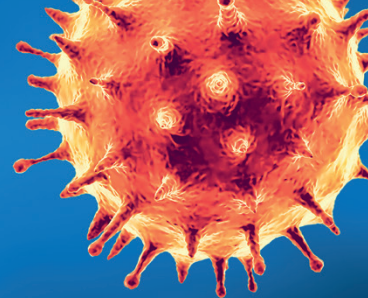




The Commonwealth

# Trade Hot Topics



A Special Focus on COVID-19 and the Commonwealth | ISSUE 159

## Trade in COVID-19-Related Medical Goods: Issues and Challenges for Commonwealth Countries

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### 1. Introduction

The COVID-19 pandemic caused by the novel coronavirus is the biggest public health emergency in a generation. Since the initial outbreak in Wuhan, China, in late 2019, the lethal pathogen has rapidly spread across nearly all countries, infecting over 4 million people and resulting in the deaths of almost 300,000.<sup>2</sup> At the time of writing, the virus had infected 412,276 Commonwealth citizens; of these, over 37,817 have died.<sup>3</sup>

The pandemic has had immediate and pronounced consequences in terms of medical supplies in the Commonwealth and globally. As countries tackle the virus, there has been a significant spike in demand for diagnostic kits, critical medicines and artificial respiratory equipment like ventilators, as well as personal protective equipment (PPE) for frontline healthcare professionals. The scramble to acquire these essential medical goods has led to various unilateral trade measures – from curbing exports to eliminating import tariffs (Evenett, 2020a; WTO, 2020a) – as well as price wars and more extreme tactics, including allegations of ‘modern piracy’ as vital shipments are seized or contracts

nullified. The disrupted production and supply of these goods, as well as global port closures and logistics hurdles, have led to difficulties meeting the increasing demand for medical supplies.

After a period of intense social distancing, shelter-in-place measures and economic lockdown, the peak of the pandemic appears likely to pass soon in most of Europe, East Asia and North America. However, with a COVID-19 vaccine still to be developed, there is a risk of a second wave of infections. This would compound the obstacles to any eventual recovery. Yet, as the pandemic slows in developed economies, it is accelerating as both a health and an economic crisis in many developing countries and least developed countries (LDCs). Africa, Latin America and South Asia still have to endure the worst of the first wave of COVID-19. Many of these countries already have existing public health challenges; now they must tackle COVID-19 as well with inadequate healthcare infrastructure and constrained health services (Box 1).

Only a few Commonwealth countries are major producers and exporters of the medical devices used in treating COVID-19. This means a vast

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2 Center for Systems Science and Engineering at Johns Hopkins University COVID-19 Dashboard: <https://coronavirus.jhu.edu/map.html>

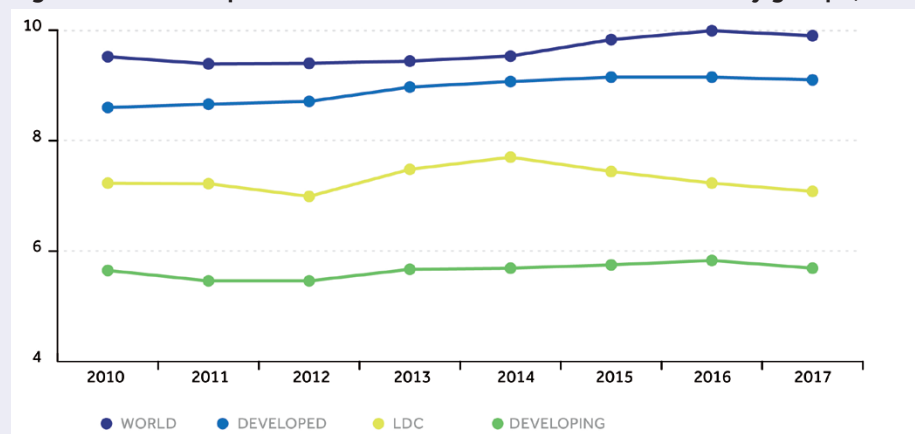
3 Commonwealth Coronavirus (COVID-19) Tracker: <https://www.commonwealthsdgdata.org/>

### Box 1: Healthcare and COVID-19 preparedness in the Commonwealth

Globally, health expenditure as a percentage of GDP has been on the rise, reaching around 9.9 per cent in 2017, on average. For Commonwealth developed economy members, the share in 2017 had grown to 9.1 per cent. For Commonwealth developing countries, the steady increment in spending has dipped in recent years, to around 5.7 per cent in 2017. While Commonwealth LDCs spend relatively more on healthcare than developing countries as a group, this expenditure has dramatically declined, from 7.7 per cent in 2014 to 7 per cent in 2017 (Figure 1).

According to WHO's COVID Preparedness Index (5=best and 1=worst), Commonwealth developed economies are ranked 4.4 of 5 and developing countries 2.8 of 5. By region, Africa is 2.7, Asia is 3.5, the Caribbean is 3.2 and the Pacific is 1.9. For Commonwealth LDCs, the preparedness score is 2.5 of 5.

**Figure 1: Health expenditure (% GDP) of Commonwealth country groups, 2010-17**



Source: Commonwealth Secretariat (calculated using data from World Bank)

majority of Commonwealth members depend on international trade and undisrupted supply chains to support their national health policy responses: 47 of 54 Commonwealth members are net importers of COVID-19-related health supplies (Figure A1). In the mercantilist scramble to acquire scarce medical goods and technologies, meanwhile, many developing countries, especially small states, LDCs and sub-Saharan African countries are at a competitive disadvantage. For this reason, some countries have started locally producing their own PPE kits, such as face masks.

This policy brief provides an overview of the trade in COVID-19 medical goods by Commonwealth member countries. It provides a factual mapping of medical supply chains in the Commonwealth during 2017–2018, prior to the outbreak of the pandemic. The purpose is to identify the main suppliers of COVID-19-related health supplies as well as two key categories of medical devices needed to treat the illness – PPE and ventilators – and to assess their potential exposure to recent trade measures like export curbs.

After providing a brief overview of some of the major global responses to ensure open trade and

undisrupted supply chains, the brief concludes by looking at four broad issues for further discussion with regard to the role of international trade and trade policy in managing this pathogen pandemic, as well as future crises.

## 2. Mapping Commonwealth trade in COVID-19-related products

### 2.1 Global trade

In 2019, imports and exports of medical products globally were at around US\$2 trillion, or 5 per cent of world merchandise trade. Ten countries contributed three-quarters of world exports of these products, while the ten largest importers accounted for two-thirds of world imports (Table 1). The UK is the only Commonwealth country ranked among the top 10, accounting for 4 per cent of total medical imports and exports in the world (WTO, 2020b).

The World Customs Organization (WCO) has identified about 35 specific pharmaceutical or medical products that play an essential role in controlling, identifying and treating the COVID-19 pandemic.<sup>4</sup> Exports of these COVID-related goods were at \$595.6 billion in 2018 (less than 3 per cent of

4 The WHO and the WTO have extended this list to cover 55 products. However, the analysis undertaken in this briefing uses the initial list of 35 HS6 products.

**Table 1: Top 10 traders of medical goods, 2019**

Exporters			Importers		
Country	Value (US\$ billion)	% of world exports	Country	Value (US\$ billion)	% of world imports
Germany	136.2	14	USA	193.1	19
USA	116.6	12	Germany	86.7	9
Switzerland	89.9	9	China	65	6
Netherlands	73.1	7	Belgium	56.6	6
Belgium	65.8	7	Netherlands	52.7	5
Ireland	65.3	7	Japan	44.8	4
China	51.6	5	UK	41.1	4
France	49.9	5	France	40.5	4
Italy	42.9	4	Italy	37.1	4
UK	38.2	4	Switzerland	36.9	4

Source: WTO (2020b)

world merchandise trade). In 2018, Commonwealth countries exported US\$73.3 billion (around 12.3 per cent) of global COVID-related goods. The major developed economy suppliers were the UK, as above, as well as Australia and Canada; Singapore, India and Malaysia were the main developing country exporters.

Singapore is the world's leading supplier of ventilators, which are in demand for treating critically ill patients. In 2018, Singapore exported \$1.15 billion (19 per cent of world exports) destined mainly for non-Commonwealth countries. Australia accounts for 11 per cent of global exports of ventilators – the same as China and Germany – and is a leading supplier to the Pacific region.

