



**Asia-Pacific  
Economic Cooperation**

**Advancing** Free Trade  
for Asia-Pacific **Prosperity**

# **Non-Tariff Measures (NTMs) on Essential Goods during COVID-19 in the APEC Region**

**APEC Committee on Trade and Investment**

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# Executive summary

## **This research looks at APEC Non-Tariff Measures (NTMs) in response to COVID-19**

- We use quantitative analysis and case studies to illustrate the types of NTMs used across essential goods, whether they are restrictive or facilitating, their duration, and other characteristics. We do not consider whether NTMs are consistent with economies' international obligations.
- While the emphasis of this study is on NTMs, we also report data on the use of tariffs on essential goods. This delivers insights into how APEC governments employ their whole trade policy toolbox during crises.

## **APEC economies implemented 86 NTMs on essential goods in 2020**

- Most of the 86 measures related to food and Personal Protective Equipment (PPE). At the same time as restricting exports, many economies took a dual approach: they also cut or eliminated tariffs on PPE to make it easier and cheaper to import these essential goods.
- This is likely because food and PPE are consumables – they are used briefly before being digested (food) or replaced for hygiene purposes (PPE). This has the potential to put pressure on inventories if imports are disrupted.
- We found no NTMs imposed on agricultural products such as tractors, fertilisers, or wooden barrels or metal vats used in food and beverage processing.

## **Economies responded quickly to COVID-19...**

- Most NTMs were introduced early in 2020 as the pandemic unfolded. By the end of March 2020, 41% of the NTMs introduced on essential goods in APEC were in place, rising to almost 80% by the end of June 2020.
- In addition, we found 29 instances of APEC economies introducing tariff reductions on essential goods, many of which were implemented early in the year – 72% by the end of March 2020 – and remain in place at the time of writing.
- It might have been expected that many economies might have quickly 'pulled up the drawbridge' on essential goods. Yet we find facilitating NTMs were – in aggregate – introduced only marginally more slowly than restrictive measures.
- Relatively few measures were introduced in the second half of the year, suggested that APEC economies reacted quickly to address their concerns over trade in essential goods.
- The implementation of NTMs moved at a broadly similar pace to changes in APEC economies' broader health measures and economic support policies. This timing suggests – in aggregate – NTMs on essential goods were part of APEC governments' suite of pandemic health responses, rather than a strategic response for political economy or protectionist purposes.

### **...and have since removed 40% of NTMs on essential goods**

- Almost 60% of NTMs introduced on COVID-19 essential goods remain in place at the end of 2020. Of the 36 measures that have been terminated, 24 were restrictive and 12 were facilitating.
- The median duration of NTMs on essential goods that have been terminated is 95 days, or three months.

### **Export measures and ‘subsidies and other support measures’ were the most frequently-used NTMs**

- Two groups of NTMs (export-related measures, and subsidies and other support measures) accounted for 41% and 28% of the total number of NTMs, respectively.
- Export measures were far more restrictive, proportionally, than import measures.
- The single most-used NTM was export prohibition, almost entirely on PPE and medical supplies such as facemasks and respirators. Export quotas were employed to increase the share of domestic PPE production that was retained onshore rather than exported.
- Almost all NTMs related to import authorisation/licensing were facilitating rather than restrictive. These measures largely related to the digitisation of application and licenses to import essential goods.
- Around 11% of all NTMs on essential goods related to reductions in internal taxes or charges on imported products, or the removal of sales taxes such as VAT, making those products cheaper in the domestic market than they would otherwise have been.
- Five NTMs were implemented that prohibited imports of food and plant products due to fears of contamination or outbreaks of COVID-19 in overseas processing plants.

### **Almost 2/3 of NTMs introduced were restrictive in nature**

- Of the NTMs introduced on essential goods, by APEC economies almost 2/3 were restrictive in nature, defined as creating a competitive disadvantage for foreign firms relative to domestic producers.
- Note this does not imply two-thirds of NTMs were ‘bad’ or welfare-reducing – all NTMs have costs and benefits and it was outside scope to estimate their net effects.

### **Bilateral NTMs were very rare**

- APEC economies appear to have avoided imposing NTMs for essential goods bilaterally on each other.
- Of the 86 NTMs introduced in response to COVID-19, 81 were applied to all trading partners. Only two were directed at other APEC economies, with the remaining three targeting non-APEC economies.

## Case studies show APEC economies used a wide range of measures to address trade in essential goods

- Short case studies of NTMs introduced by Australia, Canada, China, Malaysia, New Zealand, Peru and Singapore provide helpful insights into how APEC members have implemented NTMs, both restrictive and facilitating, in a manner consistent with their WTO obligations and the APEC Cross Cutting Principles on Non-Tariff Measures (NTMs).
- Collectively, they show that NTMs can be designed, implemented and communicated to stakeholders in ways that promote a joined-up, flexible and open approach to trade policy.
- Digitisation forms an important part of some NTMs introduced by APEC members. This serves to reduce businesses' costs without foregoing any degree of attention to managing risks at the border.
- In combination, these factors can go a long way towards ensuring NTMs achieve their legitimate public policy objectives while avoiding unnecessary costs, reducing unintended distributional consequences and only being kept in place for as long as necessary.

## We propose several ideas to be explored in 2021 related to NTMs on essential goods in APEC

- Our analysis demonstrates the breadth of approaches APEC economies have taken to encourage the supply of essential goods during COVID-19, moving quickly to address legitimate social concerns, reducing trade costs through improved and often digitised facilitation procedures, and removing restrictive NTMs once they had served their initial purpose.
- Drawing on this experience and with the Putrajaya Vision 2040 in mind, we suggest APEC economies could:
  1. Agree on a **list of essential goods**, using detailed Harmonised System codes, to form a common basis for future discussions around a framework to address NTMs on these products.
  2. **Sign up to or extend existing essential goods-facilitating initiatives.** This might include:
    - a. The 'Joint Ministerial Statement affirming commitment to ensuring supply chain connectivity amidst the COVID-19 situation', to which Australia, Brunei Darussalam, Canada, Chile, China, New Zealand and Singapore have already committed.
    - b. The 'New Zealand-Singapore Declaration on trade in essential goods for combating the COVID-19 pandemic', which could be expanded to include essential services.
    - c. The 'Ottawa Group Trade and Health Initiative'.
  3. **Develop a Trade Facilitation Agreement Fast-Track Roadmap.** Economies could jointly pledge to further accelerate their WTO Trade

Facilitation Agreement (TFA) commitments. This will have broad benefits, including for trade in essential goods.

Economies could agree which TFA provisions are most relevant for acceleration, such as electronic payments, the digitisation of border processes, pre-arrival processing of electronic declarations and expedited shipments.

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# 1. Objectives, context and scope

## 1.1. Objectives of study

Sense Partners is an independent economic consultancy based in Wellington, New Zealand.

We have been engaged by the New Zealand Ministry of Foreign Affairs and Trade (MFAT) to provide independent analysis of the use of non-tariff measures (NTMs) on essential goods in the Asia-Pacific Economic Cooperation (APEC) region resulting from the COVID-19 pandemic.

The key aims of the research are to:

1. Canvas the range of NTMs implemented on essential goods during COVID-19 by APEC economies.
2. Identify best practice of where APEC economies are doing well with respect to NTMs implemented during COVID-19 on essential goods.
3. Suggest options to continue future work within APEC to enhance the benefits of trade-facilitating NTMs and decrease the costs of trade-restrictive NTMs.

We use quantitative analysis and case studies to explore the first two objectives, both of which inform our suggested options for future APEC initiatives on NTMs.

## 1.2. Context: from Bogor to Putrajaya

### **APEC economies are seeking stability, seamless connectivity and resilient supply chains...**

APEC's Putrajaya Vision 2040 is for "an open, dynamic, resilient and peaceful Asia-Pacific community by 2040, for the prosperity of all our people and future generations".<sup>1</sup>

Key aspects include:

- Delivering a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment.
- Delivering a well-functioning multilateral trading system
- Promoting the stability and predictability of international trade flows.
- Promoting seamless connectivity, resilient supply chains.

This Vision reflects the economic, social and environmental benefits that APEC consumers and businesses derive from a trading environment that delivers goods, services, investment and innovation at the lowest possible cost and highest possible quality.

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<sup>1</sup> APEC, 2020a.

## **...as part of their long-standing commitment to free and open trade and investment in APEC**

The Vision also seeks to “further advance” APEC’s 1994 Bogor Goals, which envisage free and open trade and investment in the Asia-Pacific region and have served as a driving force behind APEC’s initiatives for decades.

APEC economies have made significant headway towards the Bogor Goals in many aspects. The latest APEC progress report<sup>2</sup> notes average tariffs across the region have fallen substantially over time, services trade has become more liberalised, investment barriers in manufacturing have fallen and trade facilitation initiatives have reduced business costs.

## **NTMs have become more important; and can be costly**

The use of NTMs by APEC economies has become more widespread in recent years.<sup>3</sup> According to the UNESCAP<sup>4</sup>, NTMs affect approximately 58% of trade in the Asia and Pacific regions and add 15% to the price of imports. This reduces the purchasing power of households and lifts input costs for businesses, both of which are welfare-reducing. However, NTMs can be used for welfare-enhancing purposes too (e.g. product safety standards), so this may provide an offsetting effect.

One estimate puts the costs of NTMs in APEC at US\$790 billion per year, around three times as costly as tariffs in the region.<sup>5</sup>

## **APEC has taken steps to reduce NTM costs...**

In 2018, APEC economies adopted the ABAC-drafted ‘Cross Cutting Principles on Non-Tariff Measures’<sup>6</sup>, which sought to guide member economies’ development and implementation of NTMs to reduce the extent to which NTMs act as an unjustified barrier to trade.

## **...and COVID-19 has put these costs in the spotlight**

Interest in the role and scope of NTMs escalated as the COVID-19 pandemic played out across the APEC region. Supply chains were disrupted and the free flow of essential goods such as agricultural products, food, medicines and medical equipment became less assured.

Recognising this risk, APEC Ministers Responsible for Trade (MRT) issued an intersessional statement on COVID-19 in May 2020, noting “importance of keeping markets open and working together to deliver a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment, to ensure that trade and investment continue to flow”.<sup>7</sup>

They acknowledged that given the unprecedented challenges from COVID-19, APEC economies would likely need to take emergency measures. But they also noted such

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<sup>2</sup> APEC PSU, 2020.

