



Series **The agrifood system and the challenges of COVID-19**

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Trade facilitation policies and measures in Latin America and the Caribbean in response to COVID-19

Introduction

The emergence of COVID-19 and its rapid worldwide spread took many governments and agricultural producers by surprise, prompting immediate political responses from some countries. Initially, many of the measures to address the crisis were expected to have a negative impact on the agricultural sector (with a similar effect to the 2008-2009 crisis). However, the agricultural sector has been resilient, with better trade performance than several other sectors.

The initial measures taken, which focused on guaranteeing the availability of food at the local level, have been followed by a second phase of policies that seek to strengthen value chains (local or global) and to implement support programmes so that different sectors of the economy – including the agricultural sector – can cope with the “new normality”. While many countries have gradually begun to remove mobility restrictions and other restrictions associated with the exports

and imports of essential commodities (including some agri-food products), the pandemic continues to spread in second and third waves of infection in different parts of the world and is expected to continue to influence the demand and supply of agricultural products.

This document summarises the trade facilitation measures implemented by Latin America and Caribbean countries and the main obstacles that must be faced to keep trade flows active both within and outside the region.

The impacts of the pandemic on international trade underline the importance of resuming the agenda of modernisation and standardisation of processes and systems in the countries of the region, in order to facilitate trade and information exchange, thus contributing to the creation of incentives to develop an active and dynamic regional market, which can help local and regional agri-food systems build resilience.

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COVID-19 and trade facilitation in Latin America and the Caribbean

At the beginning of the COVID-19 pandemic, the ability of international markets to meet the demand of countries dependent on trade for their food supply was questioned. Some institutions, including the World Trade Organization (WTO), anticipated impacts on trade flows similar to or greater than those experienced a decade ago as a result of the financial crisis, with a possible contraction of 32 percent during 2020 (WTO, 2020a). However, as some of the uncertainty faded, the result was that trade proved to be much more resilient than expected, especially in the food sector.

Data as of September 2020 and a forecast by year's end suggest a 1 percent increase in global food imports compared with 2019, while in developing countries, food import volumes are projected to be almost 6 percent higher than the figure observed in 2019, mainly due to Chinese purchasing power (AMIS, 2020).

In the case of Latin America and the Caribbean, an analysis of the figures available for the period between January and July shows a 6 percent increase in trade in products from the agricultural and fisheries sectors compared to the same period the previous year, which contrasts sharply with the 21 percent drop observed in exports from other sectors (FAO and ECLAC, 2020). According to these same figures, the products which have shown the most significant negative impact in the inter-annual comparison for the January-July period are: live animals (-40 percent), tobacco (-33 percent), fruit and vegetable preparations (-18 percent) and cereals (-16 percent). On the other hand, the products that have shown the highest positive impact are: sugars and sweets (44 percent), oilseeds (33 percent), vegetables and tubers (25 percent) and milk and dairy products (17 percent) (FAO and ECLAC, 2020).

In order to strengthen trade in the region, it is critical to move forward in the implementation of facilitation measures, whether these are within the framework of the WTO Trade Facilitation Agreement (TFA), or in response to crises such as the current one. A broad definition of trade facilitation includes a wide

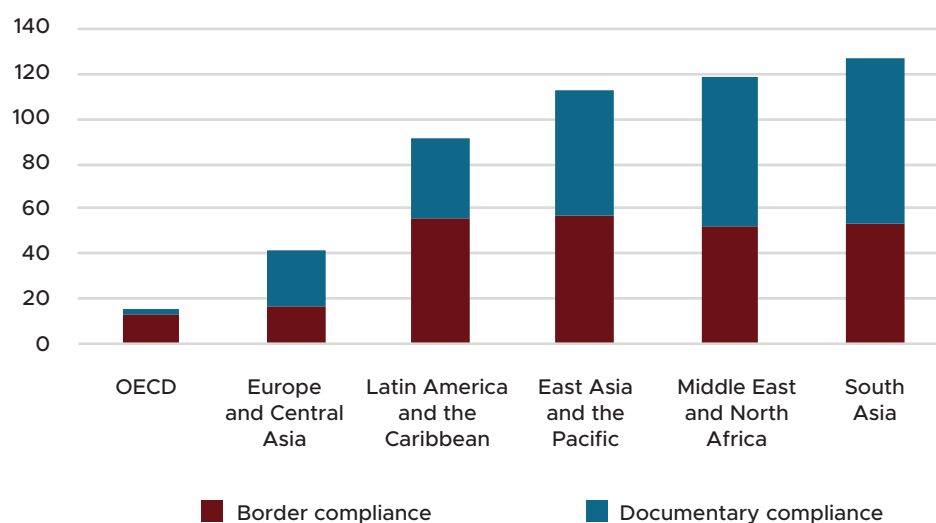
range of elements, from information technology capabilities to transport and logistics services. However, the efficiency of administrative processes and the regulatory requirements of governments remain essential.

