

GENEVA TRADE WEEK***LEARNING FROM THE COVID-19 PANDEMIC:******HOW TO SECURE STABLE TRADE FLOWS IN******TIMES OF GLOBAL HEALTH CRISIS*****DDG ALAN WM. WOLFF****02 OCTOBER 2020****Organizers:** Canada, Sweden and Switzerland**Platform:** Online**Moderator:** Swiss Ambassador Didier Chambovey**Other panellists:** Anabel González (Peterson Institute); Mariângela Simão (Assistant Director-General for Access to Medicines and Health Products, WHO); Pamela Steele, Supply Chain Transformation Director, Pamela Steele Associates Ltd.

My thanks to Ambassador Didier Chambovey for the invitation to join this panel today at Geneva Trade Week on *LEARNING FROM THE COVID-19 PANDEMIC: HOW TO SECURE STABLE TRADE FLOWS IN TIMES OF GLOBAL HEALTH CRISIS*. *I will seek to answer the following questions which have been put to me.*

Q. One of the most effective means of addressing this crisis was through timely, accurate information. To this end, the WTO compiled trade measures taken in the context of the

crisis. What are the main conclusions one can take from this data? What has been the evolution in trade measures taken by Members since the early stages of the pandemic?

Very early in the crisis, it became clear that governments were using trade policy tools as part of their efforts to increase the availability -- primarily for home market consumption -- of personal protective equipment, ventilators, and other essential products.

Promoting transparency in the trading system is one of the WTO's core functions, so we quickly put together a group of experts from across the Secretariat to track the proliferation of trade measures taken in response to the crisis, and to conduct wider analysis of how the pandemic was affecting world trade. Members have engaged constructively with this work, and on the WTO's COVID-19 page, you can find both the analysis and a constantly updated list of trade measures.

The story about how trade measures have evolved through the crisis can be summed up as follows: early on, as key supplies suddenly became scarce, we saw many export bans on medical products and even food. But this was followed quickly by measures to facilitate imports, including lowering tariffs and other taxes on such products as PPE, sanitizers, disinfectants, medical equipment and medicines; simplifying customs procedures and documentation requirements; establishing priority channels; and cooperating on customs and regulatory approval. Many of the export bans have been repealed, though the momentum here may be faltering.

Of the several hundred COVID-specific measures compiled from February through the end of August, 63% could be considered trade facilitating, and the remaining 37% trade restrictive. Around 22% of the trade restrictive measures implemented by G20 economies have been repealed.

An important takeaway here is that trade is helping meet demand for essential products. In March, the WHO estimated that rising demand for personal protective equipment meant that manufacturing would have to increase by 40 per cent. Preliminary trade data from 94 economies suggests that in the first half of 2020, global trade in a set of COVID-critical products including PPE, hand sanitizer and ventilators was 30% higher than in the first half of last year. This is not to jump to a conclusion that periodic or localized shortages no longer exist for certain products, even in major markets. But it makes clear that closing markets is not the route to supply security.

A number of Members, including those on this panel, rose to the challenge. They did not wait for all Members to act in unison before they announced their own pro-trade remedial measures -- what they would do and what they would refrain from doing. A number of Members signed on to these declarations. This was the start of crafting a necessary systemic response.

In your speeches on Covid-19 from the past six months, you regularly underlined the importance of transparency and cooperation. How to improve exchange of information and cooperation between Members and international organizations in future health

emergencies? How to further streamline the notification process and make sure that

Members notify?

The pandemic has shown the importance of institutionalized transparency and cooperation. Being able to gain access to information about other countries' trade measures in real time makes well-informed national policy decisions possible. Many Members helped the WTO monitoring process by sharing information on a continuous basis and by expressing support for the exercise. In the WTO system, nothing can replace the willingness of Members to cooperate and provide transparency.

We also rely upon other international organizations, with each drawing on their comparative advantage to bring useful information to the table. For instance, the World Health Organization drew on its expertise to identify key medicines and medical supplies, while the World Customs Organization identified the HS classification codes for each product. The WTO produced information notes to synthesize what all are doing in their various realms. An upcoming note which is very relevant addresses the trade policy issues involved in the transmission of animal diseases to humans (zoonotic diseases).