## 2.2 Main suppliers of COVID-19-related health products to the Commonwealth

Developed economies are the leading suppliers to the Commonwealth of all COVID-related medical goods. These include the USA, Germany, Switzerland, Belgium and the Netherlands (Figure 2). The only developing country to feature is China, which ranks as the second largest exporter of ventilators to the Commonwealth, albeit exporting half the share of the USA.

The supply of medical goods to Commonwealth members is highly concentrated: five countries account for 60 per cent of all COVID-19-related medical supplies, including almost 70 per cent of ventilators and around 60 per cent of PPE imports into the Commonwealth (Figure 2). This means the Commonwealth, overall, is highly exposed to the

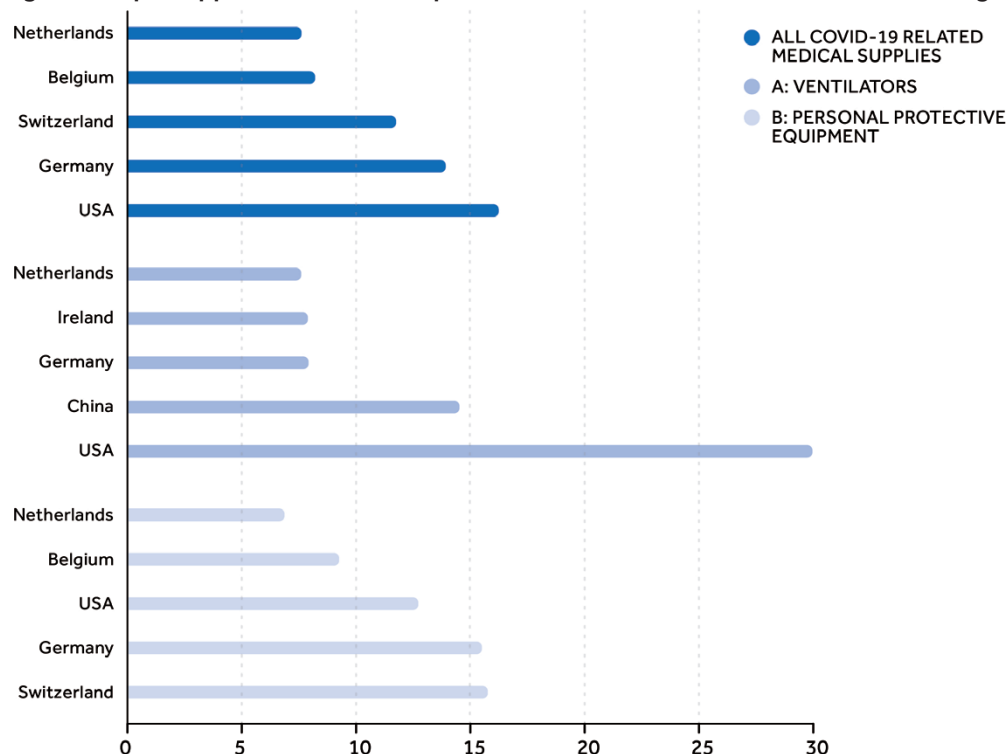
raft of trade restrictions that affect the availability of essential medical goods. For example, the top five suppliers of PPE – Switzerland, the USA and three EU member countries – have implemented controls on these exports (Box 3). Moreover, the USA, which supplies 30 per cent of the Commonwealth's ventilators, has restricted the export of these life-saving technologies. These measures could adversely affect the health policy responses and prospects for recovery in several Commonwealth trading partners (Evenett, 2020a).

Looking specifically at Commonwealth developing countries, the prominence of South-South trade is noticeable (Table A2). China and India each contribute relatively the same share of COVID-19-related goods as the USA. When disaggregating these products, China is the largest exporter of ventilators (23 per cent) and India is the largest supplier of PPE (18 per cent). However, this is no guarantor of undisrupted trade in times of crisis: India's export restrictions on various goods, especially PPE, could affect availability of the supplies.

## 2.3 Composition of COVID-19-related health products

Most Commonwealth countries – 47 of the 54 members – are net importers of COVID-19-related goods. With the exception of Malta, the six net exporters are all located in Asia: Bangladesh, India, Malaysia, Pakistan, Singapore and Sri Lanka. Given the presence of some production capacity, these countries imported fewer COVID-19-related products prior to the virus outbreak. Subsequent

Figure 2: Top 5 suppliers of COVID-19 products to the Commonwealth, 2017-18 average (% share)



Source: Commonwealth Secretariat (calculated using data from WITS)

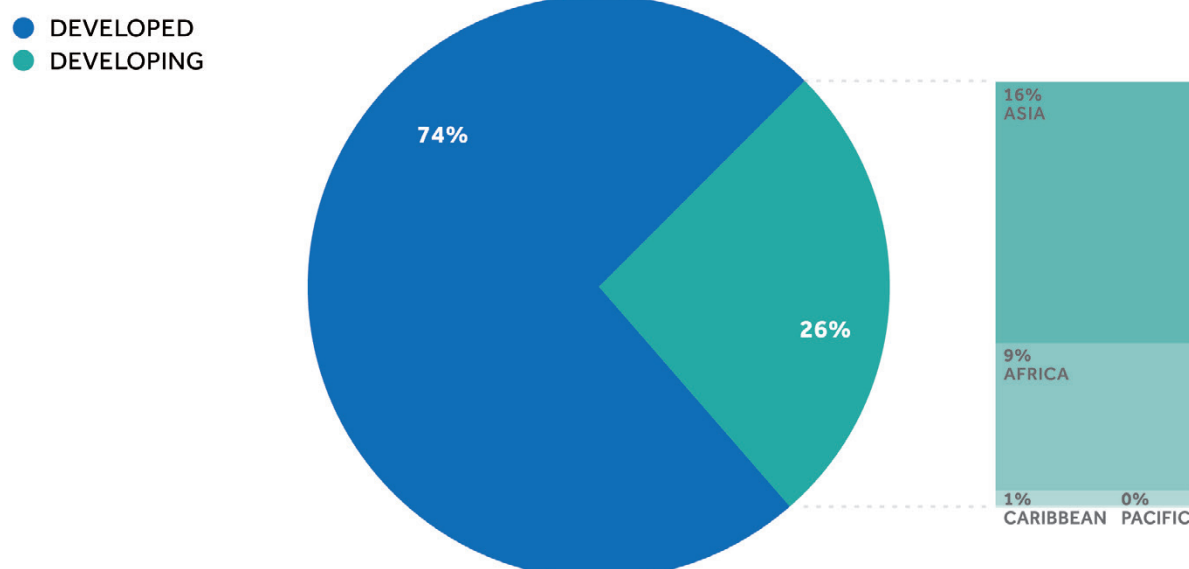
shortages and actions to tackle the pandemic could affect this trade pattern.

Prior to the coronavirus outbreak, developed economies imported the lion's share of COVID-19-related goods – just under three times more medical goods than developing countries – that is, U\$50 billion compared with \$17.3 billion, on average, during 2017–2018 (Figure 3).

Figure 4 compares the composition of COVID-19 goods imports by Commonwealth developed and

