

## KEY POINTS

- The COVID-19 pandemic has resulted in demand spike for selected products, prompting countries to introduce trade measures, particularly export restrictions and removal of tariffs to ensure the meeting of domestic demand. Whilst temporary, there is a risk of restrictive trade measures becoming more permanent.
- ASEAN has also seen the introduction of trade measures during the pandemic, although not comparatively more than other economies. More importantly, the region has committed to share information promptly, keep markets open, and ensure supply chain connectivity particularly for essential products.
- In addition to ensuring supply chain connectivity, ASEAN will need to optimise the role of trade in post-pandemic economic recovery, leverage on digital technologies to boost trade, take a more proactive role in the reform of the global trading system, and support the role of the private sector and other stakeholders in restoring confidence in the post-pandemic world.

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## Trade Measures in the Time of COVID-19: The Case of ASEAN

Alexander C. Chandra  
Irfan Mujahid  
Ruth K. Mahyassari \*

Beyond the adverse impact on economic growth,<sup>1</sup> the Coronavirus Disease 2019 (COVID-19) pandemic is also expected to hit trade and investment hard. Having been weighed down by the China-US trade tension and the slowing economic growth in the previous year, the World Trade Organization (WTO) projected global trade to plummet between 13% and 32% across every regions and all sectors in 2020.<sup>2</sup> The United Nations Conference on Trade and Development (UNCTAD) had also forecasted that global foreign direct investment (FDI) to decrease by up to 40% in 2020, from their 2019 value of USD 1.5 trillion, and this would bring FDI below USD 1 trillion for the first time since 2005, with FDI flows to the developing Asia to decline between 30% to 45%.<sup>3</sup> For ASEAN, this means a recovery from the 1.8% contraction in total trade in 2019 is highly unlikely and FDI inflows in the region are expected also to face strong downward pressure.

At the start of the crisis, many countries introduced trade restrictions, particularly exports to prioritise meeting the domestic demand. The measures were mostly accompanied by loosening of import restrictions of the goods in high demand, such as medicines, medical supplies, and food. The WTO reported that up to 80 countries and separate customs territories introduced export prohibitions or restrictions to date.<sup>4</sup> Whilst most of these measures are temporary and are intended mainly to reduce the spread of the virus, they also undermine the longer-term health and food security protection as countries lose access to essential goods to fight the pandemic,<sup>5</sup> particularly those smaller and import-dependent countries with no domestic production capacity. But the risks are also high if temporary trade policy changes erected during pandemic are used as permanent trade barriers.

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*\* Assistant Director, Senior Officer, and Officer of the Analysis and Monitoring on Trade, Industry, and Emerging Issues Division, respectively, of the ASEAN Secretariat.*

Recognising this, there is now growing interest amongst policy-makers and observers alike on the important role that trade policy can play in tackling the COVID-19 pandemic.<sup>6</sup> Apart from reducing the cost and improving the availability of essential goods and services, trade policy, when properly managed, will be instrumental in the eventual economic recovery and building resilience to future crises. This Policy Brief examines trade policy responses and measures that have been introduced across ASEAN in time of the COVID-19, as well as initiatives taken by the region to ensure that trade connectivity remains intact to facilitate post-pandemic economic recovery.

## Trade measures in time of COVID-19: A global overview

With the virus spreading across the globe, many countries have opted to close their borders, which, in turn, have had significant impacts on the economy. As a result of the loss of income and uncertainty about the future, demand for goods and services have been drastically reduced, whilst restrictions on international travel and border controls have increased the costs of doing business, and prevented tradeable goods and services from being supplied or consumed.<sup>7</sup>

**Table 1. Number of trade and trade-related measures during COVID-19**

Countries/territories	Total number of trade and trade-related measures per country/territory
<i>Trade and trade-related measures data collected by the WTO</i>	
India (1)	15
Brazil (1)	10
European Union (1)	9
Argentina (1)	7
Kazakhstan; United States (2)	6
Eurasian Economic Union; <b>Indonesia</b> ; and Japan (3)	5
Costa Rica; Paraguay; Russian Federation; Serbia; and Switzerland (5)	4
Canada; China; Columbia; Dominican Republic; Fiji; Turkey; Ukraine; and <b>Viet Nam</b> (8)	3
25 countries (including <b>Malaysia, Philippines, Singapore, and Thailand</b> )	2
28 countries (including <b>Myanmar</b> )	1
<b>Total trade measures</b>	<b>196</b>
<i>Trade and trade-related measures data collected by the ITC</i>	
India	9
Brazil	7
Argentina; Kazakhstan; and Turkey	6
China; Columbia; <b>Indonesia</b> ; Pakistan; Thailand; United States; and <b>Viet Nam</b>	5
Colombia; Ecuador; Eurasian Economic Union; Georgia; Iran; and Russia Federation	4
23 countries (including <b>Malaysia</b> )	3
30 countries (including <b>Cambodia, Myanmar, Philippines, and Singapore</b> )	2
67 countries (including <b>Lao PDR</b> )	1
<b>Total trade measures</b>	<b>285</b>

