TACKLING COVID-19 TOGETHER

THE TRADE POLICY DIMENSION

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GLOBAL TRADE ALERT

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EXECUTIVE SUMMARY

There is growing interest in the positive contribution trade policy could make in tackling the COVID-19 pandemic. In part, this reflects the well-founded concern that the effectiveness of national health policy responses is being diminished by existing trade barriers and new curbs on the export of medical supplies.

Well-founded—given the resort to trade restrictions on medical supplies and soap summarised here. As of 21 March 2020, 46 export curbs on medical supplies have been introduced by 54 governments since the beginning of the year. Thirty-three of those export curbs have been announced since the beginning of this month, an indication of just how quickly new trade limits are spreading across the globe.

Consideration of the consequences of export curbs on medical ventilators highlights the risks to developing countries during this pandemic. The 25 nations that export significant amounts of medical ventilators include one just nation in Latin America and no nations in Africa, the CIS region, the Middle East, and South Asia. Given the sophisticated technology found in cutting-edge ventilators, it is unlikely that there are local producers in these countries capable of meeting global standards. Therefore, billions of people in developing countries are dependent on international trade for access to this critical technology, used to help patients suffering from advanced stages of COVID-19.

A detailed analysis of global export patterns of medical supplies reveals that concerns about dependence on a very small number of foreign exporters applies to, at most, three types of protective garment. Together, these three account for less than 3.5% of total trade in protective garments. Scare stories that China, India, or any other country have a stranglehold over the global trade in medical supplies are at odds with the facts. This finding undercuts the national security and industrial policy arguments for limiting trade and repatriating supply chains.

The import barriers in place before the pandemic—which essentially tax imported medical equipment, disinfectant, and soap—raise questions about the coherence of many nations' trade policy. Remarkably, 78 governments tax imports of soap at rates of 15% or more. Fifteen nations currently have non-tariff curbs on imports of protective gear and twenty-three have non-tariff curbs on imported disinfectant. Import restrictions on medical supplies reduce the effectiveness of public health interventions. Whatever political calculus led to these import restrictions needs to be revisited and fast.

In addition to unilateral tariff elimination, calculations are presented here of the total public revenue loss if taxes on imported medical supplies and soap were cancelled worldwide and in regional groupings, such as APEC. Worldwide cancellation would involve a loss to finance ministries of between $4.5bn and $9bn per annum, which is a tiny percentage of the total value of the monetary and fiscal stimuli announced during the past 10 days. It would cost less than $2bn to compensate developing countries outside the G-20 for the revenue losses resulting from cancelling their tariffs on medical supplies and soap.

Working together, governments could quickly and cheaply implement a tariff-and-aid initiative that sweeps away the barriers which impede medical supplies reaching locations where there are desperately needed. This is not a call for a global negotiation—governments could act unilaterally or in groups, with some states joining later as momentum builds. A bottom-up initiative has more chance of being implemented in the near term than a top-down one.

More generally, a pro-active approach is advocated here—adjusting trade policies now rather than waiting until after the pandemic and hoping that the status quo ante will be restored. History suggests such hopes are misplaced. Temporary trade distortions imposed during crises often become permanent fixtures in the world trade system.

The following five Guiding Principles should govern the conduct of commercial policies towards medical supplies and soap during the COVID-19 pandemic:

1. **Coherence** — trade policy should enhance rather than reduce the effectiveness of public health interventions. Proper account shall be taken of relevant trade-health linkages, informed by expert advice.

2. **Do No Harm** — eschew trade policies that deprive buyers worldwide of access to medical supplies.

3. **First Best** — trade policy should not be used if a more effective policy instrument exists. Proposed trade policy initiatives must not be considered in isolation; meaningful alternatives must be considered.

4. **Transparency** — trade policy and pandemic era subsidy decisions should conform to global best practices in transparency.

5. **Scrutiny** — in the next month the conformity of existing trade policies with these principles should be evaluated and measures falling short should be removed; all future trade policy initiatives should be tested against these principles.

The application of these Guiding Principles to present situation would require the implementation of 10 specific steps, outlined here in the form of a Package. Given the complexity of trade in medical supplies and the variety of policies available to governments, that Package must go beyond the elimination of both import tariffs on medical supplies and export curbs.

Governments could publicly adopt these Guiding Principles and Package individually or in groups (such as the G7 or the G20 or in regional groupings such as APEC and the European Union) and should encourage other countries to do likewise. There is no time at the moment for a global negotiation, so bottom-up collaborative approach is needed and needed fast.

1. Introduction

There is growing interest in the positive contribution trade policy could make in tackling the COVID-19 pandemic. In the past two weeks, there is also greater recognition that the initial trade policy response of many governments is having adverse effects on the health of the citizens of their trading partners. Some see more far-reaching consequences. To them, the unilateral free-for-all witnessed since the start of March 2020 represents a threat to the world trading system and to globalisation.

Consequently, urgent consideration needs to be given to cooperative trade policy approaches that do not diminish the effectiveness of public health interventions at home and abroad. On the basis of the evidence reported here, this note presents both a logic and concrete steps to take forward a cooperative approach. There is much governments can do unilaterally as well as together to ensure that trade policy helps surmount the COVID-19 pandemic.

Since our last note was circulated two weeks ago, there have been several important developments which are taken account of here. First, the World Customs Organization (WCO) published "an indicative list" of medical supplies used during the COVID-19 pandemic. Each relevant product and its associated HS code have been placed by the WCO into one of six groups, summarised in Table 1. The total value of global trade in these six groups was just under $715 billion in 2018. The majority of such trade is in disinfectants, sterilisation products, and test kits.

Given the advice of the World Health Organization (WHO) and many national health authorities to frequently wash our hands with soap, this product was added to those on the WCO list in the preparation of this note.

Table 1: The World Customs Organization's classification of COVID-19 medical supplies.

Category name	Products included	Number of HS 2017 codes	Total value of global exports in 2018 in these HS codes, $bn
COVID-19 test kits and related apparatus	Diagnostic reagents and instruments used in clinical laboratories for in-vitro diagnosis.	3	185.3
Disinfectants and sterilisation products	Alcohol solution, hand sanitisers, medical, surgical or laboratory sterilisers, various forms of hydrogen peroxide, and other chemical disinfectants.	6	308.6
Medical consumables	Wadding, gauze, bandages, syringes, needles, intubation kits, and paper bed sheets.	6	96.3
Other medical devices	Computed tomography scanners, extracorporeal membrane oxygenation, medical ventilators, other oxygen therapy apparatus including oxygen tents, and patient monitoring devices.	4	75.8
Protective garments	Face and eye protection, gloves, and other protective garments.	14	45.3
Thermometers	Liquid filled and other thermometers.	2	3.0
Additional product not in WCO list but included in this note.			
Soap	Soap.	4	9.5

Source: http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/natural-disaster/covid_19/hs-classification-reference_en.pdf?la=en

The second set of developments relate to the spread of export curbs on medical supplies, which has accelerated during March 2020. This spread and its counterproductive consequences for the implementing nation—and not only its trading partners—are discussed in the next section of this note. Less damaging alternatives to export curbs are proposed.

With the WCO's classification of relevant products plus soap, in the Annex of this note new maps and tables are presented which reveal country-by-country the import restrictions implemented before the pandemic was declared. By and large[1], these characterise the import policy stance towards medical supplies and soap that are in force today. The third section of this note considers the implications of such import restrictions and presents estimates of the revenue losses should the world's governments cancel import tariffs on COVID-19-related medical supplies and on soap.

Drawing upon the findings of the sections on export curbs and import restrictions, as well as on discussions with trade policy analysts, with retired and existing government officials and with experts at international organisations and in the private sector, in the fourth section of this note five Guiding Principles are proposed for commercial policymaking during the COVID-19 pandemic. Ten concrete implementation steps are identified as well.