<sup>3</sup> APEC PSU, 2020.

<sup>4</sup> UNESCAP, 2019.

<sup>5</sup> NZIER, 2016.

<sup>6</sup> APEC, 2018.

<sup>7</sup> APEC, 2020b.

measures should be “targeted, proportionate, transparent, temporary and should not create unnecessary barriers to trade, and are consistent with WTO rules”, and should be notified to the WTO.

### **APEC Trade Ministers have highlighted the importance of keeping essential goods flowing across the region...**

MRT also emphasised the need to “work 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”.

In July 2020, MRT adopted the ‘Declaration on Facilitating the Movement of Essential Goods’, encouraging members, *inter alia*, to work “to identify and resolve any unnecessary [non-tariff] barriers to trade in essential goods”.<sup>8</sup>

### **...and asked economies to report back on progress, including on NTMs**

Ministers instructed APEC economies to review progress on the Declaration’s objectives each year, “until such time when COVID-19 is no longer determined to be a public health emergency of international concern.”

This project seeks to help the APEC Committee on Trade and Investment (CTI) comply with this review mechanism and to support APEC progress its broader cooperation on NTMs.

## **1.3. Scope and caveats**

Given the relatively short timeframe available for this research, we do not attempt to quantify the costs and benefits of NTMs related to essential goods during the COVID-19 pandemic. This is an important option for future research.

This was largely a desk-based study. The NTMs data was drawn from publicly available and verifiable sources, as well as a tailored data request from the authors of the Global Trade Alert. The consistency, quality and coverage of data sources were mixed, so we collated thousands of measures and used simple conceptual frameworks and professional judgement to create our own database of NTMs.

NTMs experts in sponsoring economies kindly provided a range of valuable case studies of the NTMs their governments have introduced on essential goods. These case studies were edited for consistency, but their key aspects have not been altered.

We do not present a legal analysis of whether NTMs are consistent with economies’ WTO obligations. We recognise, as did APEC MRT, there can be perfectly valid and WTO-consistent justifications for using trade-restrictive NTMs, especially in times of economic stress. But we also appreciate NTMs can be introduced for less positive purposes. We do not pass judgment on such issues here.

We direct our attention squarely at NTMs on essential goods only (see section 2 for our definition) rather than capturing broader economy-wide initiatives such as wage subsidies

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<sup>8</sup> APEC, 2020c.

or quantitative easing that could affect the demand for and supply of a wide range of goods and services, including essential goods.

We outline a range of such definitional 'boundary' questions in sections 2, 3 and Annex A, recognising there is no simple answer to many of them and experts will have a range of perspectives.

We were not asked to explore NTMs at the economy level, so present aggregate APEC data only.

## 2. What are ‘essential goods’?

### 2.1. From broad to specific

Given the pace at which COVID-19 enveloped the APEC region, and the immediacy of response required by APEC MRT and other international organisations, it is not surprising that no internationally-recognised definition of ‘essential goods’ exists. Generally, each economy’s national disaster management authority will have established its own list of essential goods.

Essential goods are *broadly* defined in the APEC MRT Statement on COVID-19 as “including medicines, medical supplies and equipment, agriculture and food products and other supplies”. Drawing on this broad categorisation, our definition of essential goods stems from four sources:

1. The [New Zealand-Singapore Declaration on Trade in Essential Goods for Combating the COVID-19 Pandemic](#) [‘The New Zealand-Singapore Declaration’] (15 April 2020)
2. [WCO/WHO HS classification reference for COVID-19 medical supplies 3.01 Edition](#) (2 June 2020)<sup>9</sup>
3. WTO records on [‘COVID-19: Measures affecting trade in goods’](#) (18 November 2020)
4. Input-output tables, for agricultural input products.

### 2.2. Our six groups of essential goods

Table 1 shows the Harmonised System (HS) 2-digit and 4-digit codes used in our definition. Assigning HS codes to types of essential goods required some judgement, which we are happy to review as required.

In summary:

- The definition of **Food** is taken directly from the New Zealand-Singapore Declaration.
- The definition of **Agricultural products** is largely judgement-based, drawing on input-output tables that demonstrate the use of inputs by various industries, and includes animal fodder, casein, fertilizers, tractors, packaging material, insecticides, barrels and vats.
- We include a separate group for **Chemicals**. While not specified as essential goods in public statements such as those by the APEC MRT, WTO members notified a raft of chemicals HS codes in the WTO’s collation of notifications of measures related to COVID-19 goods trade, presumably as potential inputs into medical products or services.

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<sup>9</sup> We note the WCO has provided an [updated list of HS codes for vaccines and related supplies and equipment](#). This was released on 29 January 2021, some weeks after we had finalised our definitions and collated the data. We would not expect this to have a material impact on our results, as our search for data on NTMs was very broad, and including measures related to vaccines and associated medical equipment in any case.

- The definition of **Medicines and medical supplies** is much broader than that in the New Zealand-Singapore Declaration, and includes various products that might be used to treat those suffering from COVID-19, including vaccines.
- We add a distinct group for **Personal and Protective Equipment (PPE)**. The definitions for **PPE** and **Medical equipment** (i.e. healthcare capital products) draw in equal proportions from the New Zealand-Singapore Declaration, the WCO/WHO definitions of essential medical supplies and WTO notifications related to COVID-19.

**NON-TARIFF MEASURES (NTMS) ON ESSENTIAL GOODS DURING COVID-19 IN THE APEC REGION**

**TABLE 1 DEFINING ESSENTIAL GOODS USING HARMONISED SYSTEM CODES**

Type	HS2017 2-digit and/or 4-digit codes	Examples of products
<b>Food</b>	Chapters 01-22 (all)	Fruit and vegetables, dairy products, meat, fish, beverages, cereals, nuts, sugars, oils and fats, coffee, food preparations
<b>Agricultural products</b>	Chapters 23, 31 (all) 3501, 4416, 4819, 7309, 7611, 8701	Food industry residues, animal fodder, fertilizers Casein, casks, barrels, vats, metal tanks, tractors, food packaging
<b>Chemicals</b>	2501 2801, 2804, 2806, 2811, 2815, 2827, 2828 2833 2835, 2836, 2837, 2839, 2843, 2844, 2847, 2853, 2905, 2907, 2911, 2915, 2916, 2918, 2920, 2921, 2922, 2923, 2924, 2925, 2932, 2933, 2934, 2935, 2936, 2937, 2939, 2940, 2941, 2942, 3808	Salt/sodium chloride Chlorine, medical oxygen, inorganic acids Provitamins, antibiotics, phenol-alcohols, hormones, sugar salts Hand sanitizer (alcohol-based)
<b>Medicines and medical supplies</b>	3001, 3002, 3003, 3004, 3005, 3006 3401, 3402, 3403 3701, 3702, 3802, 3821, 3822, 3906, 3907, 3914, 3917, 3918, 3919, 3920, 3921, 3922, 3923, 3926 4001, 4009, 4015, 4803, 4818, 5503, 5601, 5602, 5603, 5607	Pharmaceutical products, vaccines, COVID-19 test kits, antiseptic, wadding, gauze, plasters, Soap, handwashes, lubricants X-ray plates, swabs, hazardous waste disposal bags, plastic face shields & gloves Rubber gloves & protective garments Paper facemasks, disposable paper hospital gowns, paper shoe covers, wadding, cables
<b>Personal protective equipment (PPE)</b>	5806, 5903, 5906, 5911 6113, 6115, 6116, 6210, 6216, 6217 6307, 6401, 6402, 6505, 6506 9004, 9020	Plastic/laminated and rubber textile fabrics, gloves covered with plastics/rubber, protective garments for surgical/medical use Facemasks, disposable hairnets, waterproof rubber shoes Protective goggles, gasmasks with filters
<b>Medical equipment</b>	7007, 7017, 7311, 7324, 7613, 7616 8413, 8414, 8419, 8421 8514, 8515, 8516, 8539, 8544 8703, 8705, 8713 9018, 9019, 9021, 9022, 9025, 9026, 9027, 9028, 9032, 9402	Safety glass, labware, oxygen cylinders, kidney basins Infusion pumps, medical sterilisers, PSA oxygen plant Furnaces, lasers, electric water heaters, lamps Ambulances, mobile clinic vehicles, wheelchairs Oxygen delivery devices, ultrasound machines, electrocardiograph, monitoring devices, intubation kits, syringes, needles, ventilators, CT scanners, thermometers, flowmeters, diagnostic test instruments, IV machines, surgical furniture

SOURCE: SENSE PARTNERS

## 3. Data collection

### 3.1. Our definition of NTMs

We employ UNCTAD's definition of an NTM: "Non-tariff measures are generally defined as policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both" (UNCTAD, 2019, p.v).

We also use its Multi-Agency Support Team (MAST) classification of NTMs, as summarised in the table below.

TABLE 2 MAST CLASSIFICATION OF NTMS

Group	Class	High-level description	Includes measures such as...
<b>Technical measures on imports</b>	A	Sanitary and phytosanitary measures	Measures restricting substances, ensuring food safety and preventing the dissemination of diseases/pests
	B	Technical barriers to trade	Technical specifications and quality requirements; related processes and production methods; and measures such as labelling and packaging
	C	Pre-shipment inspection and other formalities	Compulsory inspections of quality, quantity and price control, mandated by importing country; direct consignment requirements; entry via specific ports
<b>Non-technical measures on imports</b>	D	Contingent trade-protective measures	Anti-dumping and countervailing investigations and duties, safeguards (including agricultural safeguards)
	E	Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including SPS or TBT	Prohibition or restrictions on imports, such as non-automatic licensing, predetermined global or country-specific quotas, seasonal or temporary quotas, voluntary export restraints, TRQs
	F	Price-control measures, including additional taxes and charges	Minimum import prices, voluntary export price restraints, variable levies, surcharges, seasonal duties, charges for government services, excise taxes, VAT
	G	Finance measures	Measures that regulate the access to and cost of foreign exchange for imports and define the terms of payment, likely increasing import costs (e.g. advance payments)
	H	Measures affecting competition	Measures granting special preferences to one or more limited groups, e.g. State Trading Enterprises for importing
	I	Trade-related investment measures	Local content measures, measures related to import content of exports
	J	Distribution restrictions	Restrictions on distribution channels or sales of goods; additional licensing/certification requirements
	K	Restrictions on post-sales services	Barriers to exporters providing post-sales services, e.g. restrictions on foreign equity shares in service firms
	L	Subsidies and other forms of support	Subsidies to enterprises (grants, preferential loans etc.), price support, price regulation, foregone taxes, subsidies to households for specific goods
	M	Government procurement restrictions	Barriers to exporters seeking to sell to foreign governments (e.g. market access, domestic price preferences, domestic content requirements, non-transparent or equitable procurement processes)
	N	Intellectual property	Restrictions related to intellectual property measures & rights
O	Rules of origin	Measures that restrict the origin of products or its inputs	
<b>Exports</b>	P	Export-related measures	Export taxes, export quotas and export prohibitions; export-country imposed SPS and TBT; export STEs

SOURCE: UNCTAD, 2019

We include in our search trade facilitation measures<sup>10</sup> or measures to enhance digital trade related to essential goods<sup>11</sup>, to the extent we were able to verify them using official documentation.

