

*Lessons Learned from the
COVID-19 Pandemic*

Lessons Learned from the COVID-19 Pandemic: A Contribution to the WCO and Its Members from the WCO Private Sector Consultative Group (Version 1.0; 23 June 2020)

The COVID-19 pandemic has had far-reaching global effects on cross-border trade, travel and supply chains in a very short period of time. It is essential to make every effort to identify and understand the widespread effects and consequences of the pandemic, so as to identify the lessons learned and from them, develop best practices that will enable governments and businesses to be better prepared and to be able to respond to any future incident of this kind in an internationally coordinated and coherent manner while keeping the negative impact on the economy and the population to a minimum.

Customs and border agencies provide an essential service during the time of crisis to ensure that imports, exports and transits of medical supplies, foodstuffs and essential goods are cleared expeditiously.

The members of the PSCG (collectively) are deeply involved in all aspects of the supply chain from manufacturing to delivery to end users. We also operate across jurisdictions and are very sensitive to anomalies at both ends of supply chains. This makes us uniquely placed to contribute to the work program of the WCO and government agencies in matters of the supply chain and global recovery. The following are PSCG's observations on the lessons learned so far for the WCO and its Members to consider to improve their business continuity capabilities and disaster preparedness that will help them to take action, taking the right decisions and avoiding the drastic measures experienced during the COVID-19 pandemic so far:

CONSULTATION:

- Many government measures (local or national) affecting the cross-border flow of goods, transport and people (crew) were decided by the health ministries, departments or authorities seemingly without proper

consultation with those government bodies having experience to assess their impact on international trade and global supply chains. Policies such as border closures, travel bans, export restrictions, social distancing, lockdowns and closures of non-essential businesses have had an immediate effect. Many businesses are closed, and more are not fully functional as a result of disrupted supply chains, staffing constraints and social restrictions. This impacts everything from operations to financial capabilities, and, ultimately, to the potential for a speedy recovery of global trade. It is imperative that governments, whether local or national, take such decisions and measures only after prior consultation and coordination with their respective Customs authority to ensure minimal impact on cross-border trade, transport and supply chains.

- The nature of the COVID-19 pandemic has meant that different regions of the world have been affected in different ways and at different times. The WCO has taken the lead in providing information that has been helpful in expediting the movement of essential goods across borders, and facilitating trade in general. The WCO has been receptive to the input and experience of the Private Sector Consultative Group (PSCG) during this time. WCO members committed to consultation with the private sector in their respective countries and by listening to their needs were able to reduce the economic and financial impact of the restrictive measures on business. It is therefore imperative that Customs and other border agencies reach out to the private sector consistent with the WCO's Customs-Business Partnership Guidance, and the principles of the WTO Trade Facilitation Agreement for National Committees on Trade Facilitation.
- As a basis for establishing and sustaining meaningful consultation between the private sector and Customs administrations, as well as other government agencies which regulate goods at borders, the WCO Customs-Business Partnership Guidance is a useful tool. However, it was not developed with these unique circumstances in mind, and it should be revisited to ensure that it has the flexibility to be useful to members during a crisis of this magnitude, with its health implications for individuals and economic implications for countries.

- The fear and uncertainty associated with the pandemic, has caused governments to make decisions urgently, with the result that existing consultative processes were not used, and communication channels were disrupted due to the work from home environment. In other cases, there may not have been consultation because such processes did not exist and have not yet been put in place.
- Consultation and collaboration with the private sector are essential as governments set priorities for action and position national economies for business recovery, and a return to financial stability and prosperity. Decisions need to be taken, they need to be the right decisions, and they need to reflect input and support from the private sector. Without that, solutions, actions and priorities may result in unintended consequences and/or a failure to reach the intended outcomes as a result of a lack of understanding regarding operational realities. Input from the private sector is essential as governments consider, analyze and implement priorities to manage and recover from this crisis. Because responses to the current crisis have been developed in uncharted territory, it is essential that these collaborative processes should focus on being agile, and able to react quickly to changing circumstances.

TRANSPORTATION; INTERNATIONAL COORDINATION:

- Operators of all modes of transport whether cross-border or domestic as well as intermediaries along the transport chain provide essential and lifesaving services and ensure the continuity of supply chains. There should be international co-ordination and agreement on a consistent definition of essential services and businesses to ensure that all suppliers, critical vendors, and downstream employees of those designated as essential should also be so designated. There must be a holistic supply chain approach. If any single link of the supply chain is excluded the entire supply chain is disrupted and that leads to congestion and confusion at ports, airports, border crossings and warehouses. Such disruption has been a very noticeable feature of the response to the COVID-19 pandemic.