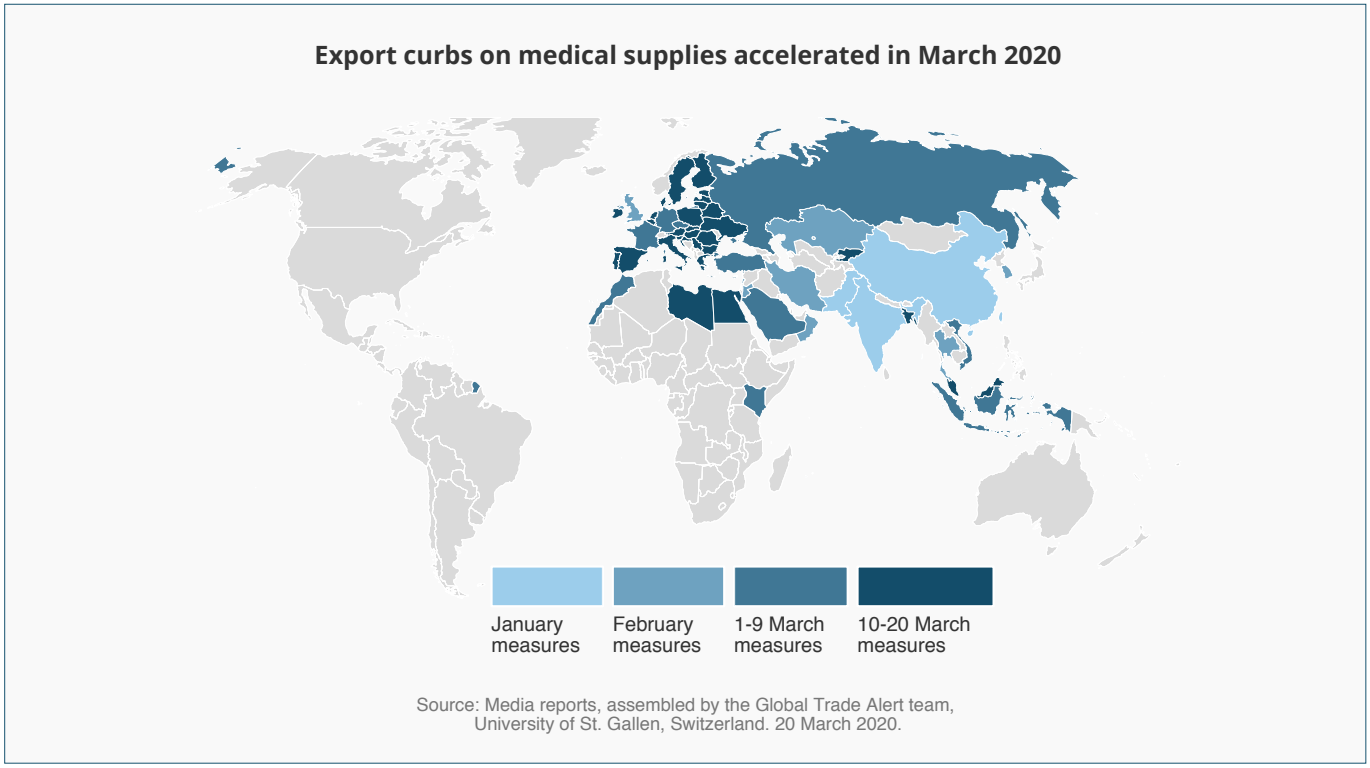
2. The counterproductive nature of export restrictions on medical supplies.

As COVID-19 has spread from China west, more and more governments have adopted measures that, one way or the other, curb exports of medical supplies and medicines (see Figure 1). Some governments have adopted explicit bans on exporting these products. Other governments have used more subtle means including export authorisation rules, threatening the license to operate of local producers of such products if they continue to export, and by requiring that all local production be bought by a state agency that, in turn, refuses to export any of these goods. Specific examples of the consequences for firms of these export curbs were given in our last note.

By now, 54 governments have implemented export curbs

As of 21 March 2020, a total of 54 governments have implemented some type of export curb on medical supplies and medicines associated with the COVID-19 pandemic. Bulgaria, France, India, Indonesia, Saudi Arabia, the Republic of Korea, Taiwan, Thailand, Turkey and the United Kingdom have implemented multiple export curbs, often widening the scope or hardening the provisions of export limits. Fairness dictates noting that China, Taiwan, and Germany have relaxed their export curbs to a certain degree. Still, the direction of travel is clear—governments are putting up obstacles to foreign buyers of vital medical supplies.

Figure 1: As COVID-19 spread West, so did curbs on the export of medical supplies.



1 This qualification has been added as there is evidence that at least three Latin American nations have reduced tariffs on imported medical supplies since our first note was circulated.

Export curbs have a poor track record

The last time export restraints were in the spotlight was during the commodity price spikes of 2006-8 when many governments restricted shipments of food abroad. Subsequent research showed that export limits raised the level and volatility of world prices while doing little to depress domestic prices, which were driven in part by other factors. As means of ensuring food security, such export limits were of dubious value.

The parallels to recent export bans on medical supplies are imperfect. In the present case, the nub of the matter is more availability than price. Health professionals are in the front line in the fight against COVID-19 and to reduce the risk to themselves of getting sick—or to delay the moment when that happens—they need protective medical kit. Export bans on masks, for example, erode the capability of trading partners to cope with the spread of COVID-19. Rather than beggar-thy-neighbour, export bans of medical supplies amount to sickening-thy-neighbour. The practical importance of these arguments is explained in the example that follows.

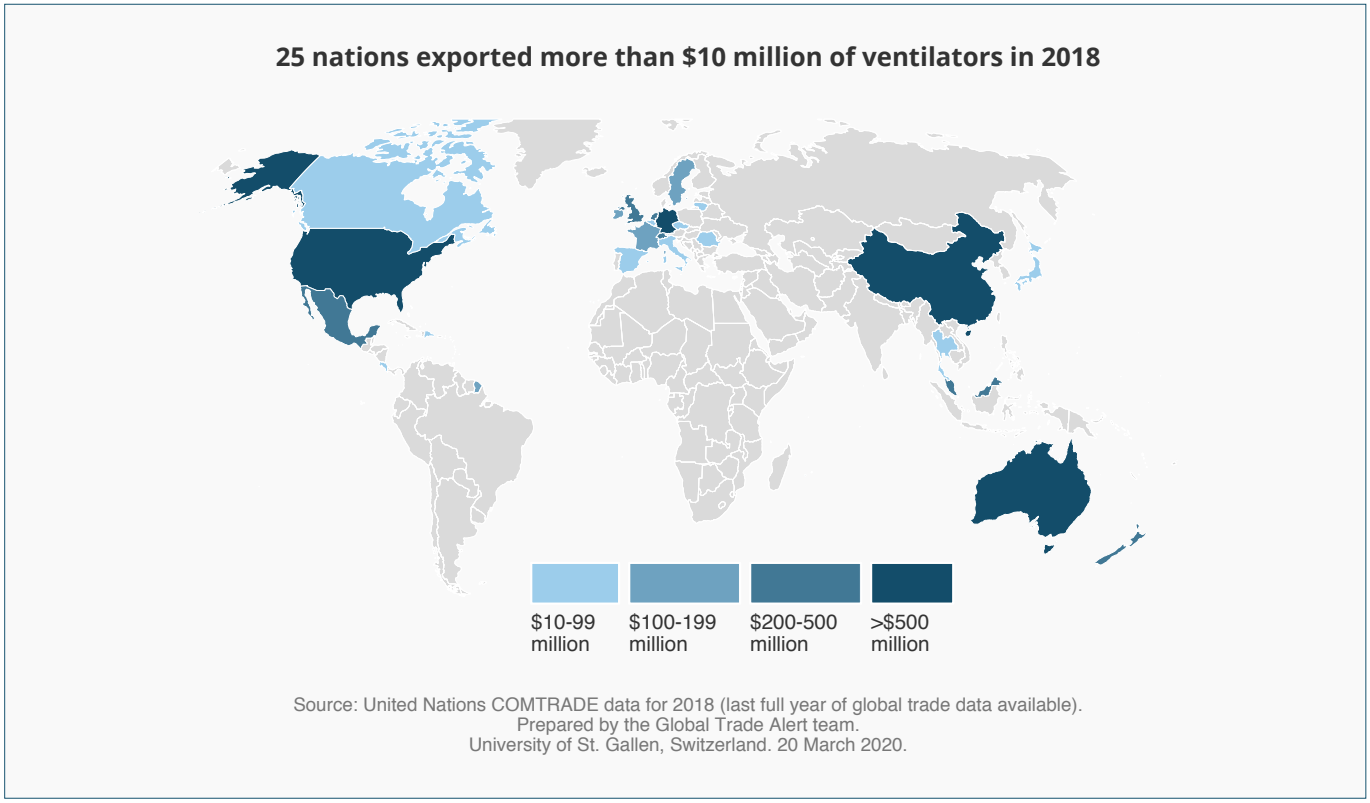
Global export curbs on medical ventilators would deprive Africa, the CIS region, Latin America, the Middle East, and South Asia of access to cutting-edge medical equipment

Access to medical ventilators is a matter of life and death for many patients that have a severe bout of COVID-19. Such ventilators are technologically sophisticated pieces of equipment. Moreover, the supply chains that provide the parts and components for ventilator producers are frequently international in scope. Therefore, export curbs on ventilators deny access to this medical equipment to foreign buyers and citizens. Export curbs on related parts and components can slow down or stall production of ventilators.