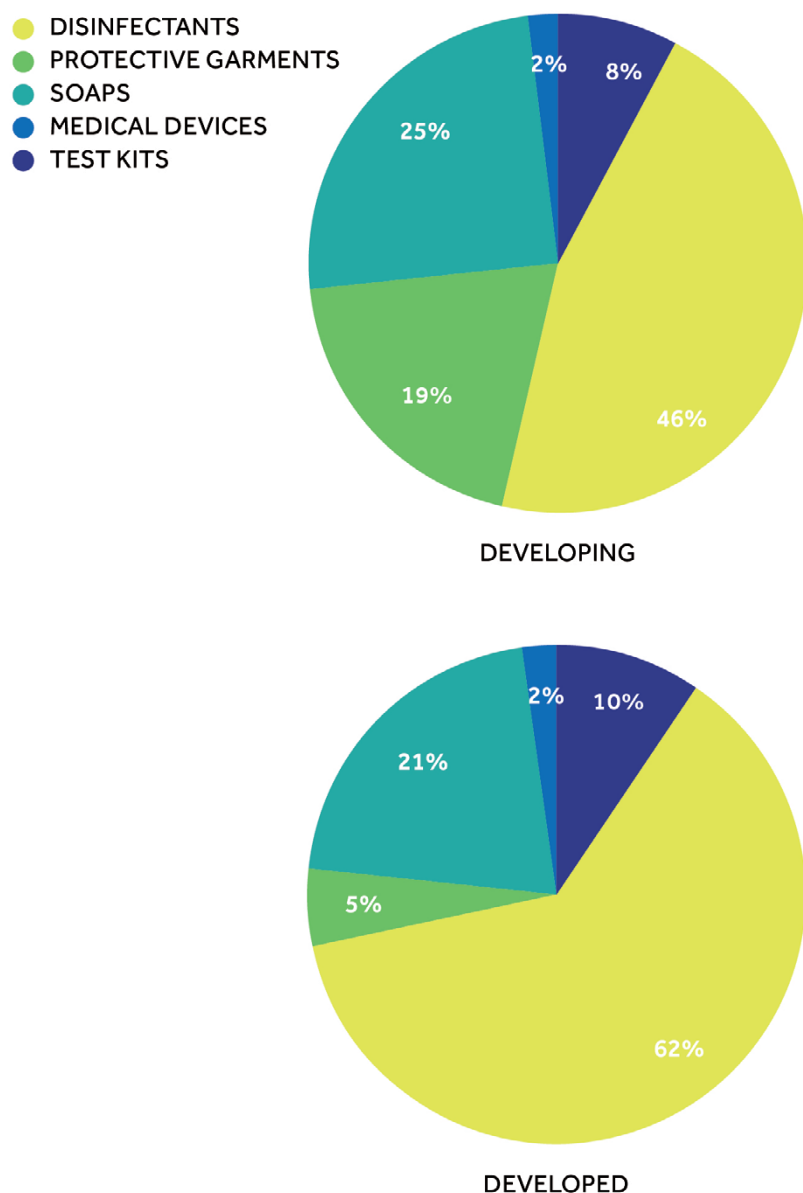
developing countries prior to the pathogen. Most of the trade was in disinfectant products, soaps and medical consumables. Developing countries imported relatively more PPE, which seems reasonable, given the significantly larger population and healthcare needs. However, medical devices, such as ventilators, and COVID-19 test kits were not widely traded, which could have affected preparedness for tackling the pandemic.

Figure 3: Regional composition of COVID-19-related imports, 2017-18 (average)



Source: Commonwealth Secretariat (calculated using data from WITS)

Figure 4: Distribution of COVID-19-related medical supplies across key product categories



Note: These five categories follow the classification of the WCO of COVID-19-related health products version 1.

Source: Commonwealth Secretariat (calculated using data from WITS)

The World Health Organization (WHO) has called on industry and governments to ramp up production of PPE by at least 40 per cent to satisfy demand. WHO estimates that around 89 million medical masks, 76 million examination gloves and 1.6 million goggles are required for the COVID-19 response each month (WHO, 2020). The shortage of PPE could disproportionately affect women. There is a larger share of women in the frontline health sector (for example, nurses, community health workers, birth attendants), and as home and family caregivers, which makes them more exposed to contagion (World Bank, 2020).

## 2.4 Medical supply chains in Commonwealth regions

Overall, there is very low intra-Commonwealth trade in COVID-19-related products (Table A2). However, the pattern is somewhat more promising at the regional level, where there is higher dependence on Commonwealth suppliers in Africa (India, South Africa) and the Pacific (Australia, India, New Zealand).

For Commonwealth Africa, India is the leading supplier of COVID-related goods (27 per cent), which is almost three times more than France and Germany. There is some intra-African trade in



these products as well, with South Africa providing more than 7 per cent of the region's overall imports of COVID-19-related goods and a large share of protective gear. The supply of ventilators is more diverse: two EU member countries – Germany and the Netherlands – contribute more than a quarter of imports, whereas the USA and China account for 21 per cent and 14 per cent, respectively. India provides around one third of the region's PPE imports.

For Commonwealth Asia, the top suppliers of COVID-19-related goods are the USA (19 per cent) followed by China (12.7 per cent) and Germany (10.7 per cent). China is the biggest exporter of ventilators. The region's trading partners for PPE are more diverse, including one Commonwealth member, Singapore.

Given regional supply chains, the Commonwealth Caribbean region relies significantly on the USA for over 40 per cent of all COVID-19-related goods, while India and the UK together provide just under 20 per cent. The USA supplies more than 70 per cent of ventilators to the region, which exposes the Caribbean to considerable risk given the trade restrictions in place (see Box 3). India and the UK are also ranked among the top five exporters of PPE, contributing 20 per cent and 5 per cent, respectively.

Given their small size and remote geography, most Pacific SIDS depend on Australia to supply all categories of COVID-19 products, but especially ventilators (86 per cent). India and New Zealand also feature in the top five exporters of medical equipment and PPE to the Pacific.

### 3. Commonwealth LDCs and COVID-19 medical supplies

The COVID-19 pandemic places the Commonwealth's 14 LDCs in an extremely precarious position, given their high levels of economic and social vulnerability, fragile healthcare systems and limited preparedness to tackle the unfolding crisis. At the time of writing, the virus had infected 16,312 citizens of Commonwealth LDCs; of these, over 278 have died.<sup>5</sup> While the full impact of the pandemic, its duration and its aftereffects are still uncertain, it represents a significant blow to their prospects for achieving many of the Sustainable Development Goals (SDGs), as well as

a setback for countries expected to graduate from the LDC category.<sup>6</sup>

Table 2 shows that Commonwealth African LDCs depend heavily on South-South trade, especially intra-Commonwealth trade, for the supply of key categories of COVID-19 goods. India and South Africa together contribute around 60 per cent of overall COVID-related supplies, as well as PPE. However, both countries have placed controls on their PPE exports. Although Germany provides around a quarter of ventilator imports, other important suppliers – South Africa, Turkey and China – exist, which reduces the exposure of LDCs to export curbs on these life-saving technologies.

Five Commonwealth LDCs are located in Asia-Pacific. Bangladesh sources most of its imports of COVID-19 products from the region. Overall, China and India are the leading suppliers of medical goods (18 per cent and 13.8 per cent, respectively), while Singapore contributes around 10 per cent. China leads in ventilator exports to Bangladesh, followed by the USA and Singapore. PPE imports are more diversified, although some of these suppliers have restricted exports of these products.

Australia is the leading supplier for all the COVID-19 goods to Commonwealth Pacific LDCs, notably for ventilators. India, Indonesia and New Zealand also contribute significantly to PPE imports into the Pacific LDCs.

## 4. The role of trade policy in the pandemic

Amid the global scramble to secure supplies of medical goods, many governments are harnessing trade policy to help tackle the COVID-19 pandemic and bolster the effectiveness of their national health responses. They are doing so by curbing exports or easing imports. Several have also imposed non-tariff measures that limit other countries' imports of COVID-19 related supplies and medical products (Evenett, 2020a).

### 4.1 Export restrictions

Several countries that supply essential medical goods to the Commonwealth have restricted their exports in order to stockpile and ensure domestic supply. This includes some Commonwealth countries.<sup>7</sup> The decision to curb exports of vital medical goods is a complex and sensitive policy matter. Complex because export restrictions may be legitimately undertaken if consistent with WTO

5 Commonwealth Coronavirus (COVID-19) Tracker: <https://www.commonwealthsdqdata.org/>

6 Bangladesh, Solomon Islands and Vanuatu are to transition from LDC status by 2021.

7 According to the WTO, seven Commonwealth countries have introduced 13 export restriction measures.

**Table 2: Sources of COVID-19-related goods imported by Commonwealth LDCs (US\$ million, %)**

African LDCs			Asian LDCs (Bangladesh)			Pacific LDCs		
All COVID-19-RELATED MEDICAL SUPPLIES								
Top Sources	% share	Value	Top Sources	% share	Value	Top Sources	% share	Value
All Sources	100	1,234	All sources	100	294	All countries	100	14
India	46.11	569	China	17.98	53	Australia	44.73	6
South Africa	11.38	140	India	13.79	41	India	10.46	1
China	6.80	84	Germany	12.78	38	Indonesia	9.89	1
Germany	6.04	75	Singapore	9.69	28	New Zealand	8.11	1
Uganda	1.53	19	USA	7.04	21	China	5.89	1
A: VENTILATORS								
	% share	Value	Top Sources	% share	Value	Top Sources	% share	Value
All Sources	100	4	All sources	100	10	All sources	100	3
Germany	25.39	1	China	30.97	3	Australia	99.58	3
South Africa	17.47	1	USA	18.38	2	USA	0.47	0.02
Turkey	10.28	0	Singapore	10.51	1	Finland	0.35	0.01
China	9.99	0	Germany	8.44	0.8	Singapore	0.01	0.00
France	8.58	0	India	6.89	0.7	China	0.01	0.00
B: PERSONAL PROTECTIVE EQUIPMENT (PPE)								
	% share	Value	Top Sources	% share	Value	Top Sources	% share	Value
All Sources	100	998	All Sources	100	125	All sources	100	6
India	53.06	530	China	16.52	21	Australia	20.95	1
South Africa	7.02	70	India	13.70	17	Indonesia	20.80	1
Germany	5.59	56	Germany	13.34	17	India	20.37	1
China	4.54	45	Switzerland	12.32	15	New Zealand	11.95	0.8
Korea, Rep	3.51	35	Singapore	6.83	9	China	4.80	0.3