Source: WTO (n.d.); ITC (n.d.).

<sup>1</sup> In June the IMF further revised downward its global growth projection for 2020 at 4.9%, from 3.0% in April. For further information on the latest IMF's global growth forecast see IMF (2020).

<sup>2</sup> WTO (2020a: 1).

<sup>3</sup> UNCTAD (2020: 2; 38).

<sup>4</sup> WTO (2020b: 7).

<sup>5</sup> World Bank (2020a: 1).

<sup>6</sup> World Bank (2020: 1)

<sup>7</sup> Bekkers *et al.* (2020).

In another data set compiled by the International Trade Center (ITC), 139 economies were reported to have issued a total of 295 trade-related measures throughout the COVID-19 period. Out of these, 139 were liberalising, whilst 156 measures were restrictive. Amongst AMS, Indonesia, Thailand, and Viet Nam issued the highest number

of trade measures, each with five measures; followed by Malaysia with three measures; Cambodia, Myanmar, Philippines, and Singapore, each with two measures; and Lao PDR with one measure. Out of 28 trade measures issued by AMS, 15 were liberalising, whilst the rest were restrictive.

**Table 2. Type of trade measures**

Trade measures	Total trade measures			Under investigation			Terminated		
	Liberalising	Restrictive	Total	Liberalising	Restrictive	Total	Liberalising	Restrictive	Total
<b>Export measures</b>									
Conformity assessment	0	1	1	0	0	0	0	0	0
Export control	2	1	3	0	0	0	0	0	0
Export prohibition	1	88	89	0	0	0	0	29	29
Export quota	0	5	5	0	0	0	0	3	3
Licensing or permit requirements to export	2	31	33	0	0	0	0	5	5
Quarantine requirements	0	1	1	0	0	0	0	0	0
<b>Total export measures</b>	<b>5</b>	<b>127</b>	<b>132</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37</b>	<b>37</b>
<b>Import measures</b>									
Anti-dumping duty	3	0	3	0	0	0	0	0	0
Import ban/prohibition/restrictions	2	20	22	0	1	1	0	5	5
Import quota	1	0	1	0	0	0	0	0	0
Quarantine requirements	0	4	4	0	0	0	0	0	0
Tariff/import duties elimination	4	0	4	0	0	0	0	0	0
Tariff/import duties increase	0	3	3	0	1	1	0	0	0
Tariff/import duties reduction	108	0	108	2	0	2	5	0	5
Trade facilitation	16	2	18	0	0	0	3	0	3
<b>Total import measures</b>	<b>134</b>	<b>29</b>	<b>163</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>8</b>	<b>5</b>	<b>13</b>
<b>Total trade measures</b>	<b>139</b>	<b>156</b>	<b>295</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>8</b>	<b>42</b>	<b>50</b>

Source: ITC (n.d.).

In terms of specific trade measures, out of 295 trade measures reported by the ITC, 132 measures were focused on exports and the other 163 on imports.

An overwhelming number of export measures (127 out of 132) were restrictive, of which majority (89) were in the form of export prohibition.

This is in sharp contrast to import measures where majority of measures (134 out of 163) were liberalising. The import measures issued were in the form of tariff/import duties reduction, import ban or prohibitions, and trade facilitation measures.<sup>8</sup> Interestingly, as time progresses, up to 37 restrictive export measures had been terminated, compared to five termination of restrictive import measures.

### Trade in essential products

A major area of concern is the broad-based resort to export restrictions on essential products, such as vital medicines, medical supplies, and food.<sup>9</sup> Having already been subjected to relatively high import tariff even before the COVID-19 outbreak, restrictive trade measures issued throughout the pandemic further increases trade restrictions on these critical goods, whilst acknowledging there are also liberalising measures being introduced.