As with any system, there is scope for improvement. This is true for the trade monitoring exercise as well as for Members' formal notifications. I participated in a Geneva Trade Week panel yesterday afternoon and we discussed a number of improvements that could be made. My remarks are available on the WTO website.

https://www.wto.org/english/news_e/news20_e/ddgaw_01oct20_e.htm

What more could be done by the WTO more generally?

I like to watch political television series, where there is a crisis in every episode. These programs include, from the U.S. years ago, *The West Wing*, from Denmark, *Borgen*, in France, *Marseille*, and now from Norway, *Occupied*. In each case, there is a strong individual, a leader who comes up with solutions.

The WTO does not have an executive branch, but temporary chairs, and usually, a Director-General, each of these officials, however talented, has a different mandate than does a national leader, their job is primarily to forge a consensus.

What could can be done differently if this form of governance is maintained? Any group of Members or chair can ask the Secretariat to gather together all the possible responses to a crisis – including improvements in monitoring. It would be the first thing that any of the fictional leaders from the TV series should do, a although they don't do so because they always already know the solution to every problem themselves.

In the future, the WTO Secretariat can be more forward-leaning and at least collect the best ideas or even plausible ones and make them available to the Members for their action. The Members can decide how they wish to organize their discussion of options.

We cannot lapse into a habit of lassitude, as if there were no possible trade responses to a crisis, whether the crisis takes the form of human or animal disease, serious weather-related events, or a financial crisis. Or even an institutional crisis of our own making.

We in the Secretariat, and our Members here and in capitals, need to consider how to better engage in forward planning for the global trading system. This will require a dedicated effort. In the meantime, there is a pandemic to deal with, and of course there are a range of systemic trade responses available which deserve our immediate attention.

Even before the pandemic, Members were debating ways to improve the WTO's transparency function, with a number of proposals for encouraging prompt and accurate notification. At a minimum, results are needed on this front. But that is a minimum. I take the G20 call for WTO reform as a call which we all must heed to take a wider look at global rules and securing stable trade flows in this and future crises, and during more normal times.

The multilateral trading system was founded by officials whose vision has brought us to a far better world, even if we cannot always see it that way. It is far better than the one they had experienced in the first half of the 20th century. But the system they designed with its emergency rules – whether they relate to export restrictions or health and safety measures – are designed for a world of emergencies that are national or contained to a specific region. Preparing for a world of more simultaneous and system-wide crises – whether due to health or climate change – requires fresh thinking of the kinds of trade rules that would best support the well-being of the peoples the trading system must serve.

How can policy makers guarantee that supply chains remain open and protect trade flows from disruptions caused by health crises, in order to avoid shortages of essential goods?

First, we need to keep trade flows open, and keep cooperation at the forefront.

- In the early phase of the pandemic, medical equipment was suddenly in short supply. Domestic manufacturing could not immediately respond. Now, the shortages of medical equipment encountered around the world have eased, as production and trade have expanded to meet the demand spike.

Trade is playing its part. The WTO toolbox can help members adopt and implement policies to facilitate trade.

There have been efforts by many governments to facilitate the imports of certain medical products and personal protective equipment. Facilitation measures have included eliminating import tariffs, establishing priority clearance channels, lessening and simplifying documentary requirements, and cooperating with other border agencies. Duties, taxes and charges on COVID-19-critical medical goods and other essential supplies have been temporarily removed or deferred by 40 WTO members, including 12 G20 members.

At the same time, global shortages of several products led many governments to impose certain export-restrictive measures. Restrictions for short supply situations are allowed. But export restrictions should be targeted, proportionate, transparent and

temporary. Most of the export-restrictive measures implemented in response to the pandemic were described as temporary, and many have already been removed.

Second, we need to consider how best to manage risks.

Government officials are not just thinking about managing supply but also about how to build and manage emergency stockpiles in a scenario of heightened uncertainty. This must be thought of in a sustainable way. Public stockpiling is expensive, and recent experience provides clear evidence that the commitment to maintaining stockpiles erodes over time. Moreover, attempting to build up a reserve of spare or easily diverted manufacturing capacity would be expensive, and demand resources that could have been deployed elsewhere.

A solution which considers a regional or multilateral perspective has the potential to be more robust, more resilient. Demand peaks could happen in different places for different goods and services. The more agility, flexibility, and certainty that is built into these arrangements, the better.

