

Steering Committee on Trade Capacity and Standards

Sixth Annual Session

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The Impact of COVID-19 on Trade and Structural Transformation

Evidence from UNECE's survey of Micro, Small and Medium Enterprises Armenia, Belarus, Georgia, the Republic of Moldova and Serbia

Scope of the Assessments



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Up to 2000 micro, small and medium enterprises (**MSMEs**) engaged in manufacturing and agriculture from across the regions along with main freight forwarders operating in the countries.



The transmission channels of the pandemic's effects on the economy and the influence of non-tariff measures (**NTMs**) governing trade in goods on these channels.



Supply chain disruptions and their impact on trade activities.



The MSMEs' **coping strategies**: how they used their assets to maintain operations.



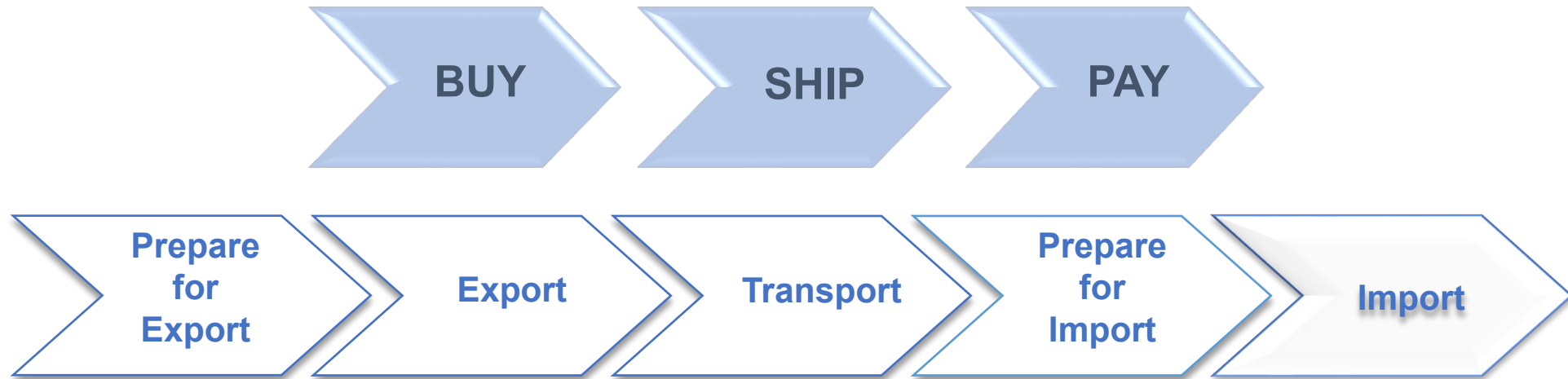
The **ripple effects** of trade disruptions on the economy, including those generated by the MSMEs' coping strategies.

Scope of the Assessments



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NTMs governing trade in goods



Commercial Procedures

- Establish Sales Contract
- Order Goods
- Advise on Delivery
- Request Payment



Transport Procedures

- Establish Transport Contract
- Collect Transport and Deliver Goods
- Provide Waybills, Goods Receipts Status Reports



Regulatory Procedures

- Obtain Licences
- Provide Customs Declaration
- Provide Cargo Declaration
- Apply Trade Security Procedures
- Clear Goods



Financial Procedures

- Provide Credit Rating
- Provide Insurance
- Provide Credit
- Execute Payment
- Issue Statements



Key Findings: NTMs Harnessed for Curbing Supply Chain Disruptions



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Minimum restrictions to address shortages

Temporary export bans on personal protective equipment (PPE) and certain pharmaceutical products.

Temporary export bans on certain food items.



Trade facilitation measures to generate efficiency gains

Transparency measures: Online publication of new NTM regulations. Call centres and online inquiry points.

Cutting down red tape:

Simplification of procedures for issuing trade documents.

Priority treatment for critical imports (food, animal feed, sanitary products and medical equipment): Green corridor.



Exemptions to ease the financial pressure

Temporary customs duties exemptions on certain imported PPE, pharmaceutical and medical products.

