



The COVID-19 pandemic has and will continue to have major disruptive effects on supply chains. Companies of all sizes have adapted as supply and demand dynamics have shifted, borders and markets have opened and closed, and customers have changed purchasing patterns. Formidable logistical challenges deriving from constant fluctuations in volume and routing have been exacerbated by both the creation of new customs measures and adherence to old paper-based practices that do not fit the ‘new normal’ in which businesses must now operate. The maintenance of supply chains, customs and export compliance, and logistics is critical to address the pandemic, both to deliver essential goods—such as medicines and foods—and to keep economic activity flowing.

Small- and medium-sized enterprises (SMEs) have been particularly hard hit by the introduction of new and unexpected customs requirements in many countries. Delays at the border, increased transportation costs, and opaque and constantly changing regulations from a whole raft of government agencies, including customs, have compounded difficulties faced by SMEs. In addition, reduced demand, liquidity shortages, and difficulties accessing emergency financing has severely constrained the ability of SMEs to continue trading. Given SMEs form critical links in global value chains, policymakers must prioritise saving SMEs both to ensure the delivery of essential goods and services and to rebuild shattered economies.

Addressing the new customs challenges, adopting best practices and taking concrete measures designed specifically with small businesses in mind must accordingly be given high priority by governments and customs authorities if we are to [Save Our SMEs](#). This paper, drawing on the collective experience of the International Chamber of Commerce’s global network of 45 million businesses operating in over 100 countries, seeks to identify the most common and pressing customs challenges and offer practical suggestions for their resolution.

1. Major customs challenges faced by small business during COVID-19

The pandemic has both exacerbated existing challenges and created new ones. While their precise nature and extent vary in each jurisdiction, the most common and serious problems that have particularly affected SMEs include:

- > **Continued requirements for paper-based documentation and new undefined documentation**, fulfilment of which can entail physical danger for employees and/or non-compliance with health regulations. Adherence to paper-based processes places small business in an impossible position, impedes the flow of essential goods, and hampers economic growth. The introduction of new documentation increases the level of complexity that SMEs must manage while importing and exporting goods, thereby diminishing their capacity to do so.
- > **Short window of opportunity to clear goods**. Reduced hours of operation at customs offices, decreased staffing levels due to COVID-19 and continued reliance on paper-based documentation have contributed to delays at border crossings and a shorter period during which to clear goods. This has resulted in increased costs for importers, exporters and logistics operators, increased incidences of non-clearance and created consequent congestion of storage facilities, which has impeded the flow of both essential and less essential goods.
- > **Reduced ability to pay fiscal charges on imports**. Unprecedented financial pressures on SMEs deriving from the stalling of the economies have reduced their ability to pay fiscal charges on imports. Goods are consequently being held pending clearance and eventually have to be forfeited to warehouses. This leads to many importers becoming unable to

complete compliance documents and/or access funds for duty payments. These financial difficulties are directly related to port and warehouse congestion, which generates increased demurrage and other storage costs.

- > **Slow classification of “essential services”.** While governments were mostly quick to recognise “essential goods,” there has been slower classification of “essential services” (which should embrace all logistics services plus information and communications technology (ICT), financial services and retail). Goods trade can occur only through a wide range of enabling services. Without clear or internationally consistent guidance on what constitutes “essential services”, many small businesses have been unable to continue working or seize opportunities as markets have begun to open up.
- > **Uncoordinated government regulations and messaging.** While COVID-19 naturally requires action by many agencies, especially health and economic ministries, there are many instances where customs agencies have not been involved in the development, refinement or dissemination of domestic COVID-19 related regulations. And the proliferation of measures at a sub-national level can easily be missed by foreign traders. Not all customs agencies have been informing and/or have processes to inform key stakeholders of national and sub-national regulatory changes implicating trade. As a consequence, there have been many instances of goods traders and logistics operators only finding out about newly imposed restrictions once at the border, clogging up supply chains and causing hassle for customs agencies.
- > **Unnecessarily restricting non-essential goods, which creates unnecessary and confusing barriers to trade.** Countries should avoid unnecessarily restricting non-essential goods during a pandemic. Ensuring that all types of cargo continues to move prevents the economy from slowing down to a level where all transport will be at risk, including the transport of “essential” supplies. The transportation and logistics industry involves the carriage of a large mix of different types of goods from different industry sectors. This is crucial to keep aircraft in the air, trucks on the road and population centres supplied. Should the movement of goods be restricted to only those deemed essential, operations are challenged and delayed, as time is spent trying to discern and separate non-essential from essential goods, in many cases leaving non-essential goods stored indefinitely. Further, there may be greater delays in moving essential goods as planes and trucks wait until they are full of only essential goods before moving. Logistics operators cannot shrink their networks to only deliver essential goods.

