How maritime transport can boost national economies towards a global recovery from COVID-19

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The COVID-19 global health crisis has had a profound impact on people's health and livelihoods, with the relaxation of COVID related restrictions largely dependent on a number of unpredictable factors, such as rising "vaccine nationalism", which continues to undermine multilateral efforts to ensure equitable access to vaccines. As governments seek to chart a course to prosperity, free flowing global trade, that ensures equitable growth, will be more important than ever.

The downturn in world trade and the global economy has been a major side effect of the pandemic, with effects on governmental trade policies especially severe. Many reports have catalogued the variety of trade related barriers that countries have imposed to deal with COVID-19. The Global Trade Alert found hundreds of tariff and non-tariff barriers enacted since the outbreak, frequently in the form of import licensing requirements or outright bans on exports of medical goods, medicines, as well as agricultural and food products.

These trade restrictive measures, such as tariffs on exports and imports, are making it more difficult for economies to recover from the effects of the pandemic. A recent WTO report found that US$1.7 trillion of world imports have been affected by constraints like these since 2009. Of equal importance is the proliferation of 'non-tariff' trade restrictions.

A new global trade Study on 'Protectionism in Maritime Economies' by the International Chamber of Shipping (ICS) – co-authored with Professor Craig VanGrasstek of Harvard Kennedy School of Government – revealed that for most countries assessed, non-tariff trade barriers are typically three to five times more restrictive than traditional tariffs. For a holistic assessment, the new Study translates into 'tariff equivalents' all non-tariff trade restrictions identified, including cargo reservation, discriminatory treatment of foreign companies and limitations on the provision of port services, which often protect inefficient service providers and unduly restrain competition.

How cutting restrictive trade policies could boost global recovery

Tariff and non-tariff restrictions prevent national economies from reaping the full benefits of maritime trade growth, to the detriment of local businesses and consumers. The 2020 UNCTAD Review of Maritime Transport estimates that over 11 billion tonnes of cargoes were carried by sea in 2019, including vital food and medical goods, energy and raw materials, as well as manufactured goods, across the globe.

The new ICS Study identifies protectionist trade policies being implemented by governments worldwide and impacting not only maritime transport, but various other sectors, including agriculture, food and beverage, metal products, mining, textiles and apparel, transport equipment, wood and paper.

The Study also lays out four scenarios for trade policy reform. These range from 'highly ambitious' (where all countries halve tariff and non-tariff measures), through to a 'tariffs and trade agreements only' scenario (whereby all countries make a reduction of 10%, based only on traditional trade tariffs and commitments in trade agreements). Through these scenarios, the Study demonstrates that if countries cut restrictive trade policies it could help boost GDP by as much as 3.4% for national economies.

Four Scenarios for Potential Reform

Scenario 1 Highly Ambitious	All countries reduce or remove their tariff and non-tariff restrictions by 50% through across-the-board reform.
Scenario 2 Modest and Equal Ambition	All countries reduce or remove their tariff and non-tariff restrictions by 10% through both multilateral and domestic reforms, irrespective of income level.
Scenario 3 Modest and Unequal Ambition	High-income countries reduce or remove their tariff and non-tariff restrictions by 10%, and all other countries by 5%.
Scenario 4 Tariffs and Trade Agreements Only	All countries reduce or remove only their traditional tariff restrictions by 10%, through improvements based on charges made to countries' commitments in trade agreements only.

Average GDP gains for national economies

Scenario 1:
Ranging from 0.3% to 3.4%

Scenario 2:
Ranging from 0.1% to 0.3% for most nations, and 0.4% to 0.6% for a few others

Scenario 3:
Gains would be smaller, especially for low- and middle-income economies.

Scenario 4:
For the average national economy, gains are only about 25% of what they would achieve under the more ambitious Scenario 2

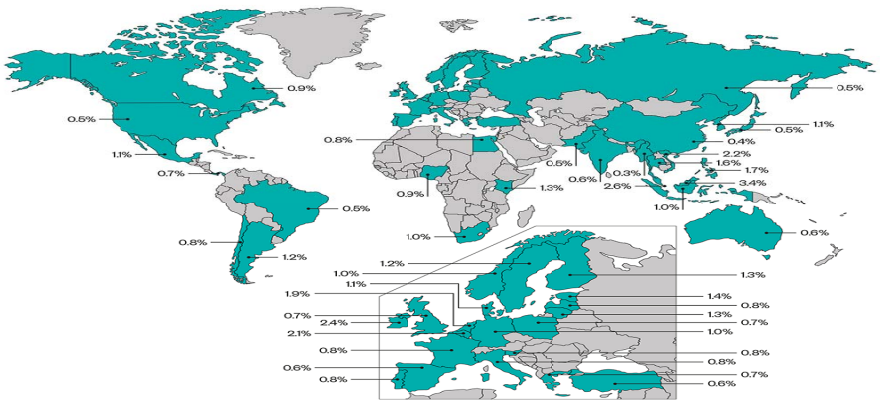
The Study includes an additional Scenario (2b), which further elaborates on Scenario 2, but at the level of disaggregated goods sectors. The impact – in terms of exports percentage changes – are positive for all countries in all sectors, especially for agriculture, transport equipment, electrical goods and machinery, as well as food and beverages. There would also be positive results for key manufacturing sectors, albeit slightly weaker.