Anchored in regional cooperation arrangements



Key Findings: NTM Reform Efficiency Gains Undermined

Incomplete reforms resulted in non-tariff barriers

Capacity shortfalls

- **Transparency measures were undermined** by the fragmentation of online information sources and increased uncertainty (Except for Georgia).
- **Issuance of trade documents was slowed down** by continued reliance on paper-based procedures (Except for Georgia).
- **Customs clearance slowed down** by the special safety and health protection arrangements at land BCPs: COVID-19 testing of drivers arriving from countries included in the list of highly affected countries (Armenia, Republic of Moldova and Serbia).
- **Staffing shortages at border crossing points (BCPs), overreliance on physical inspection and the lack of basic infrastructure** (Except for Georgia).
- **Lack of product certification bodies** (Except for Belarus).

Pandemic-induced challenges to regional coordination

- **Consignments were hindered by the special health and safety arrangements** at land BCPs in destination countries and travel restrictions.
- **Changes in working time**, including reduced work schedules, of control agencies in neighbouring countries.
- **Lack of clarity over applied safety and health measures at land BCPs of neighbouring countries.**
- **Discrepancies in customs procedures.**

Inflated transport costs

- **Shipment by trucks became a complicated and expensive undertaking.**
- **Shipment by air was severely disrupted** under the weight of the travel, as major airlines cut back on commercial flights, particularly to small countries
- **Shipment by sea became an expensive undertaking**, as shipping lines introduced additional fees, such as the peak season surcharge, to finance the additional costs associated with ensuring compliance with the special health and safety measures.

MSMEs' Mitigation Strategies



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- ***Combined shipments with other MSMEs*** to reduce the costs of road transport.
- ***Refocused exports towards new destinations*** that do not include Armenia, Belarus, Georgia, the Republic of Moldova and Serbia in national lists of highly affected countries.
- ***Renegotiated delivery deadlines***, though this was possible only for contracts with long-standing international buyers with whom the MSMEs enjoyed strong relations of trust.
- ***Arranged shipments in January-February proactively***, before the pandemic placed stress on transport operations.
- ***Benefited from government support measures.***

MSMEs' Coping Strategies



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- *Deferred business payments*, particularly loan repayments, utility bills (including electricity, internet and phone bills), wages and rent payments.
- *Scaled down or suspended production altogether* under the weight of dwindling demand and supply shortages.
- *Scaled down exports or suspended exports altogether*
- *Owners used their personal savings* to cover business expenses, to the detriment of their households' welfare. The owners had to cut back on, among other things, school tuition, medical bills and food expenditures.

MSMEs were driven by social responsibility

- *Salary cuts and putting staff on furlough* were implemented on a limited basis.
- *Top management assumed the brunt* of salary cuts.
- *Layoffs* as a measure of last resort.

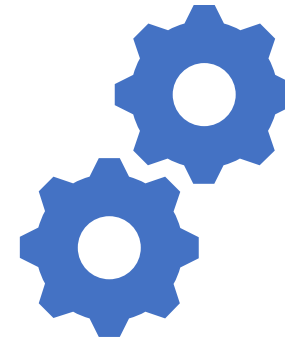
MSMEs' Coping Strategies



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Limited engagement in e-commerce
and mainly to sell domestically