UN trade data for 2018 reveals that there were 25 nations that each exported more than $10 million of medical ventilators (see Figure 2). Only one nation in Latin America is in that select group. No nation in Africa, the CIS region, the Middle East, and South Asia exported medical ventilators. This is not to say that there are no domestic producers in these regions. However, given the advanced nature of this technology, the likelihood that any domestic producer can deliver cutting-edge medical ventilators is slim.

The implication is that, were every current exporter to ban shipments abroad of medical ventilators, then a significant share of the world's population will be denied access to a key piece of medical equipment during the COVID-19 pandemic. As several of the exporters of medical ventilators are members of the European Union, where an export authorisation-cum-ban is now in effect, then half of the producers of ventilators are already beyond reach of buyers in emerging markets. The human cost of export bans of medical equipment are not something any policymaker wants to have on their conscience.

Figure 2: Bans on the exports of ventilators would deprive Africa, the CIS region, Latin America, the Middle East, and South Asia of access to a key piece of medical equipment.



Export curbs are counterproductive

Denying foreign buyers medical suppliers is costly for the implementing nation for four reasons. First, recall that the principal purpose of such export limits is to increase the supply available to local hospitals etc. Whatever temporary gain there is in limiting shipments abroad, the loss of future export sales will discourage local firms from ramping up production and investing in new capacity, which is exactly what the WHO has called for. In practical terms, during a pandemic this mean that an export ban "secures" certain, currently available medical supplies at the expense of more locally produced supplies in the future. This trade-off is often overlooked—and it shouldn't be as sequential waves of infection are a feature of pandemics.

Second, the fiscal inducements that governments will have to deploy to persuade domestic firms to expand production must be greater in the presence of an export ban. What may sound like an expedient policy response to a health pandemic actually increases the burden on the public finances at exactly the wrong time.

Third, export bans jeopardise cooperation with other governments. Erosion of trust between trading nations need not be confined to medical supplies and cooperation on health matters. The furious reaction of the President of Serbia to the European Union's export authorisation-cum-ban is a case in point. Serbia has now approached China for its medical needs and the president of the former now refers to Xi Jinping as a "friend and brother." Not every trading partner will forget the imposition of formal or informal export bans of key medicines and equipment—a point made recently by a U.S. White House official about the H1N1 pandemic of 2009. True allies don't resort to export curbs at times like these.

Furthermore, retaliation by harmed trading partners cannot be ruled out—the extensive supply chains in medicines and medical equipment imply that pretty much every nation is vulnerable to some form of retaliation. Imposing an export curb may appear a solitary act—but it can boomerang in the form of retaliation.

Fourth, a nation's export ban is a political gift to nationalists and populists in harmed trading partners. Calls for discriminatory industrial policies ensue—as demonstrated by the recent remarks of the Mr. Peter Navarro, the Director of President Trump's Office of Trade and Manufacturing Policy—implying that the nation that imposes the initial export ban will find that conditions of competition abroad have worsened after the COVID-19 pandemic has abated. The ongoing and widely-leaked deliberations in the U.S. administration over whether to strengthen Buy America public procurement rules on medical supplies in response again makes the point that the drawbacks of export curbs are real.

The rationale for export curbs is unconvincing

Before resorting to an export curb, it is critical to articulate specifically the objective being pursued by the state. Often that objective is the solution to a pressing problem. Frequently it is claimed that the spread of COVID-19 has led to sharp increases in the demand for medical supplies that, in turn, exceed current domestic production levels and other available supply. Since the pandemic's length and ultimate severity are unknown, the objective then is to eliminate this excess demand by increasing production at home and abroad.

Proposals for export curbs should be tested against alternatives that do not impede foreign purchases. Governments, perhaps concerned that subsidising domestic production will benefit disproportionately foreign buyers, could set guaranteed minimum prices for medical supplies sold to the state. Such minimum prices could apply to a pre-announced quantity of government purchases or for supplies delivered during a pre-specified time frame. Local producers would then be assured of a revenue stream for supplying the state with critical medical supplies.

Where practical, consumption subsidies should be considered as well. If there are concerns that minimum prices or subsidies cannot be afforded by some developing countries, then the World Bank should stand ready to advance the sums necessary.

Joint initiatives by governments are possible too and would have the advantage of increasing the potential revenue pool that producers of medical supplies can tap into. What matters is that production of critical medical supplies is stimulated globally and that trade policy facilitates the expeditious distribution of the resulting product.

Security-of-supply concerns are unconvincing

Other proponents of export curbs point to the perils they see in relying on a small number of exporters of medical equipment, medicines etc. The often-unstated assumption is that the foreign commercial supplier, or the government in which the commercial supplier is located, is capricious or rapacious. Sometimes these arguments are given a geopolitical wrapper as well. To such proponents, export curbs should be combined with industrial policy measures to increase domestic production capacity and quality.

Security-of-supply arguments are not new in trade policy. They have been invoked in the past in deliberations on agricultural trade policy and have been used to rationalise the inefficient support schemes found in many nations, both industrialised and emerging. This matter can be approached dispassionately by examining how many nations export a minimum amount of the good in question and the shares of global trade accounted by the largest and the three largest exporters.

Using data for 2018 (the latest year for which the UN COMTRADE database has a complete set of global trade data), for each type of COVID-19 medical supply identified by the WCO and for soap, the number of exporters shipping

more than $10 million of the six-digit HS code in question is reported in Annex Table 1. As are the total shares of global exports of the largest exporter and the three largest exporters. Similar statistics are presented in Annex Table 1 for 2008, allowing readers to check whether markets are becoming more concentrated over time and whether the total number of significant exporters is rising or falling.

Consulting the fourth column of Annex Table 1 reveals the first finding, namely, that there are only four products for which there are less than 10 significant exporters. Three of those products are protective garments, the other relates to thermometers. The second finding is that there are only two six-digit HS codes where the number of exporters shipping more than $10 million in 2018 was less than in 2008. In contrast, there are seven HS codes (out of 39) where the total number of significant exporters has risen by 10 or more. The second finding arises from comparing the fourth and eighth columns of Annex Table 1.

Comparing the fifth and sixth columns of that table, which have been colour-coded to indicate where there may be high levels of market concentration, reveals that if there is a problem at all it is in the availability of some protective garments. There are three product codes (HS 621020, 621030, and 621600) in the protective garment category where there are five or fewer alternative suppliers to the top largest three exporters. These relate to protective garments made of rubberised and woven textile fabrics and to certain gloves.

Without diminishing the importance of these three items to health care professionals, it is worth noting that the global total value of exports in these three products in 2018 was less than $1.5 billion, or less than 3.5% of the total value of protective garments trade. These small values of trade may reflect very low per-unit prices or ample domestic supply, neither of which is consistent with vulnerability to a small number of rapacious foreign suppliers.

Overall, having examined the most fine-grained international trade data that is available globally, the argument that sourcing medical supplies and soap abroad is risky because it creates a dependence on unreliable trading partners is very difficult to sustain. This casts in a poor light arguments in favour of localising medical supply chains on national security grounds as well, so long as nation keeps on good terms with enough trading partners.

In conclusion, the ongoing rush to impose export curbs on medical supplies and soap is folly. It reflects fear-driven policymaking and ignores the insights that have been gleaned from previous, largely unsuccessful attempts to "secure" supplies by grabbing whatever product is currently on the national market or in transit through the nation. It is worth remembering that the central priority is to narrow the gap between supply and demand for medical products. Policymakers should tackle this challenge head on, rather than resorting to second- or third-best trade restrictions.