- Essential services, like cargo transport, must have the ability to provide the full suite of services they offer to promote operational efficiency and environmental sustainability. Transport and logistics operators cannot shrink their operations to limit them only to the movement of essential goods. Restricting operations in this way will perversely limit capacity to move essential goods as operators will be forced to reduce service levels or run the same network at less than its design capacity, while at the same time having to contend with the backlog of non-essential goods taking up warehousing and storage space and creating bottlenecks in the process.
- Uncoordinated restrictions (both at the border and inland) at the national and sub-national level have disrupted vital operations in many countries. Examples include:
 - Curfews (some starting in early afternoon hours) preventing essential workers from travelling to work or preventing essential workers from commuting across country and provincial borders from home to work
 - Arbitrary border crossing closures or no 'green lanes' for international truck traffic, which cause long waiting times at the border
 - Different health certificates required or required for drivers of specific nationalities only
 - Different sanitary measures including long time quarantine for drivers
 - Expiry of permits, certificates, licenses, visas etc. due to lockdown during pandemic
 - Rapid changes of the national enforcement measures and procedures on vehicles, drivers and cargos without prior notice.
- International and domestic transportation of goods does not work without pilots, drivers and crews. Crew changes have to be facilitated, for example by allowing crew to disembark and be exempt from local 14-day quarantine requirements, obviously with appropriate safety measures in place. It is a fact that crews of cargo vessels have remained on board since the beginning of restrictions. This is unsustainable and will certainly lead to degradation of services over time.

- Border crossings, ports and airports should remain open for cargo operations, with added flexibility (for example no night curfews, relaxation of slot rules, reduction of aviation-related charges, and allowing cargo flights to move on an expedited basis).

E-COMMERCE:

- E-commerce has helped households and businesses get essential supplies and kept some sectors of the economy going that would otherwise have slowed down dramatically or even stopped trading altogether.
- Some traditional brick-and-mortar based businesses have adapted to the pandemic and moved into ecommerce much faster than they might otherwise have planned. This agility and willingness to change has saved many businesses and demonstrated the power of ecommerce, especially for SMEs. It seems certain that the landscape has changed and is unlikely to return to its pre-pandemic shape.
- The Framework of Standards on cross-border e-commerce was developed prior to the pandemic and so does not take into account the essential role cross-border e-commerce plays in the supply of essential items for the health and safety of people. The WCO should therefore include this into the review of the FoS, in particular with a view to:
 - Developing measures that facilitate international trade by MSMEs
 - Exploring simplified ways to digitize and streamline border processes such as documentation and collection of taxes or duties on low value shipments

BORDER CLEARANCE; ROLE OF CUSTOMS:

- Transparency is essential. The efforts of the WCO and other international organizations such as the WTO to collect and disseminate information on outbreak-related trade measures has been very helpful in identifying and promoting best practices among them. The PSCG supports governments working together to craft and issue consistent guidelines with respect to

the use of PPE, social distancing practices, and other mitigation measures for essential services and businesses. This will ensure minimum disruption as personnel cross borders without having to conform to a whole new set of regulations.

- While it is important to expedite the clearance of essential goods, the clearance of all other goods has to continue. Such goods not listed as essential could be raw materials, semi-finished products or parts for domestic production lines of either essential or other goods. Also, delays in clearance and restrictions on the movement or handling/unloading of containers of so called 'non-essential' goods has led to a shortage of the number of empty containers available to exporters of 'essential' goods, as well as dramatically increasing costs in terms of demurrage and storage charged to businesses that are already hard-hit by the crisis. It is particularly important to ensure that cargo flows are not impeded by imposing controls at known bottlenecks, such as cargo terminals. Goods must be allowed to flow to alternative locations where interventions can be applied.
- It's now clear that the measures contained in the WCO Revised Kyoto Convention as well as in the WTO Trade Facilitation Agreement such as paperless procedures, automated systems, electronic data, e-payment and risk management processes not only help to facilitate trade, but contribute to national health and safety by reducing physical contacts to a minimum and focusing controls on high-risk goods only. In addition, they ensure that systems and processes are not nearly as vulnerable to possible shortages in staff due to unavailability of transport to and from the ports, airports and border stations. The importance of awareness raising within each government and among border agencies is of utmost importance and the pivotal role of Customs in this process cannot be overemphasized.
- Customs administrations have a role to play in supporting business during the COVID-19 pandemic. The ability of businesses to generate new revenue or even revert to pre-lockdown levels has been severely compromised in most countries, with some non-essential businesses forced to close during the pandemic, and other businesses implementing

unplanned policies at short notice such as requirements for employees to work from home. Many businesses will fail during this time, and many of those will be small to medium enterprises. Government strategies to provide relief to business may include waiver or deferral of duties, taxes and fees; decisions about interest charges and time frames; implementation of clear business continuity and trade recovery plans, and all of these should be implemented in consultation with stakeholders in the private sector.