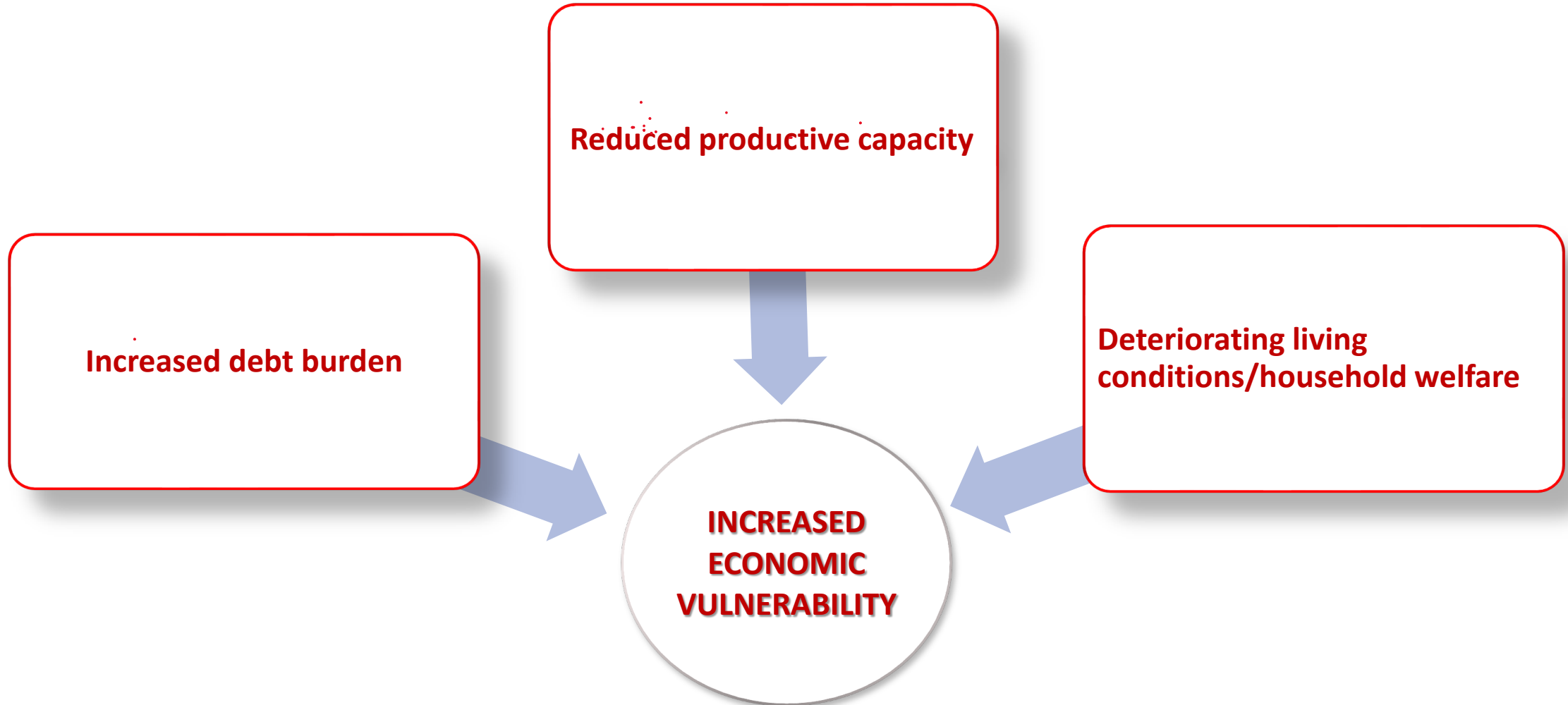


Limited engagement in production
repurposing

Increased Economic Vulnerability



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Policy implications



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Establishing paperless trading environments should be based on a detailed plan that is geared to create the building blocks for a sustained transition to a digitalized economy.



Transitioning to paperless environments is insufficient for generating supply chain efficiencies.



Reaping the expected benefits from regional cooperation arrangements requires complementing regulatory harmonization with targeted efforts to strengthen the institutional capacity of State agencies.