In general, medical products are categorised into four groups, namely: (1) medicines (including both dosified and bulk medicines); (2) medical supplies (consumable for hospital and laboratory use such as alcohol, syringes, gauze, reagents, etc.); (3) medical equipment and technology; and (4) personal protective equipment (e.g. hand soap and sanitiser, face mask, and protective spectacles). It was estimated that global trade of these medical products reached to about USD 597.0 billion in 2019, or 1.7% of total world trade.<sup>10</sup> Although the average most-favoured-nation (MFN) applied tariff (4.8%) on COVID-19 relevant medical products for

WTO Members is lower than the latest average applied tariff for all non-agricultural products (7.6%), tariffs on some of these medical products remain very high. For example, the average applied MFN tariff on medical supplies is 6.2%, whereas protective medical supplies have an average applied tariff of 11.5%,<sup>11</sup> or five times higher than those of medicines, which stands at 2.1%.<sup>12</sup> With the average bound rates five times higher than the average applied, there is generally a significant policy space in which ceiling bound tariff could be reduced by some 17 percentage points in each category before they reach the average MFN applied tariff rate.<sup>13</sup>

The COVID-19 pandemic also threatens food security due to its impact on global food supply chains and measures introduced to restrict trade. Whilst the pandemic does not create new problems, it exacerbates existing challenges as a result of changes to food supply. As it stands, global food supplies are healthy, but this could quickly be depleted as the pandemic disrupts food production and distribution.<sup>14</sup> As extreme weather conditions are becoming more common, signs of potential surge of global food price had already emerged even before the pandemic. As of June, Data from the WTO only shows a total of 12 food-related temporary restrictions issued by 11 economies, including one each by Myanmar and Viet Nam. Meanwhile, the ITC reported the issuance of 17 of such measures (16 related to export and one related to import) by 16 economies, including one each by Cambodia and the Philippines.

<sup>8</sup> Some restrictive trade facilitation measures are certification requirements to import products.

<sup>9</sup> Baldwin and Evenett (2020:1)

<sup>10</sup> WTO (2020).

<sup>11</sup> It is important to note that there is a significant variation in the tariffs applied to personal protective products. There are currently 29 WTO members that apply an average duty of 5% or less, but there are 47 Members that apply an average tariff of at least 15% on personal protective products. To date, hand sanitizers have an average tariff of 5%, face masks at 9.1%, whilst protective spectacles and visors at 19.1%.

<sup>12</sup> WTO, *Op. Cit.*, pp. 7-8

<sup>13</sup> *Ibid.*, p. 9.

<sup>14</sup> Reinhart and Subbaraman (2020).

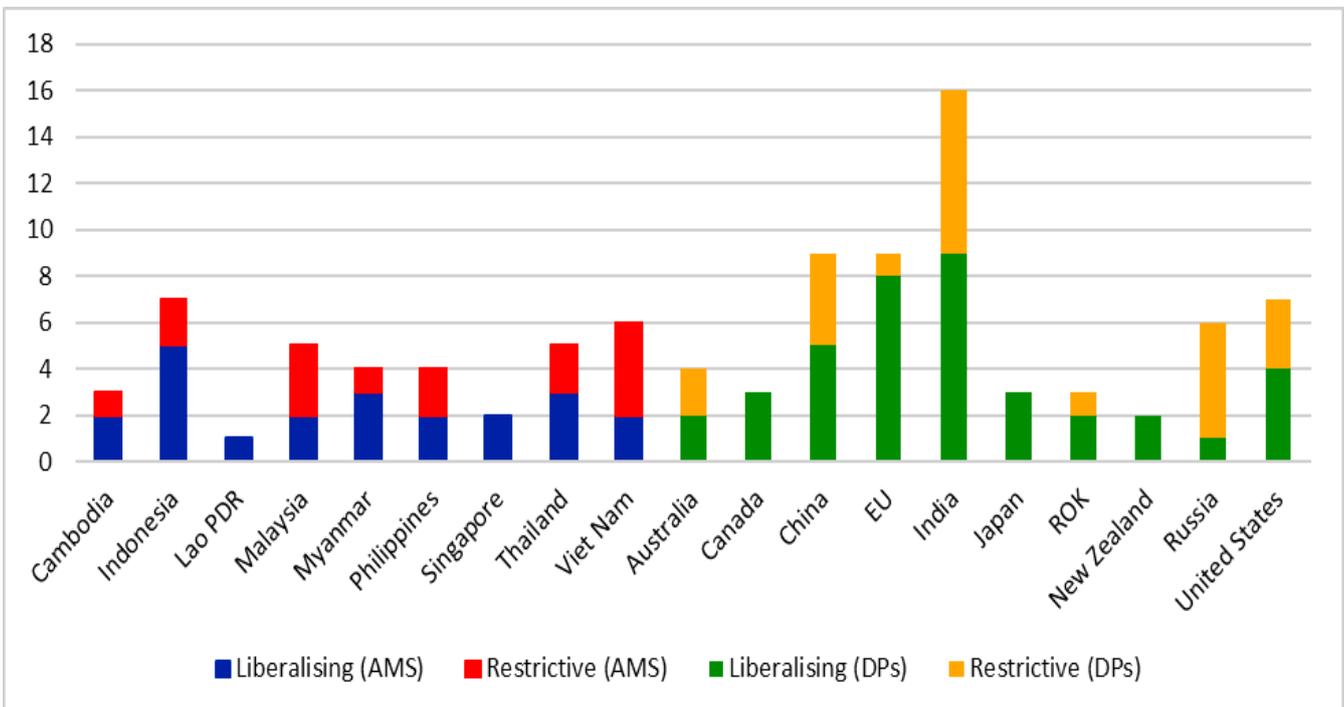
### COVID-19 and trade policy responses in ASEAN

