. This created an “one stop shop” for latest information by countries, in English language.

- Guidance note to Member States related to Commission Implementing Regulation (EU) 2020/402 making the exportation of certain products subject to the production of an export authorisation, as last amended by Commission Implementing Regulation (EU) 2020/426 (20.03.2020). This included:
  - The clarification on the types of products for which export prohibition could be applied for limited time by Member States. According to this regulation, export of Personal Protective Equipment and Medical Equipment was temporarily restricted on a national & Union level. Agri-food commodities were clearly excluded from any trade restrictions, outlawing any initiatives taken by individual states. This shielded agri-food trade from unreasonable export or import restrictions.

- Prioritization of action plan for better implementation and enforcement of the Single Market rules (published 10.03.2020 and prioritized in view of the COVID-19 crisis due to its relevance). This long-term action plan had been prepared before the COVID-19 Pandemic and it involves:


\(^{16}\) European Union – Taxation & Customs, “Guidance on Customs issues related to the COVID-19 emergency”, Additional Information Section
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- The creation of a Single Market Enforcement Taskforce (SMET)\textsuperscript{17} with an objective to guarantee compliance with Single Market rules. In practical terms, the SMET will be able to intervene promptly and normalize trade, if this is disrupted from internal or external factors.

- The rationalizing of the Single Market IT systems and the creation of a platform for online enforcement (e-enforcement lab) for readily available data for analytics and decision-making. This will support better data analytics, and eventually prompter, more precise, and more effective decision making.

- The extended utilization of the information management system for official controls (IMSOC) that supports the enforcement of EU agri-food legislation. This will also secure efficiencies and further the centralization of information.

4. Recommendations & Future Policy Guidelines:

After 4 months since the outbreak of Coronavirus in Europe, it can be safely argued that the state of emergency imposed by Member States created initial confusion and gave rise to reasonable concerns on all stakeholders. However, intra-EU trade in agri-food products was generally preserved, with small disruptions in trade flows\textsuperscript{18}. Despite the lack of provisions and plans in the Single Market agreement, urgent practical measures enacted under the oversight authority of the European Commission were able to safeguard the flow of goods between Member States.

With the above said, we advocate that any amendment of the Single Market Agreement should adopt policies and provisions that anticipate similar health crises situations. Member states should pre-define as explicitly as possible the scope and characteristics of measures that can be adopted in urgent situations, and better articulate their temporary nature. The EU Commission’s role should primarily be one of oversight with respect to the implementation of current, already existing provisions. Our recommendations also form a concrete basis for discussions on provisions in any future trade agreement; the success of initiatives taken by the European Union

\textsuperscript{17} European Commission - Internal Market, Industry, Entrepreneurship and SMEs, “Coronavirus: European Commission kick-starts the work of the new Single Market Enforcement Task Force to remove restrictions to the Single Market”, EU’s Official Website, Published 08 April 2020

\textsuperscript{18} Europost, “Agri-food trade strong and stable in the first months of 2020”, Europost Website, Accessed 20 June 2020
constitutes a good example of best practices for other countries or trade blocks to adopt – especially applicable for neighboring countries that conduct trade by land. It can be argued that with the lack of an supervisory institution that enforces the implementation of agreements (such as the DG Trade of the European Commission\(^\text{19}\)), provisions and clauses such as the ones presented below can play a detrimental role on securing trade and the food supply chains. Pre-defined actions of trade agreement signatories can lead to less breaches of the agreement, less unplanned, lengthy negotiations, more certainty, and timely practical solutions.

More precisely, and based on our findings, we support a series of provisions to be considered in any future trade agreement discussion:

- **Precise provisions concerning the creation of a pre-defined and centralized website / database**, on which trading partners agree to provide up-to-date, accurate and publicly available information with respect to any exceptional measures planned or enacted that could affect the cross-border flows of goods. Such a provision should ensure the commitment of trading partners and their respective competent authorities to use this platform as the official repository for any trade-facilitating or trade-disrupting measures, with information available in an official and commonly accepted language.

- The incorporation of **Green Lanes\(^\text{20}\)** or similar trade facilitating measures as a permanent provision in the Single Market Agreement, its adoption in future trade agreements between trading partners and its incorporation into the World Trade Organization’s Trade Facilitation Agreement. Any such guidelines should focus on streamlining formalities, and on the introduction of online informational portals and mobile apps as official means of real-time information. Perishable food products should be treated with priority on any border control to minimize food waste.

- **The provision of exemptions from any restrictions on the cross-border movement of persons for these working in critical professions** (road transport, air-cargo, train personnel, shipping crews, seasonal workers etc). Any trade agreement should specify the critical professions and secure their free movement within the trading partners’ territories.

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\(^{19}\) DG Trade – European Commission, “DG Trade”, Accessed 20 June 2020
https://ec.europa.eu/trade/

\(^{20}\) European GNSS Agency, “Clarity and security through border crossings”, Green Lane Official Website, Accessed 05 June 2020
https://galileogreenlane.eu
Clear guidelines on the Single Market Enforcement Task Force (SMET) for the case of the EU, or for a similar task force defined by the trading partners, that will assess on a regular basis the compliance of signatories to the agreement. There should also be provisions in place concerning a pre-defined, fast-track consultation or approval process for exceptional measures taken by individual trading partners in case of emergencies. These provisions will reduce breaches of any trade agreements and will promote commonly accepted solutions instead of arbitrary decisions of individual States.

All in all, any future trade agreement – but primarily trade agreements between neighboring countries that conduct trade via land and are or willing to negotiate a regional trade agreement – needs to outline specific situations constituting emergencies and crises in a more precise way, with pre-defined mechanisms and tools. The use of information and communication technology tools and systems for rapid and reliable information-sharing should be stipulated in any such provisions, similar to a fast-track consultation mechanism that will allow trading partners to take non-conflicting temporary measures that do not expose a region’s population to food security risks.

**Conclusion**

Agri-Food trade between member states has been by and large protected, despite the initial challenges that the stakeholders faced in the early weeks of the coronavirus outbreak. The European Single Market remained functioning and effectively served the food stability of the region. We advocate that most of the initial challenges derived from the vagueness of the Agreement itself and the lack of provisions that explicitly address health crises like the COVID-19. We also recognize the unique structure of the European Union – with its governing bodies and supervising institutions – that differentiates it from other trade agreements between trading partners. Despite these unique characteristics of the European Single Market, we consider that the best practices observed within an intra-EU context can to a large extent be replicated; thus, they should be actively discussed in future trade agreements negotiations, particularly between bordering trading partners. Provisions related to information technology, the exemptions from urgent measures, the fast-track consultation process and the creation of a trade agreement compliance task force, are areas that have to be considered, reviewed, adjusted to the specific needs, and ultimately adopted.
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Gerardo Fortuna & Natasha Foote, “EU recommends keeping borders open as agri-labour conundrum looms large”, EurActiv, Published 02 April 2020


Chapter 2: ASEAN’s Role and Regulatory Measures for Agri-food Trade During Pandemics

By Froland Magallanes Tajale

Abstract

This paper examines the policy and regulatory measures of the ASEAN region towards a system that narrows the gap and ensures continuity of trade of agri-food and other essential goods during the COVID-19 pandemic. Using a case study approach, it initially summarizes the impact of the pandemic to the ASEAN region then lists prominent regulatory practices it has undertaken over the years that balance out the trade-offs between public health policy and trade policy as immediate actions during health crises. ASEAN, as an institution with a policy-making and decision-making charter, plays a vital role in providing a wider scope of trade policies that could mitigate the negative impacts of any crisis that may hit the region and disrupt trade of agri-food and other essential products. The COVID-19 pandemic is among the 21st Century crises that exposes the gaps of ASEAN from the modern dynamics of trade policy and regulatory coordination. In an attempt to provide policy guidelines that may be adapted and/or adopted by the ASEAN Secretariat in the future, the author has provided institutional recommendations that could ensure continuity of agri-food trade and address disruption issues. Particular supply and demand policy recommendations are also provided to cover both sides of the trading market.

Introduction

The Association of Southeast Asian Nations (ASEAN) is a regional bloc founded in 1967 in Bangkok by Indonesia, Malaysia, Philippines, Singapore, and Thailand generally to promote cultural, economic, political, and security cooperation.21 The group was later on joined by Brunei Darussalam in 1984, Vietnam in 1995, Laos PDR and Myanmar in 1997, and Cambodia in 1999. It was only in 2007 during its 40th founding anniversary that ASEAN established the ASEAN

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Charter to institutionalize its existing systems and new structures such as 1) the ASEAN Summit as the supreme decision-making and policy-making body of the bloc that can resolve disputes and authorize establishment or dissolution of bodies for specific areas of cooperation, 2) the creation of four ASEAN Ministerial Councils (Coordinating Council, Political-Security Community Council, Economic Community Council, Socio-Cultural Community Council) to support the Summit’s role, and 3) the Committee of Permanent Representatives headquartered in Jakarta to house ambassador-level representatives from the member states.

Together, the ASEAN is home to an estimated 650 million consumer base and a combined gross domestic product (GDP) of 5.2% amounting to US$ 3 trillion of economic output in 2018 driven by positive trade in goods, trade in services, and foreign direct investment inflows.\(^{22,23}\) The region is also a sweet spot for agri-food trading. Twenty-five per cent of ASEAN region are considered “arable under permanent crops and under permanent pastures” in 2015.\(^ {24}\) In the same year, the share of agri-food exports to ASEAN (excluding Brunei Darussalam and Singapore) GDP was estimated at 5% while its share to goods trade was estimated at 10%.\(^ {25}\)

ASEAN is one of the many important regions that contribute to food security to the rest of the world. Agri-food trading has always been deemed vital to socio-economic welfare not only because of the nutritional value that obviously comes with it, but also because of its political influence. In fact, despite the small share to the overall regional output and the minimal treatment it gets from various trade partnerships, challenges in the agriculture sector “can significantly affect trade agreements.”\(^ {26}\) For many years, the consensus on these sensitive issues in bilateral and multilateral trade agreements has brought light on the need for economic interconnectedness to secure food supply and ensure accessibility for products indigenous to other nations.

The increased recognition of the mutual benefits from balancing the competitive advantages on agri-food products, among other essential products, have led to the formation of

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\(^{22}\) “ASEAN Economic Integration Brief.” 2019. Jakarta: ASEAN Integration Monitoring Directorate (AIMD) and Community Relations Division (CRD).

\(^{23}\) “Fact Sheet: ASEAN Economic Community (AEC).” 2019. Jakarta: The ASEAN Secretariat Community Relations Division (CRD).

\(^{24}\) Author’s computation with data from the WorldBank accessible at https://data.worldbank.org/.


other partnerships in the region such as the Asia Pacific Economic Cooperation (APEC) in 1989 and the ASEAN Free Trade Area (AFTA) in 1992, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2018, the on-going negotiations for the Regional Comprehensive Economic Partnership since 2012, and the expansion of ASEAN to its neighboring economies Japan, South Korea, and China (ASEAN+3) in 1999, among others. All of these are geared towards encouraging liberalization of investment, facilitation of trade, and reduction of international trade costs.

However, the course of these liberalizing actions changed when cases of the coronavirus disease (COVID-19) created a contagion in early 2020. The impact of the COVID-19 pandemic, as was declared by the World Health Organization, is so severe that no country was able to prepare very well for the battle that accompanied the pandemic, much less know about the virus and its cure.

Coinciding to ASEAN’s diverse regional state membership, the responses to address the impact of the virus was also diverse so that there are countries such as Vietnam that was able to quickly mitigate the economic problems and slowly open up its economy, and there are cases such as the Philippines that is still battling with upsurge of COVID-19 cases despite being on full lockdown since March 2020. Apparently, the regulatory environment of the region is struggling to sustain or coordinate a smooth system of trade for agri-food products during this health crisis.

Less looking at the individual cases of the ten ASEAN member states, this paper examines the impact of the pandemic to ASEAN as a regional trade bloc. It then presents comparable events in the 21st Century history that disrupted trade in agricultural and foodstuff products and identifies notable best practices from lessons learned. It also encourages the need to address the pandemic at its early stage other than just focusing on lockdowns, and illustrates why public health strategies should be partnered with trade policy to sustain flows of essential goods during similar crises. Finally, the paper ends with recommendations that the ASEAN and any affected state could draw upon when faced with comparable trade disruptions in the future.
COVID-19 impact on ASEAN cooperation, output, and trade

The regulatory struggles of the ASEAN Economic Community (AEC) in achieving free movement of goods, services, investment, skilled labor, and freer flow of capital have been consistently faced by varied challenges such as its 1) young and culturally-adaptive demographics, 2) innovative enterprise market, 3) a huge middle-income consumer base, 4) high and growing internet penetration rate, 5) tough environment for business, and 6) struggling stability from political intimidations. The World Economic Forum identified these key challenges as crucial hurdles in achieving cooperation and sustainable growth.\textsuperscript{27} It is particularly essential to account these externalities in laying out the mechanisms for agri-food trades. Once hurdled through, ASEAN could become resilient in facing future health crises and the trade disruptions that come with it.

In the pre-pandemic 2018 context, World Bank Data recorded that half of the ASEAN depend on merchandise trade, denoted by the share of total world imports and exports as percent of GDP. Singapore’s merchandise outflow and inflow, for instance, account for more than double its GDP in 2018 at 215%, Vietnam’s total trade in goods is 196% of its GDP, Malaysia at 130%, Cambodia at 127%, and Thailand at 99%.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{ASEAN_Merchandise_Trade_GDP_2018}
\caption{ASEAN Merchandise Trade as \% of GDP, 2018}
\end{figure}

Chapter 2: ASEAN’s Role and Regulatory Measures for Agri-food Trade during Pandemics

In terms of agricultural trade, ASEAN continues to value the relative importance of agricultural products in its overall trade. In 2018, Myanmar traded the highest agricultural products compared to the other member states at 28.0% share to total exports and 13.3% to total imports, followed by Indonesia at 19.3% and 10.5%, and Lao PDR at 18.4% and 12.5%. The region was very well sustained in food supply among its members, and has managed to leverage this advantage to its partner nations in other regional trade agreements.

Table 1. Intra-ASEAN Agri Products Share, 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>to Total Exports</th>
<th>to Total Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei Darussalam</td>
<td>0.2%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>5.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>19.3%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>18.4%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8.4%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>28.0%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Philippines</td>
<td>8.9%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Singapore</td>
<td>3.3%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Thailand</td>
<td>14.0%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>11.1%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

Source: ASEANStats Database

However, when the COVID-19 pandemic started to spread in January 2020, disruptions in the set strategies for harmonization were encountered, and regulatory coordination became even more crucial to sustain the delivery of goods and services to the ASEAN community. It exposed the region into a whole new basket of laundry list needed to combat the contagion’s impact on economic activities and trade. The observable immediate responses from the ASEAN member states were to control movements of people through clustered or nationwide lockdowns and to impose international travel restrictions. Temporary quarantines were implemented coupled with physical distancing measures of 1-2 meters for individuals in visible areas and rigorous information drive about the virus. Although the use of quarantines to limit the spread of communicable diseases has been proven effective for affected nations over histories of contagions from the Black Death and cholera outbreaks to the 1918 influenza pandemic and to the 2009 influenza A(H1N1) pandemic, the disruptions have led most leaders to scramble on reprioritizing

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policies to avoid further damage in the economy particularly on discontinuation of several economic activities, labor retrenchments in severely affected industries, and trade gaps.\textsuperscript{29}

To provide realistic expectations on ASEAN economic growth projections caused by COVID-19, the ADB’s Asian Development Outlook Supplement (ADOS) released in June 2020\textsuperscript{30} its adjusted GDP forecasts for full-year 2020 among ASEAN member states. The downward trends of majority of the countries are expected given that most labor-intensive industries in the region are affected by the lockdowns, which pose serious threats to major industries if not provided with appropriate safety nets despite being both temporary and an important public health policy during health crises.

\begin{table}[h]
\centering
\caption{ADOS’ GDP Forecasts for ASEAN Member States, 2020}
\begin{tabular}{llc}
\hline
Country & Initial Forecast/Target as of & ADOS Revised Forecast \\
\hline
Brunei Darussalam & 1.50\% Sept 2019 & 1.40\% \\
Cambodia & 6.80\% Sept 2019 & -5.50\% \\
Indonesia & 5.30\% Official Target, Aug 2019 & -1.00\% \\
Lao PDR & 6.20\% Sept 2019 & -0.50\% \\
Malaysia & 4.80\% Official Target & -4.00\% \\
Myanmar & 6.80\% Sept 2019 & 1.80\% \\
Philippines & 6.5\% to 7.5\% Official Target & -3.80\% \\
Singapore & 0.5\% to 2.5\% Nov 2019 & -6.00\% \\
Thailand & 2.7\% to 3.7\% Nov 2019 & -6.50\% \\
Viet Nam & 6.80\% Moving Target & 4.10\% \\
\hline
\end{tabular}
\end{table}

The weak output and consumption from the movement restrictions have hurt many export-oriented economies, which most especially rely on supply chains and logistics.

Furthermore, threats to the overall mobility of goods and services are anticipated to contribute a tightening of these figures in 2020. The shares of ASEAN agriculture trade to total merchandise trade are expected to experience significant declines following the intermittent “malfunctioning of food supply chains” in the first half of 2020.\textsuperscript{31} These malfunctions are characterized by regulatory-imposed lockdowns on some economies seeking to control the spread of the viral outbreak. Table 3 shows that some of the ASEAN countries’ lockdown

\textsuperscript{31} FAO. 2020. Impacts of coronavirus on food security and nutrition in Asia and the Pacific: building more resilient food systems. Bangkok. https://doi.org/10.4060/ca9473en
pronouncements considered necessary to combat the pandemic have also limited the flow of these essential goods needed to secure food supplies domestically and internationally.

<table>
<thead>
<tr>
<th>Country</th>
<th>Pronouncement</th>
<th>Impacts on Agriculture Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>March 14; partial ban of foreign</td>
<td>- Goods transportation are exempted</td>
</tr>
<tr>
<td></td>
<td>nationals April 9; partial one-week</td>
<td>- Ban on white and paddy rice exports to increase local supply</td>
</tr>
<tr>
<td></td>
<td>lockdown</td>
<td>- Export on fragrant rice was allowed</td>
</tr>
<tr>
<td>Indonesia</td>
<td>April 10; national partial lockdown</td>
<td>- Delays and non-entries of agriculture imports</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Decline in local agriculture production</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Rising food prices</td>
</tr>
<tr>
<td>Malaysia</td>
<td>March 18; national partial lockdown</td>
<td>- Food industry is categorized essential</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Decline in industry manpower due to strict transportation requirements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Decrease in agriculture production due to curfews and limited work approvals</td>
</tr>
<tr>
<td>Philippines</td>
<td>March 15; full lockdown in Luzon</td>
<td>- All cargo vehicles with quarantine passes are allowed travel during non-curfew hours</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Additional documentary certification requirements, especially for livestock products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Additional documentary requirements for accompanying personnel</td>
</tr>
<tr>
<td>Singapore</td>
<td>April 7; national partial lockdown</td>
<td>- Food industry and related industries are categorized essential</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Government coordination with other ASEAN states for food supply</td>
</tr>
<tr>
<td>Thailand</td>
<td>April 3; nationwide six-hour</td>
<td>- Food-based industries are categorized essential</td>
</tr>
<tr>
<td></td>
<td>curfew and partial lockdowns</td>
<td>- Dedicated communication areas for essential industries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Mass exodus of migrant laborers in the agri sector</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>March 22; suspended entry of all</td>
<td>- Export ban on most-demanded commodities</td>
</tr>
<tr>
<td></td>
<td>foreigners March 25; temporary</td>
<td>- Local food industry affected by transportation disruption</td>
</tr>
<tr>
<td></td>
<td>closure of non-essential businesses</td>
<td>- Food and foodstuffs are categorized essential products</td>
</tr>
</tbody>
</table>

Source: Foodnavigator-asia.com; various major news outlets

Food supply and security remain two important concerns the ASEAN is expecting to resolve as the pandemic continues to spread without cure. However, imposition of lockdowns has resulted to potential dampening of food supply (and thereby security) by 1) aggravating labor shortage, 2) limiting movement of farmers to harvest and store crops, 3) facilitating shutdowns, 4) spoilage of perishables and increase in food wastes, and 5) delaying capital turnarounds or return
of investments. In addition, the immobility of people and transport facilities are also affecting employment in the micro, small, and medium enterprises (MSMEs) in related industries. These claims are reinforced in an initial impact study by the World Bank on the output implications of widespread global pandemic (see Table 4). Overall, the services sector is supposed to receive the highest blow from the COVID-19 crisis, while the agriculture and manufacturing sectors will still experience “steep declines” across select countries in ASEAN.

<table>
<thead>
<tr>
<th>Country</th>
<th>Agriculture</th>
<th>Manufacturing</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>-2.87</td>
<td>-2.69</td>
<td>-9.66</td>
</tr>
<tr>
<td>Indonesia</td>
<td>-2.70</td>
<td>-3.03</td>
<td>-3.67</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>-2.41</td>
<td>-2.60</td>
<td>-5.85</td>
</tr>
<tr>
<td>Malaysia</td>
<td>-4.19</td>
<td>-4.11</td>
<td>-4.34</td>
</tr>
<tr>
<td>Philippines</td>
<td>-2.51</td>
<td>-3.93</td>
<td>-5.16</td>
</tr>
<tr>
<td>Singapore</td>
<td>-2.61</td>
<td>-4.32</td>
<td>-4.01</td>
</tr>
<tr>
<td>Thailand</td>
<td>-3.06</td>
<td>-4.43</td>
<td>-6.84</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>-3.06</td>
<td>-3.34</td>
<td>-3.93</td>
</tr>
<tr>
<td>Developing countries</td>
<td>-2.90</td>
<td>-3.47</td>
<td>-3.87</td>
</tr>
<tr>
<td>High-income countries</td>
<td>-3.49</td>
<td>-2.78</td>
<td>-4.00</td>
</tr>
<tr>
<td>World total</td>
<td>-3.04</td>
<td>-3.13</td>
<td>-3.95</td>
</tr>
</tbody>
</table>

Source: Envisage simulations by the World Bank (April 2020)

Undeniably, even if the primary concern of ASEAN is to control the spread of COVID-19 through appropriate public health policies given its close proximity to China, equally important is to set in place proper trade measures to balance out the impacts of the trade-offs. Without strategies to support the agriculture sector, which produces essential goods and foodstuffs, complications can arise ranging from non-awareness of emergency trade rules at checkpoints to delays in the logistics of the traded goods. Furthermore, the prolonged “protectionist” mechanism to combat the viral spread without addressing the trading ecosystem could further harm regional and global supply chains.

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Similar Crises that Disrupted Agri-based Food Trade

The policy gaps on trade in agriculture goods have been experienced in ASEAN and in some parts of the globe during separate epochs of health or economic crises. However, these mechanisms evolve as the trade ecosystem and processes also changed throughout the years. Nonetheless, there are lessons that can be learned from comparable events in recent history.

The 2007-2008 Food Crisis and agri-based food trade

ASEAN economies have seen the trade impact of the 2007-2008 Food Crisis. Surges in prices of rice, wheat, and maize at the domestic level led to an even higher world food prices by 117%-149% as commodities continued to be traded while nearly a billion people went into poverty. Regulatory interventions had to be carried out separately by the member states to address the issue. For instance, Table 5 shows the policy responses of select ASEAN countries during the Food Crisis.