More formally, trade facilitation aims to establish a transparent and predictable environment for cross-border trade transactions based on customs procedures and practices, documentation requirements, loading and transit operations, and simple and standardised trade and transport arrangements (UNCTAD, 2006).

It is important to note that trade facilitation is not only on the WTO's agenda, but also on many Regional Trade Agreements (RTAs). However, under these agreements, only a subset of the subjects described in the TFA is covered. Besides, RTAs often use a broader conceptual definition of trade facilitation, so at least for this subject, the regional and multilateral level will remain complementary (WTO, 2014).

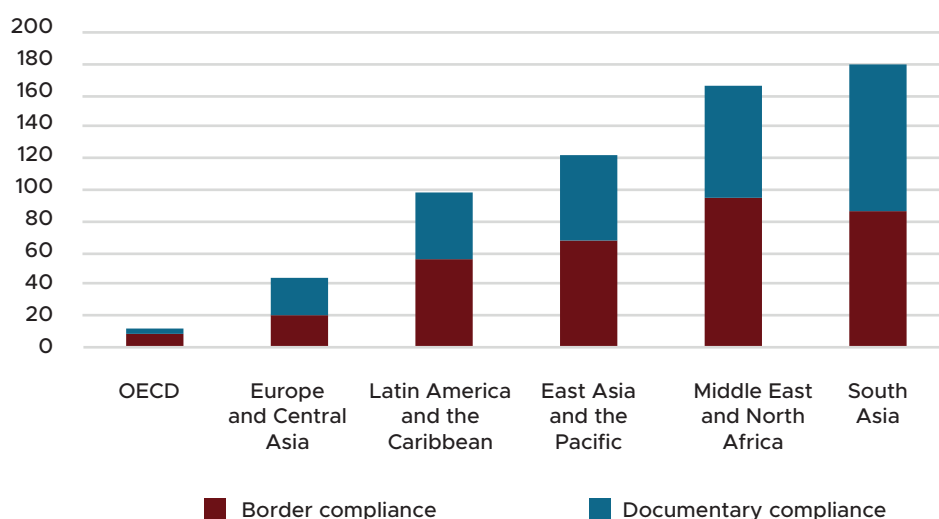
Within this framework, if one of the central objectives pursued by trade facilitation is reducing costs associated with foreign trade, Latin America and the Caribbean is undoubtedly facing with a significant challenge. This is reflected, for example, in indicators associated with the time required to export and import, that is, the number of hours needed to comply with border and documentary requirements, which in Latin America and the Caribbean is approximately 91 hours per shipment (55.3 for border compliance and 35.7 for documentary compliance), much longer than the time observed in the member countries of the Organisation for Economic Co-operation and Development (OECD) -15 hours (see Figure 1). A similar situation can be observed when analysing the time associated with imports: Latin American and Caribbean countries total nearly 99 hours (55.6 for border compliance and 43.2 for documentary compliance), much longer than the time observed in OECD - nearly 12 hours (figure 2).

Figure 1. Summary or countries of countries with information from consumption surveys and main policies in food and nutrition.



Source: FAO, with data from *Doing Business* (World Bank, 2020a).

Figure 2. Time to import, by regions.