Source: Commonwealth Secretariat (calculated using data from WITS)

rules (Box 2); and sensitive because the primary responsibility of any government is to protect the health and safety of its own citizens, which means these measures may deny such outcomes to others if foreign buyers cannot acquire life-saving technologies for COVID-19, like ventilators. Trading partners could also retaliate, spreading the measures to other products and sectors.

As of 24 April 2020, 44 export curbs on medical supplies had been introduced by 34 WTO members since the beginning of the year<sup>8</sup> (this is higher if the 27 EU member states are counted individually or broader data sources are used<sup>9</sup>). In fairness,

as countries take stock of their COVID-19 preparedness, some temporary measures have also lapsed.<sup>10</sup> According to the WTO, the most restrictions have been imposed on PPE (e.g. facemasks and shields), pharmaceuticals and medical equipment such as ventilators. The full extent of their trade effect is currently difficult to gauge and can be adequately assessed only after the crisis. Moreover, the uncertainty about the longevity and aftershocks of COVID-19, including the risk of a second wave and the need for increased testing and treatment options, makes it

8 This is based on WTO data. The WTO uses two sets of information to trace trade-related measures in the context of COVID-19: a non-exhaustive list of informal information compiled from various official sources; and WTO Members' notifications to the WTO on the crisis. However, it is not possible to gauge the exact number of restrictions, as not all measures are immediately notified to the WTO and some may be notified within six months from their entry into force, which is consistent with WTO rules. In addition, some of the notified measures are already implemented, some were imposed only recently and others are still in the process of being implemented.

9 The Global Trade Alert counts 122 export curbs by 76 nations (Evenett, 2020c). The GTA complements and goes beyond the WTO and World Bank's monitoring initiatives by identifying those trading partners likely to be harmed by state measures.

10 Six have lapsed because of the temporary nature of the measures or have been terminated, of which two are from Commonwealth countries.

### Box 2: COVID-19 trade responses and WTO rules

Article XI of the General Agreement on Tariffs and Trade (GATT) 1994 broadly prohibits export bans and restrictions but also provides a broad range of carve-outs that allow members to impose such prohibitions and restrictions temporarily (Article XI (2a, b and c)). For example, Article XI (2a) allows members to impose export restrictions to prevent or relieve critical shortages temporarily. Countries can also justify the imposition of restrictions on international trade using provisions under GATT Article XX on General Exemptions. This article provides a broad range of exemptions for trade restriction, such as the protection of human, animal and plant life or health, provided this does not constitute a disguised barrier to trade or discriminate between countries. Also, Article XXI allows members to impose trade restriction grounds of national security. Except for national security reasons, there are checks and balances in other areas of carve-outs and exemptions, with a WTO member obligated to meet a series of conditions to impose trade restrictions. Thus, under certain circumstances, countries can adopt measures that restrict trade.

difficult for countries to decide on the duration of the temporary measures.

Some export regulations may be regarded as positive, to curb malpractices. For example, China has tightened export controls of Chinese-manufactured COVID-19 medical products, specifically COVID-19 detection reagents, medical masks, medical protective clothing, ventilators and infrared thermometers. The new regulation was triggered by complaints by governments of three European countries and others about non-compliant products from China (Werner et al., 2020).

These measures have increased uncertainty about availability of medical supplies for historical importers from the Commonwealth. Two African countries – Cameroon and South Africa – depend on the EU for just over half of their COVID-19-related imports. Four Caribbean countries depend even more on a single source – the USA – for these medical supplies: St Kitts and Nevis (67 per cent), Grenada (65 per cent), Antigua and Barbuda (54 per cent) and Belize (51 per cent) (Table 3).

### Box 3: Exposure to EU and USA trade restrictions

On 15 March 2020, the European Commission established an emergency export authorisation programme for five pieces of PPE: face shields, protective garments, mouth-nose-protective equipment, hospital gloves, as well as protective goggles and visors. These temporary measures ended on 25 April except for protective masks, which will apply for another 30 days starting 26 April (Brown, 2020). On 7 April 2020, the Federal Emergency Management Agency (FEMA) issued a rule to limit American exports of a variety of respirators, surgical masks, and hospital gloves starting on 7 April for 120 days, terminating on 10 August. An amended regulation subsequently exempted exports to Canada and Mexico (Brown, 2020).

Looking at the categories, 22 Commonwealth members import more than 50 per cent of their ventilators from the EU or the USA, while seven members depend on the EU for more than half of their world imports of PPE (Table 3). The risks of this dependence are most striking in the Caribbean, where most countries rely almost entirely on the USA for ventilators (Table A1). This could affect the availability of respiratory equipment, given the prohibitive trade measures in place. For example, the USA has reportedly seized shipments of ventilators destined for Barbados (Smith, 2020); moreover, The Bahamas and Barbados have also reportedly had container loads of PPE purchased from USA vendors blocked from entering their territories (Givens, 2020). The Pacific region has little trade with the EU and USA in any of these products.

## 4.2 Import liberalisation

Several governments, including Commonwealth members,<sup>11</sup> have eliminated or reduced import tariffs and sales/VAT taxes on essential medical goods needed to treat those infected with COVID-19. Lower import barriers can bolster the effectiveness of public health responses by reducing costs for hospitals and healthcare professionals and enabling access to a range of foreign suppliers. As of 24 April 2020, 46 import liberalising measures on medical supplies had been introduced by 30 WTO members since the beginning of the year (this figure will be higher if

11 Eight Commonwealth countries introduced fourteen import easing measures.

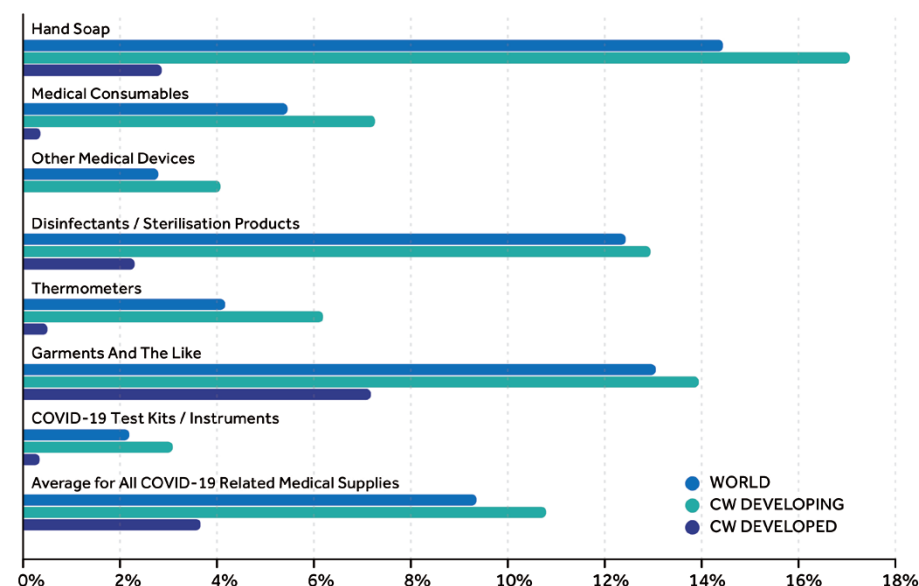


**Table 3: Number of Commonwealth countries dependent on EU and USA for medical supplies**

% of world imports, 2017-18 (average)	All COVID-19-related supplies		A: Ventilators		B: PPE	
	EU	USA	EU	USA	EU	USA
> 50%	2	4	10	12	7	-
25-50%	16	10	11	6	16	8
10-25%	23	2	11	10	18	9

Source: Commonwealth Secretariat (calculated using data from WITS)

**Figure 5: Tariff profile of Commonwealth members for COVID-19 imports**



Source: Commonwealth Secretariat (calculated using data from WITS for 2018)

the 27 EU member states are counted individually or broader data sources, like the Global Trade Alert, are used).