Table 5. Policy Responses of Select ASEAN Countries during 2007-2008 Food Crisis

<table>
<thead>
<tr>
<th>Select Policy Responses</th>
<th>Cambodia</th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Philippines</th>
<th>Singapore</th>
<th>Thailand</th>
<th>Viet Nam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food self-sufficiency (Supply side)</td>
<td>Reduce import duties</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Build up reserves</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Relaxing import restrictions</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impose export restrictions</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidies to farmers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Food self-reliance (Demand side)</td>
<td>Price controls</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Cash transfers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

Source: Asian Development Bank; Chandra & Lontoh 2014

Following the decentralized approach to mitigating the Food Crisis impact, the ASEAN member states in 2009 espoused the five-year ASEAN Integrated Food Security (AIFS) Framework and the Strategic Plan of Action on ASEAN Food Security (SPA-FS) carried out through the International Rice Research Institute (IRRI) to strengthen food supply management, sharing of food security information, and avoid price crisis of essential agri-food products among
Agricultural innovation was a core concept supported by the framework and was especially targeted to address actions focused on rice supply.

Later in 2012, the ASEAN Secretariat, ASEAN Food Security Reserve Board, and the Asian Development Bank held the post-crisis ASEAN Rice Trade Forum in Cambodia. The Forum concluded with the following recommendations for future situations:

1. Appropriate country and regional levels of rice stocks must be established coupled with reliable market intelligence and information interpretation. “Deeper trade strategy” was pushed for ASEAN to be less vulnerable to future price shocks.
2. To address the likely occurrence of “more severe and frequent natural disasters,” ASEAN must increase its regional reserves.
3. Rice grades standardization and indexing of the regional rice price ensures that future rice supplies and prices are monitored and remain affordable in the market.

The 2007-2008 Food Crisis was, by far, minimally similar compared to the current COVID-19 in terms of the nature of the disruptions that affected trade and that there were no mobility restrictions at that time. However, some policy responses that mitigated the impact of the crisis were somehow carried out in the current pandemic battle such as imposing export restrictions in some ASEAN countries while others are loosening import duties to optimize entry of essential goods.

**Comparable health crises in the 21st century**

In 2003, the severe acute respiratory syndrome (SARS) pandemic that affected 86 countries and a little more than 8,000 victims was the first crisis characterized by dry cough, fever and head and body aches, and respiratory problems. Lockdown efforts during that time were controllable compared to a more mutated virus COVID-19. However, considering the extent of information sharing and internet penetration during this period before, the damages of SARS was mostly contained in the tourism and the retail service sectors in ASEAN.

In 2003-2005, the Avian flu (H5N1) episodes also dealt a blow to trade in ASEAN region. The outbreak allowed for the creation of a partnership mechanism among governments and private sectors actors, particularly the pharmaceutical manufacturers to come up with vaccines, treatments,

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and medications to cure the virus. Inter-government cooperation was also seen to coordinate infrastructure to facilitate trade, tourism, and finance aid to mitigate the economic impact of the viral outbreak.

In 2009, the Swine Flu or A(H1N1) pandemic hit the global market, including the ASEAN region. It spread rapidly from the Americas through global trade and travel routes. The response of ASEAN was to immediately confer with the member states and representatives from China, Japan, and South Korea to find strategies to combat the pandemic. Intensified surveillance, coordination, and collaboration through information sharing among the member states allowed for a smooth response to the pandemic.

Comparably, The COVID-19 pandemic shares most, if not some nature of the viruses that have affected ASEAN and trade in agri-food goods. It also shared similar cases of closures of schools, hospitals, and some borders. Yet, the response for the current situation is not as visibly effective as it was before. This time, some ASEAN countries have acted in more inadequate and misaligned policy targets by employing military forces, and the ASEAN Secretariat is somehow less coordinated and delayed.

**Best practices in ASEAN: Public health policy is also a trade policy**

Considering the previous crises, best practices have been identified as they were implemented.

While during most health crises, where quarantines or lockdowns are the immediate public health policy strategy that addresses health and trade issues with urgency, these policies have to be supported with strong trade policies to allow sustainable flow of basic or essential goods. Hence, it is essential to look at the linkage of both public health policies and trade policies to counter economic compromises. Below are some of the notable public and trade policy responses that were used to combat former pandemics and outbreaks over the years.

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Public health policy responses

- Establishment of a coordination team with representatives from each of the ASEAN member states, with extensions of representatives from other affected countries, at the very least, similar to the response carried out during the Avian flu pandemic. Particularly, the ASEAN Highly Pathogenic Avian Influenza (HPAI) Task Force was created.  

- The ASEAN HPAI Task Force endorsed the Regional Framework for Control and Eradication of HPAI. The framework covers eight strategic areas on the prevention, control and eradication of the virus.

- The ASEAN also adopted the ASEAN+3 Emerging Infectious Diseases (EID) Programme as endorsed by the ASEAN Expert Group on Communicable Diseases (AEGCD) to formulate a coordinated multi-agency and multi-sectoral approach to prevent, control, and eradicate HPAI in the region.

- Adherence to guidelines, such as the “One Health” long-term approach of the World Health Organization (WHO), as a greater multilateral authoritative institution overseeing the global impacts of any health-related crisis, to address information sharing and collaborative efforts in addressing food safety and control of zoonotic diseases.

International Trade Policy Responses

- Review of the sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) measures various free trade agreements, led by the World Trade Organization to allow updated, targeted regulatory practices, and accurate information sharing on emerging diseases that affect trade and risking the consumers of trade participating countries. These were earlier adapted by ASEAN member states as noted during Asian Productivity Organization Seminar on Sanitary and Phytosanitary Measures held in Japan, 4-11 December 2002 that contributed to the standard-setting of agriculture and agri-food trade measures.

- Re-classification of certain products and services as essential and allow mechanisms for its rapid and transparent transport and delivery. In the case of the 2007-2008 Crisis, rice was considered most essential, followed by wheat and maize. Comparably, during the 2003-

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42 Ibid.

43 ASEAN. 2006. “ASEAN Response to Combat Avian Influenza by ASEAN Secretariat - ASEAN: ONE VISION ONE IDENTITY ONE COMMUNITY.”

2005 Avian flu pandemic, there were strict regulatory practices to trading of poultry products as the main carriers of the H5N1 virus.

- Building domestic capacities of agricultural products within ASEAN countries to safeguard economic and food security before extending help to other needing nations, similar to the experience of ASEAN in the 2007-2008 Food Crisis.

- Essential export and import price monitoring to allow international consumers to enjoy merchandise consumption without fear of too much inflationary effects as was experienced post-2007-2008 Food Crisis.

These best practices were carried out as results in their respective phenomena over the past decades. Evidently, the current COVID-19 pandemic situation that have affected people’s mobility and trade movements across the ASEAN region has necessitated a combination of both public health policy and trade policy regulations given the wider scope of the crisis. Agri-food trade, as always, is in the forefront in receiving the impacts of any regulatory measure. It is also the most important in in sustaining food security in ASEAN.

Policy recommendations: Opportunities for better policy alignment

The ASEAN Economic Community, in its vision to become a harmonized region, has received a severe blow on its established regulatory coordination when the COVID-19 pandemic started. So far, the response of ASEAN has been left on the individual capacities of its member states. The caveat, however, is that the ASEAN Secretariat was able to allow intensive information drive and sharing through its Summits and communiques. As said, the emergence of the recent health crisis exposed policy gaps and vulnerabilities of ASEAN, and has necessitated the urgency of responses and the strengthening of more effective and efficient coordination on trade regulatory measures to combat and safeguard the region from the impacts of the pandemic on trading of agri-food products and ensuring access to sufficient, safe, and nutritious food.

To achieve better coordination, the following recommendations are laid down to facilitation and narrow trade gaps in ASEAN:
Administrative/Secretariat Recommendations

a) **Institutionalize timeframe in creating a task force on health issues brought by transmittable infections for predictability.** The ASEAN Secretariat Health Division guided by the ASEAN Post-2015 Health Development Agenda (APHDA), have early on created regional communication mechanisms to share information about COVID-19. However, summits were only held in mid-April 2020, at a time when the virus has already spread out in the region.\(^{45}\) To provide timely response in the future, an inter-ministerial taskforce must be convened immediately by the ASEAN Secretariat upon confirmation of the first surge of cases of a contagion. Although this has been done in the past such as the creation of the ASEAN HPAI Task Force,\(^{46}\) the timeframe for convening such working group varies. ASEAN has to exhibit timely responses from its ministers to assure the region that it is in control of any health externalities affecting the region. The timely creation of task force will greatly have an effect on the imposition of ASEAN-wide trade regulatory mechanism that will guarantee supply of essential goods such as traded agri-food commodities.

b) **Establish guidelines on re-classifying essential industries and products.** As part of a streamlined coordination, the ASEAN Secretariat should establish guidelines to immediately re-classify as essential certain goods and services. These essential goods and services are those that are “difficult to substitute intertemporally” such as food (mostly agri-based), defense, and medical goods.\(^{47}\) The author believes that equally important to the aforementioned are transport industries to deliver the essential goods. This will provide a fast switch for ASEAN to target certain goods and services and will facilitate faster formulation of mobility measures. Should any health crisis come from the use of a specific medical treatment/product or agricultural products, governments should refrain from trading the source and its closest product classification while still considering the general medical and agricultural products and services essential. The classified essential products and services shall be prioritized for trade and movements of goods and people.

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\(^{45}\) Ly, To Trieu Hai (Tracy). 2020. ASEAN Struggles to be Effective in its COVID-19 Response.

\(^{46}\) ASEAN. 2006. “ASEAN Response to Combat Avian Influenza by ASEAN Secretariat - ASEAN: ONE VISION ONE IDENTITY ONE COMMUNITY.”

c) **Facilitate trade digitalization.** While previous policy responses have no mention of digitalization to facilitate trade, the need to migrate from paper to digital and digitization processes at least during pandemic has become vital. The use of digital ecosystem is becoming more essential in the current generation to maintain collaboration even without physical contact. In fact, The WTO sees an increase of share in global trade in developing countries from 46% in 2015 to 57% by 2030.\(^4^8\) Also, as response to the possible interruption of mobility and information transfers, the ASEAN community could facilitate trade processes using wireless connectivity at the border and/or pre-border transactions. This will reduce frequency and the need for physical contacts between traders, customs agencies, and other border agencies.

**Supply-side Policy Recommendations**

a) **Priority and streamlined lanes for agri-food and other critical goods.** Understandably, further sanitary and health measures during health crisis should not pose a threat by becoming barriers to trade in services and goods. The ASEAN governments should be able to facilitate and expedite clearances of essential and critical goods and services. Preferably, there should be a pre-arrival approval of certificates and processing while monitoring the transparency, correctness, and security of the shipment. This will allow future border processes, and thereby trading, to be predictable and carried out with urgency. This scheme may be carried out both in pandemic and non-pandemic situations so long as the need for declaration of critical or essential goods are established. A similar practice on “priority lanes for freight transport (e.g. via ‘green lanes’) and consider waiving existing bans” is being done by the European Union to facilitate trade during COVID-19.\(^4^9\) In addition, the East African Community, in collaboration with the United Nations Conference on Trade and Development (UNCTAD), has facilitated transfer of goods and truck drivers through special procedures and lanes for transit traffic, and mutual recognition of certificates and other documents.\(^5^0\)

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Chapter 2: ASEAN’s Role and Regulatory Measures for Agri-food Trade during Pandemics

b) **Temporary remove restrictions on essential goods exports.** As with other existing measures from the previous crises that distorted international trade of goods, ASEAN through the ASEAN Trade in Goods Agreement (ATIGA) or a supplementary agreement, should offer provisions to remove bans and quantitative restrictions on exports of agri-food and other essential products. ASEAN could also wave any pertinent fees to allow more value for money.

**Demand-side Policy Recommendations**

a) **Temporary relax import tariffs to support access to essential items.** Conversely, ASEAN should also reduce import tariffs to zero, especially on agri-based staple products to cushion further impact on consumption for essential products from other countries.

**Conclusion**

It has been observed that the crises are unique in their own characteristics, and it seems that the COVID-19 pandemic is an epitome of a larger phenomenon that merges all of the chilling effects of the previous pandemics and trade disruptions if not addressed urgently and strategically. ASEAN in its decision-making and policymaking capacity should be able to adopt a collective strategy immediately at the onset of any health crisis. Urgency on imposing policy responses has been proven effective at the domestic level, even in Vietnam which has quickly gotten back on track after addressing the spread of the pandemic very timely. Moreover, the importance of urgently addressing the needed trade policies during health crises will allow trade continuity and narrow the gaps of disruptions in international trade, especially for agri-food commodities.

Regional trade blocs, such as the ASEAN, benefit from the collective strategies that support its member states. As an institutional body, ASEAN must be able to recognize the importance of proactive and streamlined actions as the impact, if otherwise neglected, could send a negative signal to the rest of the world—although politically insignificant, yet could reconsider the ASEAN’s role in sustaining food security internally and to its partner economies.
Chapter 2: ASEAN’s Role and Regulatory Measures for Agri-food Trade during Pandemics

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Chapter 2: ASEAN’s Role and Regulatory Measures for Agri-food Trade during Pandemics


By Ky Anh Le

Abstract

This paper as a part of a wider study by a group of scholars from the Hinrich Foundation aims to identify the key issues influencing trade flows under the traditional WTO-compatible approach in the context of the COVID-19 pandemic. It examines the impact of COVID-19 on the flows of agro-food products between the European Union and Vietnam during the period January – May 2020, particularly during April and May when the bilateral trade was hardest hit by the pandemic.

Vietnam, a quite successful example of global economic integration, and the EU - the leading champion to the multilateral trading system - particularly depend on and have reaped fruits from liberal global trading system. COVID-19, however, has exposed the critical weakness of that system.

Social distancing measures - typically successful in Vietnam in terms of preventing the spread of the pandemic - have negatively impacted the normal flows of trade in agro-food products. The paper goes beyond the identification of the problem, which has been created by the rigid application of the traditional customs clearance in the context of crisis. It offers policymakers recommendations about possible solutions as regards how to ensure the smooth trade flows and what trade facilitation measures can be in place to at least maintain or enable stronger flows of trade in crises.

Introduction

This paper is comprised of four parts. With an insight into the imports and exports of agro-food products between the EU and Vietnam under the current framework of the World Trade Organisation, it identifies some concrete problems. It reveals the good initiative introduced by the EU to tackle such trade restriction and recommendation about a better trading regime where rules of origins are applied in a trade-facilitating manner. To illuminate the urgency of removing
disruption of trade flows in agro-food, the study touches upon the restriction of rice exports by Vietnam during five weeks from mid-March to early May, the negative impacts of which does not only hit the food reliant countries but also the rice exporters of Vietnam.

The data used for study in this paper are sourced from Vietnam’s Customs and Vietnam’s Ministry of Agriculture and Rural Development (MARD). It also uses certain exchanges of correspondence between the authorities of the government of Vietnam and the European Union. The paper highlights the relevant trade facilitation measures in some FTAs and goes deep into the Chapter of the Rules of Origin of the EU - Vietnam Free Trade Agreement. Based on quantified and legal analysis, the study offers some suggestions with reference to the good practices witnessed in the EU – Vietnam Free Trade Agreement.

1. Vietnam Agricultural Trade and Export Restrictions in the Context of the WTO/Multilateral Trade Rules

Vietnam has applied a number of restrictive measures to bring COVID-19 under control. While the quarantine measures and travel ban prove to be necessary to protect the public health, it has wielded certain impact on the flow of trade between Vietnam and other partners, in particular with the European Union. Given the constraint of the scope, this paper concentrates on the negative impacts on the trade flow of agro-food products between the EU and Vietnam, and touches upon the situation of Vietnam’s ban on rice exports.

The pandemic COVID-19 hit Vietnam and the European Union (EU) at different times. For Vietnam, the first two cases were found in 23 January 2020 and the social distancing measures were applied on a national scale from 1 April 2020. The social distancing in Vietnam includes: (i) no transportation of passengers on public means of transport unless under important reasons; (ii) staying home and only going to markets for buying food; (iii) telework applied to all unless for important production of commodities or health workers; (iv) two-metre distancing in public areas and no sports or outdoor entertaining activities; (v) closure of schools, kindergartens, universities and colleges; (vi) timely identification and reporting of COVID-19 cases; (vii) application of lockdown for residential areas where COVID-19 cases are found;

51 The social distancing measure of Vietnam were announced on 31st March 2020 and took effect from 1st April 2020 by a Prime Minister Directive Ref. CT16/CT-Ttg dated 31st March 2020.
Vietnam have applied the strictest social distancing measures. This yields a negative impact on normal trading activities. Since the application of lockdown and social distancing, the flows of trade in and out of Vietnam have been seriously influenced. As indicated by the below graph (source: Vietnam’s General Department of Customs), the exports of agro-food products by the EU to Vietnam during January – May suffer a big decline. Comparison of the data of the concerned products from 2013 to 2020 have shown that the exports of agro food products by the EU to Vietnam during January – May 2020 was the lowest over the past eight years. The exports were US$175.4 million in value, a 31% year on year decline from the same period of 2019.

Vietnam’s exports of agro food products to the EU also suffered a significant decline during the period. As the social distancing measures was only tightened from 1 April 2020, there has a delay in terms of its negative impact on the trade flows of the agro food products from Vietnam to the EU. Such impact was felt quite strong in May 2020. Statistics from Vietnam’s General Department of Customs in May 2020 indicates a 15% decline of Vietnam’s agro food exports to the EU in May 2020 from May 2019. This represents even bigger fall, of more than 23% from the volume of its exports in 2018. Such volume of Vietnam’s agro food products is in fact the lowest in the past 7 years, and only slightly higher than the datum of 2013 when the regional economies including Vietnam were hard hit by SARS.
The trade flow of agro food became even worse with the application of restriction of rice exports by Vietnam. The government of Vietnam decided to apply a similar ban on the export of rice in fear of short supplies for its population. From 0 hour of 24 March 2020, rice from Vietnam was “temporarily suspended from exports”. The government of Vietnam only allowed exports only under specific conditions but basically banned all commercial exports of all rice products with the HS sub-headings of 1006.20, 1006.30 and 1006.40. Such a ban of rice exports was only lifted on 1 May 2020 after increasing pressure from rice exporters as well as importing countries.

Vietnam’s move appears excessive. In 2019, its rice exports were as much as 6.37 million tonnes or US$2.81 billion according to the Ministry of Agriculture and Rural Development (MARD). Its exports of rice ranks third largest in the world, only after Thailand and India.

Such ban took away the opportunity of making profits of Vietnamese rice exporters. Vietnam’s rice on the world market has risen to US$470 – 480/ tonne, far higher than the average world prices last year. Rice exporters they had to cease the exports when they could earn around US$100 more on each tonnes of rice exports following the world prices hike over the fear of short supplies. Before the ban, the rice exports by Vietnam during January – February increased sharply to US$410 million, a dramatic rise of 27% in volume and 32.6% in value year-on-year.

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52 The world prices of rice on average has increased by 7% during the first two years of 2020 to US$478 per tonne according to Vietnam VINAFOOD 1 and Vietnam VINAFOOD2, the two biggest rice exporters of Vietnam.
Chapter 3: Impact of Covid-19 on Trade Flows of Agro-food Products between EU and Vietnam

As the world third largest rice exporter, Vietnam is not running out of rice. The quasi-ban of rice exports was only a precautionary measure to ensure the best supplies of food to its 96 million people. Food security in Vietnam is an important motivation behind this move.

Vietnam is not the only one country that apply the ban of exports. According to the WTO, by 24 April 2020, 33 countries and the European Union have notified 92 trade and trade-related measures (including export restrictions and bans, exceptional and temporary criteria, suspension of compulsory certification, trade facilitation) to the WTO. The actual number of export restrictions is likely to be much higher, however, as some countries, such as the United States and India, have not yet notified their export restrictions to the WTO.

With respect of export ban of food products, 17 countries have also restricted the export of foodstuffs according to the secretariat of the WTO. While it remains unconfirmed about whether or not Vietnam’s ban of rice exports has been notified to the WTO, the negative impact of such ban is quite clear, in particular for the countries which rely on rice imports. Countries that are possibly affected by this ban include Vietnam’s main rice importers such as China, the Philippines, Malaysia, Ivory Coast, Angola and some African countries.

Unarguably the pandemic gives countries like Vietnam a legitimate reason to undertake several measures to protect the public health. No country can challenge this. However, the implementation of the measures, albeit compatible with the international standards, have had negative influence on the flow of trade in agro-food products as indicated by the above analysis. In the extreme move, the ban of rice exports, for the case of Vietnam, or of the exports of foodstuffs, for many other countries, can result in critical problems for countries which rely completely or partly on imports of food. The next part of this case study examines the international legal framework applied on the imports and exports of food products.

The Sanitary and Phytosanitary Measures Agreement (SPS Agreement) of the World Trade Organisation sets out the basic rules for food, animal and plant products. Accordingly, countries are allowed to set their own standards providing that such standards are scientifically justified. In addition, such standards should be applied only to the extent necessary to protect human, animal

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53 This data is sourced from the WTO paper on “Export Controls and Export Bans over the Course of the COVID-19 Pandemic” published by the WTO on 29 April 2020. Full text of this paper is at https://www.wto.org/english/tratop_e/covid19_e/bdi_covid19_e.pdf
or plant life or health, and they should not arbitrarily or unjustifiably discriminate between countries where identical or similar conditions prevail.

The Technical Barriers to Trade Agreement (TBT) – another WTO agreement that regulates the trade of agro-products - tries to ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles. However, the agreement also recognizes countries’ rights to adopt the standards they consider appropriate — for example, for human, animal or plant life or health, for the protection of the environment or to meet other consumer interests. Moreover, members are not prevented from taking measures necessary to ensure their standards are met.

At present, to import products of plant and animal origins into Vietnam as well as other WTO member countries, as regulated by the WTO rules, traders must present a number of papers. These papers include: (i) customs declaration; (ii) commercial invoice; (iii) bill of loading/ bill of lading; (iv) certificate of origin; (v) health certificate; and others (depending on specific products, including certificate of free sale; certificate for human consumption…).

All these papers must be physically presented to the authorities before the products can be imported into Vietnam. In the meantime, the social distancing measures disallows such physical submission of the papers, let alone all the public servants mainly apply telework. While all these tightening measures are in compatibility with the WTO legal framework, it creates bottleneck in trading. It poses a big question of whether or not the WTO compatible measures are anymore facilitative to trade in the context of crisis such as COVID-19 pandemic. It appears that the WTO measures cannot at all facilitate trade flows and fail to accommodate the urgent needs of necessity foods supplies.