3. Taxes on imported medical supplies undermine national health policy response.

Our last note laid out in detail the taxes governments around the world impose on imported medical supplies and on soap. That data will not be repeated again—however, for each type of COVID-19 medical supply identified by the WCO and for soap, in the Annex easy-to-read maps and tables are presented indicating the scale of import restrictions. Those maps and tables do not make for pleasant reading—before COVID-19 many governments had in place significant barriers to imports of what are now much-needed medical supplies.

At a minimum, such import taxes increase the cost to hospitals and to health professionals of the very equipment, medicines, and materials needed to treat those infected with COVID-19. At their worse, such taxes discourage foreign supply entirely, reducing the number of available alternatives. Moreover, to the extent that health professionals cannot use protective gear sourced from abroad, or that they overuse protective garments, then there is a greater risk to their own health when they treat patients with COVID-19. The Director-General of the WHO was surely correct when he argued that one cannot tackle COVID-19 without front-line medical professionals that stay healthy.

But not only import taxes matter. Non-tariff barriers also impede foreign sourcing of medical supplies. These barriers include import licensing requirements and buy-national public procurement requirements, amongst other government measures. Whether tariff or non-tariff, state measures that effectively limit foreign medical supplies and soap reduce the effectiveness of public health initiatives to deal with COVID-19.

Enforcing these import restrictions are telling example of trade policy being misaligned with a pressing social objective, namely, tackling COVID-19. For this reason, each government should review the calculus underlying their current tariff and non-tariff measures that affect imports of medical supplies and soap with an eye to eliminating them immediately. Brazil, Colombia, and Paraguay have recently made steps in this direction, but even they could go further.

Evidently, there is a unilateral tariff elimination option. Since the focus of this note is on collective trade policy response what options are there in this regard? WTO members have already set a precedent of refraining from taxing a class of cross-border trade, namely, electronic commerce. As part of a package, or on its own, governments together

could proclaim their joint commitment to vanquish COVID-19 by cancelling taxes on imported medical supplies and soap. (Cancelling any domestic taxes on these products in addition is a distinctive and potentially complementary recourse.)

What practical objections could be levelled against cancelling existing tariffs on medical supplies? One potential objection is that, at a time when strong public finances are at a premium because they pay for health policy interventions as well as economic stimulus packages, governments should not forgo any revenue streams, including those arising from import taxes. Of course, there are plenty of rejoinders—not least that some Latin American governments have already demonstrated that they value medical supplies more than tariff payments.

Moreover, numerous governments have cut taxes on employees and employers to cushion the economic impact of COVID-19, breaking any taboo against revenue reduction. Lastly, given the increasing demand for medical supplies at this time, it is repugnant that governments profit from a windfall of higher tariff revenues because COVID-19 has struck in their territory.

However, the potential objection mentioned two paragraphs above does beg the following questions: just how much government revenue is at stake and how much would it cost to compensate smaller developing countries that join a collective tariff cancellation initiative?

The presence of regional trade agreements (RTA) and Generalised Systems of Preferences (GSP) complicates the answer to these questions as some imports may pay less than the Most-Favoured-Nation (MFN) tariff rate, including in the limit no tariffs. An exact correction for tariff preference utilisation is not feasible in the time available (if it is possible at all given data gaps), so upper and lower bound calculations of tariff revenue losses were made.

The upper bound is calculated as if no tariff preferences were exploited at all, in any RTA or in any GSP regime. The lower bound is calculated as if every RTA and GSP regime grants zero tariff treatment to all of the medical supplies and soap covered in this note and 100% of those preferences were exploited. For each group of medical supplies and soap, Table 2 reports the estimated total tariff payments in 2018 for different groups of nations, including all nations (labelled "worldwide").

Cancelling tariffs on medical supplies and soap across the globe would reduce public revenues worldwide by between $4.5bn and $9bn. Reimbursing in full the total tariff revenue losses of developing countries outside of the G-20 would cost less than $2 billion. Compensating the Least Developed Countries (LDC) for tariff revenues lost from joining this international initiative would cost approximately $100 million, a figure that is low because their imports of medical supplies and soap are tiny. The sums of money involved necessary to compensate small and poorer developing countries are a fraction of the aid budgets of the G-20 members. Alternatively, these amounts could be awarded in grants from the World Bank.

Regional groups could move ahead and their members could cancel taxes on imported medical supplies and soap. APEC is one such regional grouping and Table 2 presents the upper and lower bounds on the revenue losses from tariff cancelation by its members. Bearing in mind this regional grouping includes the three largest economies in the world the maximum loss in tariff revenues is $4.5 billion, which is a drop in the bucket as far as these governments are concerned.

As the maps in the Annex show, there are plenty of nations whose governments charge moderate or even high levels of import tariffs on medical supplies and soap. In the preparation of this note, the sensitivity of imports of medical supplies to tariffs was examined. Progressively lower levels of imports are found as ad valorem tariff rates rise above 5%. This implies that foreign sourcing of medical supplies and soap would expand considerably if taxes on these imports were cancelled. Demand for medical supplies and soap would thus rise, which again highlights the central challenge facing governments today—encouraging the substantial and expeditious expansion of production capacity of the medical products needed to surmount COVID-19. As argued in last section, trade restrictions are not the best way of accomplishing this goal.

While this section and the last focused on high-profile trade restrictions, the next section takes a broader perspective on the factors that facilitate the cross-border supply of medical goods. As will become evident, the findings presented here inform the steps that governments acting together should take as they beard the COVID-19 pandemic in the weeks and months ahead.

Table 2: Total revenue losses from eliminating tariffs worldwide on COVID-19 medical supplies and on soap. Revenue losses are in billions USD estimated using latest MFN applied tariff rates.

Groups of nations	Categories of COVID-19-related products and soap							
	COVID-19 test kits and related apparatus	Disinfectants & sterilisation products	Medical consumables	Other medical devices	Protective garments	Soap	Thermome-ters	**Total**
Worldwide (upper bound)	0.93	3.27	0.96	0.15	2.96	0.52	0.04	**8.83**
Worldwide (lower bound)	0.62	1.65	0.52	0.12	1.48	0.10	0.03	**4.52**
G20 cpuntries	0.77	1.98	0.79	0.13	2.18	0.23	0.04	**6.11**
Non-G20 countries	0.17	1.29	0.17	0.02	0.78	0.29	0.01	**2.73**
Non-G20 developing countries	0.11	1.19	0.14	0.02	0.20	0.24	0.00	**1.90**
LDCs	0.00	0.03	0.01	0.00	0.01	0.06	0.00	**0.10**
APEC (upper bound)	0.65	1.52	0.55	0.06	1.46	0.16	0.03	**4.43**
APEC (lower bound)	0.44	0.80	0.24	0.05	0.73	0.04	0.02	**2.32**
Memo:								
Total trade, US$bn	**185.3**	**308.6**	**96.3**	**75.8**	**45.3**	**9.5**	**3.0**	**723.80**

Notes:

1. Products in columns 2,3,4,5,6,and 8 are those listed in the World Customs Organisation's list of COVID-19-related products. That list (published on 19 March 2020) is available here: http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/natural-disaster/covid_19/hs-classification-reference_en.pdf?la=en
2. Numbers in the table are estimates of the tariff revenues that would have been collected if the government collected the applied MFN tariff rate. Full collection of such duties provides the upper bound estimates in this table (which applies to rows 2,4,5,6,7 and 8). The lower bound estimates (rows 3 and 9) refer to tariff revenues collected if 100% of all RTA and GSP preferences are exercised.
3. Data on applied MFN tariff rates was taken from the WTO Tariff Download Facility (latest reported year of data was used).
4. Data on the total value of trade associated with these products was taken from the UN COMTRADE database for the year 2018 (last year a full set of global trade data is available).

4. Guiding Principles and Solidarity Package for Commercial Policy during the COVID-19 pandemic.

Like it or not, it is indisputable that no state acting alone has the expertise, production and innovative capacity, or the material to effectively tackle the COVID-19 pandemic at little human cost and in short order.