As in the case with many other economies, the imposition of export restrictions and the relaxation of imports on COVID-19-related goods and services have been prevalent across ASEAN throughout the spread of the pandemic. Building on data from the WTO and the ITC, as well as from other sources, COVID-19-trade-related measures amongst AMS and ten ASEAN DPs were analysed.<sup>15</sup> In general, a total of 100 trade measures had been issued by these economies, where 62 measures were liberalising like tariff/import duties reduction and trade facilitation, and 38 measures were restrictive such as export restrictions. Out of the 100 trade measures, 38 were issued by AMS and 62 were issued by their partners (Figure 1).

Liberalising trade measures were relatively more common in ASEAN compared to those imposed by ASEAN DPs (Table 3). Amongst the 38 trade measures issued by AMS, 23 were liberalising, whilst 15 were restrictive. At seven measures, Indonesia issued the highest number of COVID-19 trade-related measures amongst AMS (five liberalising and two restrictive), followed by Viet Nam with six measures (three liberalising and three restrictive).

Meanwhile, out of the 62 trade measures issued by ASEAN DPs, 39 measures were liberalising, whilst the remaining 23 measures were restrictive. Amongst ASEAN DPs, India issued the highest number of COVID-19 trade-related measures at 16 (nine liberalising and seven restrictive), followed by the EU and China, each with nine measures (eight liberalising and one restrictive measures for the EU, and five liberalising and four restrictive measures for China).

Figure 1. Numbers of trade and trade-related measures issued by AMS and ASEAN DPs during COVID-19



Source: Authors' calculation based on data from the WTO, the ITC, and various credible media sources.

<sup>15</sup> ASEAN's DPs are Australia, Canada, China, the EU, India, Japan, Republic of Korea, New Zealand, Russia, and the US.

Most of trade liberalising measures imposed by AMS and ASEAN DPs were in the form of tariff/import duties reduction and trade facilitation, whereas the most common type of trade restrictive

measures issued by these economies were export prohibition (23 measures – ten by AMS and 13 by ASEAN DPs) (Table 3).

**Table 3. Types of measures related to COVID-19 by AMS and ASEAN DPs**

Countries	Types of liberalizing measures					Types of restrictive measures								Total
	Tariff/import duties reduction	Trade facilitation	import ban/restriction/prohibition	Licensing or permit requirements to export	Export liberalisation	Export prohibition	Licensing or permit requirements to exports	Import ban/prohibitions/restrictions	Export quotas	Quarantine requirements	Conformity assessment	Price control	Tariff/import duties increase	
Brunei Darussalam	1													1
Cambodia		1			1	1								3
Indonesia	1	3	1			2								7
Lao PDR	1													1
Malaysia	2					2						1		5
Myanmar	2	1				1								4
Philippines	1	1				1							1	4
Singapore	1	1												2
Thailand	3					2								5
Viet Nam	2					1	1	1	1					6
Australia	1	1				1				1				4
Canada	2	1												3
China	2	3				1	1	1			1			9
EU	1	7					1							9
India	2	1	1	1	4	6	1							16
Japan	1	2												3
Rep. Korea	1					2								3
New Zealand	2													2
Russia	2					2		1	1					6
US	2	1	1			1	2							7
<b>Total</b>	<b>29</b>	<b>23</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>23</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>100</b>

Source: Authors' calculation based on data from the WTO, the ITC, and various credible media sources.