The tariff profile of Commonwealth members prior to the outbreak of the pandemic shows that developing country members levied higher import taxes on future COVID-19 goods compared with the world average (10.7 per cent and 9.2 per cent, respectively) (Figure 5). By comparison, the developed economy members had low tariffs – 3.5 per cent. Some of the medical goods deemed essential for containing the spread of the virus have tariff peaks of more than 10 per cent in Commonwealth developing countries. These include hand soap (17 per cent), disinfectants (12.9 per cent) and PPE (around 14 per cent). However, these averages mask wide variations and significant tariff peaks in some member countries, especially LDCs (Box 4).

Overall, WTO data suggests most Commonwealth developing countries have retained their existing tariff regime for tackling the pandemic, with only

a handful of countries easing import barriers on a temporary basis. By comparison, most developed economy members have further reduced the incidence of tariff protection on COVID-19 goods, which, as demonstrated, is already low.

## 5. Global policy responses

The COVID-19 crisis has triggered a global effort to contain the pandemic, mitigate its unprecedented impact and ensure open trade and undisrupted supply chains in essential goods, such as medical and food supplies. On 26 March 2020, the G20 leaders – including the five Commonwealth members Australia, Canada, India, South Africa and the UK – issued a statement that pledged to do ‘whatever it takes’ to minimise the impact of the pandemic, calling for greater multilateral cooperation. G20 leaders agreed to keep markets open and ensure the flow of vital medical supplies and pledged that emergency measures aimed at protecting health would be ‘targeted, proportionate, transparent, and temporary’.<sup>12</sup>

12 G20 Trade and Ministerial Statement, 30 March 2020: <https://pbs.twimg.com/media/EUYVVvrXsAE0ho?format=jpg&name=medium>

#### Box 4: COVID-19 tariffs in Commonwealth LDCs

For many LDCs, tariffs protect domestic industries and livelihoods and provide a source of public revenue. Their tariff profile for COVID-19-related medical goods reflects their limited capacity to produce these essential medical items. The highest import taxes are on technologically simple goods – such as protective garments and soap, which are labour-absorbing industries – and the lowest are on technologically complex goods, where there is little or no production capacity (e.g. COVID-19 test kits, thermometers and medical consumables and devices). Taxes on hand soap are extremely high, up to 30 per cent for Vanuatu. Given the advice of WHO and many national health authorities to improve hand hygiene practices to help prevent transmission of the virus, there could be scope to temporarily suspend or reduce high tariffs on soap, particularly where there are scarcity concerns (Table 4).

**Table 4: Tariffs on imports of COVID-19 goods in Commonwealth LDCs**

	Average for all COVID-19-related health supplies	Tariffs on key product categories						
Country/Group		I. COVID-19 Test Kits/ Instruments	II. Protective Garments and The Like	III. Ther-mometers	IV. Disin-fectants/ Sterilisation Products	V. Other Medical Devices	VI. Medical Consumables	VII. Hand Soap
MFN Applied Tariffs, Simple Average								
Commonwealth LDCs	10.96	1.50	17.29	3.33	8.05	2.50	6.33	23.48
<i>of which</i>								
Africa	11.2	1.0	18.5	3.1	7.2	2.3	6.2	24.2
Gambia, The	11.5	1.7	15.9	5.0	10.8	5.0	7.0	28.8
Lesotho	11.9	0.0	22.0	0.0	2.3	0.0	9.5	20.0
Malawi	11.1	0.0	19.8	0.0	6.3	0.0	5.0	25.0
Mozambique	10.2	1.7	15.4	5.0	6.9	5.0	7.0	20.0
Rwanda	11.5	0.0	18.9	0.0	8.3	6.3	5.0	25.0
Tanzania	10.8	0.0	18.9	0.0	8.3	0.0	5.0	25.0
Uganda	10.8	0.0	18.9	0.0	8.3	0.0	5.0	25.0
Zambia	11.8	5.0	18.0	15.0	6.3	2.5	6.0	25.0
Asia-Pacific	10.44	2.42	14.90	3.75	9.77	2.81	6.63	22.00
Bangladesh	14.72	3	21.7	5	13.8	1.25	11.5	25
Solomon Islands	8.9	5.0	9.6	10.0	6.3	10.0	9.0	10.0
Tuvalu	10.2	0.0	16.9	0.0	11.5	0.0	3.0	23.0
Vanuatu	7.9	1.7	11.4	0.0	7.5	0.0	3.0	30.0

Source: Commonwealth Secretariat (calculated using data from WITS)

Various multilateral organisations are responding collaboratively to the crisis and the impact on trade, livelihoods and health. The WTO and WHO have issued a joint statement that emphasises the importance of maintaining open and predictable trade in health technologies and medical supplies.<sup>13</sup> Concerned about the increased resort to trade restrictions to cope with COVID-19, the International Monetary Fund (IMF) and the WTO have also issued a joint statement, calling on countries to refrain from imposing export restrictions on

medical supplies, as well as food, and requesting the lifting of such measures implemented since the start of the year (IMF, 2020). The two global institutions have urged governments to exercise caution when implementing export restrictions because these measures disrupt supply chains and depress production, with the potential to prolong the COVID-19 crisis, affecting many countries, especially the poorest and most vulnerable.

13 WTO and WHO Joint Statement, 20 April 2020: <https://www.who.int/news-room/detail/20-04-2020-joint-statement-by-wto-director-general-roberto-azev%C3%A1do-and-who-director-general-tedros-adhanom-ghebreyesus>

Several Commonwealth member countries are spearheading initiatives to maintain open trade and connected supply chains amid the pandemic. On 15 April, Singapore and New Zealand issued a Declaration on Trade in Essential Goods for Combating the COVID-19 Pandemic, with an invitation for others to join the initiative (WTO, 2020c). The Declaration includes a list of COVID-19-related products for which New Zealand and Singapore undertake to remove tariffs, refrain from imposing export restrictions and intensify consultations, with a view to removing non-tariff barriers on the listed products. However, it does not explicitly address the concerns of or mention preferential treatment for poorer countries.

Both New Zealand and Singapore and three other Commonwealth members, Australia, Brunei Darussalam and Canada, joined by Chile, Laos, Myanmar and Uruguay, have since pledged their commitment in a Joint Ministerial Statement to ensure supply chain connectivity amid the COVID-19 situation.<sup>14</sup> The countries have committed to desisting from implementing export restrictions; abolishing existing trade-restrictive measures on essential goods; ensuring critical infrastructure remains open; and addressing disruptions to trade.

One of the biggest disruptions to medical supply chains relates to port closures and global logistics hurdles. Around 80 per cent of global trade, including medical goods, is seaborne. To prevent the spread of the virus, a number of ports and shipping companies have implemented measures, including restrictions on the movement of professional seafarers and marine personnel. This is causing severe disruptions within the industry. It is therefore imperative to enhance trade facilitation and expedite customs procedures to keep vital goods moving as quickly as possible, especially the transit of essential medicine and equipment. The Organisation for Economic Co-operation and Development (OECD) has proposed a number of measures to speed up the movement of goods at the border. These include reducing or minimising physical interaction between officials and traders at the border; introducing regulations that enable the use of information and communication technologies to use e-payments, e-signatures and e-contracts; and relaxing cross-border data flow of sensitive information to monitor the epidemic (OECD, 2020).

Most of the Commonwealth members of the WTO have now ratified the WTO's Trade Facilitation Agreement (TFA). Although the massive fiscal expenditures by the developed economies may preclude increases in official development assistance (ODA) flows now, the continued provision of aid to help developing countries implement TFA reforms will enable greater trade and the import of medical supplies.