Temporary or permanent tariff reductions on essential goods are – by definition – not included in the MAST definition of NTMs. However, many economies took positive steps to encourage trade in essential goods using this approach, and these initiatives are usually recorded in NTMs data sources. Thus, we present data on these tariff reductions by way of comparison with NTMs implemented.<sup>12</sup>

## 3.2. Data sources

To capture available data on NTMs, we deliberately cast our net wide in the first instance. We were aware there would likely be overlaps, duplications, various ways of presenting the data, and different definitions of essential goods types. However, we felt it was better to gather as much data as possible and then ‘clean’ it into a single, consistent database, than rely on just one or two sources.

All data was for calendar year 2020.

Table 3 summarises our core data sets. We also investigated and subsequently discarded other potential sources such as the UN TRAINS and World Bank WITS databases (not sufficiently updated); the APEC Trade Repository (mainly trade agreement-focused); OECD, World Customs Organisation and IMF (no obvious data available).

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<sup>10</sup> Noting paras 4-8 of APEC, 2020c.

<sup>11</sup> Noting section D of ABAC, 2020, although this refers primarily to matters such as encouraging working from home and digital connectivity more broadly, rather than essential goods.

<sup>12</sup> We found no instances of tariffs being increased on essential goods, so refer only to tariff reductions in the analysis that follows.

TABLE 3 OVERVIEW OF NTMS DATA SOURCES

Source	Website	Comment
Global Trade Alert (GTA) data request  GTA COVID	<a href="https://www.globaltradealert.org/">https://www.globaltradealert.org/</a>	Widely considered the most comprehensive and timely repository of NTMs. All measures are fully documented. GTA staff kindly provided tailored data for this project, based on the HS codes in our definition of essential goods and just for APEC economies <sup>13</sup> .  We also drew on GTA's published list of NTMs introduced on essential goods since January 2020 (not all of which are obviously 'caused' by COVID-19). <sup>14</sup>
WTO notifications	<a href="https://www.wto.org/english/tratop_e/COVID19_e/trade_related_goods_measure_e.htm">https://www.wto.org/english/tratop_e/COVID19_e/trade_related_goods_measure_e.htm</a>	Provides a comprehensive and 'official' source of data, though not all economies notify measures in a timely fashion.
International Trade Centre (MacMap)	<a href="https://macmap.org/en/COVID19">https://macmap.org/en/COVID19</a>	Provides a helpful non-technical summary of trade measures introduced on essential goods, plus a visual interface.  Definitions of essential goods and source data not clearly stated, however.
UNCTAD	<a href="https://unctad.org/topic/trade-analysis/non-tariff-measures/COVID-19-and-ntms">https://unctad.org/topic/trade-analysis/non-tariff-measures/COVID-19-and-ntms</a>	Data only to August 2020.  Largely duplicates MacMap and GTA.
WTO Trade Facilitation Committee (TFC)	<a href="https://tfadatabase.org/uploads/thematicdiscussiondocument/W24.pdf">https://tfadatabase.org/uploads/thematicdiscussiondocument/W24.pdf</a>	Descriptions of trade facilitation measures used by WTO members, including some APEC economies in response to COVID-19.  Not focused on essential goods; often more general in nature.

SOURCE: SENSE PARTNERS

Once we had collated this data, we cleaned it and organised it into a single database. More detail on the methodology used to categorise the data can be found in **Annex A** (pp.32-33), including the criteria used to determine whether an NTM was to be included in our database.

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<sup>13</sup> We are very grateful for the efforts of Professor Simon Evenett and Ruben Ernst of GTA for providing this data and answering our questions.

<sup>14</sup> See overview of strengths and limitations of this data set in Global Trade Alert, 2020.

## 4. Analysis of NTMs on essential goods

### 4.1. Overview

Our final data set covers 86 NTMs introduced by APEC economies in 2020 on essential goods, sourced as outlined in Table 4.

A further 29 instances of tariff reductions were implemented.<sup>15</sup>

TABLE 4 SOURCES OF FINAL LIST OF APEC NTMS ON ESSENTIAL GOODS

Data source	Count of measures, NTMs only	Count of measures, NTMs and tariff reductions
GTA data request	32	32
WTO	24	38
MacMap	14	19
GTA COVID	8	17
WTO TFC	6	7
UNCTAD	2	2
<b>Total</b>	<b>86</b>	<b>115</b>

SOURCE: SENSE PARTNERS

The vast majority of these measures were introduced early in 2020 as the pandemic unfolded. By the end of March 2020, 41% of the NTMs introduced on essential goods in APEC were in place, rising to almost 80% by the end of June 2020.<sup>16</sup>

Tariff reductions were introduced even more swiftly: 72% of these were in place by the end of March 2020 and 90% by the end of June 2020.

Relatively few measures were introduced in the second half of the year, suggesting that APEC economies reacted quickly to address their concerns over trade in essential goods.

It might have been expected that many economies would have quickly ‘pulled up the drawbridge’ on essential goods. Yet this turns out not to have been the case.

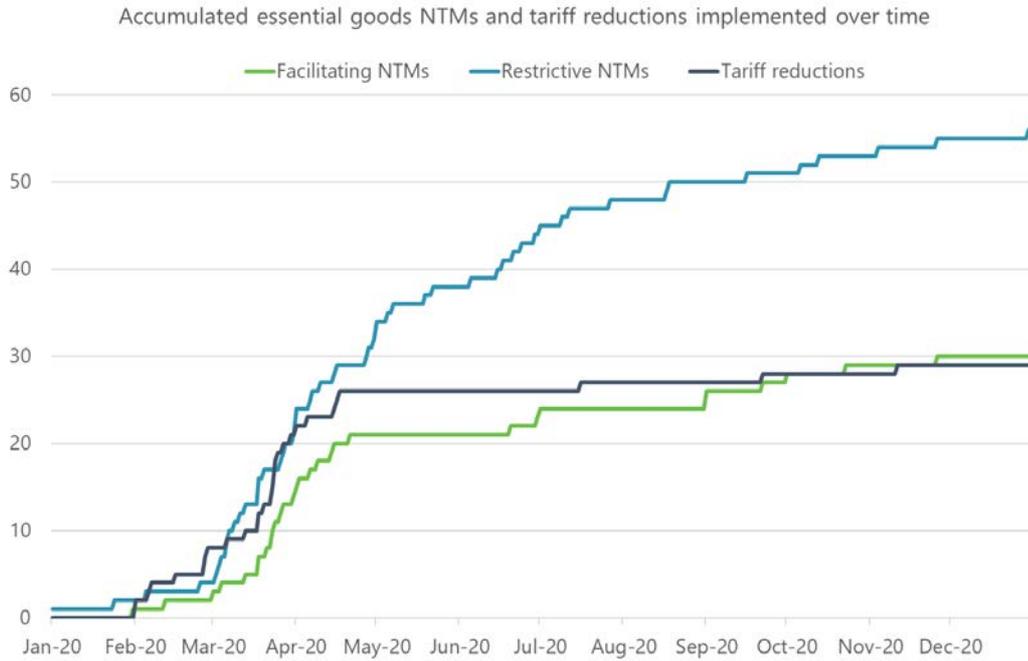
As Figure 1 and Figure 2 show, facilitating NTMs were (in aggregate) introduced only slightly more slowly than restrictive NTMs. Tariff reductions also occurred very early, between February and April 2020, but were rarely used for the remainder of the year.

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<sup>15</sup> This compares to 16 tariff reductions and 50 NTMs reported in APEC PSU, 2020. Differences will be due to the longer time period in our study, different data sources and potentially different definitions of essential goods.

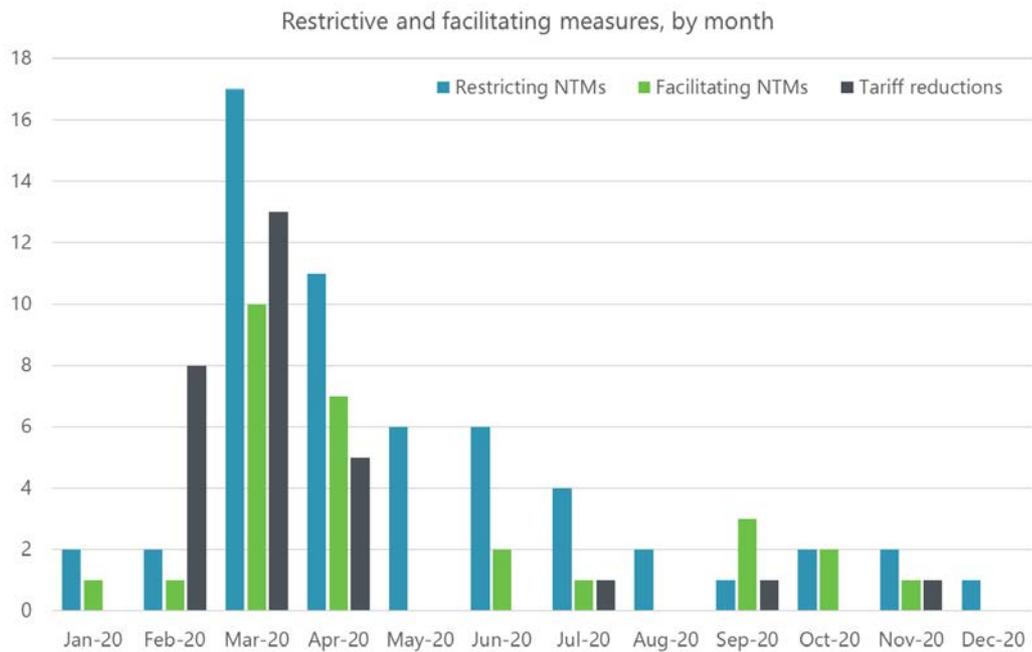
<sup>16</sup> The choices of March and June are convenient intervals denoting  $\frac{1}{4}$  and  $\frac{1}{2}$  way through calendar year 2020.