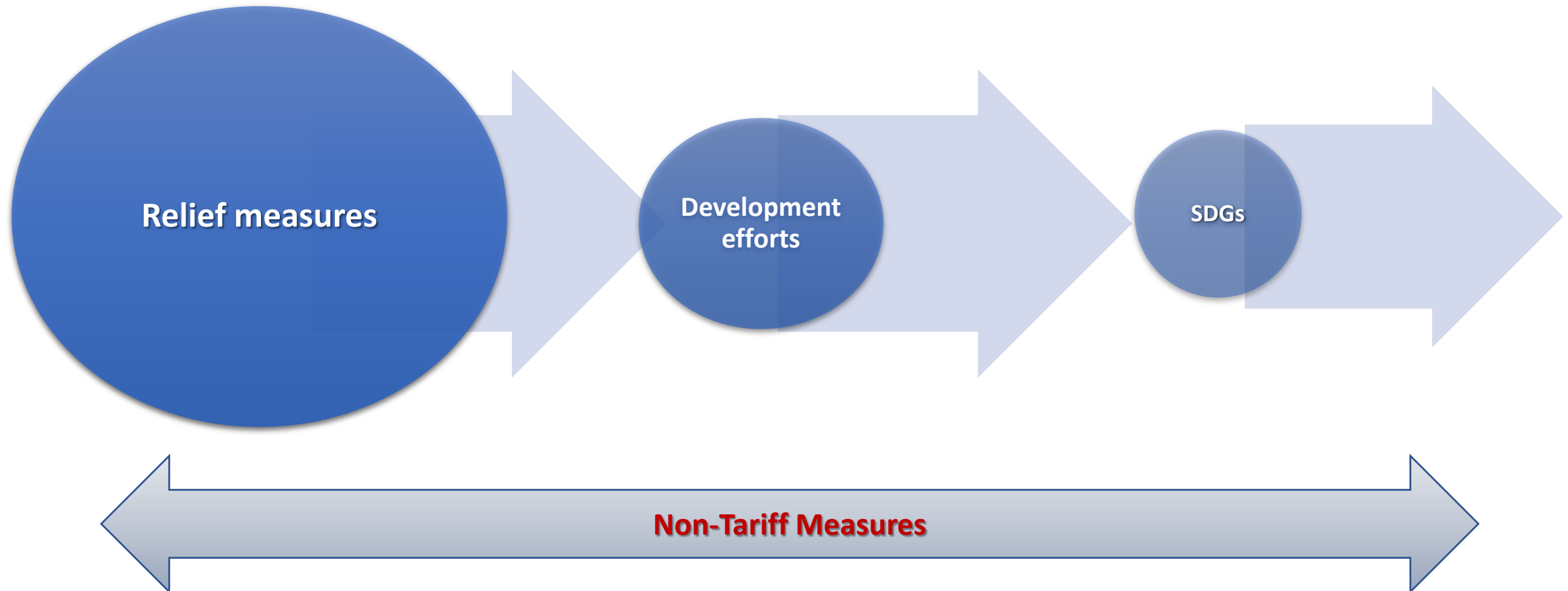


Increasing the contribution of trade to structural transformation requires expanding the range of enterprise support services.

Linking Relief to Development



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Recommendations for Stronger and More resilient MSMEs

Relief measures

Financial support

- Extend tax exemptions until 2021
- Expand the scope of emergency credit schemes to address the MSMEs' liquidity crunch and publish detailed information on application procedures.
- Establish emergency credit schemes to support small freight forwarders

Border Control

- Synchronize working hours across customs offices and extend them as needed (some of the delays were due to carriers arriving late in the day).

Legal Support

- Establish legal advisory facilities to help MSMEs resolve commercial disputes with international suppliers and buyers. Such facilities can be hosted by enterprise support organizations.

Transparency

- Improve and keep up to date State agencies' institutional websites to offer detailed information, in one international language, on applied regulations and associated administrative procedures, including fees and forms.
- Publish brief online explanatory brochures to help MSMEs navigate through trade-related legislation.

Regional Cooperation

- Intensify the exchange of information on situational awareness and applied safety and health protection measures at border crossing.
- Bring existing road freight permits-issuance systems linked to quota-based arrangements up to international best practices. Permits should be issued based on forwarders' actual cargo traffic (volume and direction).