What efforts are undertaken by the private sector to make supply chains more resilient in times of emergency and how can trade policy contribute to these efforts?

It is essential to listen to the private sector. After all, they are the ones operating within the rules negotiated in the system.

In May¹, business leaders stressed the importance of maintaining an uninterrupted supply of essential goods and services at times of crisis. They also underlined the value of digital investments, from financial services to digital connectivity.

- They called for an effective and rapid implementation of the WTO's Trade Facilitation Agreement.
- Participants underlined the importance of international policy coordination and urged governments to see trade as a complement to domestic production.
- More specifically, business representatives made the following suggestions:
 - reduce tariffs on medicines and other essential products through initiatives such as a new and expanded WTO Pharma agreement.
 - put in place stronger disciplines on export controls and be vigilant regarding new import restrictions.
 - negotiate transparent, harmonized rules on digital trade and invest more in data digitization.
 - accelerate the circular economy and focus on initiatives that promote sustainable development.
 - refrain from imposing additional tax burdens in the post-pandemic recovery, particularly digital taxes, which could stunt recovery, and
 - notify all crisis response measures to WTO

¹ Trade Dialogues meeting - https://www.wto.org/english/news_e/news20_e/trdia_19may20_e.htm

We must also pay more attention to small and medium enterprises that have been seriously affected by the pandemic.

Small businesses are prevalent in sectors like tourism and food services, culture and retail — the very economic sectors most seriously affected by social distancing measures and transport restrictions. The smaller size of these enterprises also makes it harder for them to weather economic shocks. They typically have lower cash reserves and smaller supplier networks than large firms. Therefore, thinking about addressing the critical need to boost trade finance, especially for small and medium enterprises, is very important.

Some WTO members have introduced measures to expand trade opportunities for small and medium enterprises via customs-related measures, such as the streamlining of customs procedures or the reduction of customs duties, in particular on medical supplies and agricultural products. Digitalization can also help MSMEs overcome damaged supply chains by tapping into a wider range of international buyers and alternate suppliers.

How to make sure that trade restrictive measures taken by Members in response to a health crisis remain targeted, proportionate, transparent and temporary, and do not generate unnecessary barriers to trade and supply chains disruptions?

Transparency is essential to this end. For trade in goods and services to flow, traders and governments need to know the rules.

This allows WTO members to get acquainted with the measures being adopted across the board, so that well-informed national decisions can be made. It also allows those who

experiencing a negative impact to raise any issues and engage in the public debate of possible policies and measures.

The WTO has been very responsive on this front. The WTO system ensures transparency through various mechanisms and is helping to pool information within a multilateral platform. Our latest monitoring report covering the period mid-October 2019 to mid-May 2020 shows that 70% of the measures adopted in the period (256 in total) were linked to the COVID-19 pandemic. Of these 256 measures, 147 facilitated trade and 109 restricted trade.

Keeping measures transparent is vital to mitigate uncertainty.

High levels of uncertainty magnify the impact of trade costs on international trade. In the first quarter of 2020, for instance, a widely used measure for the global level of uncertainty² was 60 per cent higher than the levels triggered by the Iraq War and the Severe Acute Respiratory Syndrome (SARS) outbreak in 2003. Uncertainty reduces the appetite of firms to invest into new trading relationships, and the increase in uncertainty may also result in trade finance contraction that is likely to take a particularly heavy toll on emerging and developing economies.

² World Uncertainty Index, the measure is derived by counting the percent of word “uncertain” (or its variant) in the Economist Intelligence Unit country reports.

What new disciplines could be adopted to avoid similar disruptions in the future? How can trade rules incentivize WTO Members to cooperate in their policy reactions when that next emergency is declared?

There are a lot of specific ideas tabled by Members that can make the rules more suitable to deal with any future pandemic.

