



Revolt Thy Neighbor: The Initial Trade Policy rejoinder to Corona virus

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Abstract

At the start of the Corona virus pandemic several countries have limited only exports of medical instruments and medicines. Pre pandemic impediments to medical equipment and soap imports remain high. Having described the foreign policy position against Corona virus related products, this article objectively analyzes the use of export curbs and taxes on imports. It incorporates elements of a new proactive approach to foreign policy to tackle this pandemic.

Introduction

In our integrated society, nations will determine whether a global problem arises whether prejudice against international vendors is part of the response - or whether it is possible to use international know-how and expertise for the common advantage. Decisions to surrender open borders on the altar of some other target are usually informed by other government actions - real or perceived. Written and unwritten diplomatic rules are being reviewed at these times, with consequences that can extend far past the headlines that the crisis overshadows. The Corona virus pandemic is no different. Corona virus is no doubt now a crisis - medical, social, and economic. Whether countries deal with the spread of this epidemic needs to be seen - and foreign policy gets embroiled immediately. States under pressure may be tempted to ban exports of medical supplies, even if this dulls local business incentives to boost production and denies trading partners the citizens of much-needed medicines. Alternatively, officials who are desperate to get medicines could write off import taxes that have protected local businesses.

Given China's central position in many international supply chains, Corona virus effect on global trade flows [1] and the scale and role of foreign direct investment (UNCTAD 2020) are of major concern. There is, however, a distressing

exchange. The international aspect has now taken shape. To understand its value, remember that the Director-General of the World Health Organization (WHO) claimed "We cannot hinder Corona virus without shielding health workers" (WHO, 2020). Many staff require boots, surgical masks, face covers, gowns and the like - and as Corona virus has spread - there have been glaring shortages. The WHO also called on governments to increase protective equipment demand by 40 percent and to limit exports.

The purpose of this paper is to identify and evaluate the current state of foreign policy against imported goods used at the front lines of hospitals and medical professionals to address Corona virus. To this end, the "indicative register" of products used during the Corona virus pandemic issued by the World Customs includes medicinal supplies Association (WCO). As outlined in Table 1, WCO has put each related commodity and its corresponding HS code into one of six classes. The total volume of foreign exchange in 2018 was just Under \$715bn for those six groups. The bulk of this trade was disinfectants, sterilization products, and test kits. This medication was applied to others on the WCO registry in the preparation of this paper, following advice from the World Health Organization (WHO) and other national health authorities to routinely wash the hands with soap.

The remainder of this paper is structured as set out below. The policy approach to exporting medical supplies is characterized and criticized within the next segment. This is followed by a list and analysis of the impediments to medical supply and soap imports in section three created by the regulation. In the final section, instead of restricting trade, the argument is that unilateral removal of barriers to imports will increase the effectiveness of national public health initiatives

The detrimental existence of the medical supply limitations on exports

As Coronavirus has expanded from China to the West, more and more governments have taken actions one way or the other to curb imports of medical supplies and medications (Figure 1). Some countries have expressly forbidden export of such goods. Some governments have used more indirect means, including restrictions on export permits, restricting permission to work with local suppliers of those products should they continue to sell, and forcing a government department to buy all local products that do not sell all those products. It is clear that some of the restrictions on exports are biting. In early March 2020 the German authorities started shipping 240,000 masks to a Swiss customer, causing the government to carpet the German Ambassador in Bern (NZZ, 2020). But a French requisition order stopped Valmy SAS from completing an offer to provide the Uk National Health Service with millions of masks [2]. Likewise, as Coronavirus began traveling, consumers of Chinese medical supplies in North America complain that orders had not been met [3].

So far, 54 governments have imposed export curbs

A form of export limit on medical supplies and drugs linked to the Coronavirus pandemic was enforced by a total of 54 governments as of 21 March 2020. Algeria, France, India, Indonesia, Saudi Arabia, the Republic of Korea, Taiwan, Thailand, Turkey and the United Kingdom have recently imposed various export curbs, frequently expanding the scope or hardening pre-existing conditions for export limits. As illustrated in Figure 1, the number of export curbs imposed in March 2020 has substantially increased relative to the two corresponding months. Furthermore, 33 restrictions on the export of medical supplies and drugs linked Coronavirus have been implemented as of 1 March 2020. Balance dictates that China, Taiwan and Germany have to some extent loosened their export curbs. Nonetheless, the course of travel is obvious-policymakers are throwing barriers in the way of essential medical supplies for international buyers

Export curbs have bad track record

The last time export controls were in the spotlight was during the grain price spikes of 2006-8, when many governments banned exports of food abroad. Subsequent studies found that, while doing little to suppress domestic markets, these export restrictions increased global price rates and stability, influenced in part by other factors [4,5]. These export caps were of doubtful importance as a means to guarantee food security Comparisons with the existing ban on medical products from exports tend to be incorrect. Here, the nub of the matter is more accessibility than size. Health practitioners are at the forefront of the battle

