

## TRADE THERAPY: DEEPENING COOPERATION TO STRENGTHEN PANDEMIC DEFENSES

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The COVID-19 pandemic has exposed the upsides and downsides of international trade in medical goods and services. Trade was critical in meeting the emergency, but it also fell short in important ways. This report provides new data on trade in medical goods and services and medical value chains; surveys the evolving policy landscape before and during the pandemic; and proposes an action plan to improve trade policies and deepen international cooperation to deal with future pandemics.

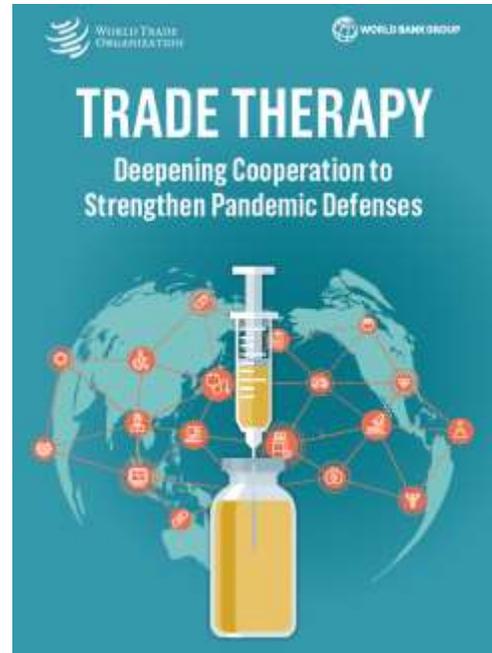
Open trade will be increasingly important to meet growing demand for health-related goods and services, support innovation, and contain costs. Global health spending is expected to surge amid emergent infectious diseases, income convergence, and increasing life expectancy. Technological improvements and digitalization will make the delivery of medical products even more international, and increasingly complex global value chains will be crucial to innovation and production.

Yet as this study finds, medical goods trade continues to face impediments, especially in low- and middle-income economies. These include trade facilitation bottlenecks and restrictions in transport, logistics, and distribution services. Globally, divergent regulatory systems hinder the development, approval, and marketing of innovative vaccines, therapeutics, and diagnostics.

During the COVID-19 pandemic, trade in medical goods increased by 13.2 percent, underscoring its importance in meeting the emergency, with critical products such as face masks jumping by 481 percent. Open trade, combined with government support, spurred the rapid development of vaccines. But the concentrated nature of production, supply chain snags, and regulatory impediments contributed to create scarcity problems and an unequal distribution of supplies.

Governments used a range of trade and trade-related policies to bolster domestic availability of critical medical goods and services. Some detracted from global health security. Others had positive effects on the countries implementing them and their trade partners, thus constituting a sort of public good:

- More than two-thirds of countries imposed measures to restrict exports or liberalize imports of medical goods. Less than 5 percent of these interventions remained in place for less than three months, casting doubt on their temporary nature. The resulting disruptions to trade flows and medical supply chains boosted average trade costs by as much 60 percent and increased consumer prices.
- On the other hand, many emergency measures facilitated trade, eased regulatory bottlenecks, and promoted the diffusion of health technologies. For example, countries expedited a transition from paper-based to electronic documents requested at the border and activated emergency-use authorization to fast-track the approval of vaccines and other goods.
- Governments accelerated the use of subsidies to support the discovery and production of vaccines and medicines, with significant positive spillovers to other countries.



## Deepening international cooperation

This report suggests specific steps to strengthen trade's contribution to global health security. Some will involve new commitments and disciplines in the WTO and existing regional trade agreements. Others call for new forms of cooperation between states, nonstate actors, and the private sector.

### Areas of cooperation through existing channels include:

- **Open trade in medical goods and supporting services.** Lowering tariffs on medical products and reducing import costs for information and communication technology (ICT) and business services in the health sector would increase income by more than US\$6 billion annually, with more than half of that accruing to low- and middle-income countries.
- **Trade policy flexibilities during emergencies.** Trade agreements could include commitments to limit the duration of restrictions on exports of critical goods during a pandemic; improve trade policy transparency; ensure that trade is not interrupted for countries in need; and consult with other economies to assess the adverse impact of measures on partners.
- **Regulatory cooperation.** Broader and deeper regulatory cooperation could improve the resilience and functioning of supply chains and reduce the risks of illicit trade. Steps could include streamlining regulatory frameworks and making them more coherent and providing a playbook of flexibilities for smoother and faster approval of medical goods. Governments could also pursue mutual recognition and equivalence regimes for critical goods and support the development of international standards.
- **Intellectual property flexibilities.** IP systems could encourage rights holders to adopt open and humanitarian licensing models for pandemic-related technologies; share technology through platforms such as WHO's COVID-19 Technology Access Pool (C-TAP); and include equitable access considerations in their R&D planning. Agreement by WTO members on an IP response to COVID-19 could serve as a blueprint in future emergencies.
- **Reforms for medical services trade.** Reducing barriers and improving regulatory systems could expand access and enhance quality. Possible initiatives include: adopting frameworks for foreign investment; enhancing health workers' mobility; recognizing foreign qualifications of suppliers; and cooperating to ensure cross-border liability of foreign-based suppliers.
- **Subsidies, public procurement, and competition.** Trade agreements could envision ways to coordinate subsidies for crisis-related medical goods; develop joint purchasing tools to aggregate demand between countries in a crisis; and identify good practices for competition law in a pandemic.

### Steps beyond trade agreements, and among international organizations, could aim at improving:

- **Diversification.** Create mechanisms to improve access to vaccines and other essential products in low-income countries and expand supply and distribution capacity. This could include building manufacturing facilities in low- and middle-income countries with a latent comparative advantage whose relatively small populations reduce the risk of host-country intervention to meet domestic needs.
  - **Information.** Establish a global information clearinghouse to support production of critical medical products and serve as a platform for companies to report bottlenecks, improve visibility on production capacity and distribution, and identify measures to respond to the pandemic.
  - **Regulation.** Support the efficiency and equity of health markets by strengthening international standardization; bolstering the capacity of national regulatory agencies; developing good-practice policy frameworks for public procurement during crises; and working with the private sector to encourage technology transfer and expand global emergency response capacity.
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