2. Simplified import & export procedures: a good solution for trade facilitation in context of crises

The following part of the case study examines the response by the EU in coping with the trade disruption caused by the measures taken by Vietnam in the context of COVID-19. Importantly, proposed measures by the EU prove to be quite timely and effective to address the problem. It is equally important that the government of Vietnam has had positive consideration and acceptance of the initiative. This allows a synergic approach to the disruption of trade of agro-food products between the two sides.
At the outbreak of the COVID-19, the EU anticipated the potential negative impact of the pandemic on the normal flow of trade. On 25 March 2020, the Directorate General for Health and Food Safety (DG SANTE) and the Directorate General for Trade (DG TRADE) of the European Commission sent a letter Ref. Ares(2020)1749411 to all the trading partners of the EU including Vietnam to urge for the application of simplified import and export procedures. The initiative proposed in this letter is the acceptance of electronic scanned copies of health certificates for all plant and animal products imported into the EU as well as the other countries. The EU also requested such simplified import procedures be made on a reciprocal basis to facilitate the trade flows of agro food products. This initiative was repeated again by another letter from the European Commission [Ref. Ares(2020)1984518] on 8 April 2020.

In response, Vietnamese Ministry of Industry and Trade (MOIT) and the Vietnamese Ministry of Agriculture and Rural Development (MARD) on 10 April 2020 confirmed the support to and acceptance of the proposal by the EU. This approach, jointly undertaken by both the EU and Vietnam, has immediately had positive impact on easing the bottleneck of the trade flows of agro food products from both sides.

Although the initiative of simplified import and export procedures, proposed by the EU and mutually accepted by both EU and Vietnam, have been put in place in a timely manner and proven its effect in addressing the blockade of trade flows of the agro-products between the two economies, it remains quite ad-hoc and there is certain limitations in it. First, crises like COVID-19 can break out anytime and are normally followed by disproportionate measures. Second, fears of health problems always surpass any concerns about trade flows or health of companies and economy. In situations like COVID-19, the public outcry for controlling measures are more vocal and better heeded by politicians. Third, responses by authorities to blockade of trade flows in crises tend to be much slower than needed. This leads to a situation where negative impacts are clear, but counter-measures to tackle the issue remain too slow to be in place.

Trade disruptions do harm to both sides, be it the EU or Vietnam. Vietnam needs commodities from the EU as much as the EU wants products from Vietnam. The imports of commodities by Vietnam from the EU represent around 16-18% of its global imports. Vietnam is also an important supplier of labour intensive and agro-food products to the EU. The pie chart below well indicates the strong bondage of the bilateral trade relations.
The importance of supplies of agro-food products, in particular, and the other commodities in general, from the EU to Vietnam and the other way round makes it compulsory that the two sides be creative, fast and effective enough to address the trade disruption. The interests of the country, companies and farmers have dispelled the fears over the pandemic. Both the government of Vietnam and the European Commission were decisive in making the move to tackle the market access problem created by the COVID-19.

Meanwhile the WTO legal framework has been created with a clear intention to allow its member countries’ enough flexibility to apply export bans or counter-measures in the context of public health protection. Nonetheless, it is not strong and effective enough to tackle the problems such as the trade disruption as identified in this paper. Countries have legitimate right in applying ban of exports of foodstuffs to ensure the food security for its own people. Nevertheless, many of the countries and territories in the world now depends on the food supply of a small group of countries. This key question about how long and how far such a ban of food exports can be applied and whether or not there should be a mechanism of sharing information about grains reserves among countries in the world to allow for better coordination of the policies related to food security.

Global trade should be facilitative rather than restrictive in crisis like COVID-19. The above ad-hoc solution offers a good suggestion about how customs papers can be simplified for the benefits of smoother trade flows in the complicated pandemic context.
3. Trade facilitation measures under Vietnam – EU Free Trade Agreement: a good lesson

COVID-19 has well exposed the critical weakness of the current trading system, i.e. the unnecessary burdensome requirements of the traditional papers like health certificates or rules of origin certificates before consignments of products can be cleared for importation. Under the WTO rules and even many FTAs, such traditional approach of requiring evidence documents with certifying by competent authorities continue to prevail. However, this approach does not prove to be helpful in facilitating the trade flows. The EU – Vietnam Free Trade Agreement\(^{54}\) (EVFTA) offers a permanent solution to tackle this issue.

Like any FTAs, provisions on the Rules of Origins (RoO) in the EVFTA are the legal instrument used to link a product with a country to the effects of applying on the product specific treatment. The preferential rules of origins define when a product can be considered as sufficiently transformed in a country in order to grant it a tariff preference as agreed in a FTA. RoO, if too strict, can disenable exporters from utilising the preferences fully. On the other hand, loose RoO often lead to circumvention and misuse of trade preferences that should not be given to companies from any non-parties.

The chapter on RoO and the Chapter on Customs and Facilitation in the EVTA follows the EU approach. Their main features are the same as those of the rules of origin of the EU’s General Scheme of Preferences (GSP) as well as the EU’s FTA with Singapore. However, the RoO in the EVTA contains some flexibilities taking into account the specific situation of Vietnam and of the EU, for example in relation to products containing sugar and dairy, or products of steel, mechanical machinery, electrical machinery and others. Within the scope of this paper, the focus will be more on the facilitation measures applied in the EVFTA which are suggested for normal trading and for crisis like the COVID-19 pandemic.

The EVFTA, in its Chapter on Customs and Facilitation, allows self-certification by exporters. Under the EVFTA chapter on rules of origin, any EU export can use self-certification in case their consignments not exceeding the value of €6,000. Vietnamese exporters can also do

\(^{54}\) The EU – Vietnam Free Trade Agreement (EVFTA) was signed in 30 June 2019. It was ratified by the European Parliament (EP) in 12 February 2020 and by Vietnamese National Assembly (NA) in 8 June 2020. The ratification of the FTA was officially communicated by Vietnam to the EU in 22 June 2020. This allows the FTA to enter into force in 1 August 2020, two months after the completion of the ratification of the FTA by the two sides’ parliaments.
this depending on decision of authorities. For consignments with value bigger than €6,000, self-certification is allowed if exporters are registered in a database and such database is communicated to the importing party. The EU has applied this approach and Vietnamese companies can also enjoy similar facilitative measures pending on the authorities’ decision. To be eligible and enlisted in this database, exporters should satisfy certain criteria concerning transparency, tax responsibilities and others. The criteria are not over-demanding and almost all normal companies, regardless of size or resources, can satisfy the requirements.

A closer look into the RoO of other FTAs, only the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) has similar facilitative measure of self-certification with a transition period. Other FTAs including the ATIGA and ASEAN FTA with China, with Japan, with Korea and with Australia and New Zealand do not apply such approach. Under CPTPP, exporters from member economies can apply self-certification regime if they import products into Vietnam. This provision takes effect from day one when the FTA\textsuperscript{55} entered into force in 2018 and 2019. Nonetheless, Vietnamese exporters can only apply the self-certification mechanism in five years after the entry into force of CPTPP.

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<th>Comparison of trade facilitation measures of some regional FTAs</th>
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<td>ATIGA</td>
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<td>Traditional approach of RoOs</td>
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<td>Cumulation of origins</td>
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<td>Certification of RoO by authorities</td>
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<td>Self-certification by exporters</td>
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\textsuperscript{55} CPTPP enters into force on different dates depending on the ratification by the parliaments of the countries which are parties to the FTA. It enters into force 60 days after the ratification by at least 50% of the signatories. In fact, For Canada, Japan, Mexico, Australia, New Zealand and Singapore, CPTPP entered into force on 30 December 2018. For Vietnam, it entered into force on 14 January 2019.
Self-certification saves times and resources for exporters. According to a survey on “Level of Satisfaction of Companies and Time needed for Doing Administrative Procedures under National Single Window”\(^5\)\(^6\) by the Vietnam Chamber of Commerce and Industry, companies spend on average three to thirty days on import procedures depending on specific commodities. This survey has been conducted based on questionnaires completed by 3,000 companies operating in Vietnam. As regards agro-food products, it takes one day for plant health certificates, three days for checking quality of animal feed, two days for animal products, and two days for general check of quality of imported products. Such import procedures even take longer days for commodities such as medical equipment and cosmetics, which respectively takes as many as 30 and 14 days. If the self-certification regime is to be in place, it is believed that considerable amount of time will be saved while key aspects of control are still ensured.

Possible split of consignments before commodities arrive in importing countries is another solution of trade facilitation that the EVFTA offers for crises like COVID-19. The Protocol of the Chapter on Rules of Origins contains the principle allowing for split of consignments if they are in transit through a third country on a condition that such consignments respect the rule of non-alteration. Non-alteration is specified as “consignments are not altered, transformed or subject to operations other than preserving them in good condition or adding/ affixing marks, labels, seals or any other documentation” to ensure compliance with specific domestic requirements of the importing countries. In implementing such split of consignments, the EU and Vietnam agree that documentary proof of compliance with non-alteration (certificate of non-alteration) may be required in case of doubt. It is thereby ensured that the authorities of the importing country cannot systematically require that evidence.

The split of consignments is quite facilitative to trade. Shipment of products to a country of medium size like Vietnam, or any other ASEAN countries, sometimes cannot fill up one single consignment if they are not gathered in group together. This allows the use of regional hubs like Singapore, and possibly Vietnam in the future.

\(^5\) The survey on “Level of Satisfaction of Companies and Time needed for Doing Administrative Procedures under National Single Window” was publicised by the Vietnam Chamber of Commerce and Industry (VCCI) in Hanoi on 22 June 2020.
Chapter 3: Impact of Covid-19 on Trade Flows of Agro-food Products between EU and Vietnam

4. Conclusion and recommendations

Crises like COVID-19 expose critical weaknesses of the current trading regime. All economies are entitled to apply restrictive measures, which they think necessary to protect the people’s health. The international multilateral trade regime, however, does not seem to be fast and effective enough to intervene when and where such restrictive measures go beyond “necessary”. Politicians, as always, easily fall into two extremes of reaction. They either undertake excessive measures to calm the public, or take almost no action to please the public. While the latter should be the subject of another study, the former apparently leads to trade disruption. Vietnam’s application of tight social distancing measures, which at the beginning was not in parallel with trade facilitation measures, has proven to be a good example for the latter extreme of reaction. The EU’s initiative, which has been well heeded by Vietnam, and the trade facilitation measures under the EVFTA can serve as a good suggestion for possible solutions to the weaknesses of the current trading regime.

Common import and export procedures, as described in this paper, turn out to be blockade to normal trade flows. The disruption in the trade flows does not only influence the business operations, its chance of making profits, and the employment of many people, it also threatens the supplies of food and other necessity products to the society.

WTO-compatible restrictive measures like ban of exports, especially for the case of necessity products like food and foodstuffs, should be applied in a more precautious manner. The measures taken by the countries all over the world tend to be over-responsive, and this is true at least for the case of Vietnam’s export ban of rice. Disruption of rice supplies is clear, but the negative impact goes beyond the food security for the countries reliant on rice imports. It also reaps the chance of making good business for rice exporters.

Based on the above-mentioned facts and findings, this paper would like to make three key recommendations:

- First, the global economy, with the current interdependence, cannot afford disproportionate and excessive use of ban of food exports. Such move should only be applied where critical shortage of food happens. Importantly, the norm of “critical shortage of food” should be well defined to avoid possible complicated and contradictory interpretations and applications in practice.

- Second, statistics of food security reserves should be shared and presented as justification for application of any export ban in this crucial sector. The Food and Agriculture Organisation of the United Nations can act as a coordinator for the sharing of such
information, or in a perfect scenario, assists in recommending and coordinating related policies in terms of the scale and duration for application of any ban of food exports.

- Third, practical and concrete trade-facilitating measures should be in place to enable the trade flows of agro food products in crises. Traditional submission of customs papers and SPS/health certificates, as provided under the WTO rules, does not work well in the crisis situation. The initiative of the European Union in acceptance of scanned copies of the health certificates for plant and animal products is a good suggestion. Acceptance and application of self-certification by exporters and split of exporting consignments, at the WTO level where all member countries are obliged to comply, can help guarantee the smooth flow of trade, and this can be served as a good solution to prevent any possible trade disruption in crises.

Conclusions

The multilateral trading regime of the WTO should be revised and reformed to keep abreast with the complicated developments of the global trade. Ambitious FTAs like the EVFTA and the CPTPP present good solutions in terms of trade facilitation. Such mechanism of enabling the trade flows should not be limited to the signatories of the FTAs, instead it should be applied on a wider scale, like to all WTO members, or at least to big economies such as the USA, Japan, China, India and Korea.

The role of UN agencies such as FAO should be further consolidated especially in the area of coordinating information sharing of grains reserves as well as implementing the food-security related policies. The EU and important food producing and exporting countries like Vietnam can play a bigger role in this initiative. The pandemic COVID-19 also shows that countries like Vietnam can be quite resilient and strongly adaptive to crises, and it in deed is fully capable of playing a strong role in supporting other countries.

The recommendations and approach proposed in this study case require certain conditions to ensure the success. Strong political commitments are needed. In addition, it should be accompanied by good governance and transparency in rules to allow for concrete actions to take place in practice. The government of Vietnam’s quick response to the EU’s initiative could not have been implemented without strong political instructions. As regards the application of trade facilitating measures under the EVFTA, the same conditions play crucially important role. It should be note that for a single country or two parties of a FTA, the application of the trade facilitating measures are within the reach. Nevertheless, for a larger group of countries, it can be a big challenge.
Chapter 3: Impact of Covid-19 on Trade Flows of Agro-food Products between EU and Vietnam

Bibliography


Chapter 4: New Zealand – Singapore Declaration on Trade in Essential Goods – A Case of Ad-hoc Cross-country Collaboration

By Chau Cao

Abstract

Chapter 4 evaluates the recent ad-hoc cross-country declarations and statements to ensure supply chain connectivity and remove trade barriers in response to Covid-19, with “New Zealand - Singapore Declaration on Trade of Essential Services for Combating the Covid-19 Pandemic” dated 15 April 2020 as a specific case study.

The purpose of the evaluation is to understand if these ad-hoc measures can address the key challenges faced by the signatories amidst the pandemic and are effective enough in keeping trade flows between them open, what the gaps and limitations are, and how such best practices can be incorporated into the existing and future trade agreements. Working for the New Zealand Trade and Enterprise, New Zealand’s government agency in supporting New Zealand exporters worldwide, the author chose New Zealand, the initiator and key signatory of the declaration for deep-dive analysis.

Introduction

The Covid-19 pandemic and the economic lockdown has created disruption in agriculture supply chains – delay in ports and wider global network. The lockdown also has led to the facts that many countries are looking inwards, putting in export restrictions measures to protect their domestic supplies of medical and food essential items.

With the worries about the rising potential of protectionism and wishes to protect their trade and supply links, international trade-reliant countries including New Zealand and Singapore joined hands with each other to form emergency collaboration initiative, and formed up a joint Declaration between two countries and having the commitment to participate from other countries. The Declaration has brought initial impact for the two countries, with goods flowing via a special freight partnership. It is also seen as a positive political goodwill.
It is also among a handful of other ad hoc cross-country collaboration initiatives created during the pandemic, which demonstrated the fact that legally binding mechanisms have been unable to address the dynamic situation like Covid-19 and smaller countries who are global trade reliant naturally gathered to do practical things. However, such best practices are still limited in their scope and shown to have a limited impact beyond a few countries. And experts are skeptical if such initiatives can effectively address the real issue of global trade – protectionism.

This paper starts with the impact of Covid-19 to the agriculture exports of New Zealand, followed by deep-dive analysis of their Declaration itself in comparison with other ad-hoc cross-country initiatives in the same period, evaluating its rational, initial impact, as well as its limitations. Recommendations focus on how to incorporate the provisions of the Declaration in the future negotiations of other trade agreements including CPTPP, renegotiation of AANZFTA and those with the EU.

1. **Overview of the impact of Covid-19 on agri-food supply chains of New Zealand**

1.1. New Zealand, a typical export-reliant country

An island nation in the Pacific Ocean with only 5 million population, New Zealand-grown produce feeds over 40 million people, with 95% of agriculture production exported. This shows both New Zealand as the most efficient agriculture economies but also its heavy reliance on agricultural exports.

New Zealand shipped US$38.2 billion worth of goods in 2019, representing roughly 0.2% of overall global exports. 62% of the country’s merchandise exports are agriculture goods. Agricultural exports account for over 13 percent of New Zealand’s GDP. New Zealand is the world’s 12th largest agricultural exporter by value and #2 dairy exporter in the world.

In the list of New Zealand’s top 15 trade partners, countries that imported the most shipments by dollar value from New Zealand during 2019, China, Australia and the US ranked top and Singapore is in the 11th position:


Chapter 4: New Zealand – Singapore Declaration – A Case of Ad-hoc Cross-country Collaboration

**Figure 1: New Zealand’s Top Export Partners by Value in 2021**

*Source: World’s Top Exports* 59

In which, Australia and China are top importers of New Zealand agriculture products:

**Figure 2: New Zealand’s Agricultural Exports (Percent of New Zealand GDP)**

*Source: International Monetary Fund (IMF)* 60

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1.1. Covid-19 impact on New Zealand agricultural goods exports

Being exports-reliant, New Zealand is vulnerable to external risks and those relating to trade in agricultural goods are the risks of greatest concern. New Zealand exporters experienced a level of disruption to their trade in several markets due to issues related delays in ports and wider global transport network. Demand reduction was also another factor that led to the fall of New Zealand’s agricultural exports, especially those to their key trading partners.

Disruption in the supply chains

According to New Zealand’s Ministry of Primary Industries (MPI), there are ports in importing countries that have been impacted by reduced storage and inspection facilities. Disrupted courier services are also causing problems for exporters where consignments are diverted to other ports for disembarkation and the documentation needs to be replaced.61 Over 50 countries have changed port protocols, from port closure and quarantine measures to additional documentation requirements and examinations.62

The Ministry has received reports that some port facilities, particularly in the United States, have significant delays on the product being inspected and cleared due to staff illness or staff needing to be quarantined. Such logistical delays had a major impact on exporters, particularly for shipments that have limited shelf lives.

Impact of the disruptions on trade flows

As a result, the country saw the impact of the challenges and delays on the trade flows of its agriculture products from New Zealand.

For April 2020 compared with April 2019, provisional New Zealand goods trade data indicates that exports to all countries were down 2.6 percent to $5.3 billion. Impact on trade flows with key trading partners:

China:

According to Stats NZ, the total value of exports to China as in February 2020 stood at some NZ$1.1bn (US$675.6mn) – already around NZ$142mn (US$87.2mn) less than it was during the same timeframe last year.

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Meat exports to China were amongst the worst hit at just NZ$170mn (US$104.3mn) across four weeks ending February 23, down almost 40% from about NZ$282mn (US$172.9mn) in 2019 and below projections [of NZ$283mn (US$73.5mn)].

Seafood exports to China fell over 57% when comparing the five weeks ending February 23 to last year, from NZ$70mn (US$42.9mn) in 2019 to NZ$30mn (US$18.4mn) this year.\(^{63}\)

One of the key reasons for the loss of exports to China is because their port in Shanghai was at capacity and ships were unable to unload there.

**Australia:**

Exports to Australian also have also not yet gotten back on track, with New Zealand exports to New Zealand from January to May 2020 dropping 6.9% or NZ$239mn (US$155.3mn) to NZ$3,245mn (US$2,109mn), compared with the same period of 2019. The similar figures for meat and seafood saw the drop of 2.5% and 15.4% respectively.\(^{64}\)

**Singapore:**

In March – April 2020, disruption to trade was at its peak in both New Zealand and Singapore: cargo capacity between two countries, as globally, had dropped dramatically, placing supply lines in jeopardy and driving up cargo spot rates steeply.

Trade data showed that the current challenges in trade disruption led to the additional time and cost New Zealand agricultural exporters had to face in their trade to key trading partners, and the consequent loss in export income for New Zealand.

2. **Introduction of best practice: NZ-Singapore declaration on trade in essential goods**

   **Background on the creation of the declaration**

   When the crisis unfolded and the rising of protectionist measures followed, it was the key focus of the New Zealand government to protect New Zealand trade and supply links, which means New Zealanders can access to essential medical goods including medicines, PPE, Covid-19 testing kits,…as well as keeping New Zealand goods flowing to their trading partners. And Singapore is among the first countries that New Zealand was seeking for collaboration.

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\(^{64}\) Stats New Zealand, June 2020.
Hon David Parker, New Zealand Minister of Trade shared about the background of how the initiative came about: “One of my first phone calls was to my Singaporean colleagues. Together we agreed that as small, trade-dependent countries we could not stand by as the old certainties about the benefits of trade were washed away. We committed to push back together on what we were seeing internationally. Within 24 hours, we had a bilateral statement.”

In March 2020, New Zealand and Singapore came into a joint ministerial statement between two countries to sustain trade and supply chain connectivity, particularly for essential medical goods and food. The statement now has 11 participants, including New Zealand’s closest partner Australia, other P4 partners Brunei and Chile, G7 economy Canada, Uruguay, Laos, Myanmar, UAE and Nauru.

New Zealand and Singapore went further, by launching the “Declaration on Trade in Essential Goods for Combating the Covid-19 Pandemic” on 15 April 2020, committing to keep supply chains open and remove any existing trade restrictive measures on essential goods, especially medical supplies, in the face of the Covid-19 crisis. Being an “open plurilateral” initiative, with other countries able to join at any point, the Declaration gives real substance to the objectives of the Joint Statement.

**Key provisions of the Declaration:**

**Tariff elimination:** It is quite a strong provision here as the participants agreed to eliminate all customs duties and all other duties and charges of any kind, with respect to all products listed in Annex 1, which includes vitamins, antibiotics, medicines, vaccines, dressings, pharmaceutical goods, soap, washing and cleaning preparations, disinfectants, prepared culture media, surgical gloves, textiles, laboratory glassware, sterilizers, medical instruments and appliances, therapeutic respiration apparatus, equipment related to x-rays, and thermometers. Products committed for tariff elimination are mainly medical and healthcare essentials and agricultural products are not in this list.

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67 New Zealand – Singapore Declaration on Trade in Essential Goods for Combating the Covid-19 Pandemic, 15 April 2020
Export restrictions: The participants agreed not to apply export prohibitions or restrictions with respect to all products listed in Annex I and will endeavour not to apply export prohibitions or restrictions with respect to the products listed in Annex II, unless they fall within exceptions set out in GATT 1994. Products listed in Annex II include essential agriculture products, including live animals, meat, fish, milk and dairy products, plants, fresh and dried fruits and vegetables, coffee and tea, spices, wheat and flour, edible oils, pasta, jams, yeast, condiments, beer and wine, etc.

Non-tariff barriers: The Participants committed to intensify consultations with a view to removing non-tariff barriers on all products listed in Annex I and Annex II. It is quite a general statement and no further specific details were provided.

Trade facilitation: The Participants will expedite and facilitate the flow and transit of all products listed in Annex I and Annex II through their respective sea and air ports. The Participants will endeavour to expedite the release of such products upon arrival, including adopting or maintaining procedures allowing for submission of import documentation and other required information, including manifests, in order to begin processing prior to the arrival of products. It was quite strong as a statement but there was no further information of which procedures will be adopted.

3. Other cross-country collaboration examples

New Zealand – Singapore’s Declaration is just one of a handful of ad hoc multilateral initiatives that have sprouted in recent weeks. Other initiatives were even less specific commitments regarding tariffs, non-tariff barriers, export restrictions and trade facilitation.