- A few of these ideas include:
 - **Transparency:** supporting the WTO notifications process and discussing how it can be streamlined further using digital tools. The resulting information can then be promptly made available to the public and it will be reliable and verified by the country imposing the measure. Another idea includes establishing a consultation mechanism between the relevant authorities of the signatory countries to identify and address trade disruptions that affect the trade in essential goods.
 - **Agriculture:** Advancing analysis and consideration on what steps WTO Members could take to continue improving agriculture trade based on the lessons learned from COVID-19.
 - **E-commerce:** Advancing the discussions on e-commerce at the WTO to a successful conclusion.
 - **Trade Facilitation:** Achieving more widespread and deeper implementation of the Trade Facilitation Agreement and encouraging more use of electronic means for customs processing, which minimize face-to-face interactions without lengthening processing times.

- **The Ottawa Group's Initiative on Medical Supplies Action Point:** discuss what steps WTO Members could take to facilitate trade in medical supplies to help ensure that the world is better positioned to deal with future health emergencies.

We also need to look at the changing economic landscape.

Covid-19 has exacerbated or accelerated a number of different processes, such as:

- More digital cross border trade
- More diversification in supply chain sourcing
- More automation of production and supply chain steps
- More flexible production processes

Ideally, the trading system would evolve to help support these efforts. The ongoing discussions on e-commerce, Investment Facilitation, Domestic Regulation in services are good examples of how WTO members are using the WTO platform to seize the opportunities they see in a dynamic trading system.

How can trade rules best support the response to COVID-19 and increase resilience for future pandemics?

Work towards more openness.

The world has witnessed a large wave of trade policy liberalization in the past three decades. However, estimates suggest that trade policy barriers and regulatory differences still account for at least 10 per cent of trade costs in all sectors. These include tariff and

nontariff measures, temporary trade barriers, regulatory differences and the costs of crossing borders, as well as other policies that impact trade, such as the lack of investment facilitation or intellectual property protection. Working to tackle these barriers could make a huge difference to facilitate trade flows.

Leverage the newest technologies.

During the pandemic, there have been moves to facilitate the border clearance of goods, with automated procedures that reduce the need for personal contact. For instance, some members notified the WTO that during the pandemic, they were accepting electronic veterinary and phytosanitary certificates, rather than the standard physical certificates. If kept in place, such measures could lower the cost of crossing borders.

The ongoing discussions at the WTO on e-commerce are of particular interest here. Leveraging technology also means building the necessary infrastructure. Improvements in ICT connectedness can help to mitigate the impact of travel restrictions and social distancing. Broadband and mobile coverage plays an especially important role for businesses that try to substitute physical delivery with digital interactions and need adequate access to ICT services. In the context of the COVID-19 pandemic, governments and private sector operators have been taking measures to enhance communications such as mobile and internet services, including by lowering the cost of internet access.

Strengthen the multilateral system

The WTO's contribution to post-COVID recovery would be substantially enhanced if members take forward the ongoing process of systemic reform. This would mean restoring the WTO to its intended role as a venue:

- where agreements are successfully negotiated to address pressing problems;
- where disputes are settled within a binding and universally accepted structure; and
- where members are actively served by a strong, dedicated, professional Secretariat.

WTO Members will have an opportunity to work with the new Director-General to place the multilateral trading system, and global trade, on an even better foundation for the future.

I believe that our 164 Members and the 23 countries seeking to join the WTO have strong common interests in a robust, effective and improved global trading system.

Next steps – build on the foundations that already exist

- **Improve the monitoring system**
- **Update the Pharmaceutical Agreement** – It was last updated in 2010. When it was negotiated, it covered 90% of world production. That figure is now 60%. Major producing countries now exist which were not major factors in trade in pharmaceuticals. The list of drugs also needs to be brought up to date. Consider if medical goods can be included.
- **Update the Information Technology Agreement.** The agreement was to be reviewed in 2018, but that has not happened. The coverage could usefully be viewed in the context of the pandemic, including advanced medical equipment.

- **Revive the Environmental Goods and Services Agreement negotiations.** Climate events have moved into our collective consciousness. The EGA should be viewed through that lens as well, as part of crisis mitigation. If the same configuration will get bogged down in definitional problems, see a higher-level approach.
- **E-commerce.** It is imperative that these talks come to a successful conclusion.
- **Trade finance.** The WTO has used its convening capacity to bring together financial institutions. Trade finance has not recovered from the financial crisis over a decade ago.
- **Targeted development assistance.** The Trade Facilitation Agreements needs to be more fully implemented. This will require stepping up technical assistance. Listen closely particularly to the least developed countries to better understand their needs.