## 6. Way forward

The interconnectedness of the world, especially the cross-border movement of goods and people, has contributed to the spread of COVID-19. However, trade can offer positive solutions to manage the crisis. Instructive lessons should be drawn from national and global responses to the pandemic, especially how international trade and trade policy ought to be used to bolster the effectiveness of national health policy responses in future crises. Although the world is still in the deathly throes of the current pandemic, several issues are emerging.

The first revolves around building greater resilience and self-sufficiency to tackle future human biosecurity pandemics. The scarcity of medical goods, export controls and over-dependence on single suppliers for specific goods have sparked debates about re-shoring supply chains, reducing the length of supply chains and producing key medical devices and medicine at home, at least in some advanced economies with the technological capabilities. Elsewhere in the world, including in some of the poorest nations, there are numerous examples of firms retooling operations to produce urgently needed COVID-19-related goods, from masks to ventilators (Box 5). However, an outright return to autarky, which would significantly raise costs and reduce access, especially for smaller countries, does not appear to offer the optimal solution (Baldwin and Evenett, 2020; Freytag, 2020). Countries should examine various policy options that allow for diversity of suppliers, together with stockpiling for emergencies, as the safest policy.

Regional approaches could also be considered, whether this involves regional stockpiling of essential medical goods for global shortages or ramping up regional production by adding value to available inputs and cooperating with regional and global partners. In Africa, for example, two Commonwealth member countries, Cameroon and Ghana, export relevant exports of latex but

14 Joint Ministerial Statement Affirming Commitment to Ensuring Supply Chain Connectivity Amidst the COVID-19 Situation, 14 April: <https://www.mfat.govt.nz/en/media-and-resources/ministry-statements-and-speeches/joint-ministerial-statement-affirming-commitment-to-ensuring-supply-chain-connectivity-amidst-the-covid-19-situation/>

### Box 5: Retooling operations for COVID-19-related health supplies

One of the notable responses to COVID-19 from governments and companies across the Commonwealth is the retooling of various production lines. Many countries have converted some of their manufacturing capacities to help satisfy the demand for medical equipment, including both technologically simple (e.g. masks, sanitisers) and complex (e.g. ventilators) medical devices.

In Malaysia, the world's fifth largest rubber producer, some firms have switched production lines from medical gloves to face masks. From Bangladesh to Ghana and New Zealand, clothing manufacturers have shifted production to focus heavily on PPE, particularly face masks. In Uganda, an LDC, spirits manufacturers agreed to convert 7.3 million litres of ethanol into hand sanitisers, in line with the WHO recommendation of better hand hygiene via alcohol-based sanitisers, to curb the spread of infection. These 'new' ventures offer opportunities to sustain some economic activity, including retention/creation of jobs, while also providing solutions to safely restarting the economy – that is, companies seeking to 'reopen' safely have sufficient PPE supplies.

The automotive industry is also redirecting production efforts to complex medical devices such as ventilators. Canada's auto parts manufacturer Linamar Corp has teamed up with medical device manufacturer Thornhill Medical to produce ventilators, the latter capitalising on Linamar's assembly capacity and know-how. In the UK, a consortium of industrial, technological and engineering businesses, including Rolls-Royce, BAE and McLaren, has been tapped by the government to produce ventilators for the National Health Service.

Beyond the Commonwealth, there is a global pattern of several countries repurposing production lines for more COVID-19-specific goods. The USA has invoked the Defense Production Act mandating certain companies' production of key items to aid the response. Household names like General Electric, General Motors and 3M have come within this purview.

Source: Commonwealth Secretariat (various sources)

currently do not export any surgical gloves (Spies and Cantero, 2020).

The second issue involves access to vaccines and potential medicines to treat COVID-19, which are presently under clinical trial and development, including in some Commonwealth countries. It is uncertain whether intellectual property will be a barrier to their supply, access and affordability, given currently applicable obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and free trade agreements (Box 6). SDG 3b calls on the international community to support the research and development of vaccines and medicines, and to provide access to affordable medicines and vaccines. Pandemics like COVID-19 have significant externalities; this means vaccines and treatments should be properly regarded as global public goods. An outbreak of COVID-19 in one country will cause problems in other countries, whether through contagion or, at a minimum, by forcing travel restrictions, which are themselves a problem and costly to enforce.

The third issue involves issues of sustainability and ensuring the global response to the pandemic does not have unintended adverse consequences for the environment and planetary wellbeing. For example, the COVID-19 pandemic has triggered unprecedented global demand for protective gear, and this is likely to persist even when economic recovery begins, especially to avoid the risk of a second wave of infection. One of the key inputs into PPE is single-use plastic (SUP), which is considered an environmental hazard. Demand for SUP has increased since the coronavirus outbreak. Careful consideration should be given to how the global response to COVID-19 – and future crises – can draw on and harness sustainable approaches and circular economy principles, especially for solid waste management.

The final consideration revolves around the world's smallest, poorest and most vulnerable nations, especially the LDCs. These countries already face considerable social and economic challenges – from tackling the pandemic with inadequate public healthcare infrastructure and health services (see Box 1), to ensuring food security amid emerging

#### Box 6: TRIPS, public health and COVID-19

Under the TRIPS Agreement, patents are protected for 20 years. However, the COVID-19 pandemic has reignited debates concerning whether the existing – and extensive – patent protections are warranted in such circumstances where they intersect with serious public health considerations. The TRIPS Agreement provides flexibilities in the form of granting compulsory licences, subject to certain conditions (voluntary or compulsory). In addition, LDCs do not have to grant or enforce pharmaceutical patents until 1 January 2033, as long as they do not graduate from LDC status. Article 31*bis* of the Agreement provides a mechanism for issuing a compulsory licence to produce and export low cost generic medicines, as well as drugs (and their active ingredients), vaccines, diagnostic tests and other devices, exclusively for serving the needs of countries that cannot manufacture those products. However, there has been only one case of a compulsory licence to export a generic drug. Although all WTO members are eligible to import medicines under this mechanism, 37 industrialised members of the WTO (including five Commonwealth member countries) have voluntarily opted out.

supply chain shocks (Torero, 2020) and economic recovery from recurrent natural disasters. These countries are net importers of medical goods and do not have the capabilities to manufacture technologically complex medical devices. Global responses to the pandemic should be mindful not to adopt policies that ‘sicken-thy-neighbour’ (Evenett, 2020b) by, among others, restricting timely, affordable and equitable access to essential medicines and medical supplies. For example, it is estimated the wave of export curbs could raise the cost of medical supplies by 23 per cent, on average. Such price increases diminish the real value of national health budgets and compromise the effectiveness of public health interventions (Evenett, 2020c).

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**Table A1: Level of dependence on EU and USA for medical supplies (% imports)**