Along with the initiative, Canada has brought together a separate group of 13 countries under the auspices of a Ministerial Coordination Group on Covid-19. That grouping has pledged to have representatives confer fortnightly throughout the crisis and offers participants a platform to exchange ideas on public health and economic policies to deal with it.68

On May 1, Australia, Canada and South Korea – along with New Zealand and Singapore – launched another joint statement, detailing action plans to facilitate the flows of goods and services as well as the essential movement of people. In which, they agreed to expedite Customs

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procedures and refrain from introducing export restrictions on essential items, as well as ensure that logistics networks continue to operate via air, sea and land freight. 69

The Australian and New Zealand Co-Chairs of the AANZFTA Sub Committee on Rules of Origin (SCROO) jointly made a request to the other Parties to consider agreeing consistent, temporary arrangements for exercising greater flexibility in relation to presentation of AANZFTA Certificates of Origin (COO) and supporting commercial documents.

International Beef Alliance (IBA-comprised of the cattle producer organisations from Australia, Brazil, Canada, Mexico, New Zealand, Paraguay and the US) is committed to pursuing collaborative trade facilitation initiatives and seeks to keep markets open, and for greater trade liberalization by advocating for further trade reform via the elimination of both tariff and non-tariff barriers (NTBs). 70

On 5 May, in Kuala Lumpur, APEC Ministers Responsible for Trade also released a Statement on Covid-19, in which APEC members committed to work together to facilitate the flow of essential goods and services to fight the pandemic including medicines, medical supplies and equipment, agriculture and food products and other supplies across borders, and minimise disruptions to the global supply chains. 71

The key difference between the New Zealand – Singapore Declaration with other joint statements is its practicality, the stronger commitment put into by the Participants and more importantly, rather than just political messaging, it produced tangible outcomes as a result of the initiative. The outcome will be analyzed further in the later part of this paper.

4. Analysis of the best practice:
4.1. Why such ad-hoc cross-country initiatives?

_A natural joint-up of trade reliant countries to protect their trade and supply links_

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New Zealand is a small country, with a lot of essential goods they do not produce themselves and also, they produce food that can feed 40 million people. Whereas Singapore is an import-reliant country, with 90% of their food imported.

Given the potential risks of rising protectionism, it is natural for the two countries to join hands, which can be seen as an important counterpoint to the restrictions that other countries implemented. It was favourable for them to come up with a Declaration as they both have in place commitments to each other under CPTPP that already tackle most of these issues.

“As the crisis unfolded internationally, I was alarmed at the sudden uptick in protectionist measures. At one point nearly 80 WTO members had more than 100 new restrictions or other barriers in place. To make matters worse, some of the major economies began to introduce subsidies for their farmers”, said David Parker, New Zealand Minister of Trade. “We were intensely focused on protecting New Zealand trade and supply links. This was to ensure that New Zealanders could continue to access essential goods – medicines, PPE, COVID-19 testing kits and so on - as well as keeping New Zealand goods flowing to our trading partners. It has helped with access to essential medical supplies brought in through Singapore, while at the same time meeting Singapore’s food security needs with New Zealand agricultural exports.”72

A joint-up coming from lack of global trade leadership

Experts say the ad hoc trade agreements are part of a wider trend that comes in the aftermath of strained US-China ties. New Zealand - Singapore Declaration is just one of a handful of ad hoc multilateral initiatives that have sprouted in April and May, amid complaints from mid-sized countries of the lack of decisive leadership on the part of the United States or China, as well as United Nations bodies.

David Capie, director of the Centre for Strategic Studies at New Zealand’s Victoria University of Wellington, said he believed the coming together of smaller countries was part of a wider trend that had arisen because of strained US-China ties and with neither of the superpowers looking “very appealing as a leader”. “I think we are going to see more and more of these ad hoc

efforts where groups of states come together to try and defend their interests issue by issue,” Capie talked to the Hongkong’s South China Morning Post. 73

This is also explained well by Chile, one of the signatories. Andres Rebolledo Smitmans, Chile’s former energy minister also shared with South China Morning Post: “Our countries must continue to implement a pragmatic trade policy, even if it involves more bilateral or sub-regional trade agreements, fragmentation of the markets and we move away from global trade governance,” he said. “This is the only way to ensure that our export markets are kept open. The coalition of medium-sized countries whose main attribute is their soft power in the field of free trade is especially relevant today.”74

And such a coalition of interdependent countries is even more important in the time of crisis. Accordingly to Wendy Matthews, New Zealand Ambassador to Vietnam, an experienced trade negotiator at the Ministry of Foreign Affairs and Trade, while legally binding mechanisms like WTO remain important, but given the fact that they are big and rigid, “they are unable to swing into gear quickly, in such dynamic situation like Covid-19. It is natural and wise for small groups to be formed to do practical things.”.

4.2. The positive impact:

As the Declaration was released on 15 April, and the provisional trade data of New Zealand can only be up to date towards May the latest. Therefore, this paper will not intend to compare the statistics before and after the Declaration to analyze its impact.

However, certain initial outcomes can be clearly seen after the launch of the initiative:

Initial outcome:

Singapore immediately benefited from the pact by receiving some 20 tons of meat, including lamb and beef on 22 April on an Air New Zealand chartered flight, under the auspice of this agreement. And more batches of shipment followed as both countries are working together for the Singapore-New Zealand Airfreight Project (SNAP), which is a tangible outcome of the

Declaration. It seeks to provide freight capacity for designated essential products, including food, medicines, medical and surgical equipment. The scheme will last for a period of up to ten flights, operated by Singapore Airlines and Air New Zealand on alternate weeks, expected from 10 June to 5 August.  

**Long-term outcome**

Another key goal of the joint initiative is for the two governments to demonstrate as a political goodwill to spread around and calling for other countries to follow. And together with the push for operational actions between New Zealand and Singapore as mentioned above, it is expected to be a very strong political messaging with practical operations demonstration, much stronger than other statements made by other different groups of countries.

### 4.3. Limitations

Despite the tangible outcomes the Declaration brings to both New Zealand and Singapore, there are still limitations in its geographical coverage as well as the coverage of agri-food items in its provisions.

**Limited in outreach of the initiative**

Though the joint ministerial statement has 11 participants, at the operational level, the key actions have been conducted only between New Zealand and Singapore. There is still some gap between the impact and the challenges faced with New Zealand’s other key trading partners China, the US or EU.

**Provisions are not beyond other previous commitments of both countries**

When we compare the provisions of the Declaration with those in CPTPP and other commitments that New Zealand and Singapore are offering, we can see that such commitments did not go further beyond or even more limited than what is stated in CPTPP when it is into full force, where both New Zealand and Singapore are the signatories. In particular:

- **Tariff elimination:** in CPTPP, tariffs will be, over time, eliminated on all New Zealand’s exports to CPTPP economies with the exception of beef into Japan; and a number of dairy products into Japan, Canada, and Mexico, where access is still improved through partial tariff reductions and duty-free quotas. While in the Declaration, tax elimination only

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applies for products in Annex 1 – medical supplies and food preparation, and tax elimination was not included for products in Annex 2 – all agricultural products.

- **Export restrictions**: the provisions in the Declaration follow Article XI:1 of GATT 1994, which is not beyond the Participants’ previous commitments.

- **Non-tariff barriers**: CPTPP also addresses non-tariff barriers to trade in goods by reducing the time exports spend waiting for goods to clear customs, lowering compliance costs, and increasing predictability around other countries’ processes. Therefore, in terms of NTBs, CPTTP has more concrete provisions rather than the Declaration.

By comparing CPTTP and Declaration provisions, we can see that the Declaration has a strong instant application of tax elimination for certain essential foods, but quite limited and did not cover the key agricultural products. For other areas of export restrictions and non-tariff barriers, it does not go beyond other commitments that its Participants have participated, or for some even less strongly.

**Really address the key challenges of global trade and counterbalance export restrictions?**

Experts are deeply skeptical that these ad hoc arrangements would reverse the rush among most governments to adopt protectionist policies.

As of the end of April, over 20 governments have imposed some form of restrictions on food exports including rice, wheat, and eggs, in order to guarantee their own countries’ food security. The WTO allows its members to impose trade restrictions such as export bans in certain limited cases.\(^{76}\) Data from the International Food Policy Research Institute shows that binding export restrictions put in place by 15 countries were impacting 5 percent of globally traded calories as of mid-April.\(^{77}\)

While it is a very strong political messaging, the Declaration and other ad-hoc cross-country initiatives seems not convincing enough for more countries to join and be the counterpoint for the wave of protectionist measures. Governments are likely to be reluctant to sign on as they expect political imperatives to restrict trade, and afraid that the precedent might make it less easy to restrict other items.

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**A long-term solution for global free trade?**

In the longer term, experts also have little hope that these ad-hoc initiatives will serve as a long-term solution for global free trade.

They are worried about the moves by firms from the US, Japan and Europe to accelerate the relocation of manufacturing from China. Japan has launched a US$2.2 billion fund to tempt its manufacturers to return home or set up shop in Southeast Asia, and in the US the influential director of the National Economic Council, Larry Kudlow, has said the federal government should foot the relocation costs for American businesses.78

New Zealand recently has faced a challenge in FTA negotiation with the EU, due to the rising agricultural protectionism in the EU. There has been a leaked agricultural access offer on the EU FTA negotiations and this latest offer reflects agricultural protectionism in the EU. It is a very negative signal especially at a time when the countries are working together in the WTO and elsewhere encouraging countries not to be protectionist and to ensure trade can flow freely between us. And New Zealand exporters face an “unlevel playing field” in the EU. To take one example in terms of the recent leaked offer – in 2019 the EU exported to us here – tariff free – the equivalent of just under a kilogram of cheese per New Zealander to New Zealand. By comparison, the EU is offering access for just over 3 grams of New Zealand cheese per EU citizen – and even that is subject to volume restrictions and a prohibitively high tariff. 79

5. **Recommendations:**

Though such ad-hoc initiatives are not legal binding and have their limitations described above, there is still some optimism coming out from the facts that several of the countries involved in this initiative are members of CPTPP, and also with the initial practical outcome that benefitted both New Zealand and Singapore. It gives hope that this best practice could continue to have some impact in the aftermath of the pandemic.

Therefore, this paper would like to come up with the following recommendations:

a. Firstly, these declarations that allow flexibility with existing regulatory frameworks and build trust among trading partners can be a good way to incorporate countries that

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have not made such commitments. For example, in the case of New Zealand, China and the US who are New Zealand’s main trading partners.

There was evidence in the past of how such cross-country collaboration starting with a smaller scale could grow to a bigger one. The origins of CPTTP (or TPP) began with P4 – the Trans-Pacific Strategic Economic Partnership, formed in the middle of the last decade by Brunei, Chile, New Zealand and Singapore. The original P4 was an extraordinarily successful lobbying exercise in which, by setting up a high-quality free trade agreement (FTA), the four countries created an attractive target to which others then signed up. With Vietnam in the TPP negotiation, Malaysia had to join, because otherwise many of Malaysia’s key exports of consumer electronics and, to some extent, garments, would be placed at a decided disadvantage. That was likely to mean that the Philippines, Indonesia, Korea, and eventually Taiwan and Thailand, and so on, could join. Colombia has also indicated an interest in joining, which logically would pressure Central American countries to join as well. If the UK joins (in the event of Brexit), the TPP could include more than 30 percent of world GDP. That by itself inevitably means a great deal of impact on international trade. 80

“Coming out of the pandemic, we may see increased interest among others in joining the CPTPP in an effort to regionalize supply chains and diversify trading partners,” said Cutler from the Asia Society Policy Institute.81

b. Secondly, all the strong and special temporary provisions from these ad-hoc initiatives should be incorporated into existing agreements and it is the only way that they will be binding and can prepare for future pandemic. In particular:

- **Tariff elimination** with respect to essential products under the situation of pandemic. A list should be discussed and agreed one but would include key medical supplies and agricultural products.

- **Export restrictions** should all be removed with the agreed product list in the situation of pandemic, including agricultural ones. And if imposed, the member country should give notice in writing to other members of the measure as far in advance as practicable. And such restrictions should build on the current G20 agreement that states that: “emergency measures designed to tackle COVID-19, if deemed necessary, must be targeted, proportionate,

transparent and temporary, and that they do not create unnecessary barriers to trade or disruption to global supply chains, and are consistent with WTO rules”.

- **Trade facilitation**: more specific provisions for facilitation of trade in essential goods should be included, for e.g. joint freight initiatives in the case of emergency,
  
  c. Thirdly, it is recommended for CPTPP and other trade agreements to include contact points for supply chains and health cooperation, to make sure in the situation of similar crises, member countries can quickly get together to address emergency challenges.

**Conclusion**

It is inspiring to witness, apart from the rising restrictive and protectionist measures in response to Covid-19 pandemic, there were also best practices initiated to ensure trade flows are open. The author believes in the relevance of such a coalition of medium-sized countries, with New Zealand – Singapore Declaration on Trade in Essential Goods for Combating the Covid-19 Pandemic as a strongest example, to address the challenges in a practical and dynamic way.

Not legal binding in its nature, the Declaration also contained a big limitation in its coverage: limited geographical outreach and tariff provisions not covering all essential agricultural products. There is also a big question if the format of Declaration can address the key challenge in global trade - protectionism in a longer-term and wider context amidst the pandemic.

Despite their limitations, such ad-hoc cross-country collaborations show strong political messaging and bring certain tangible outcomes of keeping the trade flows between participating parties. More importantly, it can generate more interest in joining RTAs like CPTPP, and raise the importance of incorporating the specific provisions in such best practices should be included in the future agreements so that trade flows of essential agriculture products will be open in the future pandemics and crises.
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By Hannah Anderson

Abstract

COVID-19 has interrupted the trade cycle from seed to plate in ways that threaten the world’s food supply. A major obstacle to smooth-functioning food trade during such a time has nothing to do with trade rules: food production is a labor-intensive endeavor. In this case study, we examine disruptions to the agricultural labor market in the U.S. from policies regarding migrant workers and health risks among the whole agricultural labor force. The insights gleaned from currently applied strategies in this space, along with identifying deviations from best practices, result in four recommendations for policymakers at the national level. These four strategies: virtual visas, farmworker wellness, essential inspectors, and building back better, could contribute to stability in the agricultural labor force during times of disruption.

Introduction

Prior chapters have highlighted restrictions on food trade during COVID-19 arising from either explicit trade policies or customs clearance backlogs and proposed thoughtful improvements to the way trade in foodstuffs can be conducted during a pandemic. In acknowledgement of the need for food trade to continue uninterrupted, the Uruguay Round Agreement on Agriculture (URAA) requires signatories to consider the food security of importing members when making a decision to restrict exports. These measures assume food will be available for export or import. Pandemics present a special case in that the supply of food may be disrupted before an agricultural product may even be ready to leave a nation’s shores.


Disruptions to food production pose the greatest threat to global food security. This threat arises from the risk to the agricultural labor force posed by COVID-19. It is not only the risk of infection among workers, but also the shortage in labor supply arising from COVID-19-related travel restrictions, that present challenges to food security. Without hands to plant, pick, or process crops, farmers worldwide warn of coming food shortages. This issue is of relevance to the United States currently, as it is the middle of the summer growing season in the northern hemisphere. The State of California, a major food-producing region, offers a case study on many of these issues.

This exploration yields insights for policymakers in the immigration, labor, and food safety agencies of the United States as to how they may go about protecting the agricultural production cycle. A brief guide for policymakers of any nation to ensure stable food supplies in the future through addendums to their import clearance process is also developed. This chapter proceeds as follows: a discussion of the agricultural cycle and its labor intensity, identification of the two biggest challenges COVID-19 presents—limiting mobility of the workforce and high risk of illness among this workforce—to the supply of agricultural labor, followed by recommendations to ameliorate these disruptions. The availability, or lack thereof, of migrant farm workers in the United States, combined with poor working conditions on farms, could contribute to an effective reduction in food trade that could carry more severe consequences for global food security than those posed by temporary restrictions on imports or exports. In combination with the international strategies presented in other chapters, the unilateral strategies recommended herein form a base of stable foodstuffs supply on which multilateral recommendations may be more effective.

**Foodstuffs: From Seed to Plate**

The food production cycle is lengthy and self-reinforcing. A delay in planting a field can push back the time when a crop is ready for harvesting, which can limit the ability to plant a second crop before the growing season ends, which can lower farm incomes and inhibit the ability to adequately prepare the fields for next year’s planting, creating a vicious cycle of production delays in an industry that is, more than any other factor, seasonally dependent. Interruptions to the supply of labor needed for any of these stages of the food production cycle, (planting, growing, harvesting, processing) magnify other problems and on their own can end a farm’s ability to produce any crops in a season. Little of this labor has been mechanized, particularly in the fresh produce sector, leaving the industry reliant on those same people who could fall ill with COVID-19. The most at
risk part of food value chains as food moves from seed to plate in a pandemic are the parts of agricultural goods production and processing that rely on human labor. Consider a simple tomato.

The tomato is one of the most widely produced farm products in the world—182 million tonnes of tomatoes were produced in 2018. Production is dominated by China, the U.S., and India. These three countries, plus the EU and Turkey, account for roughly 70% of the world’s tomato supply. Owing to their climates (year-round warmth, adequate sunshine and rain), Florida and California supply two-thirds of the U.S.’s contribution to the global tomato supply. California alone produces one-third of the total processed tomato products consumed in the world annually.

The ubiquity of this common crop obscures the number of hands required to get it from seed to our plates, and how the COVID-19 pandemic threatens this staple product. Tomatoes are by no means unique in this respect but do offer a tangible example of the many ways in which policy responses to COVID threatens a consistent and stable supply of food around the world.

Tomato production is more labor intensive than many other crops; roughly 43% of the production cost of fresh tomatoes comes from the labor needed to grow and harvest tomatoes (Exhibit 1). Transforming these fresh tomatoes into canned tomatoes, paste, sauces, etc., pushes the labor share even higher, though it varies by product.

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84 Ibid.
While we may not know precisely how COVID-19 has changed production costs in the U.S. agricultural sector, although evidence from the 1918 Spanish Flu outbreak suggests costs will rise dramatically for both producer and consumer, we do know that the farm sector has been hit hard by the disease—both in terms of infection rates among workers and by policy choices related to the pandemic.\textsuperscript{88,89} Crops like tomatoes, which rely on human labor at every stage of production and offer little potential for automation, are likely to seek costs in each part of the production cycle rise, and the labor intensity of these goods will likely rise as well, making management of the U.S. agricultural labor supply a top priority for policymakers.

The Two Threats to Farm Labor

COVID-19 presents two main obstacles to ensuring a stable labor supply: the disruption to the mobility of labor and the vulnerability of farm labor to the disease itself. California agriculture, representative of issues facing the U.S., illustrates these two challenges. In aggregate, the industry


faces a USD 5.9 to 8.6 billion loss for 2020 from COVID-19.\(^9^0\) Though the Economic Research Service of the U.S. Department of Agriculture notes, “data are not yet available to determine how agricultural labor production costs or food loss have changed due to the emergence of the global pandemic COVID-19,” the UN’s Food and Agriculture Organization estimates that 39% of annual food loss (based on pre-pandemic data) happens before food even reaches the distribution stage.\(^9^1\) As crops are left to rot in California’s fields this year, we can conclude the pre-distribution share of food loss will be even higher. Workers in this stage of food production—planters, weeders, pickers, processors—are essential to continued food supply, but California farms face two major challenges in filling these positions: supply and health.

**Migrant Workers in California Agriculture**

Data from California’s Economic Development Department show April employment in crop farming sectors declined by 94,000 compared to 2019, in an agricultural industry that employed roughly 422,000 people in 2019.\(^9^2\) \(^9^3\) Declines are likely to increase; California’s statewide employment peaks in June owing to the seasonal nature of agricultural work, meaning the worst may be yet to come.\(^9^4\) In four of the most rural counties in California, agricultural employment declined between 27% and 81% in April. These declines are not solely a matter of declining output—although challenges in harvesting crops do ripple downstream into processing employment.

Aiming to ensure food trade would continue uninterrupted, as soon as March 27 the International Maritime Organization called for countries to declare their port staff and transit workers essential and allow them to continue working.\(^9^5\) Several countries did so, but this leaves


\(^9^5\) Office of the Secretary General of the International Maritime Organization. “Coronavirus (COVID-19) – Preliminary list of recommendations for Governments and relevant national authorities on the facilitation of
out the highly time-sensitive production workers that plant, harvest, and process food so that it can then be moved from the farm to end-consumers’ plates. Though quickly deemed essential employees and exempted from the state-wide stay at home order, farmworkers in California are in short supply. This is because most of the farm labor does not reside in California year-round. Around 25% of California’s farm workers gain employment in the U.S. through some type of visa arrangement. Another 50% are undocumented. Collectively, around 72% of California’s farm workforce comes from Mexico.

For those on a visa, many utilize the H-2A guest worker visa. The U.S. Department of Labor granted 77,000 H-2A visas in just March and April of 2019. This system was disrupted by the pandemic. The U.S. Embassy in Mexico announced an emergency indefinite halt to the interviews required to process these visas on March 20, with no warning, leaving many farms scrambling for workers. Robert Guenther, Senior Vice President for Public Policy at the United Fresh Produce Association (a major industry group), told Bloomberg, “There won’t be anyone to harvest the crops…It will be devastating to growers and ultimately to the supply chain and consumers. They won’t have the food.” These sentiments were echoed by Zippy Duvall, President of the American Farm Bureau Federation (the largest farm industry group in the U.S.), “Under the new restrictions, American farmers will not have access to all of the skilled immigrant


labor needed at a critical time in the planting season. This threatens our ability to put food on Americans’ tables.”

Bowing to pressure from farms, the U.S. Department of Homeland Security changed some of the restrictions on H-2A visas to allow some of those who would have worked the 2020 season on such an arrangement to do so. This change may avoid some future labor disruptions, but likely halted the harvest of certain perishable crops leading to untold losses in the meantime. Currently, the U.S. consulate may process the visa applications of returning workers who previously entered the U.S. on an H-2A visa. Dave Puglia, president of the Western Growers Association estimates this covers only around 40% of farmers seasonal worker needs. Lengthening the term of valid guest worker visas may help make up some of the roughly 60% shortfall in guest workers. As of April 15, the U.S. Department of State has temporarily permitted those on H-2A visas to remain in the U.S. beyond the visa’s three-year expiration.

These measures signal there is some flexibility in the treatment of migrant worker visa issues which could be incorporated into the pandemic-preparedness planning of the U.S. government. An immediate cessation of approvals in the process by which a significant share of U.S. farm labor enters the U.S. created a major disruption in food production, which raised costs for producers and could lower supplies for consumer for months to come. A more orderly shift to emergency permissions for the mobility these essential workers would have created much less disruption, as would more robust pandemic-preparedness in the migrant labor system.

Health Risks to Workers in California Agriculture

The workers who can physically arrive at their jobs face the threat of falling ill and their employers could face labor shortages again as COVID infects their employees. As reported by the USDA, “…in Monterey County [California], the ‘salad bowl of America’ and the only county that regularly posts COVID-10 occupation data, agriculture accounted for 36% of positive cases. And

102 Ibid.
produce packing houses in Santa Paula and Coachella [major food distribution hubs] have reported COVID-19 outbreaks.”

Working conditions on farms make this spread more likely. Noe Paramo, a legislative advocate for California Rural Legal Assistance Foundation, and Joel Diringer, a health expert focusing on farm labor, write:

“Farmworkers typically work shoulder to shoulder in crowded conditions in the fields and packing facilities, and in transportation to and from work. And they go home to overcrowded housing, often without adequate washing and sanitation facilities. They live in remote, rural communities without adequate access to health resources. Most do not speak English, and many only speak indigenous languages.”