The Study also found that High-income economies could experience an average increase of 4.5% in their goods exports if they were to loosen tariff and non-tariff trade restrictions. Developing economies would experience an even greater average increase of 7% if they reduced their restrictions in a 'modest and equal' way.

Average Changes by Region and Income Level from 2015 Baseline Level

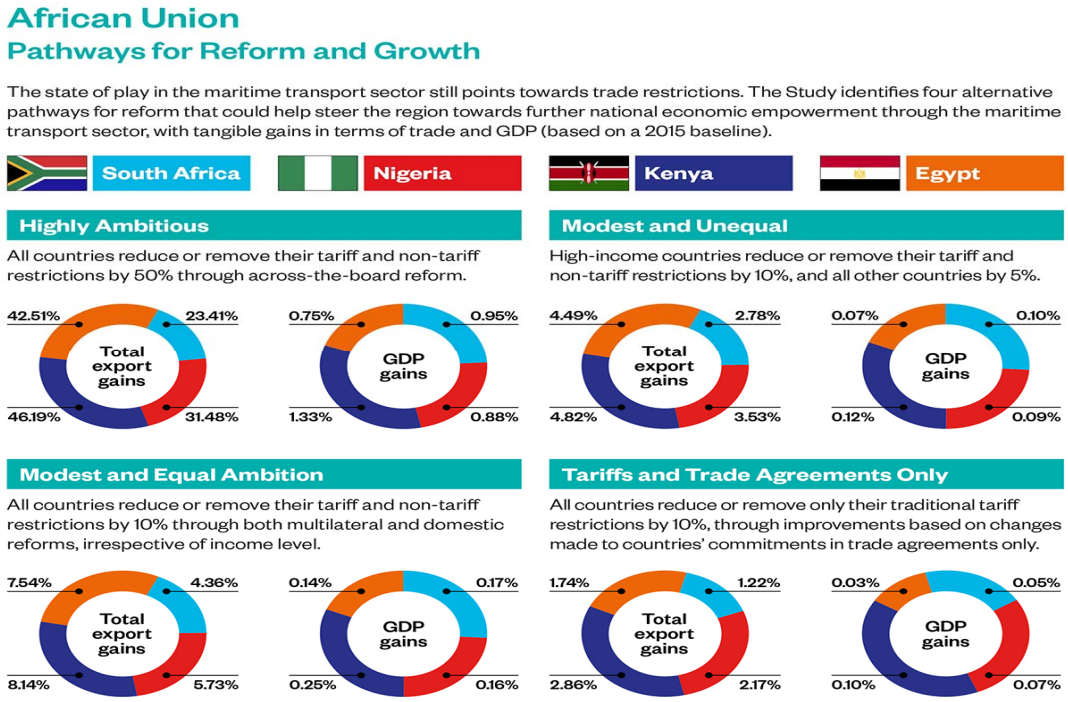
	Regions				Income Levels		
	Africa & MidEast	Asia & Pacific	Latin America	Europe & Atlantic	High-Income	All Other	All
Scenario 2/Modest and Equal Ambition							
Transport Exports	6.84%	4.03%	4.41%	3.00%	3.24%	4.71%	3.81%
Goods Exports	9.73%	5.59%	7.84%	4.18%	4.51%	7.27%	5.57%
Total Exports	6.44%	3.95%	5.03%	3.16%	3.40%	4.76%	3.92%
Real GDP	0.18%	0.24%	0.16%	0.21%	0.22%	0.20%	0.21%

The World Map below shows the potential for real GDP increase for national economies under the Study's most ambitious reform 'Scenario 1'.



Source: ICS/Craig VanGrasstek (Harvard University): Study on 'Protectionism in Maritime Economies', February 2021

Outlined below is an overview of the trade and GDP gains for selected African Union countries, if they implemented the Study's four trade policy pathways.