Most of the products affected by these trade measures were medical products such as personal protection equipment (PPE) (e.g. masks, gloves), pharma products, and hand sanitiser. In 2018, ASEAN exported USD 7.5 billion, or 23.9%, of total global exports of PPE (USD 31.5 billion). ASEAN countries are amongst the largest exporters of PPE

products in the world, led by Malaysia (which accounts for 14.2% of world PPE exports) and, followed by Thailand and Viet Nam with 4.8% and 3.2% respectively. In the same year, ASEAN also imported USD 987.7 million of PPE products, or 2.9% of total global imports of PPE. The largest importers in the region were Viet Nam, Thailand, and Indonesia (Table 4).

**Table 4. AMS trade in PPE products, 2018**

AMS	PPE Export (USD million)	Share of total world PPE export	PPE Import (USD million)	share of total world PPE import
Brunei Darussalam	0.0	0.0%	3.5	0.0%
Cambodia	44.9	0.1%	9.8	0.0%
Indonesia	338.0	1.1%	150.5	0.4%
Lao PDR	2.4	0.0%	2.8	0.0%
Malaysia	4,465.6	14.2%	142.7	0.4%
Myanmar	18.8	0.1%	17.5	0.1%
Philippines	51.3	0.2%	90.4	0.3%
Singapore	89.7	0.3%	136.4	0.4%
Thailand	1,514.1	4.8%	174.5	0.5%
Viet Nam	1,008.1	3.2%	259.5	0.8%
<b>ASEAN</b>	<b>7,532.8</b>	<b>23.9%</b>	<b>987.7</b>	<b>2.9%</b>
<b>World</b>	<b>31,490.2</b>	<b>100.0%</b>	<b>33,499.1</b>	<b>100.0%</b>

Notes: This Policy Brief follows the PPE definition provided by the World Bank, which covers the following: Apron heavy duty and viral transport medium (HS 392620); Gloves examination non sterile (HS 401511); Medical masks (HS 630790); Nitrile and sterile gloves (HS 401519); Other medical headwear (HS 650610); Protective clothing (HS 621010); and Protective goggles (900490).<sup>16</sup>  
Source: ASEAN Secretariat's calculation based on the WITS database: <<https://wits.worldbank.org/Default.aspx?lang=en>>.

Looking at the type of measures imposed by AMS on medical products, the restrictions were intended mainly for the purpose of securing domestic supply. These include temporary export ban on antiseptic, raw materials to fabricate masks, PPE, ethyl alcohol, and masks, or temporary export ban on surgical masks, face masks for protection against dust, smoke, or toxic substance used for safety apparatus and others.

On the other hand, most liberalising measures imposed by AMS are in the form of temporary elimination of import duties and sales tax, such as those imposed on medical and PPE, or temporary elimination of import taxes on medical and certain PPE used in the fight of COVID-19 pandemic.

<sup>16</sup> Further information concerning the definition and coverage of the PPE is available in the official website of the World Bank at: <<https://www.worldbank.org/en/topic/trade/brief/coronavirus-covid-19-trade-policy-database-food-and-medical-products>>.

**Table 5. AMS trade in food products, 2018**

AMS	Food export (USD million)	Share to total world food export	Food import (USD million)	Share to total world food import	Net food export / (import)
Brunei Darussalam	0.7	0.0%	237.6	0.0%	(236.9)
Cambodia	165.2	0.0%	1,088.2	0.2%	(923.0)
Indonesia	7,891.4	1.3%	8,465.0	1.4%	(573.6)
Lao PDR	434.5	0.1%	487.4	0.1%	(52.9)
Malaysia	6,433.4	1.1%	6,591.6	1.1%	(158.1)
Myanmar	927.6	0.2%	1,583.5	0.3%	(655.9)
Philippines	2,082.8	0.3%	5,518.6	0.9%	(3435.9)
Singapore	11,933.8	2.0%	7,225.1	1.2%	4708.7
Thailand	19,855.4	3.3%	5,595.3	0.9%	14260.2
Viet Nam	5,887.5	1.0%	6,445.9	1.1%	(558.4)
<b>ASEAN</b>	<b>55,612.4</b>	<b>9.2%</b>	<b>43,238.3</b>	<b>7.3%</b>	<b>12374.1</b>
<b>World</b>	<b>604,789.1</b>	<b>100.0%</b>	<b>594,827.2</b>	<b>100.0%</b>	<b>9961.9</b>

Notes: Food definition follows food products standard categories defined by WITS (HS 16-24).