Such conditions—proximity and poor sanitation—raise the risk of virus transmission among workers. Lack of training on health protocols in a language worker can understand and lack of medical care can limit the effectiveness of preventative measures if they are put into place. An outbreak on a farm can be just as disruptive as workers being unable to get to the farm. Though they have the potential to be costly, such measures are relatively easily remedied. Farms should space out workers in the fields, processing plants, living quarters, and transportation, even if the replacement living and transportation options are not traditional dorms and busses. Sanitation could be improved through rigorous disinfecting protocols, and health and safety training in a relevant language should be implemented immediately. Local governments could aid in expanding COVID-19 testing sites in agricultural communities and employers could be required to permit laborers sick leave—a rarity in the farm industry—to prevent further spread.

Guidance on measures to protect workers are worth little if they are not enforced. Labor officials and the regulators charged with enforcing said guidance have largely not been designated essential workers the same way food production workers have. Reports indicate few, if any,

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farms have taken measures to distance workers, provide them with sanitary equipment, or trained laborers on preventative measures.\textsuperscript{109} Furthermore, federal or state enforcement officials are conspicuously absent.\textsuperscript{110} Such a designation should be made immediately. Additionally, a national health crisis is the time for more, not fewer, inspections. The inspectors charged with observing farm compliance with expanded health and safety standards mandated by state or federal agencies would also benefit from enhanced training on best health practices. Ensuring compliance with best health and safety precautions through rigorous inspections will go a long way toward maintaining a stable labor supply.

California is reliant on a mobile workforce largely made up of seasonal immigrant labor from Mexico. This supply has been drastically reduced by the cessation of processing the temporary visas these workers use to enter the country. The U.S. government has resumed issuing some visas, but as discussed previously, delays are extremely costly in agriculture. The conditions for workers on these farms also present a challenge. Health and safety challenges present even in non-pandemic times, and COVID-19 has raised the risk to workers while simultaneously loosening enforcement of workplace health and safety standards.

\textbf{Recommendations}

To ensure a stable supply of labor through both the ability of workers to migrate with the growing season and through protecting worker health, policymakers could enact several measures in short order. Many of the following recommendations rely on advance planning. Time is money, as the saying goes, and having an emergency plan will aid the particularly time-sensitive agricultural industry greatly in the event of a future pandemic. The first recommendation, \textit{Virtual Visas}, deals specifically with temporary worker visas. The second, \textit{Farmworker Wellness}, and third, \textit{Essential Inspectors}, address worker health. The fourth, \textit{Building Back Better}, advises formalization of these measures so that an established response plan becomes enshrined in bi- or multi-lateral agreements. Each recommendation also includes suggestions as to how countries


could encourage adoption of the recommendation so that a stable global food supply is assured during a future pandemic.

1. **Virtual Visas:** In advance of an emergency during which limiting travel is wise, such as a pandemic, nations should develop emergency procedures for essential work visas, essential work like farm labor. The confusion around the H-2A program used by U.S. migrant farm laborers was a major disruption to agriculture, which could have been prevented. Processing new applications remotely seems feasible, either via video-conferencing or distanced meetings at relevant consulates, for visas requiring an interview. In fact, the U.S. government has already adopted this strategy. If deemed successful, these ‘emergency’ visa processing measures could be reimplemented during the next disruption.

2. **Farmworker Wellness:** Safe farm operation guidelines could be established at the international level by the United Nations Food and Agriculture Organization or the World Health Organization. In this case, the Centers for Disease Control have produced guidance for farms to operate safely during pandemics. The key elements of which are: require notification of employees and community when a workers presents positive for virus and allow for sick leave of those who have come into contact with an infected worker; an immediate shutdown and deep-cleaning of a facility where there has been a positive case; the provision of necessary sanitary equipment for employees. Implementation of such standards could be encouraged by national customs bureaus requiring documentation of such plans before processing food imports from the affected countries. As this case highlights, the biggest risk to food security comes from the disruption to production, rather than health and safety risk to consumers from imported food itself. Therefore, encouraging adherence to strict safety measures for the protection of the workforce must be a feature of trade policy responses to COVID-19. In fact, such measures have been long advocated by labor rights groups in the agricultural space to deal with ordinary health challenges in the

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sector. COVID-19 has emphasized the necessity of improving health and safety on American farms.

3. *Essential Inspectors*: In conjunction, countries should designate not only the farm, food processing workers, and health and safety inspectors essential, but should also include the labor inspectors (who should be trained in basic health and sanitation policies) in this group to ensure farms are treating workers fairly and promoting public health. The tasks of these inspectors should entail an audit of farm and food processing plants health and safety plans and then observe the compliance with these plans in the field. Such designation could be required by an importing country for the agricultural exports of a partner country to clear customs as a means of enforcement or to encourage adoption. This area has received the least attention in discussions of health and safety related to COVID-19, although it may become a key plank of the farmer-labor rights coalition after the experience with this pandemic.

4. *Building Back Better*: Future trade agreements need specific ‘in case of emergency’ measures that incorporate the prior three recommendations so that the uncertainty around servicing agricultural and foodstuffs trade is reduced in future cases. Formalizing these procedures would establish a guide for future pandemics and eliminate much of the uncertainty drag. Presently, ‘emergency’ measures in trade agreements, like the aforementioned URRA and the recently implemented United States Mexico Canada Agreement (USMCA), only specifically address emergency restrictions on exports or imports. The agricultural chapters in such agreements could benefit from an established roadmap for how farm production in a pandemic is treated, which could be raised through the Committee on Agricultural Trade, in the case of the USMCA. The visa issues should be tackled through agreements on migration. While the inclusion of pandemic-specific measures seems unlikely in future trade deals, policymakers may want to consider doing so. The provision of emergency plans to all concerned parties in trading countries would

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remove some of uncertainty delay when dealing with a true emergency, which, as shown earlier, has costly effects in vital sectors.

Enacting these measures, particularly enhanced safety protocols, could take money, which governments can help provide by including farms in their small business loans programs in response to pandemics.\textsuperscript{114} The U.S. has done so for the first time in this pandemic through its Small Business Administration, which could remove some of the obstacles to implementation of the recommendations herein.

\textbf{Conclusion}

The COVID-19 pandemic has illustrated that the most severe disruptions to our food security can originate well ahead of any export or import restrictions. In time-sensitive food production cycles, uncertainty means delays, which could mean the start of a self-reinforcing cycle of disruptions which could create massive food shortages. Often, policies applied intra-nationally can do the most to guarantee stable food trade. What happens in the exporting country is of utmost importance to the importer. Therefore, measures to encourage compliance with proper health and safety standards in the producing country should be incorporated into the pandemic policy responses of the importing country. While the most impactful action in ensuring a stable food supply during a pandemic will be taken at the national level of the country producing food, such steps can be encouraged by the thoughtful application of additional import standards by partner nations. Maintaining a secure food supply will require cooperation between officials managing the health and safety of agricultural workers in farm economies and those permitting workers to transit to these farms through visa arrangements, along with multilateral policymakers building best practices into future trade agreements.

Bibliography


By Eddie Cai

Abstract

This chapter will illustrate the challenges that China, the first country that faced the Covid outbreak, confronted, and the disruptions COVID brought into the supply chain and sales sides. Under such impacts, the Chinese government took quick response and developed a series of countermeasures to minimize the negative impacts of COVID 19 on the agri-food products market. Particularly, this chapter will introduce, as well as evaluate, the domestic policies that helped to stabilize the value chain and strengthen the sales channel of the agri-food goods.

Chinese government’s focuses on two areas - strengthening capabilities of using eCommerce as a channel to sell for agri-food companies and digitalizing value chain of agricultural products – were of great use to minimize the impact and ensure the supplies of food. Chinese government’s countermeasures in managing Covid’s disruptions of food value chain are good examples and references for policy makers of other countries to learn from and develop tailored policies that accommodate the situation of their countries.

Introduction

Covid 19 firstly happened in China, and greatly disrupted China’s traditional values chains in the agri-food sector – especially in supply chain and sales channels. China’s policies and countermeasures, in encouraging the use of eCommerce as a main channel and digitalizing the values chain, to tackle the challenges from Covid 19 will be great empirical experiences for other countries to learn from. Particularly, policies makers at the governments, and practitioners at different stages of the values chains, in the agri-food industry, will find it useful to learn from China’s experiences. This paper will help readers to get familiar with what China has gone through during the early-stage of the Covid outbreak and the measures that government took to minimize the impact.
This chapter includes four parts around the impacts and countermeasures of Covid. The first part examines Covid’s disruptions in the domestic food supplies and agri-food related international trade. The second part introduces Chinese government’s efforts of developing policies to encourage stakeholders in the value chains to use technologies to digitalize the business and sell more through eCommerce channels. The third part evaluates the effectiveness of the policies, practitioners’ efforts, followed by the Part four, which provides recommendations for policy makers and practitioners from other countries based on China’s experiences.

1、Impact of COVID in the food sector and agricultural goods space

China feeds 22 percent of the world's population - 1.4 Billion - with 7 percent of the world's arable land. Meanwhile, China is the largest producer of many crops, such as rice, vegetables, potatoes, cotto, etc. During the Covid outbreak, the normal operations of the agri-food sector was severely impacted and damaged, resulting in temporary shortage of the food supplies, soaring prices of produce, and stockpile due to the inaccessibility to traditional channels.

It’s imperative for policy makers and practitioners from others countries to see the short-term and long-term impacts of the Covid in China, and how China, as the world’s biggest agri-food producers, tackle the challenging and stabilize the food supplies to avoid the disorder and the masses’ worry about shortage of essential goods like food.

1.1 Impact on Domestic Food Supply: Covid 19 extensively disrupts the traditional food supply chains, resulting in sourcing prices in food and Agri-goods.

For the agricultural goods part, value chains of both produce and animal-origin foods such as poultry and meat are hit hard. In Guangdong, for example, according to the Information Center of the Ministry of Agriculture and Rural Affairs, the number of pigs slaughtered in February 2020 was 134,72 million, a decrease of 28.54% month-on-month.

Some firms had experienced input shortages like feed, difficulties in product delivery, and labor shortages due to the transportation blockages. In the short term, the Covid led the production capacity’s decline of China's livestock and poultry breeding industries. In the long run, the Covid will trigger negative ripple effect. For example, the breeding delay in livestock industry would lead to the supply shortage; shortage of labor will cause the construction delay in new pig farms; the slaughterhouse will not meet the spike of needs once the lock down is over. Things like such will have a negative impact going forward on livestock production and end market.
During the Spring Festival holidays, restrictions were imposed in several agricultural production areas to prevent poultry, fruit, and vegetables from being delivered to urban markets. Such a ban on the movement of live poultry has stopped farmers from effectively selling chickens and eggs. According to industry estimates, the market input of chicken and ducklings has decreased by about 50%. China's pig industry that was under the shadow of African swine fever in 2019 is hit again by the outbreak. 115

Another impact of the restricted logistical access is the limited supply of production materials. Farmers and production companies were claiming that purchasing fertilizer, pesticides, and seeds were difficult during the pandemic time.

As a result, such restrictions caused spikes in prices: in 2020, China's consumer prices rose 5.4% year-on-year in January, the fastest in more than eight years; the prices of pork jumped by 116% and vegetables by 17.1%. Other meat products, including beef, lamb, and poultry, also witnessed 10.4% to 20.2% increases. 116

In addition to the fast-increasing food prices, the logistical demand from the produce such as vegetables and fruits was not adequately met due to the limited transportation capacities, causing spoil problem. 117

1.2 Impact on International trade of food and agricultural goods:

The decline in its domestic production will lead to fluctuations in the global prices of agri-goods prices, as China is one of the world’s leading agri-food exporter in the world - In 2018, China's agri-goods imports amounted to US$137.10 billion, an increase of 8.9% YoY. Also, the decline in the production and the spread of Covid in China will lead to the changes in trading-related bilateral policies, more in a negative way. Understanding the impact of Covid on crops production and how this influence that policy change are necessary for policy makers in every country, especially officers from the Ministry of Trade and Ministry of Agriculture, to plan early and accordingly for the potential changes of the bilateral trading policies, as well as the shortage in food supplies due to the cease of imports of some crops.

117 “The Impact of the COVID 19 on the vegetable industry”, China Agricultural University
Since the Covid outbreak from January, 2020, some countries have adjusted their trade policies towards China and adopted restrictive measures on China's agricultural import and export trade, which adversely affected the foreign trade environment of Agricultural Products and the sufficient supply of essential agricultural products.

On the one hand, some countries have adopted restrictions on the export of agricultural products in China or the entry of Chinese citizens, causing losses to foreign trade enterprises or border people of related agricultural products in China. For example, in January 2020, Vietnam has closed its border crossings with China, and from January 28 to March 11, Azerbaijan, Kazakhstan, Mauritius, Indonesia, Pakistan, Turkey, Georgia, and other countries have suspended imports of Chinese-related agricultural products, especially animal products.  

On the other hand, some countries suspended their flights to China, blocking some agricultural products' normal transport. In the short term, flight ban, entry and exit restrictions, closing ports, and other agrarian trade has less impact.

According to the General Administration of Customs of China, in January-February 2020, China's total imports and exports of agricultural products amounted to US$34.147 billion, down 0.1% YoY, while imports amounted to US$24.659 billion, up 5.14% YoY. Still, exports amounted to US$9.488 billion, down 11.58% YoY. Total imports and exports of agricultural products in the first two months of 2020 decreased significantly by 23.11% compared with total agrarian imports and exports in November-December 2019.

What’s worse, the spread of the epidemic in the world is likely to aggravate the problematic situation of China's agricultural import and export trade. The widespread of COVID 19 will harm the interests of relevant agricultural trade enterprises and destabilize the import and export of agricultural products. According to the WTO's Commodity Trade Barometer data released on February 17, the agricultural raw materials trade index, container transport trade index, international air transport trade index have tended to decline. Among the three indexes, the

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118 Data source: General Administration of Customs of China
agricultural raw materials trade index has dropped to 90.3 (base value of 100), the lowest level since 2011. 121

2. eCommerce is gaining greater importance as a channel for agri-food products, and ensuring seamless integration in each stage in the value chain is key to offer great experiences for online customers.

During the pandemic, to safeguard people’s health, the movement of people and vehicles has been restricted throughout the country. Communities, villages, highways, and etc. have set up anti-epidemic checkpoints, and the government has discouraged the public not to gather, not appear public places, and reduce shopping frequency. City residents and villagers were experiencing the inconveniences brought by the epidemic, particularly when it comes to purchasing the essential products. Hence, the demand for shopping online through eCommerce has increased.

Ecommerce business - due to its cross-regional, virtual, low-cost and high efficiency nature, it is a great alternative channel to distribute agricultural goods in addition to traditional offline markets, during the pandemic time. Under the pandemic, the vegetables, fruits, meat eggs, grain, etc. cannot be shipped out of their production base, which is usually located in rural areas. What is worse, the conventional offline channels to sell these products were almost cut off.

Since late January 2020, central and local governments imposed policies, and measures to ensure the adequate supply, transportation, and selling of agricultural products during the outbreak. Particularly, governments crafted a series of policies towards using eCommerce as a new, and even main, channel for agri-goods to be sold not only during the pandemic but also in the long-term.

At the central government level, policies were made to urge practitioners and companies in each stage of the value chain to work collaboratively and ensure the delivery of fresh agri-food products from the field to the consumers’ table. For example, the government called that the major eCommerce platforms should take the responsibilities to tackle the challenges of stockpile and help farmers to sell effectively.

At the local governments level, they work with various parties on the proper execution of the policies. For example, governments coordinates trainings sessions to stakeholders of the agri-food-related SMEs, and teach them how to better use eCommerce and live streaming to sell product.

### 2.1. Using eCommerce as a new way to sell agri-food products

The total online retail sales for the products from rural areas reached CNY 269 Billion (USD$ 384.7 Bn) in 2019, and Alibaba’s ecommerce platforms, Taobao.com and Tmall.com, are the two major channels, with market share totaling 75%. The top 10 ranked products being sold on eCommerce are snacks, nourishing food, tea, seafood, fruits, condiment, grain and oil, animal products, diary, and vegetables.

Zhejiang Province, home province to Alibaba Group, ranks No.1 among all of the provinces in terms of the contribution to online sales of the agricultural products. Others top-ranked ones are coastal provinces, such as Guangdong, Jiangsu, Shandong, and Shanghai. For counties that are famous for the producing of certain agricultural goods, such as tea in Anxi county (Zhejiang Province) and in Wuyishan (Fujian province).

In China, there are some counties being called as villages of Taobao. The name is given to such counties because most of the people there are making livings from selling on Taobao, or working on the different stages of the value chain for selling agricultural products online. In China, among all the villages of Taobao, there are 262 villages selling agricultural products primarily. Among the top 10 selling counties, the total revenue reaches CNY1.8 Bn (USD$257 Mn)

### 2.2. Streamline the shipping of agri-food products

Stabilizing the supply chain is critical to ensure the sufficient supply of agricultural products during the epidemic control period. To solve the mismatch between the production and agricultural production materials (like seeds and fertilizers), the State has urgently issued relevant policies to facilitate the shipping of agrarian production materials and sell the poultry products.

The policy requires all localities to implement the "green channel" system of fresh agricultural products at the same time. The green channel refers to the concept of having the priorities of being delivered, for certain essential products. Livestock, eggs, raw milk can be shipped through the green channel, and policies encourage "point-to-point" production and distribution of agricultural products.
Before the pandemic, Cainiao, the logistical branch owned by Alibaba Group, has built over 30,000 logistical stations at the county level, covering 29 provinces and 900 counties. With such a nationwide logistical network, farmers in the county region can shipping their products timely and quickly to the consumers or to distributions hubs. With Cainiao’s foundation in the logistical infrastructure, it greatly cut the shipping time for the food to be delivered from the farm to the table, and alleviate the spoil issue, commonly in the agricultural goods.

2.3. Governmental policies to encourage farmers to sell through eCommerce

The General Office of the Ministry of Commerce stated that e-commerce companies such as JD.com, Alibaba, and Pinduoduo, should provide support to farmers or agricultural companies to expand their sales channels through live-streaming goods.

2.4. eCommerce platforms crafted a series of actions and measures to support the selling

During the pandemic period, before government’s announcement to support sales of agricultural goods, Alibaba proactively developed a series of initiatives to facilitate the selling.

- Farmer Supporting Program

On February 6, 2020, Alibaba took the lead in launching the "Farmer Supporting Program". On Taobao, there is a campaign regarding the agricultural goods to capture more user traffic to the product pages of the agricultural goods. Moreover, Taobao did a retail model on the agricultural goods from the key production regions, invest in the logistic solutions that facilitates the transportation of agricultural goods, lower the transaction costs and commission, and help farmers to onboard to Taobao live streaming eCommerce: these initiatives are useful to help farmers clean the stocks. By April 25th, 2020, more than 250,000 tons of agricultural goods, most of which are from the regions that are negatively impacted by the pandemic, were sold via Taobao and Tmall.

Particularly, to better support the poverty counties, which suffered more seriously in terms of residents’ income, Taobao launched a specially-created campaign called “locally produced fresh food” to attract online customers, and even invited county magistrates to promote the products in live streaming. So far, the poverty country supporting program covers over 707 across China.

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122 Tao, Hong, “The Current Situation and Trend of the Logistics Development of Agricultural Products eCommerce.” China National Conditions and Strength, April 16th, 2020
123 Chenming, Zuo, “Alibaba Group’s reports regarding agri-goods eCommerce in 2020.” AliResearch Center, July 14th, 2020
Taobao did more than just an ecommerce platform. To help standardize the agricultural goods labeling and building confidence on customers to buy online, Taobao developed a standard Operating Procedure to help regulate the agricultural goods selling.

- **Spring Thunder Plan 2020**

There are three primary initiatives under this plan: building 1000 digitally agricultural bases nationwide, promoting locally grown food/agri-good brands via live streaming, and launching the partnerships with various local governments to optimize the value chain.

The goal of the plan is to leverage the Alibaba’s technologies and commercial eco-system to empower small and medium companies to go through the difficult times imposed by pandemic. Alibaba took a series of initiatives to grow the eCommerce transaction volume of agricultural goods through triggering new suppliers and new demand. For example, Alibaba are engaging more farmer to sell online, and launched related campaigns on its front page to drive the sales.

3. **Evaluating the effectiveness of the policies: Live streaming and eCommerce become effective and powerful channel to sell agri-food goods and digitalizing the value chain ensure the sufficient supply and on-time delivery of the goods**

During the epidemic prevention and control period, especially in the early stage, China formulated the policy on ensuring the supply of agricultural products involving many departments to solve a series of challenges such as stabilizing the agrarian products production and delivery.

Overall, under the policies, the daily necessities of the masses are met, although there are disruptions of the agri-food product supply chain at the beginning of pandemic in early 2020. The set of policies, and more importantly, the executions of the policies provided a sufficient supply of agricultural products during the epidemic period, but some areas need to be further improved.

As a response to governments’ request to sell agri-food online, some e-commerce enterprises joined hands with local governments to use e-commerce to help farmers sell the products directly to end consumers. Some agricultural good hit rocket high sales numbers through the live streaming, and this policy will, in the long-run, offer a new way for farmers to sell the produce.

To promote using live streaming to sell, Kuaishou, a leading live streaming app with over 300M users in China (most of which are from rural China), worked together regional government officials to develop over 50 online courses about short video production, live streaming skills,
agricultural products e-commerce, etc. These courses are free of charge for farmers and companies to the user to learn the skills to use live streaming to sell their products effectively.

Various key opinion leaders and governmental officials like majors proactively used live streaming to sell agricultural goods. For example, the mayor of Zhangzhou City, Zhejiang Province, talked about the history of Penggan, a type of Chinese orange to promote sales. At the same time, Guangdong Xuwen County Sheriff shows how to cook pineapple rice to promote the local pineapple.

As a result, such a set of promotion events is very useful in selling agricultural goods and solving the spoiling issue. Huang Qinghua, deputy mayor of Jiujiang Ruichang, who appeared in the JD.com’s live broadcast, achieved the highest number online viewers of more than 1.6 million, received 6,200 orders, sold 12,000 pounds of yam, 41,000 salted duck eggs, 95,000 pine eggs, and 1,100 pre-cooked, packaged duck. In the 1st quarter of 2020, the transaction volume of agri-goods through live-streaming recorded an increase of 140% YoY. Among the popular selling products, snacks, nourishing food, tea, seafood, animal products are the top five selling ones.

4. How can these policies in China be applied practically in other countries?

Given the main impact of the epidemic lies on the sufficient supply and sales channel of agricultural products in China, after seeing how did China responded to such disruptions, other countries should pay attention to urge the stakeholders in the agri-food value chains to develop core capabilities in these two aspects: digitalizing value chain of agricultural products, and strengthening capabilities of using eCommerce as a channel to sell for agri-food companies.

The final recommendations are developed within a framework that covers every aspect of the value chain - production, logistic chains, and selling process & channels - coupled with the recommendations on the talent development and technological adoption in the agri-food space. In terms of channel, recommendations around eCommerce as an emerging channel are specifically given. These recommendations are based on the effective countermeasures in China and also on the goals of building a solid moat in the long-term, if pandemic like Covid 19 unexpectedly happens again.