- One of the key lessons learned from the crisis is that AEO-recognized companies can help countries to better manage trade flows, organize the supply of critical items and to decongest ports/airports and border stations. But in too many countries AEO programmes have been very slow to develop with far too few companies currently recognized with AEO status. This is largely the case for SMEs, which due to their size and their internal resources and capacity are not able to turn their good compliance record into an official status. Also, many AEO programs are export focused and have limited ability to facilitate the border clearance process at imports.
- Using best practices and global standards such as the TIR system facilitates and assures the secure transport and transit of cargo under Customs control with limited physical checks and less contact between people at borders.
- Pre-arrival and pre-departure processing for verification and risk assessment purposes enables agencies to make their release decision prior to the goods arriving at the border and this clearly assists with staffing shortage issues at border agencies and helps to minimize border choke points.
- Green lanes for shipments with essential goods and for trusted traders such as AEOs help to accelerate the release process at borders for such shipments and reduce the sheer volume requiring inspection, at acceptable risk to the country.

REVENUE COLLECTION:

- The decline in global trade, travel and tourism coupled with significant financial rescue support is putting government revenues and reserves under severe pressure in many countries (particularly developing ones). However, governments should resist the urge to dramatically increase tariffs [or other enumerated border fees] in an attempt to make up the difference, as this shifts the burden onto businesses that are trying to support the global economy and have already suffered severe damage. By the same token, governments should not wipe out progress made in trade facilitation by reinstating paper-based procedures and 100% documentary and physical verification for the sole purpose of revenue generation. It presents a severe disruption to the life-saving supply chain, and probably costs far more than any short-term additional revenue it might generate. This crisis may have one positive outcome as it has forced the use of less intrusive controls, which may turn out to be as effective as the older paper-based and physically involved processes.
- The COVID-19 crisis has shown that medical supplies and essential goods have to be released expeditiously so that they are immediately available where they are urgently needed.
- Bond programs and deferred payments with post-clearance audit, in particular for AEO shipments, move the duty and tax collecting processes away from the border to the inland premises of the importer. Using such tools strategically helps to balance goods flow and fiscal reconciliation as well as providing a measure of financial relief during the time of the crisis. It has had the added benefit of reducing opportunities for corruption.
- Collection of sales taxes, GST and VAT from the foreign vendor in accordance with the WCO Framework of Standards on cross-border e-commerce and the respective OECD guidelines because it reduces the control necessary at the border and again minimizes chokepoints.

**BUSINESS CONTINUITY; HUMANITARIAN RELIEF AND CRISIS
MANAGEMENT; CAPACITY BUILDING:**

- The COVID-19 pandemic revealed that governments and business in general were not well prepared to respond to and manage the crisis. Business continuity plans did not exist or were out of date. Governments did not design or trigger specific regulations and procedures to define essential goods, essential services and to clear shipments with critical and relief items expeditiously. Governments should create a single, centralized authority to manage crisis and respond to industry requests for help or information. These authorities should meet at least annually with the private sector for planning purposes, and to ensure that disaster management plans are continuously reviewed and updated as necessary.
- Many LDCs and DCs have not adapted to the current circumstances and not accelerated the reform of their customs processes. This has led to significant delays and in some cases, congestion at points of entry. The pandemic has shown that the capacity building efforts in the area of trade facilitation and modern clearance procedures in the past were not sufficient to put countries into a better state of preparedness. Capacity building needs to be intensified, but delivered in a targeted and well-coordinated manner.
- Governments need to be prepared to trigger unique measures to fight crises such as the COVID-19 outbreak. Fundamental to the effectiveness of a comprehensive response is that all levels of government (including border agencies) and law enforcement, i.e. national (federal), regional (State or provincial), and sub-national (local) need to be coordinated to ensure uninterrupted door-to-door delivery of key shipments.
- Pre-defined lists of critical items issued by the World Customs Organization in cooperation with the World Health Organization and their Harmonized System classification have helped clear these goods expeditiously in line with established international guidance on disaster relief.

- Some global supply chains were based on efficiency, not resilience which quickly led to shortages of critical supplies such as masks but also in other strategic sectors where parts were not available for manufacturing and production lines that would allow for quick ramping up of production capacity of such critical supplies.
- The crisis has led to goods not being able to be delivered. Due to order cancellations, there is stock sitting in some markets that could be used in others. Many SKUs (stock keeping units/ bar codes) are market specific due to labelling or other regulatory requirements. In some markets it is difficult to redirect landed cargo that has not cleared Customs. In the current environment it would be helpful if border agencies could facilitate redirections, and relax or allow in-market labelling. This would help to avoid the forced destruction or return to origin of valuable goods in perfectly good condition, either by regulatory action, or due to the perishable nature of the products, e.g. food.
