

## SPOTLIGHT

# COVID-19 and world trade

Global trade in goods and services was severely impacted by the COVID-19 pandemic that erupted in early 2020 and the adoption of global health measures taken by WTO members to try and mitigate the crisis.



## 335

WTO trade monitoring reports identified 335 COVID-19 trade measures imposed by WTO members.

Trade in goods declined by 5.3 per cent in 2020 (see also page 73). Trade in services also declined as limits to travel and other health-related restrictions prevented or severely curtailed face-to-face service delivery activities. Travel and transport services declined by 63 per cent and 19 per cent respectively.

Most of the 335 COVID-19 trade and trade-related measures identified in WTO trade monitoring reports were adopted on a temporary basis. In the early stages of the pandemic, most of the measures taken by WTO members restricted trade. But by mid-October, 195 (58 per cent) of the measures were trade-facilitating compared with 140 (42 per cent) that could be considered trade-restrictive.

Around 39 per cent of the restrictive measures implemented in response to the pandemic had been repealed by mid-October. Some 18 per cent of trade-facilitating measures related to COVID-19 had also been eliminated. The trade coverage of pandemic-related trade-facilitating measures implemented since the beginning of the pandemic was estimated at US\$ 227 billion while trade-restrictive measures stood at US\$ 180 billion.

To help respond to trade issues arising from the global health crisis, the WTO established an internal, cross-cutting working group. This was directed to help ensure comprehensive monitoring of COVID-19-related trade measures touching on WTO work.





## Travel and transport services were particularly hard hit.

These ranged from sanitary and phytosanitary (SPS) measures and technical barrier to trade (TBT) regulations to intellectual property measures. The group produced 20 information notes on the impact of COVID-19 on world trade, provided regular trade data updates and closely monitored members' trade-related policy developments. It focused on ensuring transparency around trade and trade policy developments while providing substantive information on trade issues relevant for policymakers and businesses as they attempted to navigate the rapidly evolving global trading environment.

The first paper produced by the group was on "Trade in Medical Goods in the Context of Tackling COVID-19". It was published in April and updated in December (see box).

Other topics covered by group notes included transparency and why it matters at times of crisis, trade in services, trade costs, agriculture, what measures WTO members used to expedite access to COVID-19 medical goods and services, and trade-related issues concerned with vaccine distribution.

As of November 2020, there had been over 270,000 downloads of the group's reports.

The WTO also created a dedicated section on its website to provide up-to-the-minute information on COVID-19 and world trade, including relevant notifications by WTO members, the impact of the virus on exports and imports, and how WTO activities have responded to the pandemic.

The General Council spent much time discussing COVID-19. It held a special virtual meeting in May for WTO members to share information and views on COVID-19 trade-related matters. It was the first time that a special General Council meeting had been convened to discuss the trade-policy aspects and effects of a global crisis (see page 68). The Council continued to address the issue in subsequent meetings.

### Trade and health

COVID-19 has placed health systems worldwide under extraordinary pressure. In the early phase of the pandemic, many countries faced a shortage in essential personal protective equipment (PPE). As production increased to meet the unparalleled spike in demand, trade played an important role in getting supplies to those most in need. In the first half of 2020, imports of face protection products jumped by 90 per cent while trade in medical goods increased by 16 per cent (see box).



## Trade in medical goods



- Imports of face masks jumped 80.9% in 2020 to reach US\$ 141.4 billion.
- Imports and exports of medical goods increased by 16 per cent in 2020, reaching US\$ 2,343 billion – at the same time as total world merchandise trade declined by 7.6% in value.
- The world's average tariff applied on textile face masks is 14.3%.
- Export restrictions on personal protective equipment, such as gloves and masks, drugs and medicine taken in the early stages of the pandemic were gradually phased out.
- Many countries took measures to exempt imports from tariffs and to streamline customs and other procedures.

Source: WTO Secretariat Information Note – "Trade in Medical Goods in the Context of Tackling COVID-19".

As the pandemic took hold, WTO members shared information with the WTO about their trade-restrictive and trade-facilitating measures.

Duties, taxes and charges on COVID-19-critical medical goods and other essential supplies were temporarily removed or deferred by 40 WTO members. These trade-facilitating actions helped reduce the cost of the goods needed to fight the pandemic, both for the health sector and for the public. Measures to reduce or eliminate import tariffs made up around two-thirds of the import trade-facilitating measures reported to the WTO.