4.1 Digitalize the whole value chain for the agricultural products

The digitalization of the agricultural goods’ value chains will allow farmers to plan their productions based on sales prospects, industry practitioners to better match the demand and supply, and consumers to build more confidence to buy agri-products online.  

4.1.1 Digitalize the production process

Digitalizing the production process include the following aspects: 1) digitally recording the usage of agricultural means of productions and the production process, to realize the standardization of the production process; 2) Certificating the enterprises that own production base and online operations and allowing customers to digitally trace the production-related information of the product, such as the farm information, date of production, etc.

With the digital information gained through the above two practices, customers can vividly see the images of the products through live streaming, and place orders online without concerns after checking the digitally recorded information of the products.

4.1.2 Digitalize the logistic chains

Thanks to the fast development of road in China and the mileage amounted 4.84 million kilometers in 2018, the No.1 in the world, Chinese customers thus enjoy the fast delivery of goods after placing order on eCommerce website. On the other side, farmers and SMEs in the rural areas can utilize the roads to effectively ship the locally produced products to consumers living in the cities.

Alibaba’s logistical companies Cainiao set a good company for other countries’ counterparts to learn from and see how to best utilize the road and highway system in a country. Cainiao’s nationwide logistical network is a good example for other countries to learn from. The network allows the consumers in the countryside to enjoy the eCommerce shopping and let farmers to ship out the perishable agricultural goods in a cost-effective and efficient way.  

Cainiao’s best practices can be learned from and leveraged to other countries and imposed bigger social and economic benefits at a larger scale, together with government’s efforts.

- Government develop policies to encourage the leading eCommerce companies in the country to support the development of the logistical service at the county level; if possible, subsidy

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124 Chengming Zhang, “The Impact of the COVID 19 Outbreak on Agriculture and Suggestions for Countermeasures.” Economics of County, March 1st, 2020
125 Feifan, Hu, “In light of eCommerce, the Development of Cold Chain Logistics of Agricultural Products.” Logistics Engineering and Management, November 13th, 2019
can be reasonably offered to those that playing a leading role.

- Large, leading logistical companies should create incentive programs for personal or firms that helps them to expand the number of logistical shipping stations at the county level, under a franchise model.

- Investing in infrastructure development projects, such as building railways, in underdeveloped regions to facilitate the development of logistics and shipping

4.1.3 Digitalize the selling process:

Companies can have better chances to sell more if they develop an omni-channel strategy for agricultural goods. In return, companies can utilize the sales data from multiple channels to plan the production accordingly. Policies should be made for eCommerce companies to make it easier for the agricultural goods to sell.

- Policies should be made towards eCommerce giants to development more (online) training programs for the practitioners in the agricultural goods eCommerce space.

- Policies should be made towards eCommerce giants to launch more campaigns on the frontpage to drive more traffic to the listings of agricultural goods.

4.1.4 Nurturing talents for the digital transformation

Growing the talent pool for the agri-goods eCommerce is key to ensure the effectiveness of sales for the agricultural products. Chinese central and local governments have made a series of efforts regarding the talent development in the eCommerce space.

Develop policies to encourage educated young people, particularly fresh graduates, to return home cities or counties to run eCommerce business.

- Develop policies to encourage banks and financial institutions to provider low-interest loans to eCommerce entrepreneurs.

- Local government can offer reasonable amount of funding to selected entrepreneurs after a holistic evaluation.

- Develop policies to encourage universities to start degree eCommerce-related degree programs. In China, Guangdong University of Foreign Studies grants students with a bachelor’s degree in eCommerce.
4.1.5 Accelerating the technological development and adoption in the agri-food space for digitalizing the value chain

The adoption of technologies and execution of the policies to solve the common issues such as stockpile and spoilage issues.

For example, the Chinese central government created a centralized information-sharing platform to manage agricultural information management and services better. On the one hand, for the first time, the backbone enterprises that produce necessities products and enterprises that offer delivery services are subject to list management, so as to strengthen the financial support to these enterprises and ensure the supply of essential goods like food and agricultural goods during the epidemic period. On the other hand, on March 5, 2020, the launch of the epidemic data platform, which includes the agricultural product production information, helped to match the corresponding demand with supplies in different regions.

Agricultural technology innovation is no longer a standalone technological breakthrough in the production field, but also in the "seed-to-table" agricultural value chain to achieve the functional integration of agricultural technology. The innovation will also help accelerate the development of information technology (Internet of Things, "Internet plus", etc.) to enhance the efficiency of agricultural goods supply. These technologies will be the foundation of the sufficient supply of agricultural products.

The research and development of technology in the agriculture sector play a role in ensuring the adequate supply of agricultural products during the epidemic period. On the one hand, the research investment promotes technological innovation in biological breeding, agricultural product supply security, public health emergencies, and the prevention and control of significant disasters in plants. The technological advancement will improve the self-sufficiency rate of grain like wheat and important agricultural and encourage the research and development of digital agrarian technology in dealing with the risk of the epidemic. On the other hand, accelerating the innovation of agricultural supply chain, and digitalizing the agricultural goods information, will better match the supply and demand and reduce the spoil and waste issue in the whole process.
4.2 Further improve the effectiveness of using eCommerce as a new channel to sell agricultural goods.

Although many farmers and enterprises in the rural areas started mastering the skills to sell online, in the whole process, no systematic mechanism is created, and it is difficult to build stable, long-lasting channels. It is necessary to establish a long-term, sustainable mechanism of e-commerce to help farmers to sell. So far, the overall eCommerce penetration rate of the product and agricultural goods is less than 10%. The further development of using eCommerce as a channel relies on the collective efforts of the whole value chain.  

First, farmers lack skills to do effective selling online, such as polishing product listing, community-based sale, and webcasting, etc., and thus need the help from stakeholders (the government, e-commerce service enterprises, college students, etc.) who master the in tandem knowledge in order to carry out e-commerce selling for agricultural products better. At the government level, more training programs should be conducted online and offline at the regional level to make sure farmers and SMEs in rural areas are truly learning the skills to sell online in eCommerce.

Second, the effectiveness in matching the supply and demand can be further improved. The critical thing in balancing the two sides lay in building active intermediates. In the traditional, offline model, the intermediate is the supermarket or wet market. Under the pandemic, access to these channels was restricted, and, hence, the frequency of visiting these places dropped dramatically. Other countries can learn from China’s experiences and also adopt the below advice.

4.2.1 Integrating regional agricultural product information and building a centralized platform to share timely information to help farming enterprises that want to sell via eCommerce

To use eCommerce as a new channel, a centralized party, usually government or platform companies, need to investigate, collect, and organize agricultural product information in the region. Meanwhile, they also need to do an excellent job of providing agricultural goods information timely and accurately. The best way would be to establish a unified platform for regional agricultural product information, and leverage the human resources of those working in the countryside, such as college graduates, government officials, town cadres, and new farmers, to collect, update the dynamic information of agricultural products.
4.2.2 Optimizing the regional e-commerce platform and building a channel to help agricultural products to be sold via e-commerce

Developing a regionally tailored solution of the eCommerce platform is critical to address the channel issue of the agricultural products at the local level. During the outbreak, logistics and distribution may become a problem. Thus a need for local e-commerce platforms is in higher demand because local platforms can better connect local producers with consumers in community e-commerce channels.

Online shopping has various formats such as community-based purchases, produce e-commerce, location-based e-commerce services, and these formats will be better served at a regional level, not at a national level.

4.2.3 Facilitate more cooperation between colleges and agricultural goods-related enterprises, and fulfill college students knowledge and potential in selling via eCommerce

The type of people living in China's rural areas is mainly left behind young kids and older adults. For the latter, their literacy is generally low, meaning they lack the necessary skills to sell via e-commerce, and it’s also challenging for them to learn. However, China has nurtured millions of well-educated college graduates as it’s the future talent pool. The current generation of college students is familiar with WeChat, micro-store, Taobao, JD.com, Putuotuo, and other platforms, and these platforms are the key eCommerce platforms that people use. Hence, these students can utilize their knowledge and skills to help farmers to sell more farm goods via these new digital channels. Establishing a collaboration between universities and SMEs in rural areas will give the more significant potential to help regional farmers or enterprises sell agricultural products, and thus enhance the local agricultural economy.

Conclusion

In retrospect, China’s newly developed policies, centering around using ecommerce as a main channel and digitalizing the value chains of agri-goods sector, has so far executed effectively. Under the policies and the proper execution, the demand and supply are properly met; the soaring food prices were under control and back to normal; the spoil and stockpile issues are solved, etc.
In each country, stabilizing the food supplies and food prices are essential for the masses’ daily life and avoid disorders. For policies makers, it is imperative to learn experiences from China, as China is the world’s largest producers in agri-food and the challenges it faces should be comparable to many other countries. Particularly, for developing countries that have a relatively large population base like India, Indonesia, Brazil, and Mexico, China’s experiences will be more valuable and important as the economics social conditions, such as GDP per capital and percentage of populating living in rural areas, are more similar among the developing economics.


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Chapter 7: Financial Support during the Times of Crisis

By Alice Yi

Abstract

In terms of financial support during the times of crisis, such as the COVID-19, trade finance documentation delivery and processing becomes paralysed and trade finance facilities such as factoring process become idle. This is as a result that financial institutions work with minimum staff, and they face difficulties controlling debtors’ books ceded, as well as the evaluation of such. Financial institutions become reluctant to confirm other trade finance instruments such as letters of credit confirmation and approval of credit lines due to the deterioration of applicants’ financial status and credit ratings. Banks and their sovereign credit ratings deteriorate due to the crisis, and counterparty banks reject their instruments. There is a lack of consideration in provision responses during the time of crisis in areas including paperless document verification, continuity of supply chain finance facilities, working capital facilities, and compliance-related issues. To stabilise market confidence and avoid delays to the trade process, it is vital that policymakers should remain alert to potential shortfalls in trade financing and take proactive coordinated action at the appropriate scale to ensure the trade finance enablement during the time of crisis.

Policy interventions should include the consideration of the product attributes such as paperless transformation, supply chain finance continuity and approvals, working capital finance for trade initiations. While providing continuity of financing, anti-money laundering and countering financing for terrorism should also be enhanced to protect trade.

Introduction

As per the World Economic Forum, in a trade transaction, exporters want on-time payment for the shipment they are selling, and importers want a guarantee of the delivery and quality of the goods purchased. When the buyer and the seller have not established enough trust, trade cannot happen. Hence, trade finance instruments are used to balance the requirements of the buyer and the seller to reduce risks such as currency fluctuations, political instability, issues of non-payment, or the creditworthiness of one of the parties involved.
During a health crisis such as the COVID-19, movements of people is restricted, services including courier services are reduced or even become idle\(^{14}\). Trade finance documents become difficult to transport between financial institutions before payments can be made. In terms of financial support during the times of crisis, workforce everywhere is reduced including financial institutions, which they either close many branches or operate merely on skeleton staff. Hence, trade finance facilities which require manual approval and maintenance such as factoring process become idle as financial institutions face difficulties with keeping track of clients’ financial health, the control of debt books ceded, as well as the evaluation of such. Financial institutions become reluctant to accept or confirm other trade finance instruments such as letters of credit confirmation and approval of credit lines due to the deterioration of applicants’ financial status and credit ratings or simply because banks are unable to keep track of its clients’ financial health. There is also a need to consider including working capital finance or overdrafts in the supply chain finance provisions. Although the current provisions, as a response to crises such as COVID-19, address the importance of trade finance continuity issues, the other essential areas including the consideration of working capital finance or overdrafts in the supply chain finance is not addressed. Specific guidelines on transform to paperless trade instruments and compliance measures are also not proposed. Therefore, central banks and regulatory boards should be concerned by this to guide commercial banks in overcoming the difficulties during crises, so that trade facilitation achieves continuity.

The chapter explores the importance of financial support for trade during the time of crisis such as the COVID-19. High level discussion will be conducted on financial resources and infrastructure. The analysis will include trade finance instruments by using the basic simple letters of credit as examples for discussion, typical supply chain finance by using the factoring facilities, and working capital finance in general during crisis times.

1. **Overview of trade finance for agricultural goods**

The most common straightforward trade finance instruments used include letters of credit, letters of guarantee, factoring facilities, forfeiting, and more. For example, the importer’s bank issues a letter of credit to the exporter’s bank promising payment upon presentation of trade documents, such as a bill of lading. The exporter then releases the goods as payment promise was received from the buyer’s bank. In addition to trade finance instruments, for exporters to produce the goods, they need working capital finance to initiate the order. In some cases, if the seller requires advanced payment for a portion of the goods, then the importer would require working
capital finance to initiate the order. However, banks also provide loans based on the export contract. The basic requirement for agricultural producers to acquire finance is that the business must have a good trading history and end customers including the owner and the business are creditworthy, and there are active buyers or customers. “Agricultural producers have relatively high-capital, low-revenue businesses, often trading with only several high-volume and well-established customers, their financing needs can be complex.”

Trade business is supported by four critical elements during crises, namely working capital availability, paperless process, the trade finance instruments, and compliance measures. Firstly, for trade counterparties to initiate any trade intentions, they need working capital to start up the process as early as any trade negotiations. Without any working capital, the trade deal would not become a scenario to even approach any financial institutions to seek trade finance. Thus, if working capital is cut due to the crisis, a large portion of trade business is disabled. Secondly, the trade business which rely on original hard copy trade documentations are largely impacted due to the human and logistics movement restrictions during crises. Therefore, to become paperless is essential to enable trade, and provisions in other means of acceptable trade documentation should be in place to guide the stakeholders. Thirdly, trade finance continuity is a key area that policymakers should consider. There are several guidelines issued by the supra-national organisations amid risk weighted capital. However, this does not address the difficulties of trade finance availability as it is not directly categorised under the type of capital banks need to comply. Lastly, the provisions need consideration from the compliance angle to mitigate the related risks. Further details on the four elements of the framework are discussed in detail later in this chapter.
2. Stakeholders

To enable trade, different stakeholders must be involved, and they should be considered. Firstly, businesses, being the exporters and importers of goods are the core stakeholders in the trade finance process, as they are the ones who drive the intention of the trade business. Secondly, the trade finance providers are one of the key stakeholders and they include commercial banks, development banks, export and import banks, trade finance houses, and export credit agencies. Thirdly, the central banks and regulatory boards set policies and requirements for finance providers. They are essential to guide trade finance processes and activities and oversee the implementation of regulations. Fourthly, the guarantors are vital to enable trade finance facilities when the borrowers lack certain requirements from the finance providers. Lastly, the insurance providers also play a significant role in the success of trade transactions as insurance is often one of the trade finance requirements by banks to approve applications and to continue utilise any trade finance facilities.

3. Disruptions and responses to Covid-19

As an outcome of the 2009 global financial crisis, the importance of provisions on trade finance was realised to ensure the continuity in the availability for trade activities. The COVID-19 health crisis however brings a broader spectrum of restrictions compared with a financial crisis, hence additional considerations should be brought in for setting and amending provisions for trade finance. Governments and public-backed institutions are making interventions to support the availability of trade finance to the economy.

In terms of general credit and lending, central banks and financial institution regulators are responding to the economic shock associated with COVID-19 with some leading ones emerging in the United States and developed nations such as the UK and Singapore. Fast followers swiftly catch up and some others consulted the supranational organisations’ guidance announced. Hence, commercial banks obtained clarifications and relief measures on amended minimum capital requirements and buffers. However, according to Standard and Poor’s analysis, most banks do not need more capital, but need the flexibility to use it in the times of crisis.

The ICC issued guidance where general rulings are broken down to accommodate key trade finance products, for banks to manage crisis-related disruptions. Details of the ICC recommendations will follow in the next sections.
4. Trade finance documentation delivery during Covid-19

Public health measures in response to the pandemic such as lockdowns, border restrictions and social distancing make trade finance document movement difficult. The nature of trade finance instruments mostly requires original documents to be presented at the banks to effect payments including bills of exchange, commercial invoices, transport documents, and insurance documents. The documents then require human power to perform document checking and screening processes before the consignments can be paid for\(^1\). Banks either close some of their divisions or operate with skeleton staff only during a lockdown. The pandemic also results in restrictions such as the movement of people, labour force, and courier services.

In normal circumstances, there has been an increased use of digital documents in recent years. Many of the paper-based and manual documentation handling error and problems were proven to be reduced. The authenticity of the e-documents is ensured by a SWIFT message communicated between the nominated bank and the issuing bank\(^1\). However, in most trade transactions, original documentation is required before a trade finance instrument can be honoured. Some parts of the world have the infrastructure and resources to authenticate e-documents, and clients in these developed regions are willing to pay for the additional SWIFT fee for authentication where some of the costs are saved from couriering original documents. However, when original documents are exempted, potential risks of digital fraud emerge, and fraud cause losses to one or more trade stakeholders. Therefore, a sudden switch to e-documents in the middle of a crisis imposes high risks to counterparts.

In developing nations, stakeholders in the system are still in the process of investing in digital equipment and internet infrastructure to cater towards paperless processes. Hence, the current regulations in these countries enforce the siting of original documents before trade finance instruments are confirmed and payment to be released. A few institutions operating within these jurisdictions who can produce, receive, and authenticate e-documents are not fully using them yet. There are no specific provisions in place to solve the documentary delivery issue during crisis yet either.

**Recommendation:**

One of the key transforms needed to encounter a crisis is to become paperless and use e-documents. This includes measures such as e-mail releases rather than original documents to be sited; system integration between the finance providers such as banks and factoring companies,
and the trade stakeholders so that paper-based approval process can be replaced by e-signatures or token-based approvals. It is recommended that financial authorities establish relevant provisions to allow e-document and encourage commercial banks and trade finance houses to use and accept e-documents where possible.

It is also important to include a clause of the option to use e-documents during the time of crisis in the trade finance instruments to not only avoid dispute but more importantly to speed up the process during the time of crisis.

In order to cater for future crises, governments of developing countries should further invest in speeding up the infrastructure building on digital equipment and network coverage, so that paperless transformation is achieved to mitigate the barriers paper-based documentation brings in future crisis where human and logistic movements are restricted. The risk of paperless transformation should be considered where guidelines and regulations related to anti-digital fraud such as processes and due diligence should be put in place.

5. Working capital finance

It is realised by organisations that economic recovery after the COVID-19 crisis will require sufficient credit support, and policymakers should scale support for trade finance. Although there are many suggestions around how to prepare financing to support trade after the crisis when the economy starts to recover, there is a lack of consideration to include working capital in supply chain finance provisions during the time of a crisis.

According to the ICC, it is recommended that the application of Basel III to trade assets should temporarily be put on hold so that banks do not face any potential capital constraints during the time of crisis, in order to ensure the delivery of essential trade finance. Central banks should also amend the regulatory capital requirements of risk weighting calculations, for example, banks’ exposures to small and medium sized businesses can be reduced from 100% rise to between 75% and 85% as proposed by risk calculations for key products during the time of crisis should also be adjusted to prevent any discontinuity of trade.

During COVID-19, the extent of excellence of health crisis control by governments are either being appraised or criticised. International rating agencies actively downgraded several sovereign credit ratings since February 2020. The structural difficulties of developing countries and countries suffering sovereign downgrades increasingly lack the access to business finance
including working capital finance as well as trade finance. For example, Fitch rating agency has announced thirteen multi-notch downgrades in the first quarter of 2020, with most of the downgrade (SG) for developing nations and Latin America\textsuperscript{4,6}. In April 2020, Aruba with a BB-credit rating and San Marino with a BB+ credit rating were downgraded by Fitch rating agency to speculative grade due to the impact of the coronavirus. There are zero credit rating upgrades in 2020 by the credit rating agencies so far\textsuperscript{5}. The deteriorated credit ratings for sovereigns as well as firms within these sovereigns are suffering from inaccessibility of finance opportunities.

Furthermore, on the other hand, banks as finance providers, are also impacted by credit rating downgrades. Banks’ balance sheet shrinks and profit decline during the COVID-19 pandemic, together with the sovereign credit rating of the nation they are operating in, affects their bank credit ratings. Banks worldwide are facing negative rating momentum because of the significant effects of the coronavirus pandemic, and market volatility, however, banks in the developing markets are impacted the most\textsuperscript{7}. Hence, many issuing banks of trade finance instruments face denial from nominated banks as instruments such as letters of credit or letters of guarantees are no longer accepted by the exporters’ banks. Trade clients who rely on ceding the trade finance instruments to their banks to draw advances or utilise overdrafts do not have a “valid” financial instrument to base as collaterals anymore.

**Recommendation:**

Policymakers should take working capital finance provisions into account in a way that it serves comprehensive needs rather than general credit provisions. One way to accomplish this is through commercial banks’ customer relationship management where comprehensive needs are considered when providing finance solutions.

Working capital availability for businesses with trade background should involve a separate category of provisions to serve as a response to crises. Policymakers should publish ad-hoc provisions specific to the time of crisis where trade transactions are the focus of providing working capital lines. Provisions may include specific ad-hoc products that commercial banks should launch to cater for the working capital needs required to initiate trade deals during the time of crisis.

Policymakers should also consider making provisions for commercial banks to push out working capital facilities for the purpose of trade business and not only for the conventional purpose of daily operating finance.
6. Supply chain finance

There are many existing trade finance solutions provided by development banks, export and import banks, trade finance companies, and commercial banks. For example, the International Finance Corporation under the World Bank Group has several support programmes in place including the Global Trade Finance Program (GTFP), Global Trade Liquidity Program (GTLP), Critical Commodities Finance Program (CCFP), Working Capital Solutions (WCS), Structured Trade & Commodity Finance (STCF), Global Warehouse Finance Program (GWFP), and the Global Trade Supplier Finance (GTSF).10

Approximately 80% of global trade is dependent on trade finance. Without the use of some sort of trade finance instrument or funding in the trade process, these trade transactions could not be completed. Hence, during previous crisis experiences, when trade finance facilities become scarce, trade activities sharply decline. During a crisis, trade finance facilities become more costly, and finance providers such as banks become reluctant to approve new trade facilities, reduce credit line amounts, or even close or terminate trade finance lines. The access to trade finance is increasingly costly and scarce in developing countries where the strongest potential for trade exists. The unavailability of trade finance facilities hammers the smaller firms harder than larger ones; and affects developing economies more than developed worlds. Trade finance is deemed by financial institutions to be a type of lending product with the lowest risk where there is less than 1% impairment rate. However, according to the ICC and the Asian Development bank, around 50% of trade finance applications from small and medium sized firms are rejected by global banks in normal circumstances, and the approved facilities often face a freeze during the time of crisis.3 Trade finance facilities such as factoring become idle as financial institutions face difficulties controlling debtors’ books ceded, as well as the evaluation of such.

