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ANY OTHER BUSINESS

ICS Trade Study on Protectionism in Maritime Economies (2021)

Submitted by the International Chamber of Shipping (ICS)

SUMMARY

Executive summary: The COVID-19 pandemic has caused profound health, economic and social shocks globally. It has also provided governments with an exceptional opportunity to shape a better future for their national economies, through ambitious national recovery plans that identify a path to a more sustainable society. ICS presents the findings of a new global trade study on "Protectionism in Maritime Economies", which could assist national governments and international organizations to identify the wide range of trade restrictive measures that individual governments have in place, preventing their national economies from reaping the full benefits of maritime trade growth and of more efficient maritime transport, to the detriment of local producers and consumers which rely heavily on these services. The study lays out four different pathways for trade policy reform towards liberalization, all of which lead to tangible trade and real GDP growth for national economies.

Strategic direction, if applicable: 5

Output: Not applicable

Action to be taken: Paragraph 17

Related documents: None

Introduction

1 The prolonged downturn in world trade and the global economy has been a major side effect of COVID-19. The effects of some government trade policies in response to the pandemic have been especially severe, with international organizations, such as the World Bank Group and Global Trade Alert,¹ cataloguing hundreds of tariff and non-tariff barriers to trade implemented throughout the pandemic. These have included (among others) import licensing requirements or outright bans on exports of medical goods, medicines, as well as agricultural and food products.

¹ Source: <https://www.globaltradealert.org/reports/54>

2 In November 2020, the United Nations Conference on Trade and Development (UNCTAD) also provided a grim short-term outlook for global maritime trade as a result of COVID-19, with the longer-term impact as well as the timing and scale of the sector's recovery still fraught with uncertainty.²

New ICS global trade study on "Protectionism in Maritime Economies"

3 Trade restrictive measures, such as tariffs on imports and exports, are making it more difficult for economies to recover from the effects of the pandemic. According to a recent WTO report,³ \$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 – e.g. cargo reservation, discriminatory treatment of foreign companies and limitations on the provision of port services – with the ICS study revealing that non-tariff barriers are up to 5 times as harmful to the economy as traditional tariffs, emphasizing that the impact of these restrictions on trade flows is much bigger than meets the eye. This is compounded by the knock-on effects of growing trade protectionism and inward-looking policies resulting from governments' reactions to the pandemic.

4 The ICS study on "[Protectionism in Maritime Economies](#)"⁴ – co-authored with Professor Craig VanGrasstek of Harvard Kennedy School of Government – identifies protectionist trade policies being implemented by governments worldwide and impacting not only maritime transport, but also other connected economic activities, including agriculture, food and beverage, metal products, mining, textiles and apparel, transport equipment, wood and paper. The study found that all countries assessed, irrespective of levels of economic development, would be better off if even modest reductions were made to existing trade barriers. The full study was published on 24 February 2021 and free copies are available to IMO Member States, upon request to publications@ics-shipping.org.⁵

The four ICS Scenarios for policy reform: Tangible trade and real GDP gains

5 The study lays out four scenarios for policy reform towards trade liberalization. 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 in their level of restrictiveness of 10%, based only on traditional trade tariffs and commitments in trade agreements). Based on these scenarios, the study demonstrates that reducing trade restrictive policies could see the real GDP of national economies increase by up to 3.4%.

² Source: UNCTAD, [2020 Review of Maritime Transport \(RMT\)](#), 12 November 2020.

³ Source: WTO, [Overview of Developments in the International Trading Environment](#), 30 November 2020.

⁴ Information about the full study: <https://www.ics-shipping.org/current-issue/protectionism-in-maritime-economies-study/>

⁵ Study Summary Report: <https://www.ics-shipping.org/wp-content/uploads/2021/02/Protectionism-in-Maritime-Economies-Study-Summary-Report-1.pdf>

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 changes 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