Source: ASEAN Secretariat elaboration from WITS database < <https://wits.worldbank.org/Default.aspx?lang=en>>.

In terms of trade and trade-related measures targeted on food products, thus far, AMS have imposed ten measures only. Whilst most of the measures are intended to secure domestic supply of food, such as suspending the issuance of rice export permits or rice quantity export control, there are also measures specifically aimed to prevent the spread of the COVID-19, such as temporary import ban on live animals from selected country of origin.

Nonetheless, severe restrictions on food products can risk food security given that most (eight out of ten) AMS rely on imports to meet their domestic food demand. Except for Singapore and Thailand, all AMS are net importers of food products, with the Philippines, Cambodia and Myanmar as the largest in the region (Table 5). In 2018, total ASEAN food exports reached USD 55.6 billion whilst food imports grew to USD 43.2 billion, accounting for 9.2% and 7.3% of total world food exports and imports, respectively.

### Cushioning the impact of COVID-19 through regional and global trade

There is now a growing consensus on the importance for countries to remain economically open amidst the COVID-19 pandemic.<sup>17</sup> Whilst some may argue that international trade and globalisation may exacerbate the spread of the pandemic, protectionism is unlikely able to address the root causes of challenges presented by the pandemic. By providing access to essential medical goods and services to help contain the pandemic and treat those affected, ensuring access to food around the world, and ensuring employment creation and maintaining economic activities, trade policies are essential in the management of the crisis.<sup>18</sup>

<sup>17</sup> Baldwin and Evenett, *Op. Cit.*, p. 10.

<sup>18</sup> World Bank, *Op. Cit.*, 1.

ASEAN realised early the importance of regional and international cooperation and keeping market open to mitigate the impact of the pandemic. Just before the World Health Organisation (WHO) announced the COVID-19 as a pandemic on 11 March 2020, the ASEAN Economic Ministers (AEM) issued a statement on *Strengthening ASEAN's Economic Resilience in Response to the Outbreak of COVID-19* on 10 March 2020,<sup>19</sup> reaffirming ASEAN's commitment to maintain open economic and integration policies.

Similar message was also conveyed by other ASEAN sectoral bodies. The ASEAN Ministers on Agriculture and Forestry (AMAF), on 15 April 2020, issued a joint statement, which underscores agreement to, amongst others, minimise disruptions in regional food supply chains, ensuring that markets and trade lines remain open, and refrain from imposing new export control, restrictions and prohibitions, as well as tariffs and non-tariff barriers (NTBs).<sup>20</sup>

ASEAN's resolve to keep its market open was further solidified through the Declaration of the Special ASEAN Summit on COVID-19 on 14 April 2020, in which ASEAN Leaders committed to keep market open for trade and investment, and enhance cooperation amongst AMS, as well as with ASEAN's external partners. To operationalise the aforementioned commitments, the Special AEM Meeting on COVID-19 Responses, held on 4 June 2020, adopted the *Ha Noi Plan of Action on Strengthening ASEAN Economic Cooperation and Supply Chain Connectivity in Response to the COVID-19 Pandemic*.<sup>21</sup>

Through the Ha Noi Plan of Action, ASEAN agree to ensure the smooth flow of essential goods by, amongst others, refraining from imposing unnecessary non-tariff measures (NTMs) during the pandemic, prompt information sharing on export prohibition or restriction, and strengthening the supply chain connectivity, including taking proactive action in enabling an effective trade facilitation, and building on existing trade facilitating platforms, to ensure the unimpeded flow of goods and services in supply chains, as well as leveraging on technologies to put in place a robust mechanism for regional sharing and coordination in responding to economic challenges such as the COVID-19 pandemic.