Policymakers’ timely interventions are exceptionally essential for firms, especially small to medium sized businesses, to have continued access to reliable, adequate, and cost-effective sources of supply chain financing. To stabilise market confidence and avoid delays to the trade process, it is vital that policymakers should remain alert to potential shortfalls in trade financing and take proactive coordinated action at the appropriate scale to ensure the availability of trade finance during the time of crisis. Without proper access to trade finance during crisis, countries are unable to leverage their absolute advantages where they have been benefiting from in normal circumstances. Their trade activities are forced to become idle.3 Finance related policy responses to crisis mainly focus on loans and providing credit to the public. The trade finance products are not included in the current proposals.
Chapter 7: Financial Support during the Times of Crisis

Financial institutions become reluctant to confirm trade finance instruments such as letters of credit confirmation and approval of credit lines due to the deterioration of applicants’ financial status and credit ratings. As sovereign credit ratings are downgraded, the financial institutions who operate in these sovereigns are often also downgraded with only a few that manage to maintain the same credit rating as before the crisis. Although some financial institutions who operate in the downgraded sovereigns are still liquid and sound, they are exposed to the currency risk, market risk, inflation, and other risks related to the economic environment they operate in. Hence, the risks they are exposed to are the factors for a subsequent downgrade which lead to the loss of correspondent banks where their financial instruments such as the letter of credit are no longer accepted by counterparty banks. Moreover, the counterparty banks’ risk and credit divisions have to react quickly to handle the correspondent banks who now have a lower credit rating to adjust the credit lines or even cease business relationship with them to mitigate any risk the credit or correspondent relationship may bring. The consequence of this is that trade finance transactions are either reduced, put on hold, or terminated.

Recommendation:

Although trade finance products are deemed as low risk, the vast range of products which serve trade finance purposes impose different levels of risk exposure. Hence, in addition to general credit providing provisions, close detail must be given to different trade finance products when producing any related provisions.

Governments of countries who have significant trade relationships should make provisions to accommodate the credit rating acceptance criteria for trade. Details may include adjusting the minimum credit rating requirements of issuing bank’s credit ratings; bilateral agreements that exempt credit rating requirements on trade finance instruments for the trade of certain critical industries; and governments to step in to act as guarantors to trade transactions for essential industries.

Governments should attempt to work with the rating agencies to request that their banks’ ratings be maintained for the time being to put through the time of crisis so that trade finance instruments issued by these banks can continue to be accepted by counterparty banks and trade can continue with less disturbance.
7. Trade finance instrument standards

As per past health crises such as the SARS in 2003, standard international rules add significant value to ease of business activities including trade finance. Despite the extent of vast globalisation, trade finance instruments used in different countries have different standards.

For example, Chinese banks and letter of credit usage have specific formats and standards. China is the second-largest economy in the world. Agricultural goods export accounts for 6% of China’s total exports per year, and agricultural goods are one of the top import goods. Letters of credit are the most common trade finance instrument used for bilateral trade in China, and banks dominate the trade business with only a few trade finance companies in the market. Although the large Chinese banks are publicly listed on stock exchanges, they are still controlled by the state with majority state shareholding of at least 60%. By asset size, these large Chinese banks such as the Industrial and commercial bank of China, Agricultural Bank of China, Bank of China, and China construction bank are ranked the top among global banks. To conduct trade business with China has different standards and norms.

Furthermore, in China, letters of credit are often not the first payment option of the Chinese exporters. They usually require a large portion of advanced payment when goods are ordered. China is the second-largest economy in the world, and it manufactures goods inexpensively. Due to the vast competition, businesses are competed by volume of goods produced and sold, and not by margin they make. Hence, when buyers purchase from China, the orders of a couple of containers of goods are often considered to be “small” orders. The Chinese exporters often require upfront advanced payment at the time the goods are ordered, and do not prefer using any trade finance instruments as they consider the costs are too high for a “small” order. On the other hand, exporting to China is complex. Chinese import customs do not require any documents from the exporters to complete procedures. This is very dangerous for the exporter and its bank because letters of credit transactions are dependent on the documents.

On the other hand, when China trades with stronger counterparts which often involve long term relationships and significant trade volume, international standards such as the ICC letter of credit standards are used. In a nutshell, who’s document and process standards to use depend on which counterpart has the decision-making power. Hence, during times of crisis, the mismatch in document and process standards become a barrier for trade continuity.
Recommendation:

International trade finance instruments/products should be standardised so that seamless process can be achieved, especially on the most common instruments such as letters of credit and letters of guarantees, in the times of crisis.

Governments should work together to resolve the process step standardisation such as customs and tax so that confusion and possible disablement related to trade is removed. The risk to counterparty and mistrust can also be balanced when processes are standardised.

8. Anti-money laundering and counter financing of terrorism (AML CFT)

Although trade finance is deemed as one of the financial products with the least risk to finance providers, the money-laundering and terrorist financing risk related to trade is enormous. Therefore, policymakers must consider the anti-money laundering and counter financing for terrorism measures while establishing policies responding to crisis.

“The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.”

Whilst measures are needed to be put in place by policymakers for commercial banks to continue providing credit lines on relieving economic disruptions during COVID-19 crisis, the FATF emphasised that the money laundering and terrorist financing threats may increase. These potential financial crimes include fraud, cybercrime, misdirection or exploitation of government funds or international financial assistance and creating new sources of proceeds for illicit actors\textsuperscript{13}.

During the pandemic, banks are operating on skeleton staff where customer due diligence and cargo anti-money laundering screening where manual intervention is required are not receiving enough attention to identify suspicious transactions which result in non-compliance of reporting and a potential gap for fraudsters and criminals. The pandemic is also impacting supervisory boards’ overseeing obligations for anti-money laundering and counter terrorist financing\textsuperscript{13}.

Online document screening and automated checking of suspicious transactions is in place for anti-money laundering purposes implemented by commercial banks. However, optimisation is
continuously being performed. As the automated screening is conducted based against blacklists and white lists produced by supranational organisations as well as government agencies, there are tremendous amounts of false hits which require manual screening by humans. During health crises, with reduced staffing, the manual screening cannot be performed as efficient as in normal circumstances, which then delays trade finance transactions. The trade promotional policies and the compliance policies seem to be a paradox.

Recommnedation:

Anti-money laundering and countering financing for terrorism policy responses are required to support the implementation of measures during the time of health crisis to protect trade business and the stakeholders. Provisions in the compliance area must balance to ensure trade business is not restricted by such. The provisions should also include the overseeing and audit of the implementation by institutions such as commercial banks and trade houses.

AML/CFT policies should liberate historical black-list and white-list screening where during the time of crisis, the white-list screening is put on hold, and institutions should only work on the black-list screening so that manual intervention can be minimised.

Conclusion

Policy interventions should include the consideration of the product attributes such as paperless transformation, supply chain finance continuity and approvals, working capital finance for trade initiations, and compliance measures including anti-money laundering and countering terrorist financing.

This chapter introduced the importance of finance provisions during a time of crisis with high level discussions on simple trade finance processes, and high-level recommendation on finance provisions were provided. Further discussions on more complex financing can be conducted such as how the crisis impacts structured finance, securitisation and more.
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Chapter 8: Can FTAs Protect Agri-Food Supply Chains During a Health Crisis?

An Assessment of the Depth and Coverage of Agri-Food Commitments on Recent Bilateral and Regional FTAs

By Sebastian Cortes-Sanchez

Abstract

The paper explores whether agriculture provisions in recent RTAs—especially new agreements like the CPTPP and EU-Asia agreements—address supply side and demand side challenges associated with pandemics like Covid-19. The chapter focuses on the depth and coverage of export control restrictions, import duties and ROO and COO requirements under existing Asia-Pacific RTAs. The paper finds that while the WTO remains the reference point for the development and enforcement of export restrictions, new “next-generation” RTAs offer stronger commitments, better market access and lower RTA compliance costs.

I. Introduction

Keeping global agri-food supply chains and trade lanes open during crises like Covid-19 requires the development of governance frameworks that protect financial, trade, digital and people flows essential for the purchase, production, transportation and distribution of agricultural products.

Trade policies, which have an indirect impact on domestic food supply, food safety, industry support, food prices and food equity are instrumental for the management of the current and future crisis, must therefore not only limit the proliferation of unilateral protectionist measures but create a regulatory environment that guarantees the development of resilient and sustainable agri-food supply chains that foster inclusive business growth. However, current multilateral and regional governance institutions and frameworks are not sufficiently comprehensive or deep to protect global financial, trade, digital and people flows essential for the purchase, production, transportation and distribution of agricultural products.
Historically, governments have intervened and protected the agriculture sector more than other sectors where the WTO achieved significant liberalization. Even after the negotiation and implementation of WTO Agreement on Agriculture, the WTO’s SPS and TBT Measures Agreements and the reduction of MFN tariffs for agricultural products across WTO members, measures protecting imports like import quotas and high import duties and market distorting measures like some types of agricultural subsidies and export control measures remain common.

Conversely, a growing number of Regional Trade Agreements (RTAs) with significant agri-food commitments and coverage addressing tariff and non-tariff barriers to agricultural trade—and increasingly offering legally enforceable provisions extend those made at the multilateral level. Agreements like the CPTPP, ATIGA, USMCA and the EU-Asia agreements have all achieved significant reduction in barriers to trade. However, RTA concessions are preferential in nature and thus cannot guarantee market access for the most efficient producers globally—they may lead to trade diversion and may create an environment of heterogenous and restrictive ROOs and special agricultural safeguards that undermine the extent of liberalization achieved.

Recognizing the important role of recent broad and comprehensive RTAs for agricultural trade liberalization this paper will assess to what extent existing RTAs have the potential to address supply side and demand side challenges associated with pandemics like Covid-19.

The paper will leverage work by the Food and Agriculture Organization of the United Nations (FAO), the OECD and the WTO to establish links between: (i) affected agri-food product categories, (ii) trade policy objectives and priorities under a food/health crisis and (iii) RTA provisions of relevance to agricultural products. Within its scope the paper will include agreement that facilitate the assessment of RTA coverage and commitments between different types of institutional arrangements that include a customs union, bilateral FTA, regional FTA or an economic integration/cooperation initiative. Agreements in the assessment include: EU-Vietnam FTA, the ASEAN Trade in Goods Agreement (ATIGA), the ASEAN-China Free Trade Area and the CPTPP.

The paper finds that as the multilateral order struggles to reduce barriers to trade for agricultural products and curtail the spread of export restrictions during the current COVID-19
crisis, different types of RTAs offer distinct liberalization, enforcement and compliance advantages.

II. Literature Review

This chapter leverages existing literature on the impact of COVID-19 on agricultural supply chains and agricultural product coverage within RTAs to find whether agricultural trade provisions can address supply and demand side disruptions created by policy responses to COVID-19. Through this exploration, the paper finds that given the need to address supply and demand side shocks caused by reactions to the spread of COVID-19, there is the lack of concrete analysis showing the relationship between existing RTA provisions and policy responses to the virus.

A. COVID-19 Impact on Agriculture Supply Chains and Trade Policy Responses

Food and agriculture are being affected in all countries as a result of measures to contain the COVID-19 outbreak. Leveraging work done by the Food and Agriculture Organization of the United Nations (FAO) this section provides: (i) an overview of the agricultural commodities most affected by responses to the COVID-19 crisis and (ii) summarizes key trade related policies that address supply and demand side disruptions.

Border closures, quarantines, and market, supply chain trade disruptions are restricting access to sufficient and diverse sources of food. The impact of such restrictions has differed across different types of commodities.

The food value chain can be divided into two groups: staple commodities (wheat, maize, corn, soybeans and oil seeds) and high value commodities (fruits, vegetables and fishery). Since the staple commodity production is capital intensive, labour shortages resulting from the coronavirus have not had a significant impact on their production. Evidence thus far has shown that stocks of staple commodities have continued to grow and remained stable throughout the ongoing crisis. Conversely, high value commodities, are rely heavily on temporary or seasonal farm workers particularly during planting, weeding, harvesting, processing or transporting to

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128 Ibid.
129 Cullen, M. T. (2020, March 29).
Therefore, their production is substantially affected when there are increased restrictions on the movement of workers.

To address and minimize disruptions to agricultural supply chains the Food and Agriculture Organization of the United Nations (FAO) recommends specific policy responses and best practices to address supply and demand side government objectives during a food and health crisis.

The impact of country restrictions on agricultural supply chains has been exacerbated by export prohibitions and restrictions that some countries have introduced to mitigate critical shortages at the national level. The FAO recommends that countries avoid such pre-emptive export restrictions, since these tend to destabilize international food markets and prove particularly damaging for poor-import dependent countries. For instance, in the 2007-2008 financial crisis, major food commodity exporters put in place export restrictions that increased rice and wheat prices by 52 and 18 percent respectively.

Moreover, price hikes that result from increased demand and export restrictions, can be particularly devastating on countries that depend on imported food. The imposition of export taxes and restrictions can lead to sharp increases in agricultural prices, while lower shipments can depreciate their currencies against the dollar and as a result reduce their purchasing power. For instance, countries like China saw a spike in food prices because of panic buys.

The FAO recommends that countries review trade and taxation policy options and their likely impacts to create a favourable environment for food trade. For instance, in 2007–08, many countries lowered or removed duties and taxes on imported food. Lower import tariffs facilitate

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130 Ibid.
134 Ibid
imports and therefore helps to address the immediate concern about low food supplies and rising food prices.

B. Can the WTO address those policy concerns?

Historically, governments have intervened and protected the agriculture sector more than other sectors where the WTO achieved significant liberalization. This section will leverage literature assessing the effectiveness of WTO commitments in curtailing supply and demand side impacts outlined by the FAO.

WTO coverage and trade liberalization commitments agricultural products has remained limited.

Agriculture has traditionally benefited from special arrangements which sheltered it from the full impact of GATT disciplines. After GATT entered into force in 1948 numerous exemptions have meant that agricultural trade was exempted from commitments that applied to other types of products. The WTO’s Uruguay Round Agreement on Agriculture and SPS Measures Agreement attempt to improve market access and remove trade-distorting subsidies in agriculture. Despite increased liberalization, most WTO member maintained high tariff bound rates and kept TRQ and export and import restrictions safeguard measures. During the WTO Doha round negotiations, members recognised the limited extent of liberalisation in agriculture, but were not able to achieve a significant breakthrough after more than a decade of talks. As a result, agriculture has continued to receive special treatment, retained higher tariffs and incorporated the use of tariff rate quotas.

In addition, WTO transparency and export restriction measures for agricultural products have not done enough to stop the rapid spread and lack of information regarding export control measures under the current crisis. Temporary lessons taken in light of COVID-19 could be WTO compliant if they respond to “critical shortages” of essential products. More alarmingly, the proliferation of export restrictions is taking place without due regard to transparency notification.

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138 Ibid
Chapter 8: Can FTAs Protect Agri-food Supply Chains during a Health Crisis?

and publications rules under the WTO.\textsuperscript{140} This lack of transparency has made it difficult to record and quantify changes to global trade and develop crisis management strategies that hedge against supply shocks.\textsuperscript{141}

Altogether, WTO rules have not been able to curtail export restrictions nor promote the liberalization of agricultural tariffs, both key policy responses to address supply and demand side shocks associated with the current crisis.

C. Can RTAs Address Supply and Demand Side Policy Priorities?

Given the limitations of the WTO countries have turned to regional and bilateral trade negotiations to reduce barriers to trade and deepen economic and political integration. This section will provide an overview of comparative literature assessing agricultural provisions under RTAs.

Since the early 1990s, countries have increasingly looked to bilateral and regional trade agreements to pursue trade deals with trading partners. Part of the push has been the slow progress of multilateral negotiations, but there has also been a desire to deepen economic and political integration among members.\textsuperscript{142} While RTAs are increasingly covering most of the world’s trade, there remains a question about the extent to which their treatment of agriculture has changed over time, and whether the liberalising elements contained in these agreements can better address distortions in agricultural food markets.

As a whole RTAs have enabled greater trade liberalization in the agricultural sector among its members in two keyways. First, by limiting the number of parties involved and focusing on their strategic interests, RTAs have legally enforceable provisions outside the current scope of the WTO rules.\textsuperscript{143} Second, the scope and breadth of PTAs has increased over time to incorporate other provisions affecting cross border trade, like trade in services, people mobility, intellectual property, government procurement and SPS and TBT standards.\textsuperscript{144}

\textsuperscript{141} Ibid.
\textsuperscript{143} Hofmann, Claudia, Alberto Osnago, and Michele Ruta. "The content of preferential trade agreements." World Trade Review 18, no. 3 (2019): 365-398.
\textsuperscript{144} Ibid
Conversely, the literature has argued that the proliferation of RTAs may not be the most efficient tool to improve global market access. For instance, some RTA provisions like increasingly complex and overlapping rules of origin can undermine the benefits of tariff reductions. Agricultural sector ROOs tend to be more restrictive than for manufacturing ROOs and may lead to increased compliance costs as the number of agreements grows.\textsuperscript{145}

While existing RTA literature on agriculture coverage has shown the potential of RTAs to address market distortions in agricultural trade, it remains unclear whether existing RTA provisions can effectively address supply and demand side disruptions associated with COVID-19.

Analysis of agricultural coverage has remained limited in two significant ways. First, the most recent comprehensive comparative analysis of agricultural coverage under RTAs selected FTAs up to 2014.\textsuperscript{146} However, since 2015 a series of regional and bilateral agreements with significant agricultural coverage have been negotiated and ratified. For instance, the CPTPP, which includes 11 countries across the Asia-Pacific, eliminates tariffs for most agricultural sector products. Second, analysis of agricultural coverage has focused on coding different types of agriculture related provisions under RTAs. However, such comparisons do not take into account the depth and coverage of tariff commitments, the compliance requirements of product specific rules of origin on processed agricultural products, nor the enforceability of provisions on product standards and customs or trade facilitation. Therefore, there is a need to evaluate the depth and coverage of agricultural provisions within next generation RTAs in the context of the supply and demand side needs of the current pandemic.

III. Scope and Methodology

This paper employs an empirical strategy that leverages work done by the FAO, the OECD and the WTO to assess whether the scope and depth of RTA provisions within existing RTAs have the potential to address supply and demand side disruptions to agricultural supply chains in the context of the current crisis. More specifically the paper will evaluate whether RTA market access,
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trade compliance and export control provisions can strengthen policy responses to supply chain disruptions in agriculture commodity groups most affected by the crises. This section highlights the paper’s scope and approach to: (i) matching RTA provisions with FAO policy measure recommendations during a health crisis and (ii) developing a short-list of relevant RTAs.

Based on guidelines provided by the FAO and RTA limitations highlighted by the literature, the paper explores whether existing RTA provisions address the following:

1. Ensuring sufficient domestic food supply without the imposition of blanket export and import restrictions.

2. Containing rising prices by lowering import tariffs and lowering unnecessary trade compliance costs.

3. Lower frictions and barriers to trade by streamlining ROO and COO requirements.

The four agreements coded were selected with a view to ensure variance with respect to specific types of developments within the proliferation of FTAs. The FTAs selected cover:

1. Regional integration efforts among neighbouring countries. These include agreements like the EU Common Market, NAFTA, ASEAN, the Pacific Alliance and MERCOSUR and the African. This paper will assess the ASEAN Trade in Goods Agreement of the ASEAN Economic Community.

2. Increased PTAs between developed and developing countries, which have gradually replaced non-reciprocal agreements. These include agreements between the U.S. and Latin American Countries and ongoing negotiations between the EU and ASEAN markets. This paper will assess the recently ratified EU-Vietnam Free Trade Agreements.

3. Increased number of PTAs between trade blocs and individual markets. These include any EU Agreements, and FTAs between MERCOSUR and ASEAN with external dialogue partners. This paper will assess one of six ASEAN+1 Agreements; the ASEAN-China Free Trade Area.

4. Increase number of inter-regional PTAs. With the diminished role of the WTO to provide significant trade liberalization reforms, comprehensive agreements between a significant number of countries are increasing in popularity. In the Asia-Pacific these include the
Comprehensive and Progressive Transpacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). This paper will assess the CPTPP.

Because of the need to conduct a close analysis of specific trade provisions, this paper has a limited scope that might affect the relevance of its internal validity. By focusing on market access and export control provisions, the paper is excluding multiple provisions relevant for agricultural trade. These include agricultural safeguards, TRQ management, SPS standards and conformity assessment procedures, trade remedies and countervailing measures, agricultural subsidies and the role of agricultural state-owned enterprises.

However, the paper remains one of the first attempts to draw clear connections between different types of RTAs and RTA provisions and the economic and policy needs created by responses to the COVID-19 crisis. Therefore, it provides a foundation for the development of more robust assessments of the relative effectiveness of different types of institutional, governance and regulatory mechanisms in the development of secure and resilient agricultural supply chains.

IV. Findings

A. Assessment of Export Control Measures in RTAs

The FAO recommends that countries avoid such pre-emptive export restrictions, since these tend to destabilize international food markets and prove particularly damaging for poor-import dependent countries.147

Under Article XI of the General Agreement on Tariffs and Trade (GATT), the WTO broadly prohibits export bans and restrictions, but allows members to apply them temporarily to prevent or relieve critical shortages of foodstuffs or other essential products.148 WTO rules also contain more general exceptions, which could be used to justify restrictions provided that they do not constitute a “means of arbitrary or unjustifiable discrimination between countries, or a disguised restriction on international trade.”149

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149 Ibid
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The assessment of provisions on export restrictions across the selected RTAs showed that RTAs typically recognize WTO rights and obligations concerning export prohibition under article XI of the GATT and allow members to temporarily apply these measures to prevent or relieve critical food shortages. Moreover, the extent to which existing RTAs reinforce and strengthen existing RTA commitments varies significantly (Table 1).

Table 1: Assessment of Export Control Measures within RTAs

<table>
<thead>
<tr>
<th>Provision on Exceptions to Export Restrictions</th>
<th>ATIGA</th>
<th>ACFTA</th>
<th>EU-Vietnam</th>
<th>CPTPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognize WTO Rights and Obligations.</td>
<td></td>
<td></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Recognizes WTO AGA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timeframe for Notifying Members</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justification of WTO Compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elimination Time Frame</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prohibits Export Restrictions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Chapter 8: Can FTAs Protect Agri-food Supply Chains during a Health Crisis?

All RTAs in the analysis contain provisions that allow RTA parties to impose export restrictions in certain exceptional cases; often provided that such restrictions are put in place to pursue legitimate policy objectives like ensuring quantities of essential products. Moreover, only the EU-Vietnam and CPTPP recognize the member parties’ rights and obligations under Article XI of the WTO. However, only the CPTPP contains provisions that strengthen or go beyond export restrictions and transparency commitments under the WTO’s Agricultural Agreement. The CPTPP recognizes obligations under the WTO’s Agricultural Agreement give parties:\textsuperscript{151}

1. A 30-day notification period before the imposition of export restrictions,

2. Requirement to provide a written justification justifying the measure’s compliance with WTO commitments.

3. A six-month period to terminate such measures.

None of the agreements ban export restrictions outright. This probably reflects the sensitivity of the agricultural sector with regards to national food security.

As a whole, next generation RTAs do not include provisions that can curtail or outright eliminate export restrictions during a health crisis. Nevertheless, given the lack of transparency and uncertainty surrounding COVID-19 related export restrictions on agricultural products, additional export restriction commitments in the CPTPP increase the regulatory and political pressure on countries that are not adequately reporting, justifying or phasing out such measures.

B. Lowering Tariffs to Containing Rising Food Prices

According to the FAO lowering tariffs and taxes on imported food can facilitate imports and therefore helps to address the immediate concern about low food supplies and rising food prices. Since there are no analysis showing difference in agricultural products coverage and tariff levels across the WTO and RTAs, this section employs a case study approach to assess: (i)

agricultural tariff coverage in high-price commodities and (ii) agricultural tariff coverage and trade compliance requirements for processed foods.