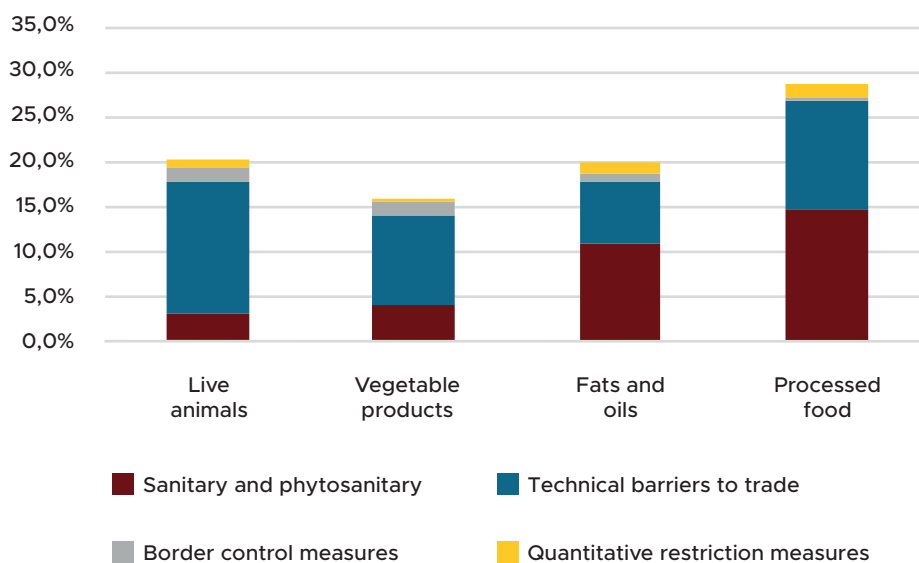


Fuente: Elaboración propia con datos de *Doing Business* (Banco Mundial, 2020a).

However, the time required for the export or import process is not only relevant *per se*; it could be hiding high costs associated with customs procedures and the existence of non-tariff measures (NTMs) in the destination markets of agri-food products. In this regard, an OECD study (Cadot, Gourdon and van Tongeren, 2018) progressed on the estimation of the *ad valorem* equivalent cost of NTMs, providing new and relevant information on this matter, finding, for example, that NTMs represent about 28 percent of the *ad valorem* equivalent cost for processed foods and about

20 percent for fats and oils. It is interesting to note that in the case of live animals and vegetable products, costs mainly originate from technical barriers to trade (TBT). In contrast, for fats and oils and processed foods, costs are primarily caused by sanitary and phytosanitary measures (SPS). It is also noteworthy that border control measures and those related to quantity restrictions (such as quotas) are only a small fraction of the cost associated with non-tariff measures, together representing about 2 percent of the *ad valorem* equivalent cost (see Figure 3).

Figure 3. Estimation of the equivalent *ad valorem* cost for some categories of agri-food products.



Fuente: Elaboración propia con datos de Cadot, Gourdon y van Tongeren, 2018.

From this perspective, it is important to consider that net exporting countries – like several countries in Latin America and the Caribbean – face restrictions associated with meeting importing countries’ requirements. Thus, while multilateral negotiations have made progress in reducing tariffs, export subsidies

and other agricultural support mechanisms that result in trade distortions, non-tariff measures have proliferated.

In this context, the main challenges in addressing this issue, both at regional and global level, are related to:

- Ensuring that NTMs applied by countries do not constitute an unnecessary barrier to trade, especially in terms of market access for agri-food products in developing countries.
- Strengthening local capacities in developing countries to facilitate access to relevant information on import regulations and requirements to comply with the NTMs established in the export destination country.
- Promoting cooperation between customs, sanitary and phytosanitary authorities and other key government agencies, as well as the private sector, to move forward in the implementation of the TFA (FAO, 2017).