Beyond these declarations and statements, ASEAN is committed to keep its market open by continuing to implement its trade agenda. With all tariff lines have been virtually eliminated,<sup>22</sup> ASEAN is refocusing its efforts on trade facilitation, including reducing trade transaction costs, and addressing NTMs. Amongst the initiatives are the full boarding of the ten AMS on the ASEAN Single Window Live Operation for the exchange of the e-ASEAN Trade in Goods Agreement (ATIGA) Form D, and the ongoing work to expand to additional documentations and partners; the ASEAN-wide Self-Certification, which is to be implemented this year, to allow certified exporters to self-certify the origin of their exports to enjoy preferential tariffs under the ATIGA; the ASEAN Solutions for Investments, Services, and Trade (ASSIST), a non-binding and consultative mechanism for expedited resolution

<sup>19</sup> Further information concerning the AEM's statement on the Strengthening ASEAN's Economic Resilience in Response to the Outbreak of COVID-19 is available in the official website of the ASEAN Secretariat at: <<https://asean.org/storage/2020/03/AEMR-26-Statement-on-COVID-19-FINAL-10.03.2020.docx.pdf>>.

<sup>20</sup> Further information concerning the joint statement of the AMAF in response to the outbreak of the COVID-19 is available in the official website of the ASEAN Secretariat at: <<https://asean.org/storage/2020/04/STATEMENT-OF-ASEAN-MINISTERS-ON-AGRICULTURE-AND-FORESTRY-ON-COVID-19-FINAL-00000002.pdf>>.

<sup>21</sup> Further information concerning the Ha Noi Plan of Action is available in the official website of the ASEAN Secretariat at: <<https://asean.org/storage/2020/06/Hanoi-POA.pdf>>.

<sup>22</sup> ASEAN's tariffs on 98.6% of products have been fully eliminated under the ASEAN Trade in Goods Agreement (ATIGA). The ASEAN-6 has eliminated tariffs on 99.3% of their tariff lines, while the CLMV has eliminated tariffs on 97.7% of their tariff lines.

for operation problems encountered by ASEAN-based enterprises in the implementation of ASEAN economic agreements; and the ASEAN Customs Transit System (ACTS) to simplify customs procedure and significantly reduce trade transaction costs in the region. ASEAN will also need to redouble its efforts in promoting and facilitating intra-ASEAN trade and investment, given their potentials to serve as buffer from external shocks, and promoting services sector integration and competitiveness, including through the early entry into force of the ASEAN Trade in Services Agreement (ATISA). ASEAN should likewise fully tap into the potential of digital trade by expediting the entry into force of the ASEAN Agreement on Electronic Commerce.

Equally important is ASEAN's continued engagement with its external partners to ensure that their economies remain open amidst the pandemic. A number of joint statements committing to keep markets open and supply chains connected have been issued by the AEM with their counterparts in the ASEAN Plus Three partners, as well as with China and Japan.<sup>23</sup> On 23 June 2020, Ministers of the Regional Comprehensive Economic Partnership (RCEP) Participating Countries reaffirmed the commitment to sign the RCEP Agreement this year, as mandated by the Leaders, as a clear signal of support for the multilateral trading system, regional integration, and economic development across the region.<sup>24</sup>

Furthermore, ASEAN continues to engage its major/Free Trade Agreement (FTA) partners to ensure that the COVID-19 pandemic does not disrupt the flow of goods within their respective FTAs. Acknowledging that its FTAs could potentially play a significant role in post-pandemic recovery, ASEAN is also in discussion with its FTA partners to upgrade their FTAs, to ensure their continued effectiveness and relevance.

Last but not least, beyond government to government cooperation, broader stakeholder engagement also plays key role in developing appropriate response to the pandemic, including with the private sector. Throughout the pandemic, the ASEAN Business Advisory Council (ASEAN-BAC) and its Joint Business Council members,<sup>25</sup> for example, have been active in providing policy recommendations to ASEAN to, amongst others, ensure uninterrupted production and supply chains of essential food and beverages and medical supplies and equipment. These proposals have in turn been taken into consideration in ASEAN's response to the pandemic. The role of the private sector will also be key in the delivery of essential services and supplies, as well as to support displaced workers in the value chains.<sup>26</sup>

<sup>23</sup> The ASEAN Economic Ministers have issued the following statements with their relevant counterparts: (1) ASEAN-Japan Economic Minister' Joint Statement on Initiatives on Economic Resilience in Response to the Corona Virus Disease (COVID-19) Outbreak; (2) ASEAN-China Economic Ministers' Joint Statement on Combating the Coronavirus Disease (COVID-19) and Enhancing ACFTA Cooperation; and (3) ASEAN Plus Three Economic Ministers' Joint Statement on Mitigating the Economic Impact of the COVID-19 Pandemic.