FIGURE 1 ACCUMULATED COUNT OF NTMS: RESTRICTIVE VS. FACILITATING



SOURCE: SENSE PARTNERS

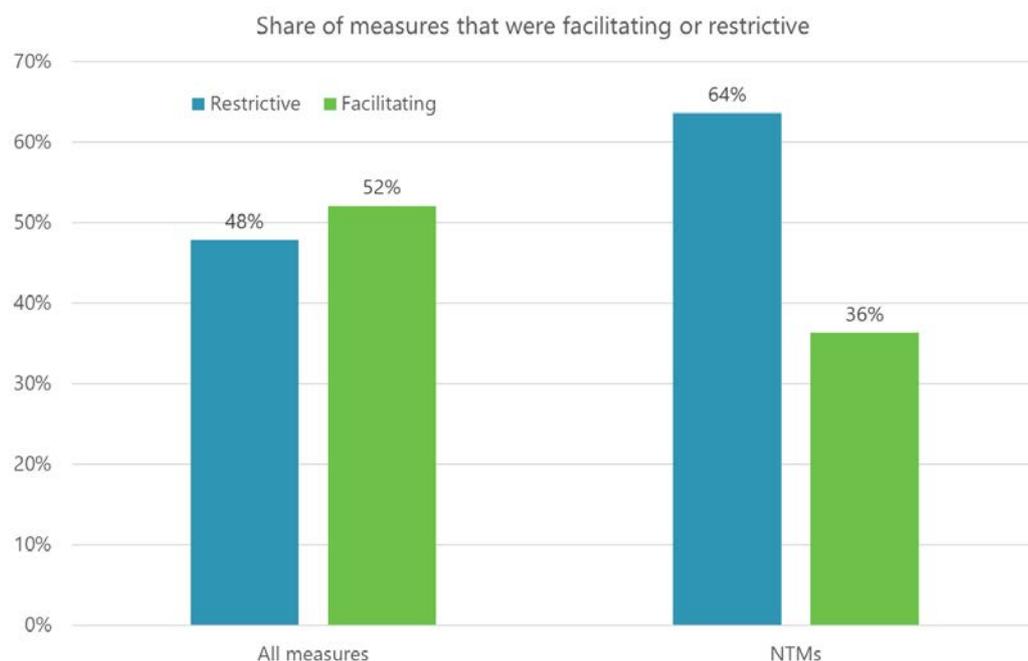
FIGURE 2 MONTHLY COUNT OF TARIFFS AND NTMS: RESTRICTIVE VS. FACILITATING



SOURCE: SENSE PARTNERS

Of the NTMs introduced on essential goods, almost two-thirds were restrictive in nature, creating a competitive disadvantage for foreign firms relative to domestic producers (Figure 3). Given that all 29 tariff changes we identified were facilitating (i.e. tariffs were reduced), the share of all trade policy measures that were trade-restricting is 48%.<sup>17</sup>

FIGURE 3 PROPORTION OF MEASURES THAT WERE RESTRICTIVE VS. FACILITATING



SOURCE: SENSE PARTNERS

APEC economies appear to have been successful in avoiding imposing NTMs bilaterally on each other. Of the 86 NTMs introduced, 83 were applied to all trading partners. Only two were directed at other APEC economies, with the remaining three targeting non-APEC economies.

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<sup>17</sup> The WTO, 2020b, finds 42% of trade-related measures (which includes tariffs) were trade-restricting. The difference between our analysis and the WTO's is the country coverage of data sets.

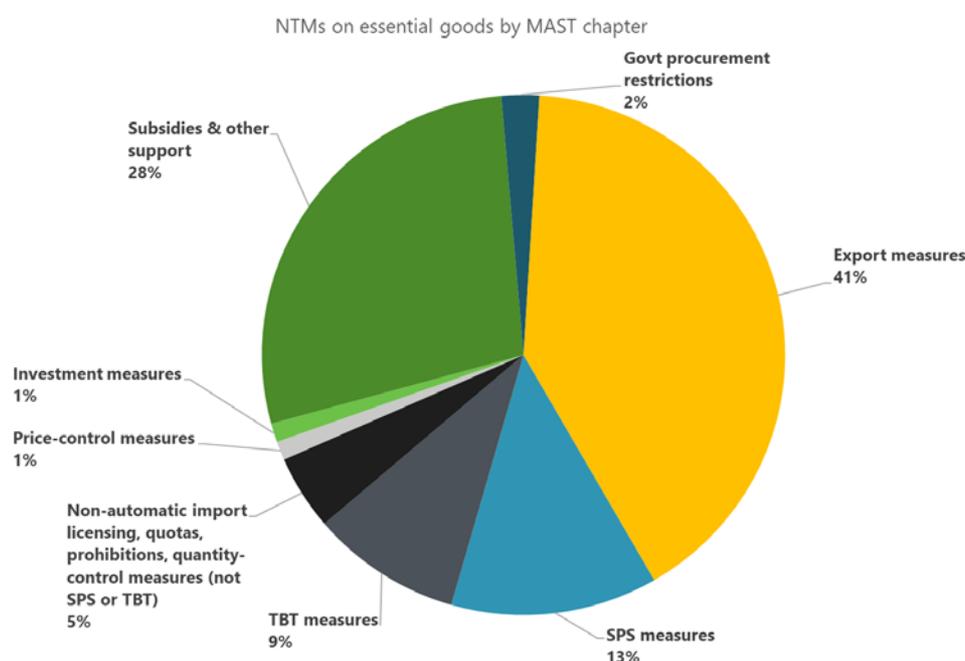
## 4.2. Types of NTMs introduced

Two forms of NTMs were most commonly introduced by APEC economies on essential goods:

- Export-related measures
- Subsidies and other support measures

These measures accounted for 41% and 28% of the total number of NTMs respectively (see Figure 4).

FIGURE 4 NTMS INTRODUCED BY MAST CHAPTER



SOURCE: SENSE PARTNERS

Looking across MAST subchapters for additional detail, we can see APEC economies used a wide range of facilitating and restrictive measures to address trade in essential goods (Figure 5).

The single most-used NTM was export prohibition, almost entirely on PPE products such as facemasks and respirators.

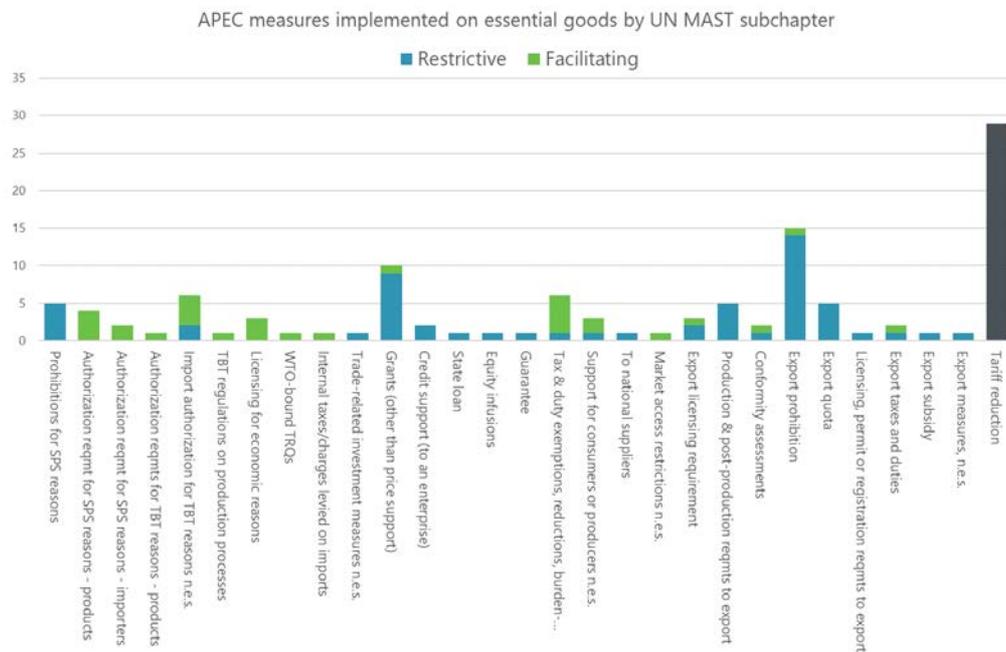
Export quotas were employed to increase the share of domestic PPE production that was retained onshore rather than exported. APEC governments were also active in providing financial grants (other than price support).

If we split the NTMs by MAST subchapter into facilitating and restrictive measures, some interesting patterns emerge.

- Almost all of the NTMs related to import authorisation/licensing were facilitating rather than restrictive. These measures largely related to the digitisation of application and licenses to import essential goods.