In addition, members expedited customs procedures and border clearance for COVID-19-critical medical goods by cutting back red tape. Actions taken included establishing priority clearance channels, lessening and simplifying documentary requirements and electronic processing, and improving border agency cooperation.

Members also took steps to enhance regulatory approval and cooperation on standards for traded goods, including measures to expedite regulatory assessments, recognizing the results of foreign regulators, and allowing remote or electronic conformity assessment procedures. Many members improved access to COVID-19-critical medical services. The international movement of health workers was facilitated, together with new rules on telemedicine.

Export restrictions on PPE and medical goods taken by some countries in the early stages of the pandemic were gradually phased out as supplies

became more readily available. However, certain measures remain in place.

More information on members' responses to the crisis is available in the information note "How WTO members have used trade measures to expedite access to COVID-19 critical medical goods and services" and on the WTO's dedicated webpage on COVID-19 and world trade.

## Vaccine production and distribution

Successive waves of coronavirus infection led to increased efforts to develop and manufacture vaccines and diagnostics to combat the pandemic, with the aim of meeting national needs and providing equitable access worldwide. However, demand far exceeded supply, leading to export limitations in some countries as producers struggled to fulfil orders.

Vaccine production is supported by complex value chains for raw materials and components. A typical vaccine manufacturing plant will use in the region of 9,000 different materials sourced from some 300 suppliers across approximately 30 different countries, according to an estimate from the International Federation of Pharmaceutical Manufacturers and Associations.

WTO trade statistics suggest that global exports of some particularly critical raw materials for vaccine production (including nucleic acids, amino acid phenols, acyclic amides, lecithins and sterols) grew by 49 per cent in the first six months of 2020 to reach some US\$ 15.5 billion in value.



In view of the complexity of raw material and component value chains and limited production capacity in many countries, export controls, border clearance and transit issues affecting the sourcing of imported raw materials and other essential components posed difficulties for scaling up vaccine manufacturing operations and ensuring equitable access.

At the WTO, members discussed a proposal, initially submitted in October 2020, for a waiver of certain provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in relation to the “prevention, containment or treatment” of COVID-19. According to the proponents, the objective is to avoid barriers to timely access to affordable medical products including vaccines and medicines or to scaling-up of research, development, manufacturing and supply of essential medical products (see page 113).

In November 2020, a group of developing and developed countries proposed the creation of a WTO Trade

and Health Initiative. As a first step, they urged all members to back a joint declaration on enhancing the capacity of the trading system to deal with COVID-19 and any future pandemic (see page 69).

Discussions have continued in 2021 in response to revised proposals submitted by WTO members.

### Impact of COVID-19 on world trade

Global merchandise trade volumes declined by 14.3 per cent in the second quarter of 2020 compared to the previous period as COVID-19 containment measures affected economies around the world. This contraction is sharper than the 10.2 per cent drop recorded during the financial crisis between the third quarter of 2008 and first quarter of 2009.

However, most categories of manufactured goods saw significant gains in the second half of 2020. World trade in iron and steel was down 17 per cent in the third quarter

but this decline was reduced to 2 per cent by the fourth quarter. Iron and steel trade is indicative of broader economic conditions as these products are heavily used in both automobile manufacturing and building construction, both of which were hit hard by the pandemic.

Strong growth in textiles trade in both the third and fourth quarter partly reflected high demand for medical face coverings. Electronic goods including computers also saw steady growth of 12 per cent in the second half of 2020, reflecting strong demand for upgraded equipment to facilitate working remotely.

Travel and transport services, down 63 per cent and 19 per cent respectively in 2020, were directly impacted by containment measures designed to limit the spread of COVID-19, many of which remain in place or have been tightened in response to the resurgence of the disease.

The number of daily international flights fell around 80 per cent in the first quarter of 2020 as countries closed their borders to reduce the spread of COVID-19. This number gradually picked up as cases declined and people resumed limited travel. The end of 2020 saw an uptick in flights as people travelled to meet friends and family for seasonal holidays, but a resurgence of the virus has reduced flights again in 2021.

WTO economists estimate the volume of world merchandise trade will increase by 8.0 per cent in 2021. Travel services are not expected to fully recover until the pandemic wanes.