<sup>24</sup> The joint statements is available in the official website of the ASEAN Secretariat at: <<https://asean.org/storage/2020/06/Joint-Statement-of-10th-RCEP-ISSL-MM.pdf>>.

<sup>25</sup> Members of ASEAN-BAC's Joint Business Councils are Australia-ASEAN Business Council, Australia-ASEAN Chamber of Commerce, Canada-ASEAN Business Council, China-ASEAN Business Council, East Asia Business Council, EU-ASEAN Business Council, ASEAN-India Business Council, ASEAN-Japan Business Council, ASEAN-New Zealand Business Council, Russia-ASEAN Business Council, UK-ASEAN Business Council, US-ASEAN Business Council, and the Roscongress Foundation. Further information concerning ASEAN-BAC's Joint Business Council is available in its official website at: <<https://www.asean-bac.org/partners/platinum>>.

<sup>26</sup> Mercado (2020).

## Conclusion and way forward

Given the adverse impact of the pandemic on cross-border trade and supply chains, restoring trade connectivity will be key to mitigate the impact of the pandemic. Nowhere has this been more crucial than in ASEAN where production networks and trade integration have played an important role in the region's growth over the years. Thus, trade will continue to remain critical as ASEAN tries to recover and build resilience from the crisis. Moving forward, a number of priorities are proposed.

First, with the continuing pandemic, ***the implementation of commitment to ensure supply chain connectivity, particularly of essential goods, is key***. Now that the Ha Noi Plan of Action has been adopted, the critical next step is to make sure that work outlined therein is implemented effectively. Likewise, it is important to ensure the normal flow of trade to the extent possible by keeping trade lines and critical infrastructure open amidst movement restriction measures.

Second, beyond this immediate need, ASEAN will also need to ***give trade its due role in the post-pandemic economic recovery***, to allow factories to resume productions after the supply shock, sellers to access greater market amidst the demand shock, and, ultimately, restoring business and consumer confidence and households' purchasing power. On-going initiatives, such as the general review of the ATIGA, provide an opportunity to address existing bottlenecks, including in addressing NTMs, and build on the current level of ambition. It is also high time for ASEAN to roll out its various trade facilitation measures as earlier mentioned. More focus should also be given to trade in services, an important driver in the modern economy, as well as investment promotion facilitation and improvement

in business environment, so the region can seize the opportunities from the potential restructuring of global supply chains.

Third, the acceleration of digitalisation has been one the most prominent trends and has demonstrated its usefulness during the pandemic. ***It is imperative for ASEAN to propel its digital agenda***, particularly by addressing the manifold digital gaps, in skills, infrastructure, and regulations, as well as the risks and challenges that digitalisation entails including security and ethical concerns. At the same time, the full potential of new technologies should be embraced to help solve problems and advance the well-being of the people. To this end, the ongoing development of the Consolidated Strategy on the Fourth Industrial Revolution for ASEAN is a timely initiative.

Fourth, the COVID-19 pandemic also underlines ***the need for greater multilateral cooperation, including the reform of the global trading system and the shaping of the global and regional trade agenda***. In time of crisis, transparent, non-discriminatory trade rules can protect the weak. It is in ASEAN's interest to play a more pro-active role, including by working together with like-minded partners, to see through a successful reform and reinvigoration of the WTO, to ensure its continued effectiveness, including its dispute settlement function and relevance, and to be more inclusive, taking into consideration the diversity of its membership.

Finally, the importance for ASEAN to ***support the role of the private sector and other stakeholders***, not only in ensuring supply chains connectivity, but also in instilling confidence in the market, promoting new business models and opportunities, and facilitating the post-pandemic recovery that ASEAN needs most at the moment.

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The Association of Southeast Asian Nation (ASEAN) was established on 8 August 1967. The Member States are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam. The ASEAN Secretariat is based in Jakarta, Indonesia.

For inquiries, contact:

The ASEAN Secretariat  
ASEAN Integration Monitoring Directorate (AIMD) and Community Relations Division (CRD)  
70A, Jalan Sisingamangaraja  
Jakarta 12110, Indonesia  
Phone: (62 21) 724-3372, 726-2991 / Fax: (62 21) 739-8234, 724-3504  
Email: [aimd@asean.org](mailto:aimd@asean.org), [public@asean.org](mailto:public@asean.org)