Answers

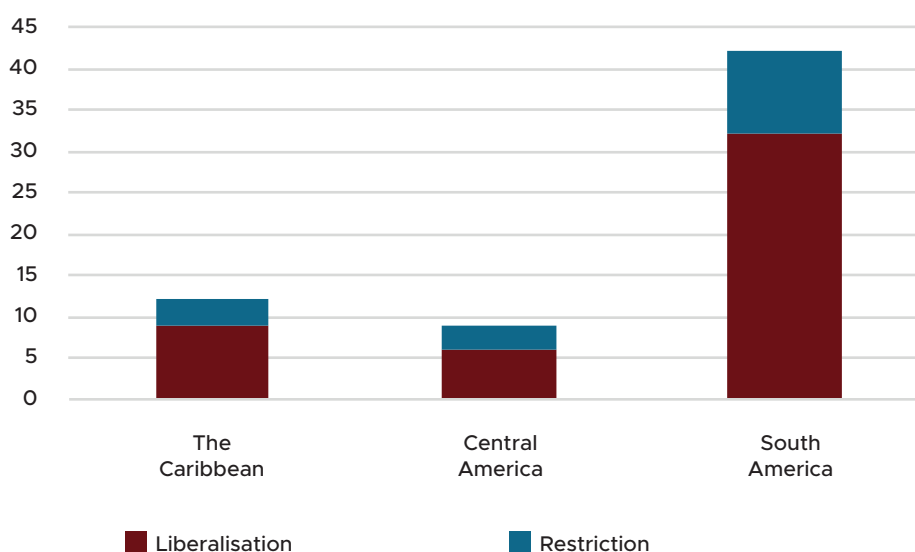
To date, according to data published by the International Trade Centre (ITC), 343 temporary measures affecting trade (either through liberalisation or restriction) have been reported globally (ITC, 2020). Of these, 63 correspond to temporary measures adopted by Latin American and Caribbean countries (see Figure 4).¹ However, not all of these measures are related to the agri-food sector, as only 15 of them have a direct or indirect effect on trade in agricultural products and food, and only two have been reported as restrictions to trade in agricultural products. In both cases, these are export bans on red beans applied by El Salvador and Honduras (see Figure 5). Although these measures are in force, in El Salvador the end date is set for 31 December 2020; in Honduras, on the other hand, an end date has not yet been reported.

South America is the subregion that has implemented the largest number of agricultural and food trade liberalisation measures (seven

active measures), which are related to the reduction of import tariffs in the Plurinational State of Bolivia, Colombia, Paraguay and Suriname; reduction of import costs in Paraguay; and facilitation of import procedures in Argentina and Chile.

On the other hand, significant efforts have been made in the region to move ahead on liberalisation. In this regard, the First Hemispheric Meeting of ministers and secretaries of agriculture, livestock and fisheries of Latin America and the Caribbean, held with the support of the Food and Agriculture Organization of the United Nations (FAO) and the Inter-American Institute for Cooperation on Agriculture (IICA), resulted in the opening of the Mexican market for Uruguayan rice and the purchase by Mexico from Argentina of a quota of 100 000 tonnes of black beans per year – representing a market opportunity of approximately USD 140 million for the provinces of north-western Argentina.

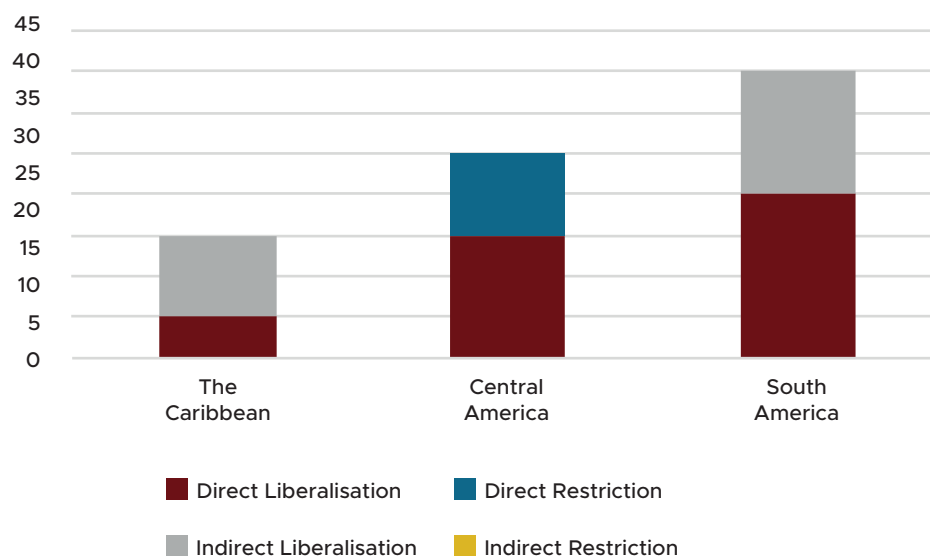
Figure 4. Estimation of the equivalent *ad valorem* cost for some categories of agri-food products.