2. Best practice for customs agencies to help small business

While balancing the need for robust health and safety measures, the global business community has identified the following actions that would significantly alleviate barriers at borders, keep trade flowing and ease pressures on SMEs so that they can continue working and contribute to the recovery:

- > **Adopt a risk-based approach to customs clearance.** Major health challenges notwithstanding, customs agencies must take a holistic, risk-based compliance management approach to ensure an optimal balance between ensuring compliance and minimising disruptions. Risk-based approaches such as bypass clearance controls for critical supplies, increased use of pre-arrival processing and post-clearance audit methods, and simplifying clearance for low-value shipments could help facilitate trade without elevating health and other risks.
- > **Move swiftly from paper to electronic documentation requirements.** At a time when physical contact should be limited to the greatest extent possible, customs agencies should be flexible and not require physical documents or manual processes. Governments should accept digital signatures for all purposes, including customs processes related to debts, guarantees and certificates of origin. Relatedly, governments should implement the UNCITRAL Model Laws on Electronic Commerce (1996) and Electronic Signatures (2001). Wealthier governments should assist developing countries in adaptation. Accompanying

these changes, customs agencies should use this opportunity to fully embrace modern technology and communicate with companies by email rather than by letters—especially as many companies are compelled to rely on remote working and postal services are limited.

- > **Extend operating hours for customs offices and reduce unnecessary physical inspections.** In order to deal with congested borders and long processing times—including for essential goods—customs must remain open for longer than their usual operating hours. These extended hours should be based on the level of congestion, availability of staffing, and overall volume at crossings and accommodate new irregular trade patterns. Furthermore, restricting physical inspections to only those shipments identified as high risk would both speed up processing times and protect customs staff by avoiding unnecessary physical contact and exposure.
- > **Allow deferred payment of customs duties for SMEs.** Many traders, especially small businesses, are facing severe cash flow problems and difficulties operating due to lower demand. Governments should ease the burden on companies by relaxing the payment terms of all customs duties, taxes and fees, including by deferring obligations to pay other customs debts. A 90-day extension should be provided, subject to further review and extension as appropriate. This approach is consistent with tax deferrals many countries are implementing to improve business cash flow. Customs authorities should also waive interest charges for late payments.
- > **Clearly and quickly define “essential services”.** Financial services, ICT services, retail and distribution, and transportation and logistics services are all examples of critical enablers of trade in goods essential to an effective response to COVID-19. Customs agencies should adopt a clear definition of essential services for the purposes of customs clearances so as to reduce uncertainty, ensure an effective health response and stimulate economic activity.
- > **Improve communication with stakeholders, including with sub-national level government agencies.** Rapidly changing regulatory environments, border restrictions, lockdowns and quarantine rules have dramatically complicated operations and raised trading costs. While many health regulations are necessary to combat COVID-19, governments should give as much advance warning as possible so as not to disrupt or raise the cost to the flow of essential goods, services and workers across borders. Additionally, central governments must provide clear implementation guidance to sub-national governments for what constitutes an essential service. Further, customs and lead regulatory agencies should cooperate both on policy development and messaging to ensure that domestic and foreign businesses receive consistent, timely and fulsome information. In addition to dedicated COVID-19 webpages, dedicated email for questions and a customs helpdesk for SMEs could also assist. Chambers of commerce should be used to disseminate information about critical information and regulatory changes.
- > **Private sector consultation in the design and implementation of health, trade and customs measures.** While many border restrictions intended to limit the spread of COVID-19 have been put in place, governments that have consulted with the private sector in advance of implementing such measures have designed more effective and less obstructive measures. Private sector groups, such as chambers of commerce, can help governments to consider the impact of potential measures on SMEs so they can design appropriate policies.
- > **Create Authorised Economic Operator (AEO) programme and upgrade the World Customs Organization (WCO) SAFE Framework to reflect industry best practices.** Establishing accredited importers and exporters based on compliance records can facilitate trade in times of crisis by reducing physical and documentary inspection of goods, reducing border clearance times and lowering costs. In addition, given likely on-going restrictions on travel, consideration should also be given to implementing effective remote validation programmes. Small business especially benefits from such programmes. Similarly,

small businesses already participating in AEO programmes would benefit from customs authorities prolonging the review cycle for qualification from one year to three years. And given SMEs tend not to have the resources to become involved in AEO programmes, consideration should be given to allow larger intermediaries to act on behalf of SMEs. Chambers of commerce can play an important facilitating role to assist governments in setting up, accrediting and validating AEOs owing to their knowledge, expertise and networks with businesses, including SMEs.