- Five NTMs were implemented that prohibited imports of food and plant products due to fears of outbreaks of COVID-19 in overseas processing plants.
- Around 11% of all NTMs on essential goods related to reductions in internal taxes or charges or imported products, or the removal of sales taxes such as VAT, making those products cheaper in the domestic market than they would otherwise have been.
- Export measures were far more restrictive, proportionally, than import measures.
- Government subsidies (loans, grants, guarantees, equity injections) were also almost entirely restrictive, since they provide domestic producers with a commercial advantage over foreign competitors.<sup>18</sup>

FIGURE 5 NTMS INTRODUCED BY MAST SUBCHAPTER: FACILITATING VS RESTRICTIVE



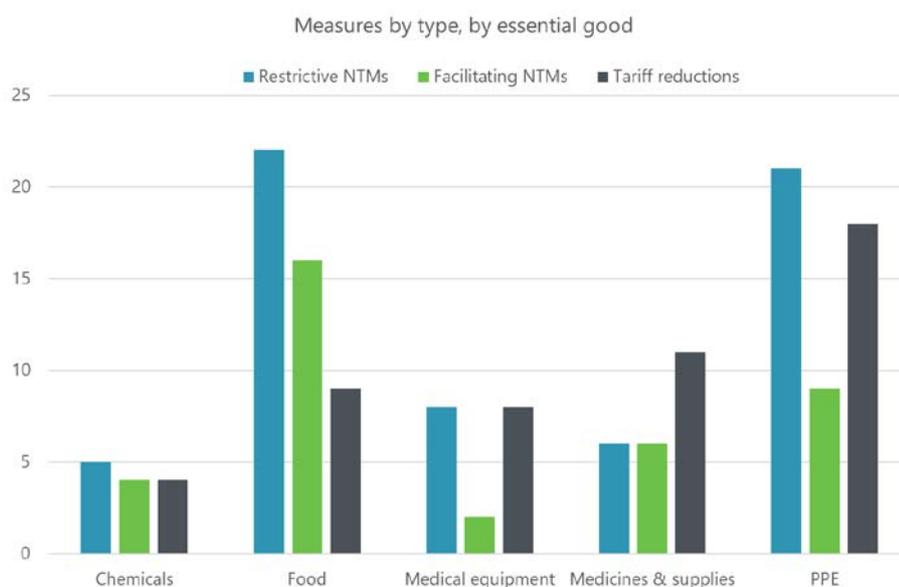
SOURCE: SENSE PARTNERS

<sup>18</sup> We emphasize again here that “trade-restricting” is not the same as “welfare-reducing” or “bad”. The definition employed (see methodology on p.32) relates solely to the commercial interests of domestic and foreign firms.

### 4.3. NTMs by type of essential good

As Figure 6 shows, most of the measures introduced to help APEC economies deal with the COVID-19 pandemic related to food and PPE. And outside of tariff reductions, more measures were restrictive than facilitating.

FIGURE 6 NTMS INTRODUCED BY ESSENTIAL GOOD TYPE: FACILITATING VS RESTRICTIVE



SOURCE: SENSE PARTNERS

This is likely because both types of goods are consumables – they are used for only a brief period of time before being digested (food) or replaced for hygiene purposes (PPE). This has the potential to put pressure on inventories if imports are disrupted, so governments have – rightly or wrongly – introduced blunt quantity-based measures such as export prohibitions or quotas to strongly incentivise firms to keep these products from leaving the domestic market.

At the same time as restricting exports, many economies took a dual approach: cut or eliminated tariffs on PPE to make it easier and cheaper to import these essential goods. Some economies did both, including some of the larger producers of PPE.

Clearly, this will have created large distortions in the APEC and global markets for PPE items. As a matter of arithmetic, it is not possible for all economies to both restrict exports and encourage imports at the same time without shortages occurring somewhere, at least until domestic production ramps up substantially.

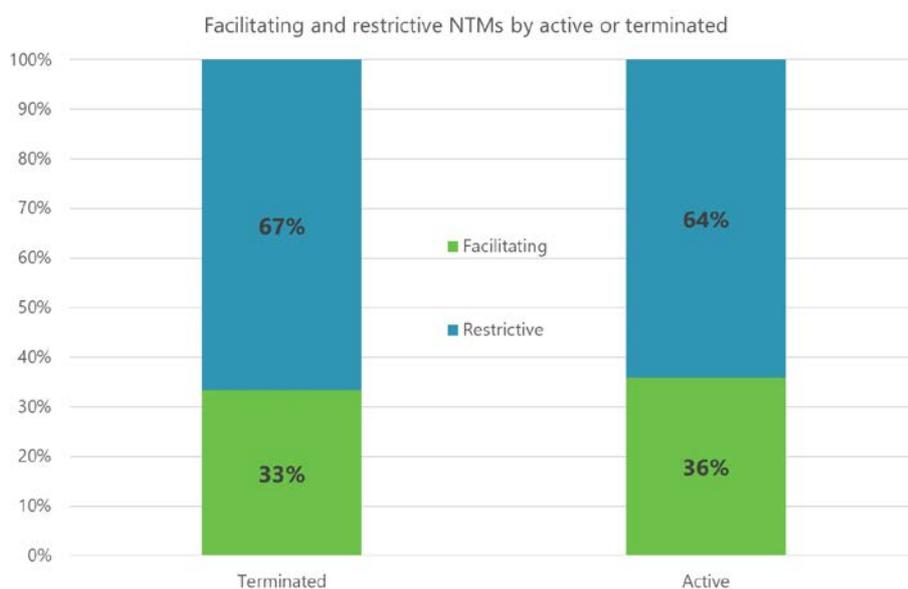
APEC economies were relatively active in reducing or removing tariffs on medical supplies and capital equipment for health purposes, presumably to ease pressures on health providers' inventories and budgets.

## 4.4. NTMs by duration

An important part of the APEC MRT statements on the use of NTMs on essential goods is they should be 'timely' or temporary when used in emergency circumstances. Clearly, this is challenging to define in a COVID-19 context, as the pandemic is affecting each economy in APEC differently in terms of its health and economic impacts.

The data shows 58% of NTMs introduced on COVID-19 essential goods remain in place at the end of 2020. Of the 36 measures that have been terminated, 24 were restrictive and 12 were facilitating. Of the 50 NTMs that remain in place – and noting the difficulties determining end dates flagged in Annex A – around two-thirds are restrictive.

FIGURE 7 FACILITATING VS RESTRICTIVE NTMS: ACTIVE OR TERMINATED

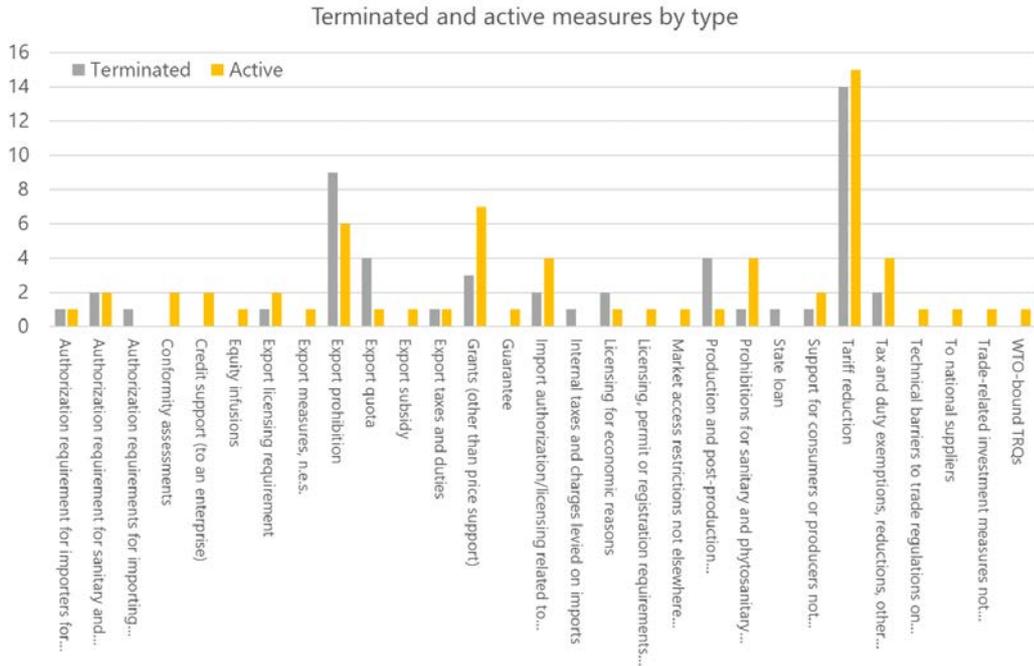


SOURCE: SENSE PARTNERS

The bluntest and likely most costly NTMs such export prohibition or export quotas are more likely to have been terminated, along with various forms of licensing/authorization. This could point to APEC governments using these measures to buy time to develop less restrictive alternative policies and processes to encourage essential goods to continue flowing.

Somewhat surprisingly, tariff reductions have proved to be relatively fleeting, with almost half of the cuts introduced being reversed by the end of 2020. This could indicate some economies with producers of essential goods, after initially seeking to incentivise imports to build up stocks, have returned to using tariffs as a shield for domestic production.

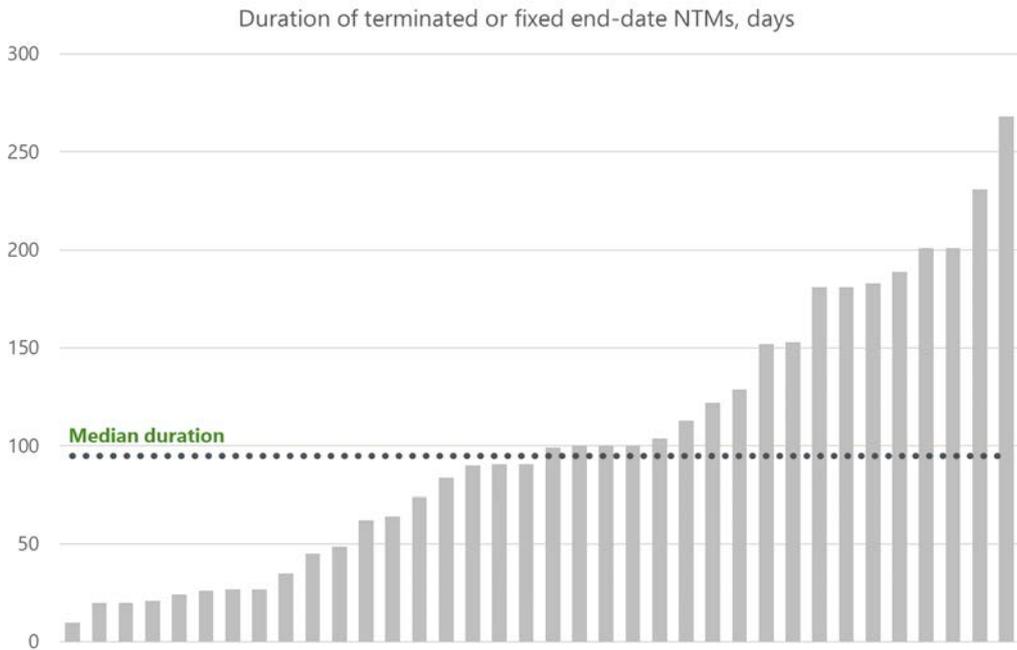
FIGURE 8 ACTIVE OR TERMINATED NTMS BY MAST SUBCHAPTER



SOURCE: SENSE PARTNERS

The median duration of terminated NTMs on essential goods is 95 days, or three months (see Figure 9).