Source: FAO, with data from Market Access Map (ITC, 2020).

¹ This information considers only the World Trade Organization (WTO) member countries.

Figure 5. Temporary measures reported by Latin American and Caribbean countries and their effect on international trade in agri-food products (number of measures reported to WTO).



Note: by direct effect, we mean all measures applied to a specific product or group of products in the agricultural or food sector; by indirect effect, we mean all measures applied to groups of products, including agricultural products or food.

Source: FAO, with data from Market Access Map (ITC, 2020).

In addition, several countries have adopted trade facilitation mechanisms at their borders, which include “special corridors” for faster approval of essential products, or the acceptance of digital documentation, including sanitary and phytosanitary certificates, to replace physical documentation. Single windows could also play a crucial role in streamlining customs procedures.

More specifically, some examples of responses adopted by countries in the region include the following (World Bank, 2020b; Espitia, Rocha and Ruta, 2020):

- Review and suspension of procedural formalities. In Chile, the customs agency issued resolutions to simplify the import and donation of critical inputs for medical care, diagnosis and treatment of COVID-19, and to simplify and ensure the continuity of business at ports, airports and border posts, with several practical measures – for example, authorising a physical inspection of goods without the presence of customs agents, e-mailing the presentation of documents, suspending the presentation of paper copies, and extending the validity of ATA carnets for temporary imports and exports, among others).

- Risk management to prioritise the authorisation to import and export critical low-risk inputs. In Brazil, customs prioritised the clearance of 500 000 rapid test kits for COVID-19. The kits were delivered 68 minutes after arrival, as a result of coordination between Customs, the Ministry of Health, the National Health Surveillance Agency and international airport officials.

- Promotion of the use of information and communication technologies to support trade. In Chile, in order to reduce interaction between intermediary agents and customs officials, the former were authorised to deliver electronic documentation (in PDF format), subject to the original documentation being delivered within 30 days. In Panama, the procedures for the entry of goods, transshipment, transit, as well as any customs regime at ports, airports and land borders, are carried out on an electronic platform, the Integrated Customs Management System (SIGA, by its acronym in Spanish). The documents presented through the electronic platform are valid as long as the originals are subsequently presented.

- Extension of the opening hours of border agencies. Some countries implemented 24/7 services at ports and airports while prioritising the release of essential commodities.

- Additional protection measures for border guards. In Brazil, 1.62 million masks and disposable gloves were given to border officials (customs officials, federal police and the Ministry of Agriculture).

Notwithstanding the effort described above, further progress is needed to implement trade facilitation measures, such as digitalising and streamlining border processes and procedures, to speed them up and reduce interactions between people. In this regard, the OECD (2020) recommends some actions that could contribute to this purpose, which include:

- All documentation associated with the movement of goods, including declarations, inspections, tax payment and cargo release, can be done without physical contact if sufficient digital infrastructure is available.

- In line with the TFA, maintain and monitor the transparency associated with border controls, regardless of the country's level of health pressure, keeping these controls as streamlined and simple as possible

- Expedite the formalities associated with the movement of goods, which not only reduces the time of interaction between people, but also allows time to be spent on additional controls and health measures associated with the COVID-19 crisis. This is especially important for perishable products.

- Promote transparency associated with import requirements, additional control measures, etc., to give exporters time to adapt to new demands with as little delay and disruption as possible.



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