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

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

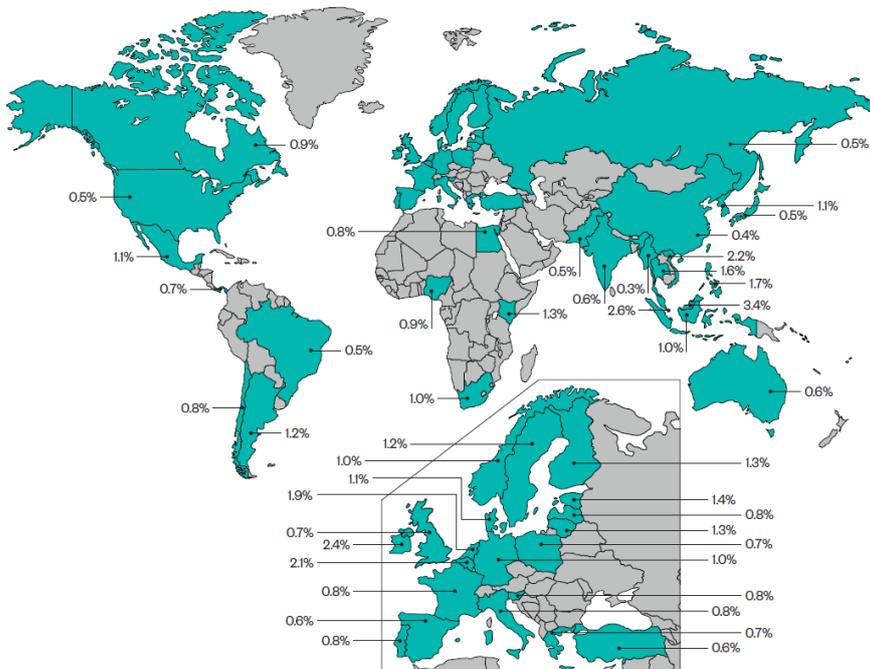
7 The study shows that developed countries could experience an average increase of 4.5% in their goods exports if they were to loosen tariff and non-tariff trade restrictions in a "modest and equal" level of ambition (Scenario 2 above). Developing countries under this scenario would experience an even greater average increase of over 7% in goods exports.

Average Changes by Region and Income Level from 2015 Baseline Level

	Regions				Income Levels		All
	Africa & MidEast	Asia & Pacific	Latin America	Europe & Atlantic	High-Income	All Other	
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%

8 The assessment also 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 – would be 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.

9 The world map below reveals 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

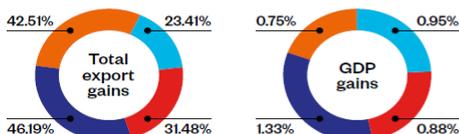
10 Outlined below is an overview of the trade and GDP gains for selected African Union countries, based on the study's four trade policy pathways for reform. The annex to this submission contains a similar overview for selected countries in other regional trade blocs, namely the Asia-Pacific Economic Cooperation (APEC), the Association of Southeast Asian Nations (ASEAN), as well as a joint assessment of selected Central and South American countries from the Southern Common Market (MERCOSUR) and the Pacific Alliance (Alianza del Pacífico).

Pathways for Reform and Growth

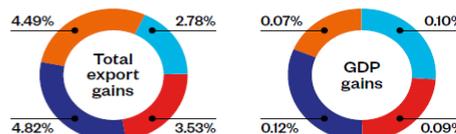
The state of play in the maritime transport sector still points towards trade restrictions. The Study identifies four alternative pathways for reform that could help steer the region towards further national economic empowerment through the maritime transport sector, with tangible gains in terms of trade and GDP (based on a 2015 baseline).



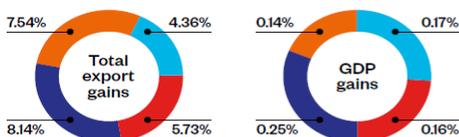
Highly Ambitious
All countries reduce or remove their tariff and non-tariff restrictions by 50% through across-the-board reform.



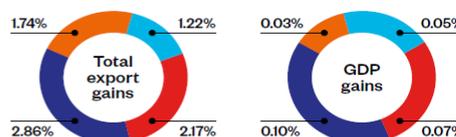
Modest and Unequal
High-income countries reduce or remove their tariff and non-tariff restrictions by 10%, and all other countries by 5%.



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.



Tariffs and Trade Agreements Only
All countries reduce or remove only their traditional tariff restrictions by 10%, through improvements based on changes made to countries' commitments in trade agreements only.