What is also clear is that the effectiveness of pandemic-related public health interventions can be compromised by other state action, including existing trade policies and new trade restrictions.

Such incoherent and damaging public policymaking occurs during a global pandemic because of the inherent fears engendered by the spread of COVID-19, limited information available to policymakers, and pressure from interested parties to have their activities and assets declared "critical," "essential," or "strategic."

In light of these realities, governments need principles to guide the conduct of commercial policymaking. Any such principles must reflect the realities of trade in the medical products needed to surmount COVID-19, including the presence of complicated and sophisticated cross-border supply chains, the complexities of the products themselves, and the many policy instruments governments—national and sub-national—have that can distort cross-border commerce.

The following five Guiding Principles should govern the conduct of commercial policies towards medical supplies and soap during the COVID-19 pandemic:

1. **Coherence** — trade policy should enhance rather than reduce the effectiveness of public health interventions. Proper account shall be taken of relevant trade-health linkages, informed by expert advice.

2. **Do No Harm** — eschew trade policies that deprive buyers worldwide of access to medical supplies.

3. **First Best** — trade policy should not be used if a more effective policy instrument exists. Proposed trade policy initiatives must not be considered in isolation; meaningful alternatives must be considered.

4. **Transparency** — trade policy and pandemic era subsidy decisions should conform to global best practices in transparency.

5. **Scrutiny** — in the next month the conformity of existing trade policies to these principles should be evaluated and measures falling short should be removed; all future trade policy initiatives should be tested against these principles.

The adoption of these Guiding Principles should be followed by the implementation of the following Package of trade policy measures by national governments and the public bodies and companies that they influence:

1. Immediate elimination of tariffs on all COVID-19 goods identified by the World Customs Organization and on soap.

2. Immediate elimination of export curbs, including export authorisation schemes and those relating to parallel exports, on all COVID-19 goods identified by the World Customs Organization. This applies to transhipped goods as well.

3. For two years suspension of all national public procurement regulations and state-required localisation measures that frustrate the cross-border sourcing of COVID-19 goods identified by the World Customs Organization.

4. No new limits on the import or export of COVID-19 related goods referred to in points 1-3 above will be introduced.

5. Immediate review within one month of all non-tariff policies, regulations, and practices that have the potential to limit the import or export of COVID-19 goods, parts and components thereof, and of soap.

6. So long as the medical supplies and vaccines implicated are made available expeditiously to buyers worldwide, a suspension for two years of WTO and regional rules on state aid whose specific purpose is:
   - — increasing the production of medical supplies or the expansion of production capacity of medical supplies, or
   - — research and development, testing, and distribution of relevant vaccines.

7. No attempt to limit via commercial contract or other state means a medical supplier's, medicine supplier's, or vaccine supplier's rights to deliver to any buyer worldwide a product or service needed to tackle the COVID-19 pandemic.

8. No impediment to the cross-border movement of healthy personnel necessary to
   - — scale up the production of COVID-19 medical supplies,
   - — develop, test, produce, and distribute vaccines, and
   - — transport internationally such products.

9. Ensure access to critical transportation, communication, and legal infrastructures that facilitate the cross-border movement of

— COVID-19 goods and supply chain-related parts and components and

— vaccines and medicines, including the data, ideas, and intellectual property associated with the development thereof.

Immediate review of steps to improve facilitation of cross-border trade of COVID-19 medical goods and related parts and components.

10. This Package of measures shall not be thwarted or circumvented by the acts of sub-national levels of government or other state bodies notionally or actually independent of central government.

While the adoption of these Guiding Principles and Package by as many governments as possible is desirable, states need not wait for others to endorse them. Furthermore, a global negotiation is not required. Individual governments could declare their fealty to these Guiding Principles. Groups of countries could so adopt—such as the G-7, the G-20, APEC, the European Union, and other regional groups. What matters is that this initiative is set in motion so as to limit during this pandemic the human toll of bad trade policy.

As in any network dynamic, however, the benefits of signing up to these Guiding Principles and Package are greater the larger the number of participants. For this reason, the most promising approach may be to start in groups with smaller numbers of governments with strong cross-border ties.

Nothing in these Guiding Principles and Package prevents groups of nations from developing joint plans to ramp up production of medical equipment and supplies, such as ventilators, or to jointly fund the research and development of vaccines. However, the proviso remains that there are no territorial restrictions on the beneficiaries of such initiatives. Denying access to an effective vaccine for COVID-19 to foreign citizens is repugnant.

With respect to policy towards development aid, there are legitimate concerns that certain lower per-capita income countries cannot afford the medical supplies and medicines needed to tackle COVID-19 and may not afford any future vaccine. In addition, the tariff elimination called for in the Package above may have adverse implications for the finances of some developing country governments.

The sums involved pale in comparison to the scale of stimulus packages announced this month by governments of the largest economies of the world. Moreover, the potential for subsequent waves of virus infections originating from abroad should shift the calculus towards more generous financial support for the developing countries in need. Until COVID-19 is expunged worldwide, no government can relax or take refuge within its borders.

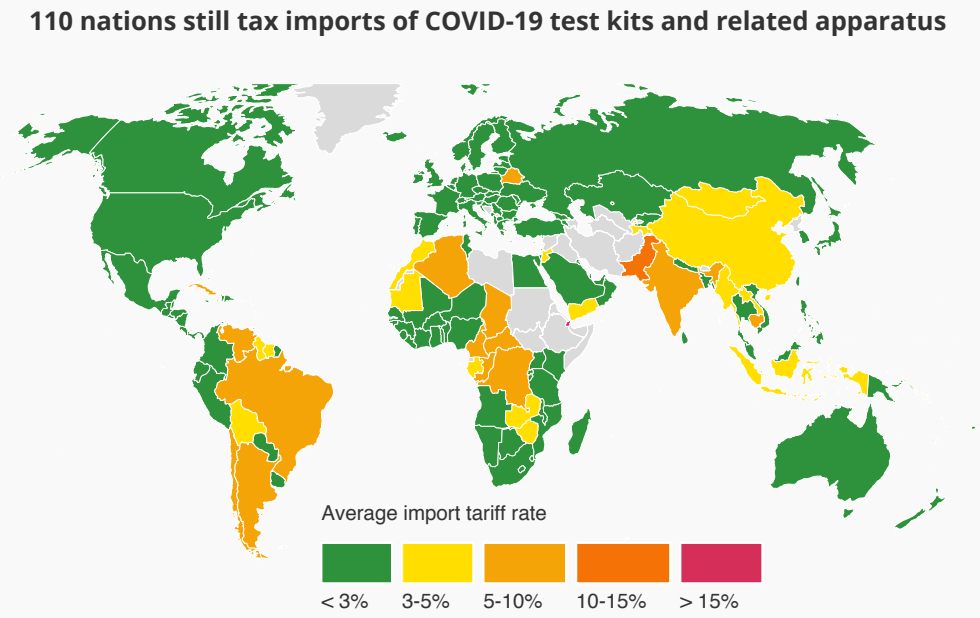
MAPS AND TABLES

Table 1: Export concentration of COVID-19 products and Soap in 2008 and 2018, by six-digit HS code.