FIGURE 9 MEDIAN DURATION OF TERMINATED MEASURES



SOURCE: SENSE PARTNERS

## 4.5. Situating NTMs as part of the broader policy response to COVID-19

The WTO (2012) identifies two motivations for the use of NTMs:

- (i) Public policies that are welfare-enhancing for the domestic population.
- (ii) Policies motivated by exploiting market power or protecting domestic industries.

Some NTMs aimed at lifting society's welfare will have secondary trade impacts that are hard to mitigate without derailing the primary objective of the NTM in question.

NTMs can also have positive or negative indirect implications for wider government policy objectives. For example, the use of trade-restricting NTMs on food products can lead to shortages and price increases, which present challenges for development priorities such as food security and poverty reduction.<sup>19</sup>

### **COVID sparked a wide range of government actions beyond NTMs**

Throughout 2020, all APEC governments implemented public policy measures designed to stop the spread of COVID-19. These public health measures included closing schools, restricting or cancelling public events, restrictions on the number of people allowed together on social occasions, mandating the wearing of face masks, international travel controls and policies to encourage, or make mandatory, contact tracing.

Governments also moved to cushion the economic fall-out of COVID-19 on households and businesses via wage subsidies, fiscal injections and debt relief, for example.

These health and economic policies were implemented rapidly to improve public health and economic resilience in response to the crisis. If the timing of the implementation of NTM policies matches these broader policy measures, this provides a degree of *prima facie* evidence that NTMs on essential goods fall into the first type of policy mentioned above – public policies primarily designed to lift or protect wellbeing.

This points to the importance of seeing trade policy as just one aspect, albeit an important one, of governments' broader public policy responses to emergencies such as pandemics.

### **We can use independently constructed measures to examine economies' public health and economic policy efforts**

Usefully, the Blavatnik School of Government at Oxford has consistently updated indices designed to monitor the strength and type of government responses to COVID-19:<sup>20</sup>

1. The **containment and health** index – this measures the strength of measures taken to contain and treat COVID-19, including public education campaigns, clear and open testing policies, contact tracing, emergency

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<sup>19</sup> See, for example, ABAC, 2016.

<sup>20</sup> See Blavatnik School of Government, 2021.

investment in healthcare, investment in vaccines, facial covering requirements and vaccination policy.

2. The **stringency** index – this measures the strictness of movement restrictions, including school closures, workplace closures, cancelling public events, restrictions on gatherings, closing public transport, stay at home requirements, restrictions on domestic and international travel.
3. The **economic support** index – this measures how strongly governments have acted to support the economy, including income support measures, debt or contract relief, fiscal measures and international support.

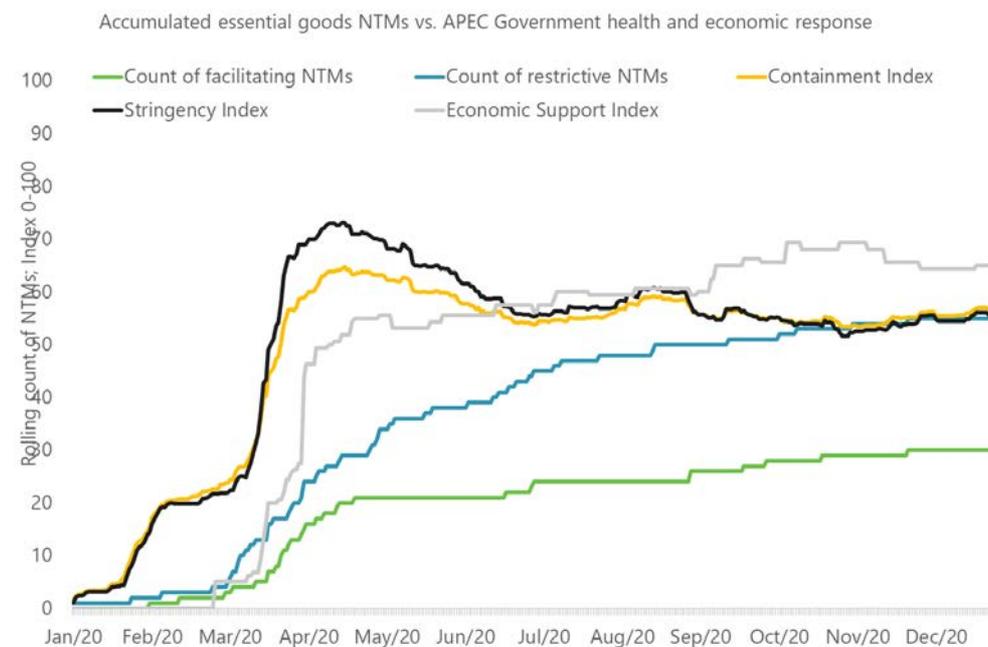
The daily indices have been constructed for every APEC economy, with scores between one and 100 reflecting the strength of government action on the measure in question.

We take a simple average across all APEC economies' indices to make an aggregate APEC index for each of the three key measures.

Figure 10 charts the cumulative NTM and tariff reductions over 2020 from Figure 1 against the three indices of COVID-19 related interventions. It shows both the stringency index and health containment index increase rapidly in March 2020 as the pandemic started to take hold.

It also shows the implementation of NTMs increased rapidly after the health measures and slightly in advance of the economic support measures put in place. This timing suggests to us that – in aggregate – NTMs on essential goods were part of APEC governments' suite of pandemic health responses, rather than a strategic response for political economy or protectionist purposes.

FIGURE 10 NUMBER OF NTMS IN APEC VS. OTHER WELFARE-IMPROVING COVID RESPONSES



SOURCE: SENSE PARTNERS

# 5. Case studies of APEC NTMs on essential goods

## 5.1. Overview and key themes

To provide more detail on some of the approaches used by APEC economies to manage the economic and health impacts of COVID-19, we invited APEC economies to prepare brief descriptive summaries of one or two NTMs introduced in their economies. They collectively illustrate the wide range of measures employed, some facilitating and some restrictive.<sup>21 22</sup>

Key lessons from these case studies include:

1. The NTMs have been implemented with a **legitimate public policy objective** in mind, which has been clearly stated. They do not appear to be designed to act as arbitrary trade barriers that seek to provide protection or ongoing competitive advantages to domestic producers.

This should reduce the risk that NTMs become the target of domestic lobby groups, who might ordinarily seek to retain rent-creating measures in place for longer than necessary.

2. They have been implemented in a **consultative** fashion, based on discussions with domestic business, traders and a range of government agencies. In some cases, feedback from businesses has prompted measures to be removed.

This promotes trade-restricting NTMs in particular being timely and temporary, rather than remaining in place longer than necessary to achieve the stated objective. And by consulting businesses on trade-facilitating measures, trade policy decision-makers are demonstrating they value the perspectives of those who experience the everyday impacts of trade policy measures.

In addition, such consultative processes provide a welcome legitimacy to trade policy decisions and could improve the social license of trading businesses, indicating they are seeking to provide relevant commercial information to officials to support broader, legitimate policy objectives.

3. **Supporting material** explaining the NTM has been published and the WTO notified.

This improves transparency and help businesses, consumers and officials – both in the home and overseas markets – have a clear understanding of what is being done and why.

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<sup>21</sup> Recall that we do not pass judgement in this report on whether restrictive measures are 'bad' and liberalising measures 'good'. And clearly one case study cannot be perceived to illustrate an economy's overall approach to managing the COVID-19 pandemic.

<sup>22</sup> Note that some sponsors provided one liberalising NTM and one restrictive NTM. Since there were similarities across economies, we have selected these case studies to demonstrate a range of coverage of different essential goods, the use of different types of NTMs and a mix of restrictive and liberalising measures.

4. These economies' **WTO MFN obligations have been taken into account** when designing NTMs. The case studies (and analysis of NTMs above) appear to be almost entirely implemented on a Most-Favoured Nation basis, rather than seeking to discriminate between trading partners.

This should reduce the risk of tit-for-tat trade tensions, which is undoubtedly the last thing APEC economies need during economic and health crises.

5. **Flexibility and creativity** have been shown in the application of these NTMs. For example, exemptions from facemask export restrictions were provided for some stakeholders who were obviously not the intended targets of the policy. And some high-risk product groups continued to require paper-based certification to provide an extra layer of safety checks.

This flexibility matters because it highlights NTMs are not simply 'one size fits all' with little regard for distributional impacts or unintended consequences. When designed thoughtfully, the **unintended costs of NTMs can be reduced** without any negative impact on achieving their primary goal.

6. **Digitisation** – the replacement of paper-based processes with digital ones – has been an important development around customs paperwork. This demonstrates the agility and responsiveness of customs agencies in addressing unforeseen challenges and should act as a spur to greater digitisation across supply chains in APEC. This will reduce transaction costs and hence prices, which should improve consumers' purchasing power and living standards.

In short, based on our data analysis and these case studies, APEC economies appear to have had regard to the APEC Cross Cutting Principles on Non-Tariff Measures (NTMs), including their reference to WTO obligations, while designing policies during the COVID-19 pandemic.

## 5.2. Australia: temporary export controls to prevent hoarding and racketeering

Australia implemented transparent, targeted, proportionate, and time-limited measures to address threats to the supply of key goods as the scale of the pandemic and public health challenge became clearer in early 2020.

On 23 March 2020, Australia announced temporary export controls to limit the hoarding, non-commercial export and profiteering of personal protective equipment and disinfectants that contribute to controlling and preventing the spread of COVID 19.

The measures were implemented in response to instances of individuals and criminal syndicates purchasing such products in bulk from retail outlets, with the intent of profiteering.

Relevant government agencies consulted closely with stakeholders to ensure the measures were transparent, targeted and proportionate. The export restrictions did not apply to legitimate commercial businesses or humanitarian organisations, which continued to export these products. Ongoing trade in other products was not impacted.

There were also exemptions for personal and family use. A Government review determined the measure had fulfilled its purpose and it was repealed in December 2020.