Recommendations for Stronger and More Resilient MSMEs



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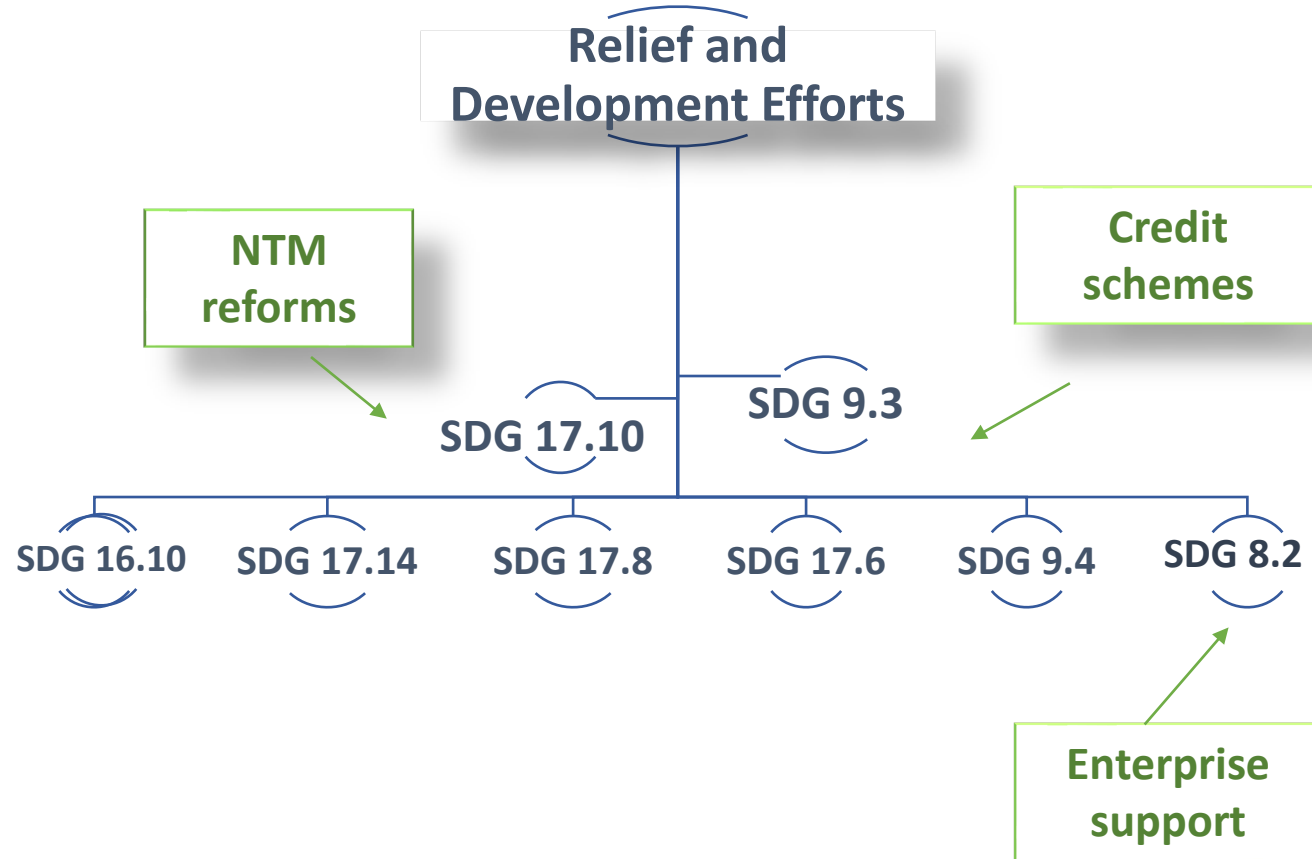
Measures for structural transformation

Quality Infrastructure	Enterprise Support	Border Control
<ul style="list-style-type: none">• Give priority to supporting national accreditation bodies in their efforts obtain international recognition.• Give priority to establishing product certification bodies.• Develop legal metrology, including:<ul style="list-style-type: none">– Legal requirements for measurement instruments in all areas.– International metrological harmonization.– Supervision of regulated products and activities.– Traceability of regulated measurements and measuring instruments	<ul style="list-style-type: none">• Establish sector-specific market intelligence services to help enterprises identify export opportunities and supply sources.• Develop training programmes on implementing international standards.• Address instances of skills mismatch.• Launch linkages programmes to integrate MSMEs with regional and global value chains.• Develop support services to enable MSMEs to achieve compliance with the Authorized Economic Operator eligibility criteria.	<ul style="list-style-type: none">• Give priority to establishing a Single Window facility following UN/CEFACT Recommendations.• Undertake a thorough review of customs risk parameters and profiles to reduce assignment to physical control.• The refurbishment of border-crossing points should focus on basic infrastructure for clearing perishable goods, in particular:<ul style="list-style-type: none">– Adequate facilities for physical inspection of cargo.– Refrigeration points for perishable cargo– Quarantine facilities at or close to the BCPs.– Parking and waiting areas for trucks and other vehicles.

NTMs as Positive Transmission Channels



NTMs as means for achieving the SDGs



- **SDG: 16.10** Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements
- **SDG 9.3:** Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
- **SDG 17.10:** Promote a universal, rules-based, open, non-discriminatory & equitable multilateral trading system...
- **SDG 17.14:** Enhance policy coherence for sustainable development
- **SDG 17.8:** ...enhance the use of enabling technology, in particular information and communications technology
- **SDG 17.6:** Enhance the Global Partnership for Sustainable Development....
- **SDG 9.4:** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries.
- **SDG 8.2:** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value-added and labour-intensive sectors.

THANK YOU

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UNECE COVID-19 impact assessments are
available at:

[https://unece.org/trade/studies-
regulatory-and-procedural-barriers-trade](https://unece.org/trade/studies-regulatory-and-procedural-barriers-trade)