Product category	Six-digit HS 2012 code	2018				2008			
		Total value of world trade in this product (US$ billion)	Number of countries exporting more than $10 million	Percentage of world exports accounted for largest exporter	Percentage of world exports accounted by 3 largest exporters	Total value of world trade in this product (US$ billion)	Number of countries exporting more than $10 million	Percentage of world exports accounted for largest exporter	Percentage of world exports accounted by 3 largest exporters
COVID-19 test kits and related apparatus	300210	144.429	49	18.8	51.7	37.706	31	33.7	67.6
	382200	28.224	39	29.7	55.7	16.751	29	32.3	63.9
	902780	12.691	35	23.8	51.2	8.282	25	30.7	55.7
Protective garments	392620	4.255	23	69.0	77.4	3.001	19	76.1	80.5
	401511	1.983	12	59.7	83.5	1.19	11	45.2	78.8
	401519	5.759	14	60.5	85.6	3.027	11	52.7	84.0
	611610	2.526	16	50.5	70.0	1.197	13	38.3	61.4
	621010	2.193	19	54.3	67.6	1.376	13	61.2	76.0
	621020	0.223	3	59.4	72.3	0.135	1	77.2	84.1
	621030	0.235	3	51.5	79.1	0.089	1	79.6	94.3
	621040	3.158	20	45.0	73.3	2.478	19	66.2	77.6
	621050	2.883	19	49.7	72.4	1.952	17	65.8	75.5
	621600	1.01	8	61.0	82.2	0.692	8	71.2	80.1
	630790	11.812	46	61.0	70.1	6.868	42	53.8	65.5
	650500	5.347	27	64.5	76.9	3.373	22	71.8	80.2
	900490	2.415	20	63.2	76.8	1.023	10	53.4	73.8
	902000	1.495	15	24.2	57.3	0.857	12	29.0	68.2
Thermometers	902511	0.093	3	51.8	90.1	0.082	2	54.6	85.9
	902519	2.94	27	30.2	60.4	1.611	20	26.5	54.3

Product category	Six-digit HS 2012 code	2018				2008			
		Total value of world trade in this product (US$ billion)	Number of countries exporting more than $10 million	Percentage of world exports accounted for largest exporter	Percentage of world exports accounted by 3 largest exporters	Total value of world trade in this product (US$ billion)	Number of countries exporting more than $10 million	Percentage of world exports accounted for largest exporter	Percentage of world exports accounted by 3 largest exporters
Disinfectants and sterilisation products	220710	6.088	36	18.0	43.5	5.168	35	32.1	51.6
	220890	3.995	27	46.1	64.1	2.581	26	30.8	55.8
	284700	0.718	17	11.7	28.7	0.543	15	15.3	39.1
	300490	294.873	86	15.1	36.5	238.938	80	18.9	38.0
	380894	2.091	26	17.1	39.6	0.739	11	25.0	48.9
	841920	0.785	18	14.4	41.3	0.705	14	15.7	44.0
Other medical devices	901819	9.429	35	18.8	46.9	6.908	28	28.0	61.1
	901890	55.444	61	23.3	48.4	34.682	56	26.3	50.4
	901920	7.416	25	15.6	43.6	3.804	23	20.4	43.4
	902212	3.494	13	28.1	67.0	3.051	9	28.9	79.0
Medical consumables	300590	3.926	28	32.5	54.5	2.802	23	26.6	51.7
	481890	1.579	23	37.6	52.7	1.342	19	24.6	46.5
	901831	4.865	29	21.4	41.7	3.222	24	20.3	43.4
	901832	3.015	28	18.9	44.5	1.638	18	20.5	46.2
	901839	27.439	45	24.0	49.4	15.889	37	30.7	58.9
	901890	55.444	61	23.3	48.4	34.682	56	26.3	50.4
Soap	340111	2.793	32	19.9	36.1	2.085	33	14.6	33.0
	340119	1.267	27	18.0	34.4	0.762	19	10.0	25.5
	340120	1.489	22	18.2	42.7	1.726	24	17.1	43.2
	340130	3.937	36	16.8	36.5	1.439	21	21.2	46.1

Figure 1: Imports of COVID-19 test kits are taxed relatively heavily in Latin America and East and South Asia.



Source: WTO, Tariff download facility (latest year available). Unweighted mean applied MFN import tariff rate. The World Customs Organisation's classification of COVID-19-related products was used to identify the relevant HS codes upon which this map was constructed.

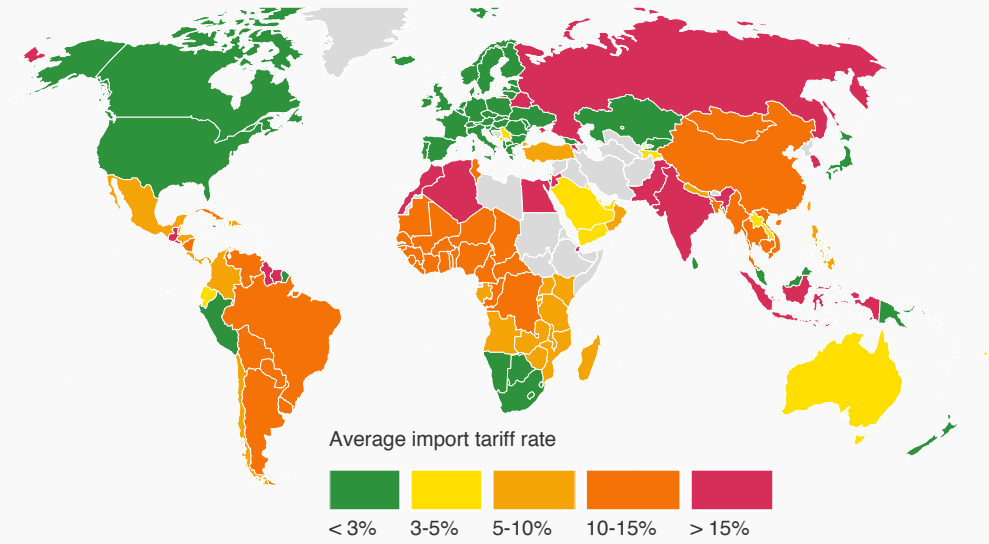
Note: Countries not reporting import tariff data to the WTO are marked in grey.
Prepared by the Global Trade Alert team. University of St. Gallen, Switzerland. 20 March 2020.

Table 2: Eleven nations' non-tariff policies discourage imports of COVID-19 test kits.

Importing nation	Number of non-tariff policies limiting imports of test kits in effect today	Percentage of test kits produced abroad that currently face import restrictions other than tariffs
Algeria	1	52.77%
Argentina	2	80.00%
Brazil	2	90.00%
India	2	65.60%
Indonesia	3	29.78%
Kazakhstan	1	83.10%
Nigeria	2	66.99%
Russia	3	23.44%
South Africa	1	35.28%
USA	1	83.61%
Vietnam	1	77.90%

Source: Global Trade Alert database for policy information and UN COMTRADE import data (at the six-digit level of disaggregation) for import flows of goods in HS codes 300210, 382200, and 902780. Only policies that crimp imports directly that were in force on 20 March 2020 count towards this percentage calculation. TBT, SPS, and subsidies to local producers of COVID-19 test kits—all of which can limit imports—were not included in the policies used to calculate the percentages reported in this table. Base year weights for imports calculated using 2018 world trade data (the latest available).

Figure 2: Before the COVID-19 67 nations charged import tariffs of 10% or more on disinfectants and sterilisation products.



Source: WTO, Tariff download facility (latest year available). Unweighted mean applied MFN import tariff rate.
The World Customs Organisation's classification of COVID-19-related products
was used to identify the relevant HS codes upon which this map was constructed.

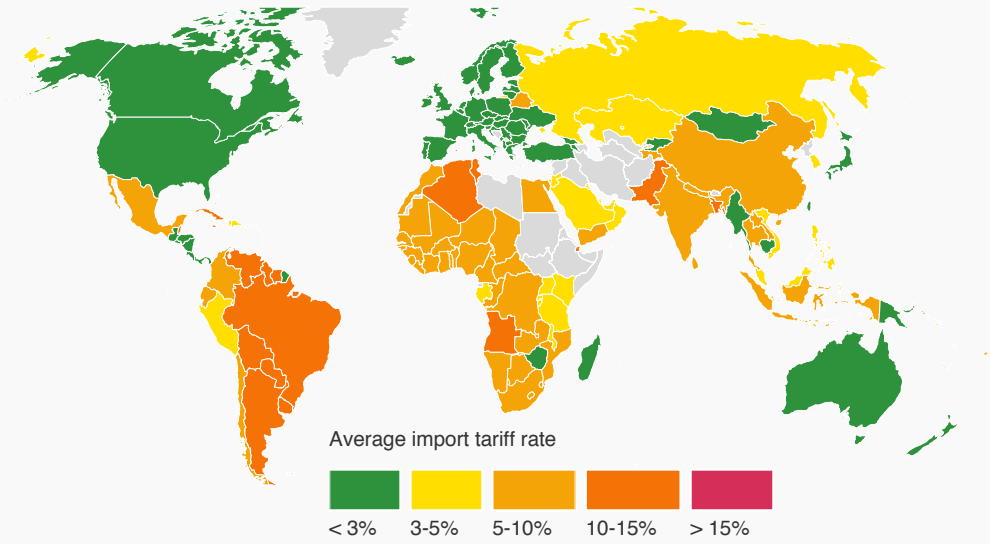
Note: Countries not reporting import tariff data to the WTO are marked in grey.
Prepared by the Global Trade Alert team. University of St. Gallen, Switzerland. 20 March 2020.