Details of the measure were published in a Customs Notice on Australia's public Customs website at the point of introduction and repeal, which was also emailed to effected businesses and organisations. The implementation and repeal were also notified in Quantitative Restriction notifications to the World Trade Organization.

#### **UN MAST P12: Authorization or permit requirements to export**

### **5.3. Singapore: temporary relaxation of import licensing requirements for medical equipment**

In view of the limited global supply coupled with accelerated demand for certain medical devices and products, the Health Science Authority of Singapore (HSA) temporarily liberalised its import regulations for surgical masks; particulate respirators (such as N95 masks); thermometers for measuring human body temperature; and any protective gear for medical professionals (such as isolation gowns and gloves).<sup>23</sup>

Since 31 January 2020, HSA has not required importers of these products and devices to obtain an importer's license. Instead, prior to importation, importers are only required to notify HSA of their intention to import, as well as provide information on the brand and quantity of the products and devices to be imported into Singapore.

To minimise the risk of sub-standard products being brought into Singapore, importers are required to maintain proper sales and distribution records, which would need to be submitted when necessary. These measures remain in effect at the point of publication.

Such a measure on the temporary relaxation of import licensing requirements, coupled with Singapore's non-imposition of export prohibitions and restrictions on these medical devices and products, ensures that disruptions to supply chains for these products are minimised and unimpeded flows of these products to and from Singapore can take place, at a time when global demands have significantly increased.

#### **UN MAST E125: Licensing for the protection of public health (relaxation of)**

### **5.4. China: facilitating clearance for medical supplies**

The Chinese government set up a sub-group under its ad hoc COVID-19 Working Group to ensure fast clearance of medical supplies. For imported supplies, all local Customs are required to open exclusive counters and green lanes 24/7 to ensure fast clearance.

Facilitated clearance without delays is provided for imported pharmaceuticals, disinfection supplies, protective suits, treatment equipment and other supplies. For exports, green lanes are provided 24/7 to minimise clearance time and expedite time to markets.

#### **UN MAST C1: Pre-shipment inspection**

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<sup>23</sup> See Health Science Authority of Singapore, 2020.

## 5.5. Canada: the use of email for paper release documents

The Canada Border Services Agency (CBSA) has implemented an e-Longroom initiative, which created a new process for providing electronic copies of release documents to the CBSA, thereby further reducing the paper burden to traders.

Prior to implementing the e-Longroom initiative, the CBSA already received over 95% of release requests electronically via Electronic Data Interchange (EDI), including goods regulated by other government departments as a result of the Single Window Initiative. However, paper submissions were still required in several cases where EDI was not available. In these cases, rejection of a request could result in multiple trips to the customs office.

The e-Longroom initiative initially focused on imports and allows for most of the remaining 5% of submissions to be made electronically. While this does not change the timing of presenting permits, once fully implemented, it will result in a completely digital and nationally consistent process, allowing non-conforming requests to be rejected by email.

This initiative was developed with the assistance of stakeholders through the CBSA's Border Commercial Consultative Committee and will remain in place following the pandemic. However, CITES and Kimberley permits must still be presented in hard copy.

The initiative provides a more efficient, flexible and resilient process for both the CBSA and its clients relative to the previous system:

- Faster and more convenient process, as clients can submit requests from anywhere, and CBSA staff can authorize requests from anywhere by applying an electronic stamp,
- Protects CBSA employees and the employees of clients by reducing face-to-face interaction in CBSA offices.
- Provides a comprehensive audit trail with automated tracking of time of receipt, rejection (if applicable), and return of documents.
- Saves costs on handling, transport, off-site storage and paper destruction.

Stakeholders advised that the service is working well, and the timing was very fortunate in mitigating impacts from COVID-19. The initiative is now being expanded to cover export permits.

**UN MAST C9: Pre-shipment inspection and other formalities (other formalities not elsewhere specified)**

## 5.6. Malaysia: export prohibition on facemasks

In light of growing COVID-19 case numbers as well as grave concerns over public health due to demand for face masks rapidly outstripping supply in the domestic market, the

Government announced export prohibition on face masks effective 18 March 2020 and 20 March 2020 under two relevant customs orders.

For transparency purposes, the orders were published through a Federal Government Gazette dated 12 March 2020 and 19 March 2020, respectively. In line with Malaysia's international commitments and obligations under the WTO, this export prohibition was also notified in April 2020.<sup>24</sup>

Under the Gazettes, exporting four types of face mask<sup>25</sup> is prohibited, unless they are accompanied with the letter of approval issued by the Controller of Supplies, Ministry of Domestic Trade and Consumer Affairs under the Control of Supplies Act 1961.

This application of the export prohibition is non-discriminatory as it is enforced across the board, including local manufacturers and traders of the product. However, to facilitate businesses, and in parallel to minimise potential adverse impacts on global supply chains, flexibilities were accorded by the authority to verified producers in clearing their ready stocks, produced before the prohibition measure took effect.

To ensure this emergency measure is targeted and proportionate to address COVID-19 as well as to fulfil its legitimate objective, surveillance and random sampling was regularly conducted to ascertain the sufficiency of face mask supplies in the domestic market.

Given improved conditions, the Government on 10 June 2020 agreed to relax the export prohibition measure and subsequently allowed businesses to resume their export activities, subject to a ceiling set at 50% of their installed production capacity. Further reviews will depend on a holistic assessment of the state of COVID-19 globally and in Malaysia.

While the current restriction on exports of surgical masks is in place, other measures affecting the imports of facemask have been employed, including the non-imposition of import duties and sales taxes on facemasks to facilitate imports. This means face masks do not attract the usual 20% import duty and imposed 10% sales tax.

#### **UN MAST P31: Export prohibition**

## **5.7. New Zealand: 24-hour enquiry points for trade and supply chain enquiries**

The New Zealand Customs Service (Customs) focused on keeping trade flowing via providing support and guidance on COVID-19 related issues and trade queries to importers, exporters, ports, customs brokers, and warehousing, transport and logistics operators.

Dedicated on-call enquiry teams were established for queries relating to the border clearance of essential goods and services, in accordance with the WTO Trade Facilitation Agreement Article 1(3). Examples of the work included:

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<sup>24</sup> See WTO, 2020.

<sup>25</sup> Face mask (surgical/medical) 1 ply (ear loop), HS 6307904000; Face mask (surgical/medical) 2 ply (ear loop), HS 6307904000; Face mask (surgical/medical) 3 ply (ear loop/ head loop/head tie-on), HS 6307904000; Face mask (surgical/medical) N95, HS6307904000.

- Working directly with importers and manufacturers of essential supplies (such as PPE or hand sanitisers) to monitor, facilitate or approve shipments. Customs maintained its high standards of trade facilitation and proactively ensured that essential goods were cleared with no delays.
- Proactively contacting importers of PPE to check what imports they had under way to inform the All-of-Government response to COVID-19.
- Supporting New Zealand exporters of essential goods to address specific queries about border issues in other markets and working with other government agencies to support overseas manufacturers of essential health products.
- Customs also provided guidance to importers and exporters to ensure that non-essential goods could be moved from ports to storage areas while at the same time meeting all the necessary health precautions. This process was developed to avoid bottlenecks at ports with non-essential cargo.

#### **UN MAST C1: Pre-shipment inspection**

### **5.8. Peru: digital SPS certification**

Since the beginning of the COVID-19 pandemic and the lockdown in Peru, it suddenly became impossible for exporters, government officials and our trade partners to comply with existing regulations on sanitary issues related to the presentation of paper health certificates for importing and exporting food.

In order to avoid trade disruption, sanitary authorities digitalized their certification process, including security tools such as QR codes and digital signatures. And through the Peruvian single window, it was possible to verify the authenticity of all certifications. Peru also started to accept virtual or electronic versions of fisheries and food certificates from its trade partners.

Those facilitating measures were communicated to the WTO SPS Committee through the following documents: G/SPS/GEN/1783, G/SPS/GEN/1815 and G/SPS/GEN/1821.

Peru is looking to maintain the digital certification of fisheries and food and promote the use of electronic certification for other groups of products and other areas, such as ePhyto.

In the Pacific Alliance trade agreement, Member economies have agreed to facilitate the exchange of some certificates through their single windows permanently. This work is currently in implementation and it is expected to have a significant facilitating impact on trade.

#### **UN MAST A14/A15: Authorization requirement for SPS reasons for importing certain products/for importers**

## 6. Options for APEC initiatives

The analysis above demonstrates the breadth of approaches APEC economies have taken to encourage the supply of essential goods during COVID-19. They moved quickly to address legitimate social welfare and economic concerns, and many removed restrictive NTMs once they had served their purpose.

Three key themes emerge from the analysis and case studies above:

1. **Defining essential goods:** There is no consistent and detailed definition of ‘essential goods’ across APEC economies. This hinders high quality data collection and empirical or policy analysis of NTMs on these products.
2. **Trade facilitation:** Many economies have responded to COVID-19 not by putting up trade barriers, but by taking concrete steps to reduce transaction costs (and hence improve efficiency) for traders. Examples from the data analysis include reducing internal taxes and duties (as well as import tariffs), easing import licensing and authorisation requirements.
3. **Digitisation:** Related, and as also outlined in the case studies, APEC economies have moved at pace towards the digitisation of trade-related processes. This appears to have been well received by businesses and once appropriate systems are in place, will also reduce administrative costs for customs agencies.

With these themes in mind, we suggest the following three initiatives could be considered by APEC economies in 2021 and beyond. All have the potential to inject momentum and materiality to the APEC Putrajaya Vision 2040.

### 6.1. Agree on a list of essential goods

As outlined in section 2, there is no commonly agreed and detailed definition of the types of essential goods that are desirable to keep flowing in the event of a pandemic.

The latest WCO/WHO Harmonised System classification<sup>26</sup> for critical medicines, vaccines and associated medical supplies is an obvious source. But a similar level of detail is required for other essential goods, such as food and agricultural products.

Along with the WCO/WHO classification, Annexes I and II of the ‘New Zealand-Singapore Declaration on Trade in Essential Goods for Combating the COVID-19 Pandemic’ provide a launching pad for APEC economies to determine an “Agreed APEC List of Essential Goods”, ideally at a detailed level of the Harmonised System (such as HS6).