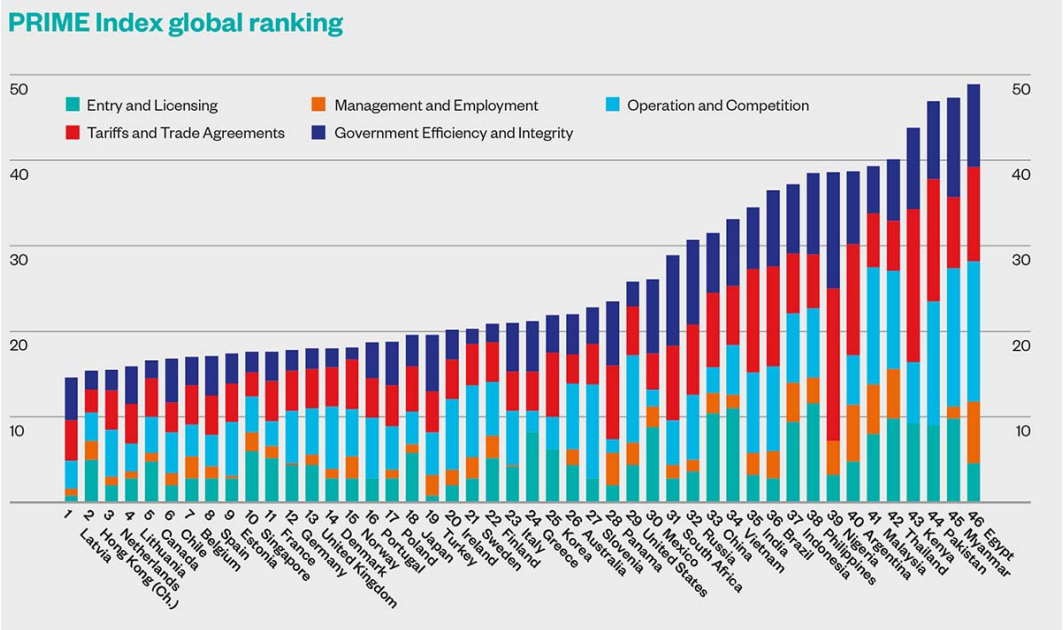
The four scenarios for trade policy reform offer guideposts for policymakers, outlining how governments can enhance the health of their national economies through trade and real GDP gains. The lower the level of restrictiveness, the greater the degree of benefit is likely to be.

Promoting policy reform: A new global ranking of maritime economies

Removing tariff and non-tariff barriers are quick and easy tools available to policymakers to increase levels of GDP, making this a win-win situation in catalysing economic recovery from COVID-19. Countries at all levels of economic development would be better off, and none would be worse off, if even modest reductions were made to existing barriers.

Identifying the trade restrictive policies that countries have in place is a sensible first step towards meaningful reform and the new Study by ICS is an excellent starting point to identify these barriers. Just as important is to have a clear plan of action to significantly reduce the impact of these restrictive policies or remove them altogether.

To promote policy reform, the Study developed a new Index on Protectionism in Maritime Economies (PRIME Index). 46 maritime nations, accounting for the vast majority of the global economy, were given a PRIME score according to how restrictive their trade policies are, based on factors such as management and licensing rules, government integrity and tariffs. The PRIME score is a single number that allows general comparison by aggregating the different measures of a country's trade policies.



The Study also contains detailed Country Profiles covering all national economies assessed, breaking down the PRIME scores for individual nations. Summaries of all profiles are available on the ICS website [Link to be provided]. The full country profiles include an assessment of national trade policies in a maritime context and can be accessed through the full Study.

ICS recommendations to policymakers

Concrete policy actions are urgently needed to address rising protectionism and the weakened multilateral trading system, for the benefit of all national economies:

- The benefits of liberalising maritime transport services would extend far beyond the maritime sector and would have equally positive effects on various other economic activities. Countries should work together to establish **'exploratory discussions'** on liberalisation of maritime transport services at the World Trade Organization (WTO), which could pave the way to more efficient and cost-effective maritime transport services. Similar discussions are already taking place at the WTO, for a number of other sectors.
- These **exploratory discussions should establish a framework** for resumption of full multilateral negotiations on liberalisation of maritime transport services at the WTO, in the mid- to long-term. Formal negotiations have been suspended for several years and national commitments made by governments in previous negotiations lack legal certainty.
- All countries, regardless of the level of economic development, gain from reduction of maritime protectionism even if they do so unilaterally, as a transitional measure towards global reform. **Removing or reducing tariff and non-tariff restrictions** impacting global maritime trade would offer substantial gains in terms of trade and GDP. Targeted national infrastructure investments and trade facilitation initiatives can also play an important role in improving transport competitiveness. This could expand the availability and choice of maritime transport services and produce substantial cost reductions.
- While liberalisation in a single country is second-best to global reform, it is infinitely preferable to no reform at all. **Countries should act swiftly** to reduce and remove trade restrictive policies, and move as close as they can towards market liberalisation in the

maritime transport sector – even if they must do so unilaterally. It would be self-defeating for any nation to hold its own reforms hostage to the lesser ambitions of its trading partners.

Charting the course towards recovery

The maritime transport sector is evolving and confronting both immediate challenges resulting from the pandemic and seeking longer-term solutions. In this time of global crisis, it is more important than ever to keep maritime trade flowing for the benefit of national economies. While we are now getting a glimpse of the light at the end of the tunnel, many challenges still lie ahead.

The sector can be an invaluable strategic industry partner, as policymakers begin to steadily navigate towards recovery. We are calling on governments and international organisations to seize the opportunities this Study has outlined, to better navigate through the economic impact of the pandemic, exacerbated by growing trade protectionism, inward-looking policies and a weakened multilateral trading system.

Addressing these trade related challenges requires urgent leadership. A co-ordinated approach between governments and international organisations, such as UNCTAD, is of the utmost importance to foster policies that can sustain the long-term health of global trade.

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