To develop the case study, paper selects Vietnam, which is a member of all selected agreements, to analyse preferential tariff levels for a high-price commodity item—tomatoes—and a processed food item—pasta.

Table 2 shows the MFN and preferential duty rates for Vietnamese tomato imports under the selected trade agreements. Since the tomato does no go undergo a significant transformation or processing for export, ROOs under all agreements require that the tomato is wholly produced in the territory of a party in the agreement.

**Table 2: Preferential Duty Rates for Tomatoes in Vietnam under Selected FTAs**

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Tariff</th>
<th>ROO</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTO (MFN)</td>
<td>20</td>
<td>NA</td>
</tr>
<tr>
<td>EU-Vietnam</td>
<td>0 (6 Years)</td>
<td>Wholly Produced</td>
</tr>
<tr>
<td>ATIGA</td>
<td>0</td>
<td>Wholly Produced</td>
</tr>
<tr>
<td>ASEAN China</td>
<td>0</td>
<td>Wholly Produced</td>
</tr>
<tr>
<td>CPTPP</td>
<td>0 (4 Years)</td>
<td>Wholly Produced</td>
</tr>
</tbody>
</table>

Table 2 shows that for a high-price commodity like tomato, all four agreements in the assessment reduced tariffs to 0. Both the ATIGA and ASEAN-China agreements reduce Vietnam tariffs on tomatoes to 0 on entry into force. Conversely, the EU-Vietnam and CPTPP agreements reduce Vietnam tomato tariffs to zero, but within a phased-out period of 4 to 6 years—this is likely the result of negotiations between Vietnam and developed agricultural exporters like the EU.

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Australia, New Zealand and Japan. Therefore, the assessment shows that RTAs provide duty free market access for wholly produced high-price commodities with relatively high MFN tariffs into Vietnam.

Table 3 MFN shows preferential duty rates for pasta into Vietnam for selected RTAs. All selected agreements offer 0 percent preferential tariffs for pasta, which has 34 percent MFN rate. Both the ATIGA and ASEAN-China agreements reduce Vietnam tariffs on pasta to 0 on entry into force. Conversely, the EU-Vietnam and CPTPP agreements reduce Vietnam pasta tariffs to zero, but within a phased-out period of 8 years. Therefore, the assessment shows that new and existing RTAs provide market access opportunities than existing WTO commitments.

**Table 3: Preferential Duty Rates for Pasta in Vietnam under Selected FTAs**

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Tariff</th>
<th>ROO</th>
<th>COO</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTO (MFN)</td>
<td>34</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>EU-Vietnam</td>
<td>0 (8 Years)</td>
<td>RVC and CTC&lt;sup&gt;153&lt;/sup&gt;</td>
<td>Self-Certification</td>
</tr>
<tr>
<td>ATIGA</td>
<td>0</td>
<td>RVC 40% or CTC 4-digit Level</td>
<td>Form</td>
</tr>
<tr>
<td>ASEAN China</td>
<td>0</td>
<td>RVC 40%</td>
<td>Form</td>
</tr>
<tr>
<td>CPTPP</td>
<td>0 (8 Years)</td>
<td>A change to a good of heading 19.02 through 19.04 from any other chapter.</td>
<td>Self-Certification</td>
</tr>
</tbody>
</table>

Within the context of new RTAs Food and agricultural products that include more than one ingredient or are processed in any way stand to reap significant export benefits from RTAs. However, producers need to meet an agreement’s ROOs in order to access preferential duties. The specific requirements for meeting these rules can be quite complex and may incur significant compliance costs for companies.

<sup>153</sup> Manufacture from materials of any heading, except that of the product, in which: — the weight of the materials of Chapters 2, 3 and 16 used does not exceed 20 % of the weight of the final product; — the weight of the materials of headings 1006 and 1101 to 1108 used does not exceed 20 % of the weight of the final product; — the individual weight of the materials of Chapter 4 used does not exceed 20 % of the weight of the final product; — the individual weight of sugar used does not exceed 40 % of the weight of the final products; and — the total combined weight of sugar and the materials of Chapter 4 used does not exceed 50 % of the weight of the final product.
For pasta imports into Vietnam, both the ATIGA and ACFTA have an regional value content ROO. This means that of the pasta’s ingredients, which include water, flower and eggs, 40% need to come from parties within the agreements.

The CPTPP and the ATIGA include Change in Tariff Classification ROO requirements. This means that as long as the product classification code (HS-Code) of the pasta’s inputs—water, flower and eggs—is different from the HS code of the pasta, the pasta classifies as originating if it is produced in the territory of one of the RTA parties.

The EU-Vietnam FTA has ROO requirements that include a change in product classification and product weight requirements for different types of pasta ingredients. In this case, the product specific rules under the agreement are complex and increase compliance requirements and paperwork for importers. In line with some of the RTA literature, the EV-FTA contains some product specific ROO that create overly stringent compliance costs.

Last, both the EU-Vietnam and CPTPP allow for self-certification as part of their certificate of origin requirements—a COO method reduces trade compliance costs. Under agreements like the ATIGA and ACFTA, companies are required to filled out specific certificate of origin forms that need to be presented during importation to access preferential tariffs. Conversely, the CPTPP and EU-Vietnam give companies the option to self-certify that their product meets the origin criteria under each of the agreements. Self-certification makes it easy for companies to develop trade compliance procedures that best fit their product and organizational needs.

While regional agreements like ATIGA and ASEAN provide 0 percent preferential duties into Vietnam, they include ROO criteria that might be difficult to meet if producers do not source from parties within the RTA. Conversely, agreements like the CPTPP have longer phased out periods for the reduction of agricultural products, but include ROO and COO requirements that make it easier to access preferential duty rates regardless of the origin of product components.

In conclusion, RTAs have been more successful than the WTO at lowering import barriers to agricultural trade for both wholly produced and processed agricultural products. Regional comprehensive agreements like the CPTPP offer product specific ROOs and cumulation rules and more flexible COO requirements that significantly lower compliance costs for the use of RTAs.
V. **Recommendations**

Through an assessment of different types of RTA measures, the paper has shown that RTA export restriction, tariff reduction and trade compliance measures offer commitments that go beyond existing WTO agricultural provisions. Therefore, within the context of policy responses to the COVID-19 crisis, different types of trade governance and institutional mechanisms can address supply and demand side disruptions to the agricultural supply chain.

1. **Increasing transparency and curtailing the effect of export controls for agricultural products.**

   In the restriction of export control measures, RTAs reference and strengthen the legal basis and enforcement capabilities of existing WTO commitments and principles. Furthermore, agreements like the CPTPP contain notification and timeframe requirements that can strengthen transparency and accountability in the implementation of export restrictions on agricultural products. Therefore, policymakers should continue to develop transparency provisions under the WTO’s Agriculture and Trade Facilitation Agreements and strengthen the regulatory weight and relevance of those provisions through next generation regional FTAs. In this case RTAs are not a replacement for the WTO, but a tool to strengthen the scope and leverage of existing WTO commitments.

2. **Lowering tariffs and taxes on imported food**

   RTAs have been more successful than the WTO at lowering import barriers to agricultural trade for both wholly produced and processed agricultural products. Moreover, because of the potential for heterogenous, overlapping and complex ROOs the incorporation both of straightforward product specific ROOs and flexible COO requirements can lower the obstacles to using a particular FTA. For instance, regional comprehensive agreements like the CPTPP offer product specific ROOs and cumulation rules and more flexible COO requirements that significantly lower compliance costs for the use of RTAs. Therefore, existing RTAs have the potential to lower tariff barriers to trade in agricultural products and minimize compliance costs by streamlining ROO and COO requirements. Since low import duties can address immediate concerns regarding low food supplies and rising food prices, policymakers should increase the coverage and membership of regional RTAs that offer significant market access benefits.
VI. Conclusion

This paper demonstrates that different types of RTA governance and institutional arrangements offer advantages and trade-offs over others. The WTO remains the best platform to set rules and standards that can guarantee safer and more predictable agricultural trade during a pandemic. However, since the Uruguay Round, the WTO has been unable to increase the depth and coverage of tariff and TRQ concessions for agricultural products. RTAs have been far more effective in reducing tariff and non-tariff barriers to agricultural trade between participating members. And while the proliferation of RTAs can increase trade diversion and lead to overlapping and complex preferential duties and ROO requirements, new agreements like the CPTPP offer ROO and COO rules that facilitate and streamline trade across its members.

The development of a regulatory environment that guarantees the development of resilient and sustainable agri-food supply chains requires continuous and coordinated efforts across multiple institutional and governance arrangements. This requires parallel efforts at the multilateral, regional and bilateral levels that do not only limit the proliferation of unilateral protectionist measures but create a regulatory environment that strengthens market access, transparency and accountability.
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Bibliography


Chapter 8: Can FTAs Protect Agri-food Supply Chains during a Health Crisis?


Chapter 9: Guide to the Development of RTA Provisions to Protect Agricultural Supply Chains in a Crisis

By Sebastian Cortez-Sanchez

Abstract

Leveraging analysis and recommendations from other Chapters this volume, this paper will develop model principles for the development of RTA provisions which could better protect agricultural supply chains in a crisis. This chapter focuses on the relationship between trade commitments and the actions of policymakers in practice to outline the advantages and limitations of response to pandemics under different institutional, governance and macroeconomic environments. Taken collectively, the recommendations presented here offer a way to foster a regulatory environment that promotes continued open trade among economies during a crisis, like the one presented by COVID-19.

Introduction

Supply and demand shocks resulting from the COVID-19 pandemic, and government efforts to contain it, have put a strain on agricultural supply chains. The Chapters in this volume all provide critical assessments of government strategies to limit the spread of this virus while limiting disruptions to food supply chains. Through detailed and evidence based case studies, each Chapter has identified critical gaps in their approach at the institutional level and within the frameworks used to approach this crisis. In many instances, some of which are highlighted in the case studies presented earlier, these strategies have not been sufficiently comprehensive to protect the flow of financing, goods, information, and people essential for the purchase, production, transportation and distribution of agricultural products. Moreover, each Chapter also identified ways in which government policies in the context of different bilateral and regional institutional arrangements can effectively reduce
barriers to food trade during the COVID-19 pandemic. Collectively, all chapters offer a critical assessment of the effectiveness and limitations of unilateral or multilateral actions in response to the COVID-19 crisis under different institutional and macroeconomic circumstances.

This chapter leverages the analysis and findings presented earlier to develop strategies for the protection of agricultural supply chains during a future crisis. This chapter focuses on the relationship between trade commitments and reality to present model RTA provisions within the context of existing response strategies and the broader macroeconomic context.

The chapter is divided into six parts, each of which provides a trade policy roadmap for RTA approaches across different types of key measures and institutional arrangements. Those include:

A. Improving agricultural trade crisis management capabilities within regional economic integration initiatives.
B. Leveraging trade facilitation measures to reduce disruptions in bilateral agricultural trade between developed and emerging markets.
C. Strengthening the relevance and sustainability of ad-hoc cross-country collaborations during a crisis.
D. Preventing interruptions to global food supply through measures to ensure the stability and resilience of the agricultural labor force.
E. Minimizing the impact of pandemics on food supply chains through increased digitization of food supply chains and strengthening E-commerce channels.
F. Regulatory guidelines to curtail disruptions to trade and supply chain finance during a crisis.

A. Improving Crisis Management Capabilities in Regional Economic Integration Initiatives

In Chapters 1 and 2, Ioannis Georgopoulos and Froland Tajale assess policy and regulatory crisis management measures developed within the context of two important regional economic blocs; the European Union and the Association of South-East Asian Nations (ASEAN). Both chapters highlight the importance of crisis management governance, transparency, trade facilitations and people mobility commitments and infrastructure for the management of agricultural trade in the context of Covid-19.
Chapter 9: Developing RTA provisions that protect agricultural supply chain in a crisis

Differences in institutional and governance arrangements were a key in the effectiveness of responses to COVID-19. Even though both ASEAN and the EU lacked specific provisions and plans within their existing agreements to address supply chain disruptions during a crisis, only measures implemented by the European Commission curtailed the impact of COVID-19 on agricultural trade and safeguarded the flow of goods between Member States. Conversely, ASEAN was not able to put forward a coordinated regulatory response to the crisis and left most of the response up to the individual capacities of its member states. This is likely the result of differences in the institutional and enforcement capabilities of the EU Commission and the ASEAN Secretariat. Unlike the EU commission, ASEAN does not contain a mechanism to develop and enforce regulatory measures or hold accountable ASEAN Member States. The following section outlines measures that should be incorporated into regional economic integration initiatives to account for these differences.

1. **Incorporate Regulatory Measures and a Governance Body for the Management of Crises**

   Economic integration initiatives should pre-define as explicitly as possible the scope and characteristics of measures that can be adopted in urgent situations, by better articulating their reach, implementation mechanisms, terms of their temporary nature and naming the responsible parties. Analysis of both the EU and ASEAN suggest the development of a task force that can ensure a timely and effective response. In the case of the EU such task force can have a monitoring and enforcement function. In the case of ASEAN, the task force can facilitate coordination and information exchange between Ministries.

2. **Increase Transparency through Centralized Data Portal**

   The analysis of the EU recommends the development of a pre-defined and centralized website / database, on which trading partners agree to provide up-to-date and accurate information to the public with respect to any exceptional measures planned or enacted that could affect the cross-border flows of goods. Economic integration initiatives like the EU and ASEAN, which often involve a series of overlapping trade and economic cooperation initiatives, already have in place these types of initiatives for the management of non-tariff measures. However, regional economic blocks, especially those without an explicit enforcement mechanism like ASEAN, need to ensure they make available resources and develop rules that ensure members have in place the systems and people to ensure such database remains updated.

3. **Implementation of Streamlined Lanes for Essential Agricultural Products**
The EU analysis showed the effectiveness of Green Lanes in facilitating agricultural trade in the European Region. During a crisis, government should expedite the customs clearance of essential critical goods and services and limit unnecessary border controls and Sanitary and Phytosanitary (SPS) standards and conformity assessment procedures. Therefore, it is important that trade facilitation commitments under both the ASEAN Trade in Goods Agreement and the EU Single Market Agreement set guidelines to re-classify essential industries and products, limit or prohibit product bans and facilitate the pre-arrival approval of SPS and customs certificates.

This could be further strengthened by the digitalization of import and export documentation. Approval of digital documentation can streamline at the border and/or pre-border transactions and reduce frequency and the need for physical contacts between traders, customs agencies, and other border agencies.

4. Exceptions from Import Tariffs

For economic integration initiatives like ASEAN, which do not have a common preferential tariff, a temporary relaxation of import tariffs can support access to essential agricultural items. Even though most of ASEAN’s internal tariff lines are zero, it still maintains tariffs for some sensitive agricultural items. Reducing import tariffs to zero can cushion further impact on consumption for essential products from other countries.

Regional trade blocs benefit from collective strategies that support their member states in the management of a crisis like COVID-19. The recent crisis showed that both the EU and ASEAN did not have in place regulatory environments that could facilitate coordinated, pro-active and streamlined responses to the impact of the crisis on agricultural trade. However, the enforcement capabilities of the EU Commission allowed the EU to quickly put in place effective emergency measures. Therefore, economic integration initiatives with no strong supra-national enforcement mechanism like ASEAN, the Pacific Alliance and the African Continental Free Trade Area ought to focus on creating specific rules and commitments and governance bodies that can increase the effectiveness of coordinated regional crises responses.

B. Enabling Better Trade Facilitation in Developed-Emerging Markets RTAs

In Chapter 3, Ky Anh Lee shows the importance of leveraging trade facilitation measures to reduce disruptions to agricultural trade within the context of bilateral relationships between a developed and an emerging market. The EU-Vietnam FTA is a next generation agreement that
includes agricultural market access and trade facilitation provisions that can simplify and streamline common export and import procedures—especially in an emerging economy like Vietnam where customs regulations and infrastructure remain limited.

The following are specific solutions within the Rules of Origin and Trade Facilitation Chapters of an RTA that can be incorporated into existing or upcoming RTAs and increase a country’s capabilities to address agricultural supply chain disruptions.

**Self-Certification** - Acceptance and application of self-certification of origin by exporters and split of exporting consignments.

**Digital Documentation** - Traditional submission of customs papers and SPS/health certificates does not work well in a crisis situation. The initiative of the European Union in acceptance of scanned copies of the health certificates for plant and animal products is a good suggestion.

**C. Strengthening the relevance and sustainability of ad-hoc cross-country collaborations during a crisis.**

The response to Covid-19 has seen a lot of cross-country declarations and commitments to reduce barriers to trade of essential agricultural items. However, as shown by Chau Cao on Chapter 4, the scope and depth of those declarations do not improve existing RTA agricultural commitments and do not include trade partners that have not made those commitments.

Market access and trade facilitation agricultural commitments under the NZ-Singapore declaration, lack the depth and scope of existing commitments under agreements like the CPTPP and the ASEAN-Australia New Zealand Free Trade Area (AANZFTA). Therefore, they are only constructive if they include key agricultural trading partners that do not have in place those market access and trade facilitation commitments. In the Singapore-New Zealand case, such partners include China and the U.S.

Therefore, to ensure that under a crisis like Covid-19 key agricultural markets within the Asia-Pacific region can design and implement effective cross-country regulatory efforts, it is essential to expand the scope of agreements like the CPTPP. The CPTPP does not only have in place high quality market access and trade facilitation provisions but has in place a Committee on Agriculture that can facilitate collective responses during a crisis.
D. Strengthening the stability and resilience of the agricultural labor force during times of disruption.

In Chapter 5, Hannah Anderson finds that a major obstacle to smooth-functioning food trade is disruptions to the agricultural labor market in the U.S. from policies regarding migrant workers and health risks among the whole agricultural labor force. To ensure a stable supply of labor, Anderson argues policy makers can enact several measures allow workers to migrate during the growing season and protect worker health.

This can be done through the incorporation of ‘emergency’ measures in trade agreements, that move beyond the scope of safeguards and exceptions, and instead focus on the management of goods and services trade during a crisis. The agricultural chapters in such agreements could benefit from an established roadmap for how farm production in a pandemic is treated, which could be raised through the Committee on Agricultural Trade of the USMCA. Key emergency recommendations include:

**Virtual Visas:** In advance of an emergency during which limiting travel is wise, such as a pandemic, nations should develop emergency procedures for essential work visas, essential work like farm labor. People mobility and trade in services chapters within agreements like the USMCA should contain provisions that streamline the visa approval process for essential agricultural workers.

**Farm-work Wellness Standards:** Safe farm operation guidelines could be established at the international level by the United Nations Food and Agriculture Organization or the World Health Organization. Implementation of such standards could be encouraged by national customs bureaus requiring documentation of such plans before processing food imports from the affected countries. Customs and trade facilitation Chapters in Agreements like the USMCA should include crisis provisions that encourage adherence to strict safety measures for the protection of essential workers.

**Essential Inspectors:** Have in place farm, food processing workers, and health and safety and labor inspectors to ensure farms are following basic worker and health standards. The USMCA already includes comprehensive labor provisions within its labor and ROO chapters. Policy makers in the immigration, labor and food safety agencies should consider incorporating specific health emergency provisions in existing labor requirements.
E. E-Commerce and Supply Chain Visibility

In Chapter 6, Eddi Cai showed the importance of strengthening food value chains at a time of crisis through two core capabilities: digitalizing value chain of agricultural products and strengthening capabilities of using E-commerce as a channel to sell for agri-food companies.

E-commerce and digital trade have become essential components of a modern trade agenda. In his analysis, Cai shows that the digitalization of agricultural value chains and E-commerce can address supply and demand side disruptions in a crisis.

As shown by Cai, improving the effectiveness of E-commerce as a new channel to sell agricultural goods can address some of the supply disruptions created by the COVID-19 crisis. However, to replicate the success of the initiative in China across regional agricultural markets it is necessary to build a more consistent and interoperable environment for digital trade. Currently, there are e-commerce restrictions and taxation policies in place in many Asia-Pacific countries that limit the potential and applicability of e-commerce solutions to agricultural trade disruptions.

For instance, the development of consumer protection and cross-border data flow standards can be instrumental for the successful implementation of fully digitalized agricultural value chains. Building consumer trust on online agricultural products and allowing farmers to access and use cross-border logistics and payment services requires an environment that protects data and product integrity and

Therefore, existing digital trade initiatives like the Digital Economic Partnership Agreements (DEPA) and RTAs with comprehensive digital trade provisions like the CPTPP and EV-FTA need to incorporate digital trade and trade facilitation provisions that allow E-commerce agricultural trade and permit economic cooperation programs that strengthen agricultural value chain visibility, product safety and consumer trust.

F. Regulatory guidelines to minimizing disruptions to trade and supply chain finance during a crisis.

In Chapter 7, Alice Yi highlights the importance of trade finance documentation delivery and processing during crises like COVID-19. Through a framework grounded on business requirements during a crisis, Yi shows the importance of working capital availability, paperless process, the trade finance instruments, and compliance measures—like anti-money laundering and countering terrorist financing.
Chapter 9: Developing RTA provisions that protect agricultural supply chain in a crisis

Even though recent RTAs have made significant progress in the liberalization of financial services, they do not incorporate provisions that effectively address working capital, trade finance instruments, financial compliance and paperless process needs. Therefore, existing and future trade agreements need to design financial services, digital trade and Micro Small and Medium Sized Enterprises (MSMEs) chapters that strengthen trade and supply chain finance during a crisis. These should include:

First, the adoption of financial standards for trade finance instruments/products that ensure a seamless process for common instruments like letters of credit and letters of guarantees.

Second, the development of trade facilitation and digital trade commitments that strengthen implementation and recognition of electronic documentation. This includes measures such as e-mail releases rather than original documents to be cited and system integration between the finance providers such as banks and factoring companies, and the trade stakeholders so that paper-based approval process can be replaced by e-signatures or token-based approvals. In cases where RTA parties lack infrastructure, RTAs should include economic cooperation arrangements that speed up the infrastructure capacity building on digital equipment and network coverage.

Third, develop temporary economic cooperation and financial standards provisions that strengthen: (i) working capital availability for businesses during a crisis and (ii) adjust credit rating acceptance criteria for trade that adjust the minimum credit rating requirements of issuing bank’s credit ratings.

Fourth, include economic cooperation provisions that strengthen anti-money laundering and countering financing for terrorism policy responses. Provisions in the compliance area must balance to ensure businesses are not restricted.

Fifth, the development and incorporation of these types of provisions into trade agreements requires the involvement of multiple stakeholders. Governments and trade officials must ensure that they engage finance ministries, central and commercial banks, and credit agencies to ensure they have in place strategies to address disruptions to trade and business finance during a crisis.

**Conclusion**

By leveraging the insights from case studies across this volume, this chapter has shown the ways in which macroeconomic, institutional, and industry variables determine the success, strengths, and limitations of policy responses to COVID-19. The development of a regulatory environment that protects agricultural supply chains in a crisis requires a careful understanding of
best practices in the context of established trading and institutional relationships. Through a critical exploration of policy responses to COVID-19 across different types of RTAs and geographies, this work can serve as a guide to policymakers seeking to rebuild the global trading system in the aftermath of the COVID-19 pandemic in a more resilient manner.