

TRADE AND INVESTMENT POLICY WATCH

A memo to trade ministers on how trade policy can help fight COVID-19

Anabel González (PIIE)

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Image credit: REUTERS/Hannah McKay

Dear trade minister,

As your country deploys all instruments to combat the COVID-19 pandemic, bear in mind that trade can serve as a powerful, low-cost tool to improve access to medical supplies. Some measures can help protect the life and health of your population. Others may be appealing but harmful to your economy. Collective action with your colleagues across the world could strengthen the trade policy response to combat this pandemic. Following are recommendations for immediate action, all of them compatible with World Trade Organization (WTO) rules.

Lower tariffs on pharmaceuticals, medical devices, and other medical supplies

Tariff rates on pharmaceuticals and medical equipment are relatively low, but disinfectants and other products needed to fight the pandemic still face tariffs and nontariff barriers in many countries. Surprisingly, 31 governments impose import duties of 30 percent or more on soap!

Eliminating such protectionist measures could also lower the cost of inputs like active ingredients and other chemical products, encouraging domestic investment and production. A starting point is the indicative list of essential COVID-19 medical supplies published by the World Customs Organization. Colombia and Panama, among others, have already announced tariff reductions. But US tariffs on imports from China threaten to cause shortages of ventilators and other medical products.

Improve trade facilitation to reduce the cost of moving health-related products and materials across borders

Cross-border movement of relief goods is critical to support the sick in a timely manner, as well as domestic producers who rely on imported inputs to manufacture these products. It has been reported, for example, that as vaccines require careful handling when moved from port or factory to their destination, improved logistics can increase immunization rates in lower-income countries. China and the European Union have established “green lanes” to provide for rapid inspection and release of goods to avoid delays in importing critical supplies; other governments should follow. The World Customs

Organization can help with simplified procedures and improved risk management. You may consider extending this expedited approach to foodstuff and products like toilet paper to minimize shortages.

Adopt international standards to ensure the quality and safety of imported health-related products

Pharmaceutical products and medical devices are typically subject to product registration and approval to ensure consumer safety and public health. Even while not specifically designed to restrict trade, the regulatory regime for these products can unreasonably limit access to medicines and medical equipment. Domestic regulations incompatible with international standards should be eased, and complex and lengthy procedures to assess conformity with those standards should be speeded up. These nontariff barriers are bad for health. One option is to provide for automatic registration of medical supplies that have already met standards in advanced economies.

Allow health professionals to move across borders

In February 2020, two nurses in Wuhan, China, published an open letter pleading for health workers from around the world to come to China. China later sent 300 intensive care doctors to Italy. More such movement of doctors, nurses, and health professionals is needed especially in poorer countries. Special visas, work permits, and more flexible regulations can help.

Share knowledge via e-health and other cross-border digital interactions

In the United States, telemedicine is rapidly becoming the first line of defense against the coronavirus. The global health community is turning to digital technologies, data, and cross-border e-health interactions to share evidence and experience to detect, prevent, respond to, and recover from COVID-19. But a sound digital framework is key to support the free flow of data, protect privacy and security, and overall provide a trusted environment for digital exchanges.

Ensure that appropriate intellectual property protection does not hinder development of new technologies and drugs

Companies across the world are racing to develop diagnostic methods for COVID-19, as well as vaccines and antivirals for prevention and treatment, while governments are working to expedite approvals. New technologies—such as 3D-printing respirator parts developed by Italian engineers—can address shortages. Inventors of those innovations deserve intellectual property protection, but their needs must be balanced against the global significance of the pandemic. New issues will have to be sorted out, like those Italian engineers 3-D printing valves who fear the threat of patent litigation.

Avoid export restrictions

More than 24 nations have reportedly taken steps to limit their exports of medical equipment, such as face masks, and medicines and their ingredients. For example, the [European Union](#) has imposed restrictions on exports of medical gear outside the trade bloc and India has done the same on its exports of drugs and drug ingredients. Unfortunately, we have seen this movie before. In the 2006–08 food crisis, export restrictions reduced global food supplies and caused price surges.

In the past, it has proven difficult to multilaterally discipline abuse of these restrictions, despite the harm they do to exporters and importers alike by raising prices, discouraging investment, and provoking retaliation. Despite the political appeal of such steps, countries should recognize that they are self-defeating. The World Health Organization estimates that to meet rising global demand for personal protective equipment (face masks, goggles, etc.), manufacturing must increase by 40 percent. The solution is to utilize subsidies or other measures to stimulate global production and expedite distribution.

Take collective trade action

Finally, governments should enhance, not restrict, global trade cooperation, if not among all, at least among the willing. They should agree to a freeze on export bans, ease recent restrictions, and exercise self-restraint when the impact is devastating. Governments could also negotiate agreements to slash tariffs and nontariff barriers on health-related products, building, for example, on the WTO initiative on trade in pharmaceuticals. Increased certainty of open markets would stimulate investment. Governments could also develop a detailed framework to support medical services trade reform or e-health services to facilitate the flow of medical knowledge and expertise. Importantly, they could take advantage of the WTO to conduct these negotiations. While international cooperation on trade has suffered the onslaught of geopolitical competition, this is the time to collectively promote greater global alignment between public health and trade policies to save lives.

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Anabel González

Senior Research Staff

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