- > **Expedite implementation of the Trade Facilitation Agreement.** Prioritise trade facilitation reforms. World Trade Organisation (WTO) and World Bank studies have shown that trade facilitation reforms can have an outsized impact on the ability of SMEs to trade internationally. The Organisation for Economic Co-Operation and Development's work shows that while trade facilitation provides benefits to all businesses, it benefits SMEs the most, as trade facilitation reduces fixed and variable costs. These improvements help SMEs become importers and exporters as well as SMEs that already export and import to increase their volumes. We urge all WTO Members to commit to rapid and robust implementation of the Trade Facilitation Agreement and encourage the utilisation of innovative partnership models—such as the Global Alliance for Trade Facilitation—to enable identification of reforms that can provide the greatest benefits to SMEs.
- > **Suspend periodic customs audits and inspections during 2020 for businesses with no record of non-compliance.** Many traders, especially small businesses, face regular audits and inspections by customs authorities for revenue raising purposes. On-site inspections and audits place additional financial, time and staffing pressure on small businesses already struggling with the exigencies of the moment, increase risks of spreading the virus and slow down the return to normal trading patterns. In line with a risk-based approach, customs authorities should accordingly suspend periodic customs audits and inspections for 2020 for businesses which have no record of non-compliance.

3. An international agenda for customs agencies to help small business

- > **Work multilaterally to develop a common definition of “essential services”.** Business would benefit enormously from a uniform international definition of “essential services”. Governments should immediately begin discussions, ideally through global forums such as the WCO and/or the WTO, to give business greater certainty irrespective of the region in which they are operating.
- > **Notify measures to WTO and WCO as quickly as practicable.** Governments should go beyond the minimum notification requirements of WTO law to ensure trade restrictive measures are reported in real time—everyday matters in responding to the economic fallout from COVID-19. Equally, governments can greatly assist small business by informing the WCO of customs measures to enable it to robustly report on measures taken globally.
- > **Share lessons learned on pandemic preparedness via the WCO with private sector input.** Customs dialogue with key stakeholders, such as chambers of commerce, could facilitate this effort. Governments should also share lessons learned and best practices so that governments can learn from one another, for example at the WCO. Discussions convened by the WCO and involving the Private Sector Working Group could greatly assist in identifying contemporary problems, quick fixes and more systemic methods for building long-term capacity.
- > **Coordinate with neighbours.** Governments with land crossings should try to align their customs regulations to the greatest extent possible. This could speed up cross-continental trade, reduce the costs of transportation and compliance, and ease the administrative burden on customs agencies (e.g. if it is known that a neighbouring country has the same

customs requirements they may adopt expedited procedures for vehicles who have already crossed those borders).

- > **Enhance international cooperation and transparency.** Small businesses—both importers and exporters—have been struggling to keep up with the rapidly changing regulatory environment. Maintaining an updated one-stop-shop website with changes for exporters and importers would help foreign businesses quickly understand policy changes and keep trade flowing.



ABOUT SOS

The Save Our SMEs campaign serves to highlight the special plight of micro-, small- and medium-sized enterprises facing the economic impacts of COVID-19, provide actionable policy recommendations to governments to assist SMEs, and offer free tools and support services to SMEs, to help them remain afloat during this crisis. For more information, visit www.sos.iccwbo.org.

ABOUT THE INTERNATIONAL CHAMBER OF COMMERCE (ICC)

The International Chamber of Commerce (ICC) is the institutional representative of more than 45 million companies in over 100 countries. ICC's core mission is to make business work for everyone, every day, everywhere. Through a unique mix of advocacy, solutions and standard setting, we promote international trade, responsible business conduct and a global approach to regulation, in addition to providing market-leading dispute resolution services. Our members include many of the world's leading companies, SMEs, business associations and local chambers of commerce.



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