Agreeing such a list would provide a common basis for future discussions around the necessity or desirability of NTMs on these products. It would also facilitate economy-by-economy empirical research into the price or quantity impacts of NTMs on essential goods.

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<sup>26</sup> See World Customs Organisation and World Health Organisation, 2021.

This would support evidence-based policy-making for the remainder of the COVID-19 pandemic. It could also inform preparation for future pandemics, although we recognise that not all pandemics are the same and the core list of essential goods will necessarily need to be adjusted to be fit for purpose.

We suggest APEC would be a useful forum for agreeing on an essential goods list because many of its economies have already started such a process (see examples in section below on a Declaration). As such, APEC could play an incubator role in taking existing partial lists and consolidating them into a consistent single list.

The list would not have any binding implications for APEC members, so it should be able to be agreed faster than via a similar process at the WTO. The WHO is clearly well-placed to provide lists of goods related to medicines, PPE and medical equipment, but our definition of essential goods includes food and agricultural products.

## 6.2. Widen support for a Declaration on essential goods

To demonstrate their commitment to using NTMs and other trade policy instruments for legitimate policy objectives in a best-practice fashion, more APEC economies could sign up to the 'Joint Ministerial Statement affirming commitment to ensuring supply chain connectivity amidst the COVID-19 situation'<sup>27</sup>, to which Australia, Brunei Darussalam, Canada, Chile, China, New Zealand and Singapore have already committed.

Several APEC economies presented 'The Ottawa Group Trade and Health Initiative'<sup>28</sup> to the WTO in November 2020. Non-Ottawa Group APEC economies could also consider signing up to this initiative, or an expanded version of it.

An alternative approach would be APEC-wide support for an expanded version of the New Zealand-Singapore Declaration that also includes essential services.

APEC members could also use such initiatives as a springboard to work towards a more formal negotiated agreement in time. APEC is not a negotiating body, but if there is a sufficient groundswell of Asia-Pacific support for encouraging the flow of now-defined essential goods, there may be an opportunity to explore the negotiation of a plurilateral Essential Goods and Services Trade Agreement amongst members.

Ideally this would be an APEC-wide agreement to demonstrate the collective view of members – and send a powerful message to the rest of the world – that tariffs and restrictive non-tariff measures to trade in essential goods, and restrictions on providers of essential services such as medical research, can be reduced or removed, for example, through a plurilateral negotiation.

We don't pretend such a negotiation would be simple, and its precise scope and modalities would require further thought.

But at a time when regional integration has been stretched through supply chain disruptions, wider support by APEC economies to encourage the free flow of essential

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<sup>27</sup> New Zealand Government and Singapore Government, 2020.

<sup>28</sup> WTO General Council, 2020.

goods and services – be that through voluntary Declarations or potentially a negotiated agreement – would be a bold and wellbeing-improving step.

### 6.3. Develop a Trade Facilitation Agreement Fast-Track Roadmap

Several APEC economies have implemented trade facilitating measures at their borders to improve the ease of importing and exporting essential goods. This does not appear to have been at the expense of protecting health and safety. One of the key economic benefits of trade facilitation measures is they are almost always productivity and welfare enhancing for all parties involved in transactions.

Unlike tariffs or restrictive NTMs, there is no economic rent lost by domestic producers that have previously been forced to use more cumbersome bureaucratic procedures to get their essential goods to and from markets. This should reduce domestic opposition and lobbying for the status quo.

Producers' transaction costs would fall, either improving their price competitiveness or improving margins. Consumers should also benefit through the potential for lower prices, provided there is sufficient market competition.

This suggests there may be merit in APEC economies jointly committing to a TFA Fast-Track Roadmap to materially accelerate their WTO Trade Facilitation Agreement commitments, as has been proposed by some APEC members at the WTO Trade Facilitation Committee in recent months.<sup>29 30</sup> This would benefit trade across all types of goods, including essential goods, and would position APEC economies to be better prepared for future pandemics or other external shocks such as natural disasters.

If APEC economies agreed, this Roadmap could include an agreement to provide encouragement non-APEC members as well. This would recognise that the benefits of trade facilitation measures to APEC economies are greater the more economies are involved, regardless of whether they are APEC members (as more export destinations and import sources would be encompassed).

Key TFA articles of focus, as outlined by those promoting an acceleration of implementation at the WTO, could include:

- Greater use of electronic payments
- Accelerated use of digitisation for border processes.
- Pre-arrival processing/advance filing of electronic declarations to reduce border delays.
- Expedited shipments.

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<sup>29</sup> World Trade Organisation Trade Facilitation Committee, 2020.

<sup>30</sup> Also see, for example, Duval, 2020.

- Not withholding essential goods while products are classified and/or valued for the purpose of calculating duties and tariffs to be paid.
- Greater border agency cooperation.

This would be a good example of an outwards-looking APEC initiative that promotes multilateral action to reduce trade costs and improve wellbeing, while also supporting fiscally constrained economies for whom this may not be an immediate priority in the wake of COVID-19.

## 7. Future research ideas

This project has been completed within a tight timeframe and limited resources. As we acknowledge in section 1.3, it was not possible to carry out as fulsome an empirical analysis as would be desirable.

Opportunities for future research could include:

- Further investigation into the amount of trade covered by NTMs on essential goods across APEC, both for restrictive and facilitating measures. This requires collating trade data in essential goods in APEC, using our definition or one subsequently agreed by APEC members, as a first step.
- Econometric estimation of the ad valorem equivalents (AVEs) of these NTMs. If some AVEs are less than zero, this may provide insights into which trade-facilitating NTMs are good candidates to be left in place permanently.
- Using computable general equilibrium models to demonstrate the positive and negative economic impacts of NTMs on essential goods within APEC. This would draw on the AVEs estimated above and could helpfully illustrate how regional supply chains can be helped or hindered by NTMs, and who bears their costs and benefits. Such a study could also look at the domestic production of essential goods and how it responds to changes in trade policy or other government initiatives.
- Broader social cost-benefit analysis that seeks to compare the legitimate public policy benefits (e.g. health improvements or reduced disease spread) with the economic costs of trade-restrictive NTMs on essential goods.
- Exploring how NTMs can make a meaningful contribution to consumers' concerns regarding important social issues outside of health objectives.

One fruitful area could be a project applying the APEC Cross Cutting Principles on Non-tariff Measures (NTMs) to environmental goods and services with a view to identifying best practices and sharing views on how NTMs can be used to both promote welfare-enhancing trade and reduce greenhouse gas emissions and other negative environmental impacts.

# Annex A Data cleaning and collation

## Data organisation

We organised the various data sources into one spreadsheet with the following columns:

1. Data source.
2. ID (for GTA entries).
3. Implementing APEC economy.
4. Economies affected by NTM (i.e. is it economy-specific or applicable to all economies?)
5. Type of intervention, using MAST subchapter descriptions.
6. MAST chapter code.
7. MAST subchapter code.
8. Brief description of measure.
9. Type of essential goods affected.
10. Effect of NTMs: 'Facilitating' or 'Restrictive', using the GTA definition.

This approach relies less on the stated intent of the policy and more on its practical effects for competing domestic and foreign commercial interests. Trade restricting measures likely worsen the relative treatment of foreign commercial interests; trade facilitating measures likely improve, or at least do not harm their relative treatment.<sup>31</sup>

11. Date NTM implemented.<sup>32</sup>
12. Date NTM revoked (or recorded as 'Open-ended').<sup>33</sup>
13. Days in force (when revoked).
14. Links to supporting documentation.

It was not feasible within the research timeframe to include the precise HS codes for each measure. This is largely because of the use of multiple data sets, some of which reported HS codes but most of which did not.

In addition, many of the descriptions provided were insufficiently detailed to allow the identification of HS codes; and several covered a range of essential goods in one description. This unfortunately precluded any further analysis of trade coverage.

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<sup>31</sup> See Evenett, 2019, for a more detailed discussion; notably page 6 and footnotes 23, 24, 45.

<sup>32</sup> Noting that measures are often announced before they are implemented in practice.

<sup>33</sup> It proved challenging to find revocation dates in many cases. Unless those dates were included when the measure was announced and recorded, we had to assume the measure was open-ended.

## Data cleaning

In the consolidated data set, we first checked any available supporting material (e.g. GTA records, MacMap links, WTO notification records) to populate the columns listed above.

This involved manually reviewing some 7,000 COVID entries from the GTA data request spreadsheet<sup>34</sup>, 870 from the GTA COVID spreadsheet, around 400 from the WTO sources, 350 from MacMap, and 65 from UNCTAD. Google Translate was used extensively to review government announcements provided as supporting material in the data sources.

We then removed NTMs that met one or more of the following disqualifying criteria:<sup>35</sup>

1. Not implemented in calendar year 2020.
2. Trade-related but clearly not about COVID-19 (such as anti-dumping measures related to long-standing trade disputes).
3. Duplicates of other entries from other data sources.<sup>36</sup>
4. Refers to the extension or removal of a previously included measure.<sup>37</sup>
5. Is a very broad measure of government support that is not focused on essential goods.
6. Was not able to be verified using official government documentation, or at minimum multiple non-official sources.

Boundary issues arose frequently in this process. For example:

- Measures often appeared similar but were described differently, requiring investigation of any supporting material to check for duplication.
- It was not sufficient merely for an NTM on essential goods to have been introduced during 2020 – it had to be clearly linked to the COVID-19 pandemic based on available documentation.
- Similarly, if an NTM was introduced that affected all goods or a wide swathe of products, not just essential goods, we judged it to be out of scope.

In short, we **focus only on measures that are clearly and obviously COVID-19-related and targeted at our definition of essential goods**. We recognise that our approach requires a degree of professional judgement and subjectivity, but this is unavoidable in a research process such as this one.

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<sup>34</sup> Admittedly, many rows were the same measure applied to different economies.

<sup>35</sup> All deleted entries have been logged, along with the reason(s) for their removal.

<sup>36</sup> In the case of duplicates, we took WTO notifications as the preferred entry. If a WTO entry was not recorded, we used the entry from the GTA data request. If neither of those was present, we used MacMap or the GTA COVID sources.

<sup>37</sup> That is, each measure is included only once, rather than once for entering into force and once for being revoked. This means only the measure's initial effects on trade are recorded. The alternative is to include each revoked measure as having (say) restrictive effects when introduced, then liberalising once revoked, which did not seem practical or informative.

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