

The Impacts of COVID-19 on Relevant EU Policies

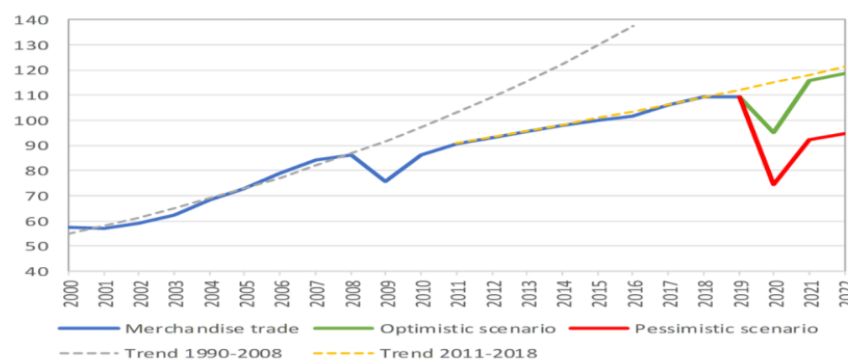
Afifah Muliawati

30 May 2020

According to WTO's annual Trade Outlook on 8 April, world trade is expected to drop by ranging 13% and 32% in 2020 due to COVID 19 pandemic disrupts economic activity and life around the world. The expected fall is due to the unprecedented health crisis and uncertainty which impacts the economic sector. Moreover, WTO economists see that the decline will surpass the trade slump that happened in global financial crisis 2008-09 (chart 1). Trade will probably fall more steeply in sectors that have complex value chain linkages, especially in electronics and automotive products. Trade in service will also be highly affected because of transport and travel restrictions and the closure of many retail and hospitality establishments.

Chart 1 - World merchandise trade volume, 2000-2022

Index, 2015=100



Source: WTO Secretariat.

The WTO provides several tools in order to help the governments of members and general public regarding the COVID 19 related measure. There is a specific webpage available with full list of the measures notified to the WTO by its members. The WTO also maintains on this webpage with a list of COVID 19 trade and trade-related measures compiled by the WTO Secretariat from official sources.

Each WTO member is free to decide what is necessary to protect its citizens and take the appropriate measures. WTO rules allow members to adopt trade measures needed to protect public health and public welfare such as import and export bans, quantitative restrictions on imports and exports, and non-automatic import licensing. These measures enforcements should not discriminate between WTO members not constitute a disguised restriction on international trade. The general exceptions are set out under the General Agreement on Tariffs and Trade (GATT) 1994, the General Agreement on Trade in Services (GATS), and the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) which provides members with flexibilities to make sure that life-saving drugs are available and affordable for their citizens.

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WTO measures' agreements which are the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) and the Agreement on Technical Barriers to Trade (TBT Agreement) among members are aimed to protect public health or public safety. The objective of TBT Agreement is to ensure that technical regulations, standards and assessment procedures are non-discriminatory and will not cause obstacles to trade. Moreover, it recognises WTO members' right to implement measures to achieve legitimate policy objectives which are the protection of human health and safety. Both the SPS and TBT agreements require WTO members to notify others of any new or changed requirements which affect trade, and to respond to requests for information on new or existing measures.

ePing for SPS and TBT is a collaborative work between the WTO, the United Nations Department for Economic and Social Affairs (UNDESA) and the International Trade Centre (ITC). There are more than 63,000 SPS and TBT notifications in this system. The Notification Alert System enables users to receive daily or weekly email alerts about new SPS/TBT notifications and to search for existing SPS and TBT measures related with products or markets. Other notifications regarding members' import and export bans, quantitative restrictions on imports and exports, and non-automatic import licensing can be accessed through the WTO's Committee on Market Access and posted on the WTO's webpage in section of Document Online.

The pandemic also hit EU Economies badly. According to Spring 2020 Economic Forecast published by European Commission, it stated that EU will experience a deep and uneven recession, an uncertain recovery. The growth is foreseen to drop 7,5% in EU level. Each Member State's economic recovery will depend on the progress of the pandemic itself, the economy structure, and the capacity to respond with successful policies. As all member states are integrated, the dynamics of recovery in each member will affect the strength of recovery other member states.

In relevance with external trade, EU applied rules for exports. On 15 March 2020, the European Commission published Implementing Regulation (EU) 2020/402 about the exportation of certain products subject to the production of an export authorisation, pursuant to Article 5 of Regulation (EU) 2015/479. That Regulation was amended by Commission Implementing Regulation (EU) 2020/426 of 19 March, this applies for limited period which is 6 weeks. The objective of the regulation is to prevent a critical situation due to a shortage of essential products and make sure the personal protective equipment is available in EU countries to