	All COVID-products		>=50%	<25%-50%>	<10%-25%>	
			A: Ventilators		B: PPE	
Destination	EU	USA	EU	USA	EU	USA
All Commonwealth	21.71	16.24	15.86	29.96	23.46	12.72
<i>of which</i>						
<b>Developed</b>						
Australia	49.10	14.83	18.40	21.97	57.71	8.13
Canada	34.68	36.55	9.30	77.87	40.60	28.08
Cyprus	-	0.62	-	1.96	-	0.26
Malta	-	0.76	-	0.37	-	0.13
New Zealand	24.91	7.13	10.66	3.94	33.49	5.91
United Kingdom	-	9.97	-	31.19	-	10.05
<b>Developing</b>						
<i>of which</i>						
<b>Africa</b>						
Botswana	13.14	0.88	90.63	1.10	10.48	0.49
Cameroon	53.03	0.35	39.43	-	57.22	0.13
Gambia, The	20.35	0.78	-	54.29	19.00	0.56
Ghana	30.40	2.37	74.92	6.89	33.89	0.47
Kenya	24.09	2.95	48.54	7.21	23.10	3.02
Lesotho	3.95	0.44	-	-	3.83	0.48
Malawi	16.47	1.10	50.88	10.75	15.59	0.33
Mauritius	45.12	0.65	52.21	10.04	41.75	0.20
Mozambique	20.67	0.96	10.04	0.73	21.50	0.83
Namibia	3.36	1.32	10.65	1.15	2.55	1.13
Nigeria	45.98	1.39	64.27	5.99	51.64	0.47
Rwanda	30.42	1.41	72.10	6.58	35.75	1.16
Seychelles	38.07	1.56	6.72	41.86	27.72	1.07
Sierra Leone	17.39	1.19	12.55	12.23	15.13	0.63
South Africa	53.50	7.83	40.34	30.21	53.60	6.04
Swaziland	4.75	0.89	18.73	51.93	4.91	0.15
Tanzania	14.88	1.22	34.73	9.47	11.60	0.75
Uganda	28.79	2.25	54.98	1.30	27.59	2.09
Zambia	10.66	0.57	25.81	2.94	10.09	0.40
<b>Asia</b>						
Bangladesh	30.61	7.04	22.39	18.38	31.82	4.10
Brunei	14.96	1.37	54.59	24.02	15.37	0.51
India	34.26	25.03	29.60	26.15	40.06	21.31
Malaysia	31.99	9.43	28.53	19.75	38.61	5.06
Maldives	23.18	2.66	33.18	5.79	16.55	1.07
Pakistan	33.81	4.46	48.11	11.43	31.09	3.21
Singapore	34.26	24.16	23.94	11.02	45.22	15.67
Sri Lanka	16.36	2.73	33.51	4.08	13.29	1.89
<b>Caribbean</b>						
Antigua and Barbuda	35.84	54.39	79.44	20.42	53.03	28.17
Bahamas, The	11.91	46.36	2.26	48.78	12.58	36.89
Barbados	37.80	45.58	18.77	74.66	50.11	30.93
Belize	8.30	51.26	43.81	39.14	10.80	34.53
Dominica	19.19	37.75	-	100.00	33.21	18.18
Grenada	18.84	64.99	-	100.00	46.09	23.45
Guyana	8.80	25.74	2.25	63.95	7.63	16.12
Jamaica	14.39	40.93	2.49	70.11	21.09	21.19
St Kitts and Nevis	16.21	66.93	-	70.05	34.06	38.72
Saint Lucia	24.06	45.89	-	100.00	32.00	25.10
St Vincent and the Grenadines	43.99	37.34	-	-	53.86	17.54
Trinidad and Tobago	18.52	41.12	13.85	86.04	16.78	30.86
<b>Pacific</b>						
Fiji	4.61	1.17	0.07	0.89	6.45	1.66
Kiribati	11.29	4.42	-	100.00	9.42	4.08
Nauru	0.42	0.79	-	-	0.28	-
Papua New Guinea	5.62	1.00	58.03	1.78	2.92	0.95
Samoa	16.18	2.09	-	-	21.26	1.20
Solomon Islands	5.18	0.35	-	-	3.20	0.50
Tonga	2.80	3.03	-	-	5.58	6.82
Tuvalu	22.57	4.07	-	-	22.12	4.86
Vanuatu	11.64	2.16	0.36	-	9.57	5.21

Note: The UK is counted in the EU as EU regulations and trade rules apply until December 2020.

The data for Antigua and Barbuda, Dominica, The Gambia, Grenada, Kiribati and Saint Lucia is for 2018 but for all other countries it is average of 2017-18.

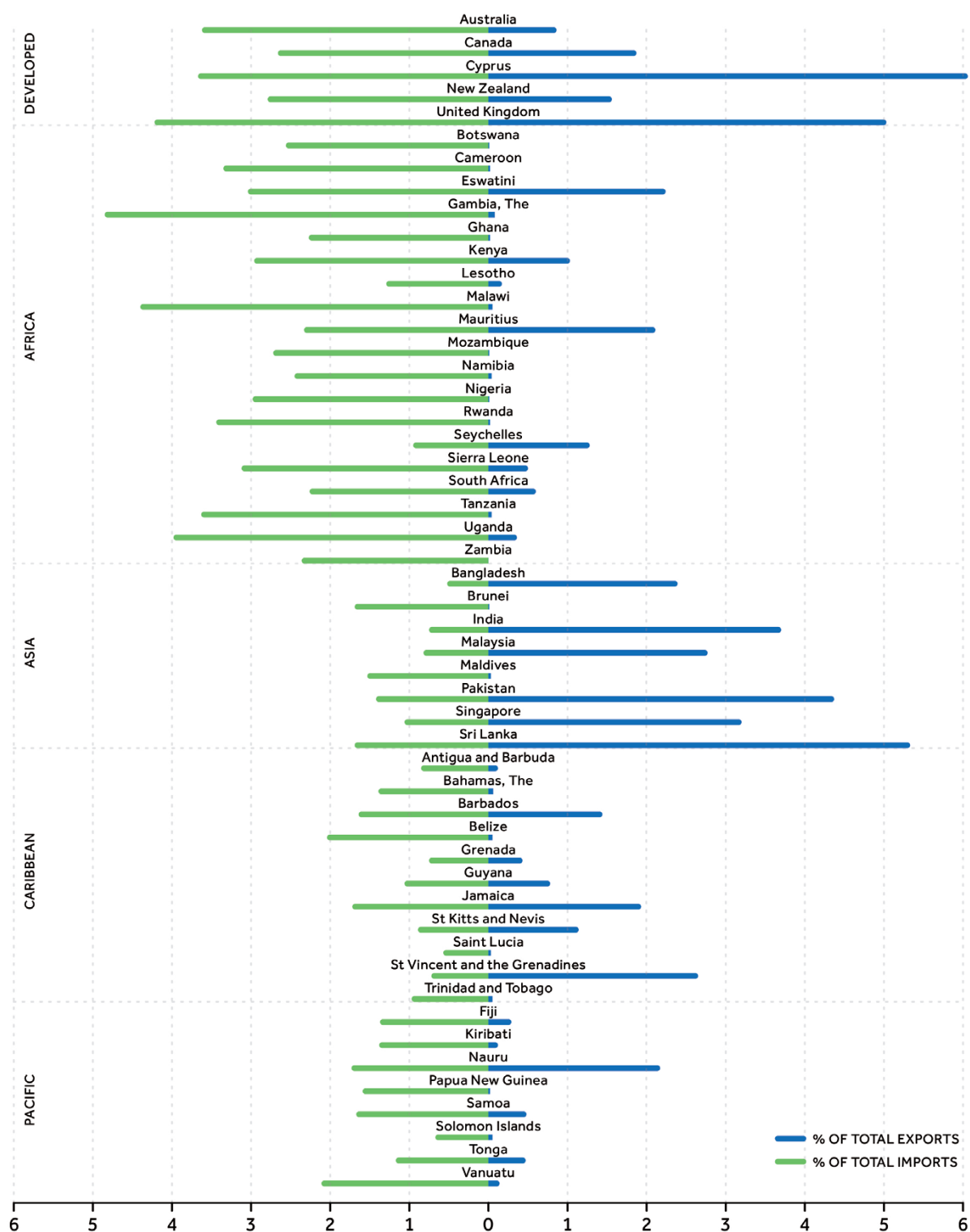
**Table A2: Top 5 exporters of COVID-19-related medical supplies to Commonwealth regions (US\$ million, %)**

**Source Destinations**

All Commonwealth			Developed			Developing			Africa			
ALL COVID-19-RELATED MEDICAL SUPPLIES												
Top Sources	% share	Value	Top Sources	% share	Value	Top Sources	% share	Value	Top Sources	% share	Value	
All Sources	100	67,455	All Sources	100	50,139	All Sources	100	17,317	All Sources	100	6,288	
USA	16.24	10,957	USA	17.04	8,546	USA	13.92	2,411	India	27.39	1,722	
Germany	13.92	9,388	Germany	15.28	7,662	India	12.47	2,160	France	9.37	589	
Switzerland	11.75	7,926	Switzerland	13.32	6,677	China	11.14	1,929	Germany	9.00	566	
Belgium	8.21	5,536	Belgium	9.90	4,966	Germany	9.97	1,726	China	8.86	557	
Netherlands	7.61	5,136	Netherlands	8.17	4,097	Switzerland	7.21	1,248	South Africa	7.58	477	
A: VENTILATORS												
	% share	Value	Exporters	% share	Value	Exporters	% share	Value	Exporters	% share	Value	
All Sources	100	837	All Sources	100	492	All Sources	100	345	All Sources	100	42	
USA	29.96	251	USA	38.51	190	China	22.54	78	USA	20.88	9	
China	14.52	122	New Zealand	10.11	50	USA	17.74	61	Germany	18.03	8	
Germany	7.92	66	Netherlands	9.59	47	Australia	8.64	30	China	14.38	6	
Ireland	7.89	66	China	8.90	44	Germany	8.36	29	Netherlands	9.26	4	
Netherlands	7.60	64	Ireland	7.79	38	Ireland	8.04	28	Switzerland	8.76	4	
B: PERSONAL PROTECTIVE EQUIPMENT (PPE)												
	% share	Value	Exporters	% share	Value	Exporters	% share	Value	Exporters	% share	Value	
All Sources	100	48,488	All Sources	100	37,987	All Sources	100	10,501	All Sources	100	4,799	
Switzerland	15.76	7,644	Switzerland	17.10	6,494	India	18.04	1,894	India	32.48	1,559	
Germany	15.50	7,516	Germany	17.07	6,485	Switzerland	10.95	1,150	France	11.20	538	
USA	12.72	6,170	USA	13.89	5,276	Germany	9.82	1,031	Germany	7.79	374	
Belgium	9.26	4,490	Belgium	10.86	4,123	USA	8.51	894	Netherlands	6.79	326	
Netherlands	6.87	3,329	Netherlands	7.01	2,663	France	7.01	736	South Africa	6.69	321	
Source: Commonwealth Secretariat (calculated using data from WITS)												