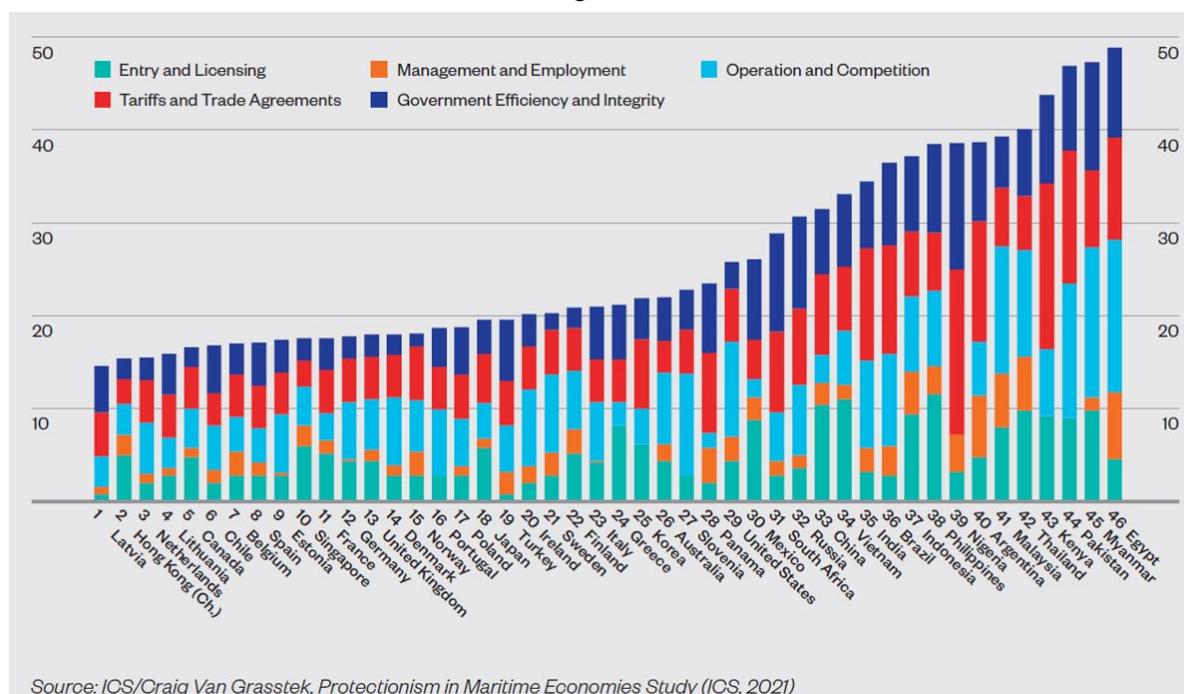


Promoting policy reform: A new global ranking of maritime economies

11 To promote policy reform, the study has developed a new Index on Protectionism in Maritime Economies (PRIME Index). Forty-six maritime nations, accounting for the vast majority of the global economy, were given a PRIME score according to how restrictive their trade policies are. The score is a single number – ranging from 0-100 points, with 100 being the worst possible score – allowing general comparison by aggregating the different measures of a country's trade policies.

12 Calculations of the PRIME score for each country were based on five overarching criteria, including national management and licensing rules, government efficiency and tariffs. Each of these criteria was further divided into 14 subcategories that encompass 77 elements, corresponding to various trade restrictive measures and complementary governance indicators. Below is the order in which individual countries have been ranked, based on their PRIME scores.

The Global Ranking of Maritime Trade Nations



13 The study also includes detailed country profiles. The purpose of each profile is to present a structured set of figures and other observations on each country, characterizing the key facts of its maritime trade regime, summarizing the main reasons why its PRIME score may be relatively high or low, and placing particular emphasis on any developments in its policy that were either recent or pending at the time of writing.

14 Of relevance to the FAL Committee, in the context of the study's current "Government Efficiency" criterion, the ICS PRIME Index takes into account the "Efficiency of Countries Processing of Exports and Imports", in terms of both time and cost. This assessment was based on data from WTO's Integrated Trade Intelligence Portal (I-TIP).

Potential "maritime single window" criterion for future editions of the ICS study

15 In the context of facilitating maritime trade – and the work of the FAL Committee in particular – ICS also considered including a criterion in the study to assess the availability of maritime single windows (MSW) – or other single windows with similar functions – in each of the countries analysed. Any country with an established MSW would be viewed positively in the PRIME score calculations. This potential criterion was omitted from the first edition of the study, due to a lack of a reliable and up-to-date catalogue, providing an overview of established and functioning MSWs.

16 ICS is currently considering options to develop a suitable framework for such a criterion, to be included in subsequent editions of the study. A potential starting point could be to use as a basis, annex A of FAL.5/Circ.42 on *Guidelines for setting up a maritime single window*, which contains examples of single windows established by a number of countries, namely Finland, Germany, Japan, the Marshall Islands, the Republic of Korea, Spain, Sweden and Ukraine. It is hoped that the inclusion of such a criterion might encourage the proliferation of MSWs worldwide.

Action requested of the Committee

17 The Committee is invited to note the information contained in this document.

ANNEX

ICS TRADE STUDY ON PROTECTIONISM IN MARITIME ECONOMIES

Overview of trade and GDP gains for selected countries
in selected regional trade blocs

1 Based on the study calculations, outlined below is an overview of the trade and real GDP gains for selected countries in a number of regional trade blocs, namely the Asia-Pacific Economic Cooperation (APEC), the Association of Southeast Asian Nations (ASEAN), as well as a joint assessment of selected Central and South American countries from the Southern Common Market (MERCOSUR) and the Pacific Alliance (Alianza del Pacifico).

APEC
Pathways for Reform and Growth

The state of play in the maritime transport sector still points towards trade restrictions. The Study identifies four alternative pathways for reform that could help steer the region towards further national economic empowerment through the maritime transport sector, with tangible gains in terms of trade and GDP (based on a 2015 baseline).