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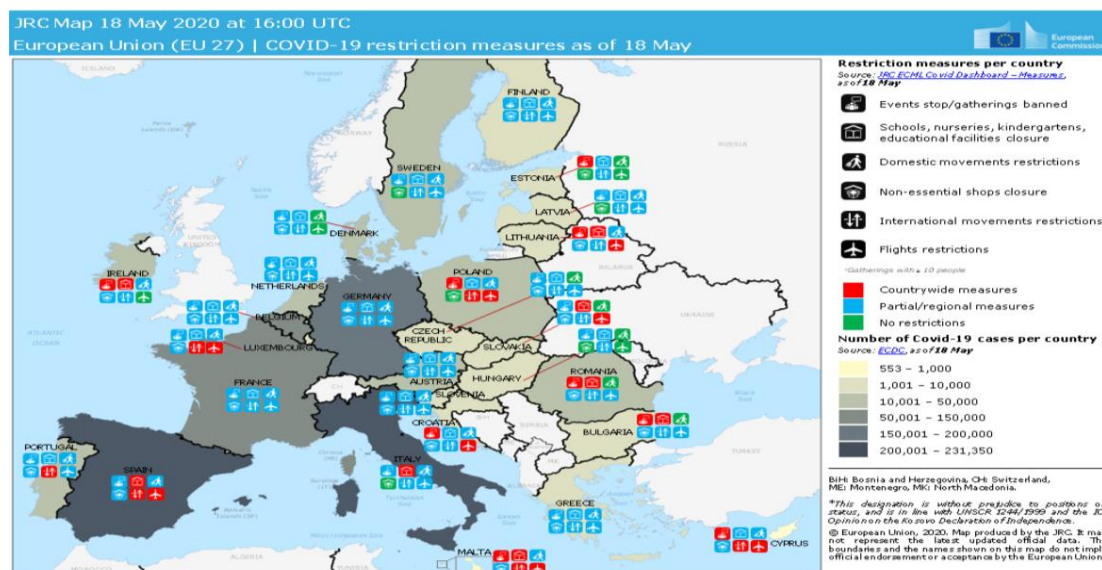
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prevent the spread of the virus. The listed products that require authorisation are protective spectacles and visors, mouth-nose-protection equipment, and protective garments. The regulation refers to required certain personal protective equipment whether or not it originated in the EU, to be authorised by EU countries' competent authorities for export outside the EU, other than to countries in the European Free Trade Association, territories dependent on EU supply chains (e.g. Andorra) and certain overseas territories.

In relevance with competition, EU has several temporary frameworks in the current COVID 19 outbreak. The first is for assessing antitrust issues related to business cooperation. The Commission communicated two ideas which are (i) the main criteria that European Commission will follow in assessing these possible cooperation projects and (ii) having an exceptional procedure to provide ad hoc guidance on specific cooperation projects aimed at addressing the shortage of essential products and services during the COVID 19 outbreak.

Another framework is for state aid to support the economy in this uncertain situation. As obvious that this pandemic impacts the economy from various factors starting from supply shock due to disrupting of supply chain, fall in consumer demand, uncertainty in investment which is bad and can affect the liquidity. Moreover, the emergency rules such as social distancing, travel restrictions, stay at home, and lock downs that aim to flatten the curve have negative effects such as lower demand and supply, unemployment, and severely hit sectors of health, tourism, culture, retail, and transportation. Starting from small and medium enterprises until large ones also experience the hard situation. Global financial markets including bank and other financial institutions are not exception.



Source: European Commission

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Thus, European Commission creates temporary state aid measures that consists of aid in form of direct grants, repayable advances or tax advantages, aid in the form of guarantees of loans, aid in the form of subsidised interest rates for loans, and aid in the form of guarantees and loans channelled through credit institutions or other financial institutions. The Commission also has short-term export credit (STEC) insurance since the consequence of the current outbreak, it cannot be excluded that, in certain countries cover for marketable risks could be temporarily unavailable. There must be at least one condition must be fulfilled which is either a large well-known international private export credits insurer and a national credit insurer produce evidence of the unavailability of such cover or at least four well-established exporters in the Member State produce evidence of refusal of cover from insurers for specific operations. Lastly, Member States must report by publishing related information within 12 months from the date grant given and submit annual report as well.

Besides that, European Commission also did response which is screening of foreign direct investment. On 25 March, the Commission published guidelines to help Member States screen foreign direct investments and acquisitions of control or influence. The aim is to protect critical European assets and technology in the current crisis. That is important since in this hard situation companies can be vulnerable and might be the object of takeover by foreign party which will not be favourable for Europe.

As mentioned before that tourism industry is one of the sectors that most affected by the pandemic. Travel restrictions due to the COVID 19 have negative effect towards the tourism industry as a major player in the EU Economy. Revenue is forecasted to fall 85% for hotels and restaurants, 85% for tour operators and travel agencies, 85% for long distance rail, and 90% for cruises and airlines. Europe stands for half of the world's tourist arrivals and the situation is particularly difficult for European countries that depend on tourism, for examples Spain, Italy, France and Greece.



Source: European Commission

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Parliament approved relief measures for the transport sector to reduce the effects on airlines, railways, road and shipping companies on 15 May. United Nations World Tourism Organization stated that as of 11 May, 100% of world tourist destinations had applied temporary travel restrictions regarding the pandemic, even 72% stopped totally on international tourism.

In order to tackle the difficulties in tourism industry, the Commission provides liquidity for tourism businesses, especially for Small and Medium Enterprises through some ways which are; (i) vouchers as an attractive and secure option to cash reimbursement, (ii) saving jobs with up to €100 billion in financial relief from the SURE programme, (iii) connecting citizens to local tourism offer, promoting local attractions and tourism and Europe as a safe tourist destination, (iv) financial support through the Coronavirus Response Investment Initiative, EIF loans as well as flexible state aid rules.

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