	Asia			Pacific			Caribbean		
ALL COVID-19-RELATED MEDICAL SUPPLIES									
	Top Sources	% share	Value	Top Sources	% share	Value	Top Sources	% share	Value
	All Sources	100	10,612	All Sources	100	111	All Sources	100	305
	USA	19.13	2,030	Australia	28.62	32	USA	42.43	130
	China	12.65	1,342	India	15.04	17	India	12.50	38
	Germany	10.66	1,131	New Zealand	13.92	16	Germany	9.30	28
	Switzerland	8.85	939	China	13.71	15	Costa Rica	7.20	22
	Singapore	7.84	832	Indonesia	6.81	8	United Kingdom	6.17	19
A: VENTILATORS									
	Exporters	% share	Value	Exporters	% share	Value	Exporters	% share	Value
	All Sources	100	296	All Sources	100	5	All Sources	100	2
	China	24.18	72	Australia	85.59	4	USA	71.07	1
	USA	17.27	51	Hong Kong, China	7.51	0	China	6.37	0
	Ireland	9.29	27	New Zealand	3.73	0	Germany	5.77	0
	Australia	8.49	25	Czech Republic	3.19	0	United Kingdom	4.84	0
	Germany	7.16	21	Japan	1.50	0	Spain	2.66	0
B: PERSONAL PROTECTIVE EQUIPMENT (PPE)									
	Exporters	% share	Value	Exporters	% share	Value	Exporters	% share	Value
	All Sources	100	5,453	All Sources	100	65	All Sources	100	184
	Switzerland	15.73	858	Australia	22.40	15	USA	27.84	51
	USA	12.97	707	India	20.94	14	India	20.04	37
	Germany	11.65	635	New Zealand	13.13	9	Germany	12.07	22
	China	8.18	446	Indonesia	11.49	7	United Kingdom	7.69	14
	Singapore	6.56	357	China	8.59	6	Costa Rica	6.21	11

Figure A1: COVID-19-related medical supplies as share of Commonwealth countries trade, 2017-18 (ave)



Source: Commonwealth Secretariat (calculated using data from WITS)



# International Trade Policy Section at the Commonwealth Secretariat

This Trade Hot Topic is brought out by the International Trade Policy (ITP) Section of the Trade Division of the Commonwealth Secretariat, which is the main intergovernmental agency of the Commonwealth – an association of 53 independent countries, comprising large and small, developed and developing, landlocked and island economies – facilitating consultation and co-operation among member governments and countries in the common interest of their peoples and in the promotion of international consensus-building.

ITP is entrusted with the responsibilities of undertaking policy-oriented research and advocacy on trade and development issues and providing informed inputs into the related discourses involving Commonwealth members. The ITP approach is to scan the trade and development landscape for areas where orthodox approaches are ineffective or where there are public policy failures or gaps, and to seek heterodox approaches to address those. Its work plan is flexible to enable quick response to emerging issues in the international trading environment that impact particularly on highly vulnerable Commonwealth constituencies – least developed countries (LDCs), small states and sub-Saharan Africa.

## Scope of ITP Work

ITP undertakes activities principally in three broad areas:

- It supports Commonwealth developing members in their negotiation of multilateral and regional trade agreements that promote development friendly outcomes, notably their economic growth through expanded trade.
- It conducts policy research, consultations and advocacy to increase understanding of the changing international trading environment and of policy options for successful adaptation.
- It contributes to the processes involving the multilateral and bilateral trade regimes that advance more beneficial participation of Commonwealth developing country members, particularly, small states and LDCs and sub-Saharan Africa.

## ITP Recent Activities

ITPs most recent activities focus on assisting member states in their negotiations under the WTO's Doha Round and various regional trading arrangements, undertaking analytical research on a range of trade policy, emerging trade-related development issues, and supporting workshops/ dialogues for facilitating exchange of ideas, disseminating informed inputs, and consensus-building on issues of interest to Commonwealth members.

## Selected Recent Meetings/Workshops Supported by ITP

29 January 2020: Looking to LDC V: A Critical Reflection by the LDV IV Monitor (in partnership with the OECD Development Centre and the Centre for Policy Dialogue, Bangladesh) held at Marlborough House, London, United Kingdom.

28 January 2020: Roundtable Discussion on Trade Shocks in the Commonwealth: Natural Disasters and LDC Graduation (in partnership with the Enhanced Integrated Framework) held at Marlborough House, London, United Kingdom.

11 October 2019: Tapping the Tourism Potential of Small Economies: A Transformative and Inclusive Approach (WTO Public Forum) held in Geneva, Switzerland in collaboration with the WTO and the UNWTO.

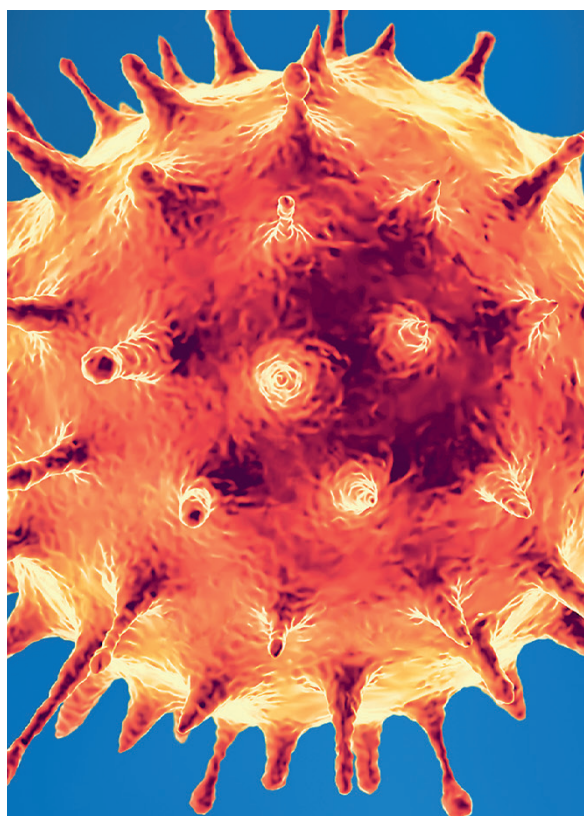
10 October 2019: Commonwealth Trade Ministers Meeting held at Marlborough House, London, United Kingdom.

26–27 September 2019: 12th South Asia Economic Summit XII: Shaping South Asia's Future in the Fourth Industrial Revolution held in Colombo, Sri Lanka in collaboration with The Institute of Policy Studies of Sri Lanka

26 June 2019: Launch of the Commonwealth Publication 'WTO Reform: Reshaping Global Trade Governance for 21st Century Challenges,' held in Geneva, Switzerland.

28–30 May 2019: Harnessing Trade Policy for Global Integration: Commonwealth Consultation for the Asia-Pacific Region held in Singapore in collaboration with the Institute of South Asian Studies, National University of Singapore.

4 April 2019: The Digital Economy: The Case of the Music Industry held in Geneva, Switzerland in collaboration with UNCTAD and the Government of Indonesia.



## Previous Ten Issues of the Commonwealth Trade Hot Topics Series

Issue 158: Special and Differential Treatment in Fisheries Subsidies Negotiations: Priorities for Pacific SIDS

Issue 157: Natural Disasters and Trade Resilience in Small States

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