



Key Messages on *The impact of COVID-19 international travel restrictions on services-trade costs*

June 2020

Introductory remarks

- We thank the OECD for facilitating an exchange on this topic within the *Working Party of the OECD Trade Committee*, and we **appreciate the opportunity to comment** on the OECD document *The impact of COVID-19 international travel restrictions on services-trade costs (TAD/TC/WP(2020)3)*.
- For our business membership, the **focus on this topic is highly welcome and pertinent** in the context of Covid-19, as this significantly affects global value chains across sectors.
- Businesses across OECD countries are looking at Covid-19 travel restrictions¹ – international, regional, national, and sub-national ones - with the **health and safety of their employees and customers as a priority**.
- We recognize however that – within necessary safeguards – particularly the international **movement of ‘essential’ business persons and labor should remain as free and predictable** as possible.
- We also underline the **urgency of the current situation** for our constituents: Many businesses – and particularly those whose business models rely on travel and labor mobility – are facing loss of markets, contract breaches, and penalties, and serious liquidity or even solvency constraints that threaten their future ability to exist.
- In this context, we appreciate efforts to **move this discussion forward in a very timely manner**.

Business impact of international travel restrictions

- The **OECD’s work on the topic and its illustrative scenario in the context of the STRI is helpful** as it raises awareness on the economically harmful effects and costs of travel restrictions.
- From a business perspective, it is important to recognize that there are several important **factors in the current architecture of international mobility – from policy design to implementation – that lead to restrictiveness on the ground**. These include the following:
 - First, a **global myriad of regional, national and sub-national travel restrictions** - such as entry restrictions, visa practices and quarantine regulations - present

¹ As defined in the OECD paper, travel restrictions “range from border closures, either complete or restricted to some regions or countries, to specific restrictions on visas, quarantine and flight suspension.” As highlighted below however, considerable uncertainty in the implementation of the architecture of international mobility significantly amplifies restrictiveness.

bureaucratic hurdles for companies. Particularly the design of quarantine rules is often not coordinated, and this can lead to mutual blockage of travel activities². In this context, we appreciate the OECD's initial efforts to actively identify and track policies.

- Second, there is **often a lack of clear definitions on what and who is 'essential'** as efforts are being made to enable the international movement of such persons³. In principle, we caution that any efforts to disentangle global value chains into 'essential' and 'non-essential' goods and services, infrastructure and sectors, leads to arbitrary restrictions and may amplify disruptions of highly complex supply chains.
- Third, we recognize a lack of **transparency regarding implementation of travel measures**, and the need for clear, coherent, internationally coordinated and timely guidance at the border. In this context, we encourage governments to better recognize the value of real-time information sharing, and digital communications.
- Fourth, companies often face **reduced operational capacities of public authorities** who have had to change their working methods due to the pandemic. This may lead to a shortages or shifts in resources so that the volume of business requests and the timely movement of vital goods and critical workers across borders cannot be handled as usual, particularly where the potential for digitalization and automation remains high. This problem becomes acute among companies which provide highly complex and technical services (for example, turn-key projects or verification and certification of industrial or transport equipment) which cannot be replaced by digital means.
- Overall, the **rapidly changing legal situation is causing considerable uncertainty** which amplifies restrictiveness. We agree that this uncertainty is a major factor in the highlighted sectors banking and insurance, but it also significantly affects other international supply chains across sectors.

Conclusion

- We **agree with the OECD's high-level key message** that emergency measures to tackle COVID-19 should be designed in a transparent, targeted, temporary, and proportionate manner.
- It is also **critical that governments engage key stakeholders prior to taking actions** that may have negative economic impacts and to avoid unintended consequences.

² As highlighted in the [Business at OECD Statement on The Trade Policy Response to Covid-19](#), we encourage governments to design control mechanisms and conditions that avoid multiple day quarantine upon arrival or return, and consider adopting special visas, work permits and more flexible regulations to facilitate trade in this context, including for the above-mentioned groups.

³ As highlighted in the [Business at OECD Statement on The Trade Policy Response to Covid-19](#), the international movement of essential business persons and labor should remain as free and predictable as possible. This should concern amongst others: (1) personnel, who are needed to scale up the production of goods and inputs that are directly or indirectly vital in fighting COVID-19 (including hi-tech medical equipment technicians and personnel who test, produce and distribute vaccines); (2) agricultural workers and food processors; (3) personnel who operate, maintain, conduct on-site repairs and supply critical infrastructure (including ICT and telecom services and equipment), (4) logistics personnel, (5) business persons, as a condition of trade and investment, who are indispensable for upholding critical elements of supply chain and legal functions.

- In the OECD paper, it would be useful to see **some more action-oriented recommendations** in the conclusion, or at least comments that point in that direction in case specific recommendations would require more in-depth discussion and significantly longer time.
- In addition, to **help policy-makers not only better assess costs of travel restrictions, but also put them into relation with potential benefits**, and to strengthen work across policy areas, we would suggest that the OECD also incorporates an informative box that provides some evidence on the effectiveness of international travel restrictions. We note that some of this information has already been published by the OECD, for example in the note [Flattening the Covid-19 Peak](#):
 - The note highlights that **travel restrictions delay but do not prevent pandemics** (e.g. by 3-4 weeks when 90% of air travel is restricted in affected countries).
 - The note highlights that **international restrictions may reduce the attack rate by just 0.02%** (which represents the proportion of the population who are infected).