Table 3: Twenty-three nations have non-tariff policies limiting disinfectant imports.

Importing nation	Number of non-tariff policies limiting imports of disinfectant in effect today	Percentage of disinfectant produced abroad that currently face import restrictions other than tariffs
Algeria	1	95.81%
Argentina	4	96.20%
Belgium	1	0.02%
Brazil	1	75.14%
China	1	1.05%
Colombia	1	2.71%
France	1	0.05%
Germany	1	0.02%
India	4	86.11%
Indonesia	4	90.71%
Kazakhstan	1	94.56%
Malaysia	1	0.94%
Nigeria	2	78.12%
Pakistan	2	0.50%
Paraguay	1	2.49%
Russia	5	97.18%
South Africa	1	97.39%
Spain	1	0.03%
Turkey	1	1.00%
Ukraine	3	0.80%
United Kingdom	1	0.02%
USA	5	96.67%
Vietnam	1	93.06%

Source: Global Trade Alert database for policy information and UN COMTRADE import data (at the six-digit level of disaggregation) for import flows of goods in HS codes 220710, 220890, 284700, 300490, 380894, and 841920. Only policies that crimp imports directly that were in force on 20 March 2020 count towards this percentage calculation. TBT, SPS, and subsidies to local producers of disinfectants—all of which can limit imports—were not included in the policies used to calculate the percentages reported in this table. Base year weights for imports calculated using 2018 world trade data (the latest available).

Figure 3: Before the COVID-19 27 nations charged import tariffs of 10% or more on medical consumables.



Source: WTO, Tariff download facility (latest year available). Unweighted mean applied MFN import tariff rate. The World Customs Organisation's classification of COVID-19-related products was used to identify the relevant HS codes upon which this map was constructed.

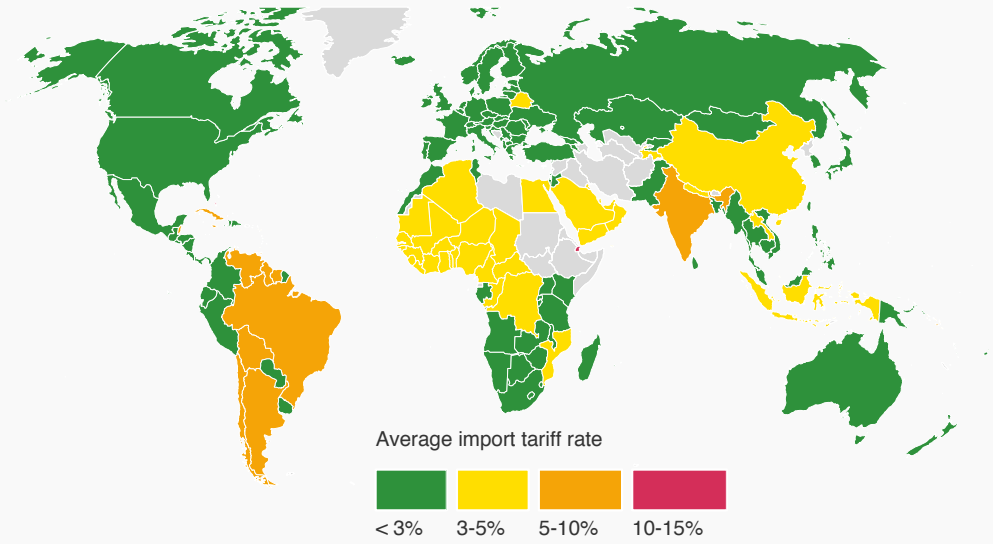
Note: Countries not reporting import tariff data to the WTO are marked in grey.
Prepared by the Global Trade Alert team. University of St. Gallen, Switzerland. 20 March 2020.

Table 4: Non-tariff policies limit imported medical consumables in 13 nations.

Importing nation	Number of non-tariff policies limiting imports of medical consumables in effect today	Percentage of such consumables produced abroad that currently face import restrictions other than tariffs
Argentina	4	62.24%
Brazil	2	21.47%
Egypt	1	3.48%
India	1	1.40%
Indonesia	4	93.41%
Kazakhstan	1	69.13%
Malaysia	1	63.32%
Nigeria	2	98.44%
Russia	4	94.63%
South Africa	1	4.13%
Ukraine	1	5.62%
USA	1	1.88%
Vietnam	1	86.41%

Source: Global Trade Alert database for policy information and UN COMTRADE import data (at the six-digit level of disaggregation) for import flows of goods in HS codes 300590, 481890, 901831, 901832, 901839, and 901890. Only policies that crimp imports directly that were in force on 20 March 2020 count towards this percentage calculation. TBT, SPS, and subsidies to local producers of medical consumables—all of which can limit imports—were not included in the policies used to calculate the percentages reported in this table. Base year weights for imports calculated using 2018 world trade data (the latest available).

Figure 4: Before the COVID-19 India and many Latin American nations charged import tariffs of 5% or more on other medical devices.



Source: WTO, Tariff download facility (latest year available). Unweighted mean applied MFN import tariff rate.
The World Customs Organisation's classification of COVID-19-related products
was used to identify the relevant HS codes upon which this map was constructed.

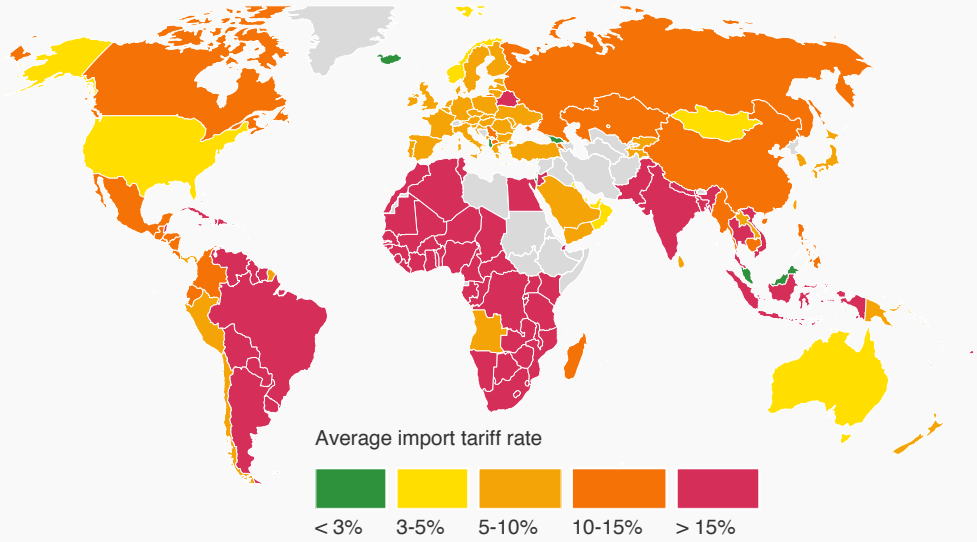
Note: Countries not reporting import tariff data to the WTO are marked in grey.
Prepared by the Global Trade Alert team. University of St. Gallen, Switzerland. 20 March 2020.

Table 5: Eight nations have non-tariff policies limiting imports of other medical devices.

Importing nation	Number of non-tariff policies limiting imports of other medical devices in effect today	Percentage of such devices produced abroad that currently face import restrictions other than tariffs
Argentina	1	66.11%
China	1	18.18%
Indonesia	5	81.36%
Kazakhstan	1	75.44%
Malaysia	1	94.69%
Nigeria	2	97.48%
Russia	5	97.39%
Vietnam	1	89.49%

Source: Global Trade Alert database for policy information and UN COMTRADE import data (at the six-digit level of disaggregation) for import flows of goods in HS codes 901819, 901890, 901920, and 902212. Only policies that crimp imports directly that were in force on 20 March 2020 count towards this percentage calculation. TBT, SPS, and subsidies to local producers of other medical devices—all of which can limit imports—were not included in the policies used to calculate the percentages reported in this table. Base year weights for imports calculated using 2018 world trade data (the latest available).

