

Background

Global trade will experience a sharp drop due to the Covid-19 pandemic; the World Trade Organization (WTO) expects a decline between 13 and 32 percent this year, depending on the length of the containment periods in the major economies. In addition to production losses caused by employee illness and a shutdown of production due to infection control measures, national export restrictions are hurting regional and global value chains. These not only have a negative impact on production and sales, but also send a disastrous signal and cause domino effects: Just-in-time production has become impossible in the current situation, s

FEMA makes clear that export restrictions should neither interfere with the international commitments of the United States nor disrupt supply chains vital to U.S. economic interests. Consequently, FEMA exempts shipments to non-governmental organizations, permits intra-company transfers to company-owned and affiliated foreign facilities, and authorizes shipments of covered materials in transit through the United States.⁸

Export Restrictions in China

China also strictly controls exports. Since 1 April 2020, all exports of medical products including Covid-19 testing kits, medical face masks, medical protective suits, ventilators, and infrared thermometers must be accompanied by proof of registration with the National Medical Products Administration (NMPA). The export controls were most likely not triggered by concerns about a possible shortage in China, but rather by deficiencies in the quality of some Chinese products. In Spain, for example, there had been complaints about the failure of Chinese virus test kits. Nonetheless, the measures have led to consid

observe strong (9 %) or moderate (22 %) disruptions in their supply chains. The export ban on PPE therefore threatens the production and expansion of production of essential medical goods.

Inspections Increase the Bureaucratic Hassle for Urgently Needed Supplies and Tie Up Limited Official Resources

Export restrictions on protective equipment or medical devices result in enormous additional bureaucratic efforts for the responsible authorities and companies. Up to now, the German export control authority, BAFA, has managed to quickly issue approvals in most cases. Nevertheless, this creates bureaucratic obstacles where none existed before. The well-intended new obligation to consult with the EU means another increase of the bureaucratic burden, binding capacities that are urgently needed in other approval processes.

In order to determine whether a particular product is subject to the export license requirement, the regulation refers to customs codes from the internationally used Harmonized System (HS codes) and a general description of products in the implementing regulation. The customs administration cannot carry out targeted controls on this basis. As a result, lengthy consultations and the submission of supporting documents (such as zero declarations, datasheets, self-declarations and other explanations) for thousands of individual products are inevitable.

Even when exports are authorized, there is a massive loss of time, especially due to the predilection of customs authorities directly responsible for exports to insist on detailed controls rather than finding pragmatic solutions. In addition, in some cases German customs have stopped or delayed the export to EFTA countries. This is not only counterproductive, but an additional burden for all parties involved.

The total time required for transaction from the supplier to recipient is already greatly delayed due to the crisis (capacity bottlenecks in logistics). Export restrictions and costly bureaucratic approval procedures further delay deliveries, contradicting the overriding political objectives of effective crisis management. In particular, the expansion and conversion of production capacities for medical goods requires smooth processes and delivery networks.

Recommendations

Further Easing of European Export Restrictions

The EU Commission renewed its export restrictions for certain PPE in late April, requiring consultations between national authorities and the EU. Instead, the EU should quickly phase out these restrictions to strengthen regional and global value chains. Furthermore, as time is a scarce resource in the fight against pandemics, the EU should avoid new bureaucratic barriers.

Supporting Global Supply Chains

Instead of national go-it-alone policies, a policy that secures and strengthens global supply chains for now urgently needed PPE and medical goods is necessary. As long as there is no corresponding agreement among WTO members or the G20, the EU should lead by example and at a minimum exempt all countries that have not imposed export restrictions themselves from EU export restrictions. An agreement should be reached with countries that have imposed export restrictions to mutually lift them.

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