Figure 5: Imports of protective garments face moderate or high taxes worldwide.



Source: WTO, Tariff download facility (latest year available). Unweighted mean applied MFN import tariff rate.
The World Customs Organisation's classification of COVID-19-related products
was used to identify the relevant HS codes upon which this map was constructed.

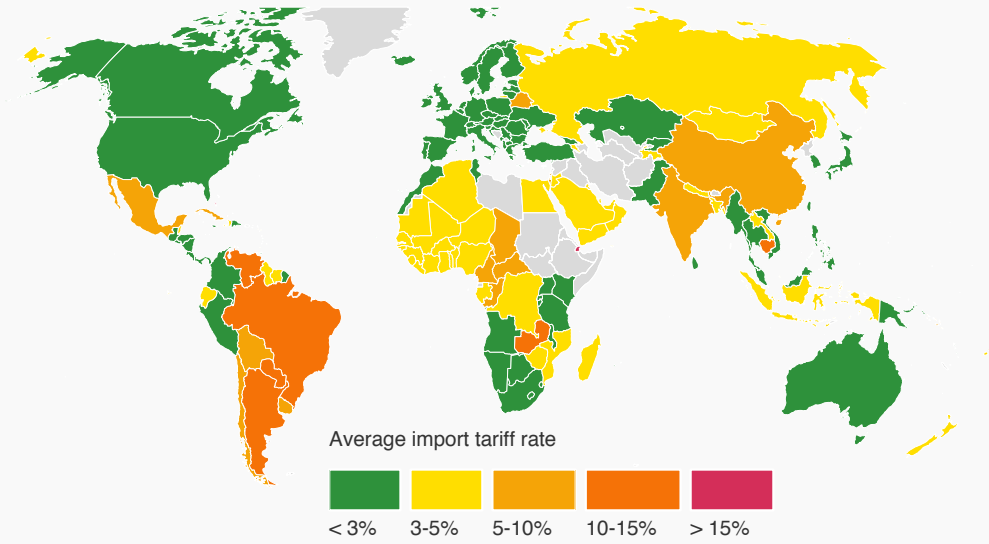
Note: Countries not reporting import tariff data to the WTO are marked in grey.
Prepared by the Global Trade Alert team. University of St. Gallen, Switzerland. 20 March 2020.

Table 6: Fifteen nations non-tariff policies discourage imports of protective garments.

Importing nation	Number of non-tariff policies limiting imports of protective garments in effect today	Percentage of such garments produced abroad that currently face import restrictions other than tariffs
Algeria	1	35.23%
Argentina	3	19.45%
Belarus	1	24.92%
Egypt	1	7.46%
India	1	79.26%
Indonesia	4	77.43%
Israel	1	6.59%
Kazakhstan	1	30.68%
Malaysia	1	1.94%
Mexico	1	50.55%
Nigeria	2	100.00%
Russia	3	31.96%
South Africa	1	23.26%
USA	8	29.99%
Vietnam	1	85.47%

Source: Global Trade Alert database for policy information and UN COMTRADE import data (at the six-digit level of disaggregation) for import flows of goods in HS codes 392620, 401511, 401519, 611610, 621010, 621020, 621030, 621040, 621050, 621600, 630790, 650500, 900490, and 902000. Only policies that crimp imports directly that were in force on 20 March 2020 count towards this percentage calculation. TBT, SPS, and subsidies to local producers of protective garments—all of which can limit imports—were not included in the policies used to calculate the percentages reported in this table. Base year weights for imports calculated using 2018 world trade data (the latest available).

Figure 6: Many emerging markets have moderate or high taxes on imported thermometers before the COVID-19.



Source: WTO, Tariff download facility (latest year available). Unweighted mean applied MFN import tariff rate.
The World Customs Organisation's classification of COVID-19-related products
was used to identify the relevant HS codes upon which this map was constructed.

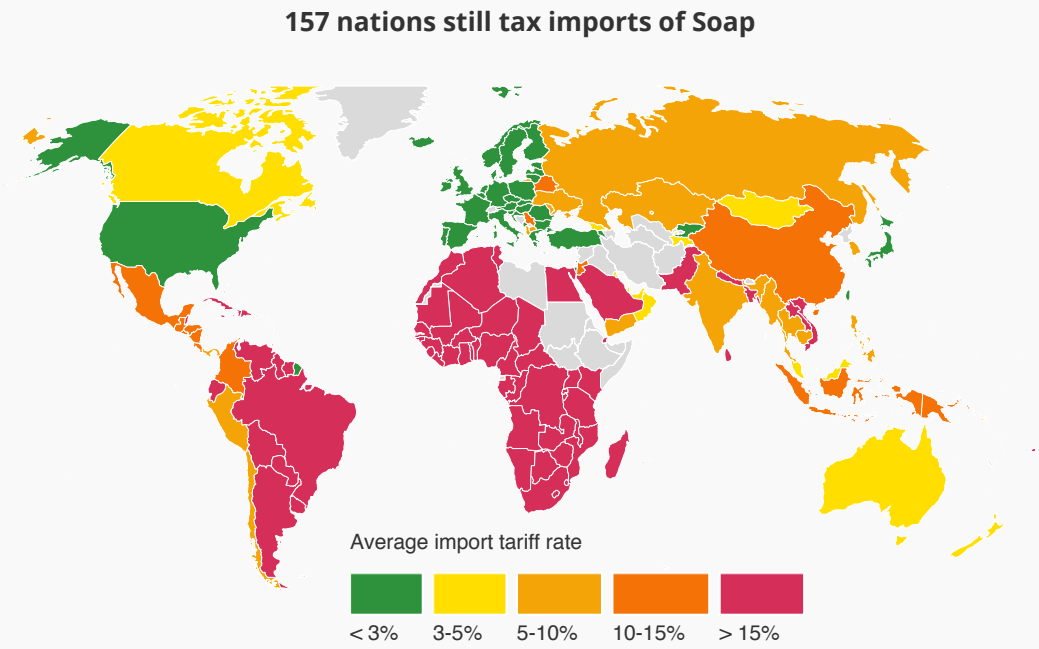
Note: Countries not reporting import tariff data to the WTO are marked in grey.
Prepared by the Global Trade Alert team. University of St. Gallen, Switzerland. 20 March 2020.

Table 7: Non-tariff policies in Kazakhstan and Russia discourage imports of thermometers.

Importing nation	Number of non-tariff policies limiting imports of thermometers in effect today	Percentage of thermometers produced abroad that currently face import restrictions other than tariffs
Kazakhstan	1	62.09%
Russia	1	11.71%

Source: Global Trade Alert database for policy information and UN COMTRADE import data (at the six-digit level of disaggregation) for import flows in HS code 902511 and 902519. Only policies that crimp imports directly that were in force on 20 March 2020 count towards this percentage calculation. TBT, SPS, and subsidies to local producers of thermometers—all of which can limit imports—were not included in the policies used to calculate the percentages reported in this table. Base year weights for imports calculated using 2018 world trade data (the latest available).

Figure 7: Before the COVID-19 78 nations charged import tariffs of 15% or more on soap.



Source: WTO, Tariff download facility (latest year available). Unweighted mean applied MFN import tariff rate.
Note: Countries not reporting import tariff data to the WTO are marked in grey.
Prepared by the Global Trade Alert team. University of St. Gallen, Switzerland. 20 March 2020.

Table 8: Nine nations also have non-tariff policies limiting soap imports.

Importing nation	Number of non-tariff policies limiting imports of soap in effect today	Percentage of soap produced abroad that currently face import restrictions other than tariffs
Argentina	1	88.75%
Brazil	1	77.20%
Egypt	1	73.64%
India	1	99.01%
Indonesia	3	80.74%
Kazakhstan	1	100.00%
Nigeria	1	81.23%
Paraguay	1	74.28%
Vietnam	1	12.32%

Source: Global Trade Alert database for policy information and UN COMTRADE import data (at the six-digit level of disaggregation) for import flows of goods in HS codes 340111, 340119, 340120, and 340130. Only policies that crimp imports directly that were in force on 20 March 2020 count towards this percentage calculation. TBT, SPS, and subsidies to local producers of soap—all of which can limit imports—were not included in the policies used to calculate the percentages reported in this table. Base year weights for imports calculated using 2018 world trade data (the latest available).