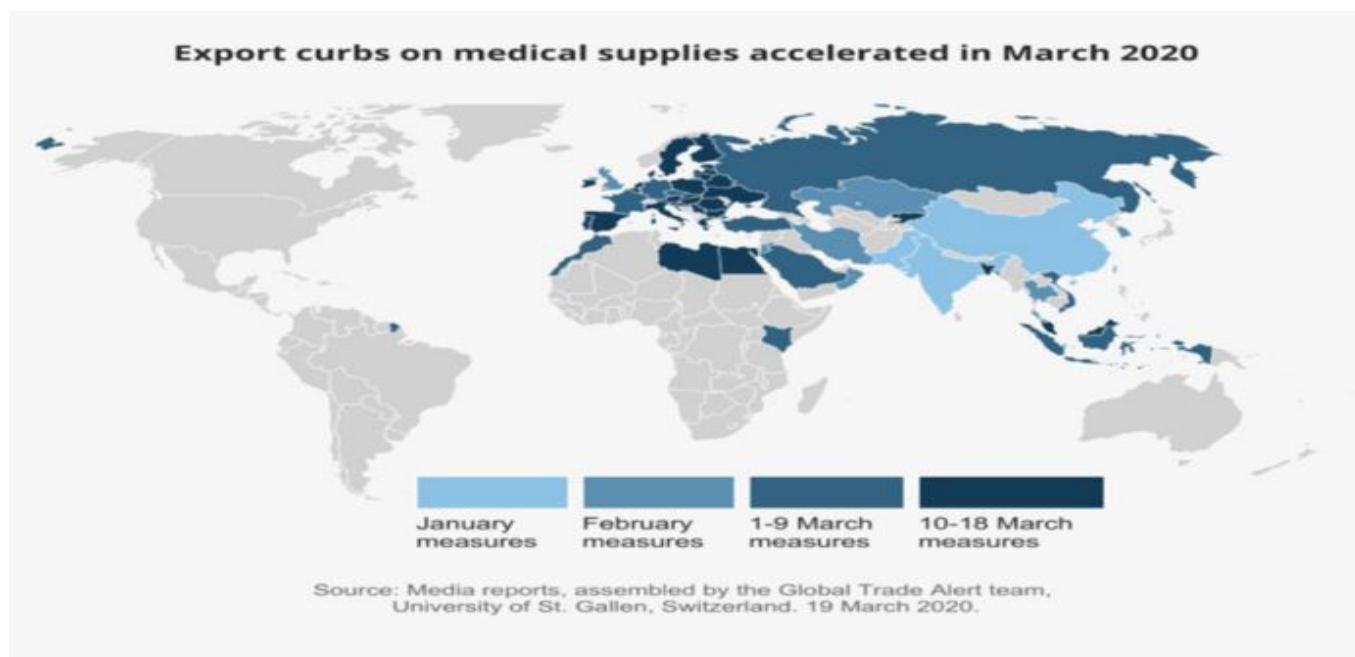


Figure 1: As the Coronavirus spread West, so did curbs on the export of medical supplies.

against Coronavirus and require safe medical equipment to reduce the likelihood of sickness - or prolong the moment it happens. Export bans on masks e.g. erode the willingness of trading partners to cope with Coronavirus spread. Instead of beggar-thinghood, sicken-thy-neighbour basically ban medical supplies from export. In the example below is explained the functional value of those claims.

Global export curbs for medical ventilators will deprive access to state-of-the-art medical equipment for Africa, the CIS region, Latin America, the Middle East and South Asia. Access to medical ventilators is a matter of life and death for many patients with serious Coronavirus outbreaks. Those ventilators are cutting-edge hardware items. Delivery chains that supply the parts and materials to suppliers of ventilators are also multinational in nature. Thus, export curbs on ventilators limit access to this medical equipment for international customers and people. Exporting curbs on relevant parts and components will delay or stop fan output. UN trade data for 2018 shows that over 10 million dollars of surgical ventilators are exported from 25 countries each (see Figure 2). In Latin America the selected category contains only one country. No country in Europe, the CIS region, the Middle East, and South Asia generates large amounts of medical ventilators. It is not to imply the absence of domestic suppliers to those territories. Nonetheless, despite the sophisticated complexity of this equipment, the possibility of producing cutting-edge surgical ventilators by any domestic supplier is small. The inference is, where every major exporter of the moment bans pediatric shipments.

Instead, a large percentage of the world's population will be refused access to a crucial piece of medical equipment during the Coronavirus pandemic. If most medical ventilator exporters are members of the European Union, where an export permit-cum-ban is in place, then half of the ventilator manufacturers are now beyond the control of buyers in developing markets.³ The human impact of export restrictions on medical equipment is not something any policymaker wants to have on their consciences.

Curbs on exports are detrimental

For the adopting country it is expensive for four reasons to refuse medicinal supplies to foreign customers. Next note that the primary aim of these export controls is to improve the supply of local hospitals etc. Despite the potential advantage of restricting overseas imports, the lack of possible export sales would deter local firms from ramping up production and investing in new infrastructure, which is just what the WHO called for. Specifically, this means a "safe" export embargo on prescription products that are already available at the in the future, following a pandemic the cost of more domestically generated products. The trade-off is frequently underestimated - which shouldn't be a characteristic of pandemics because outbreaks of disease occur over time. Second, following an export ban, the fiscal inducements that policymakers will need to employ to persuade domestic firms to expand their production will be greater. It may sound like an expedient policy response to a health pandemic while literally elevating the burden on

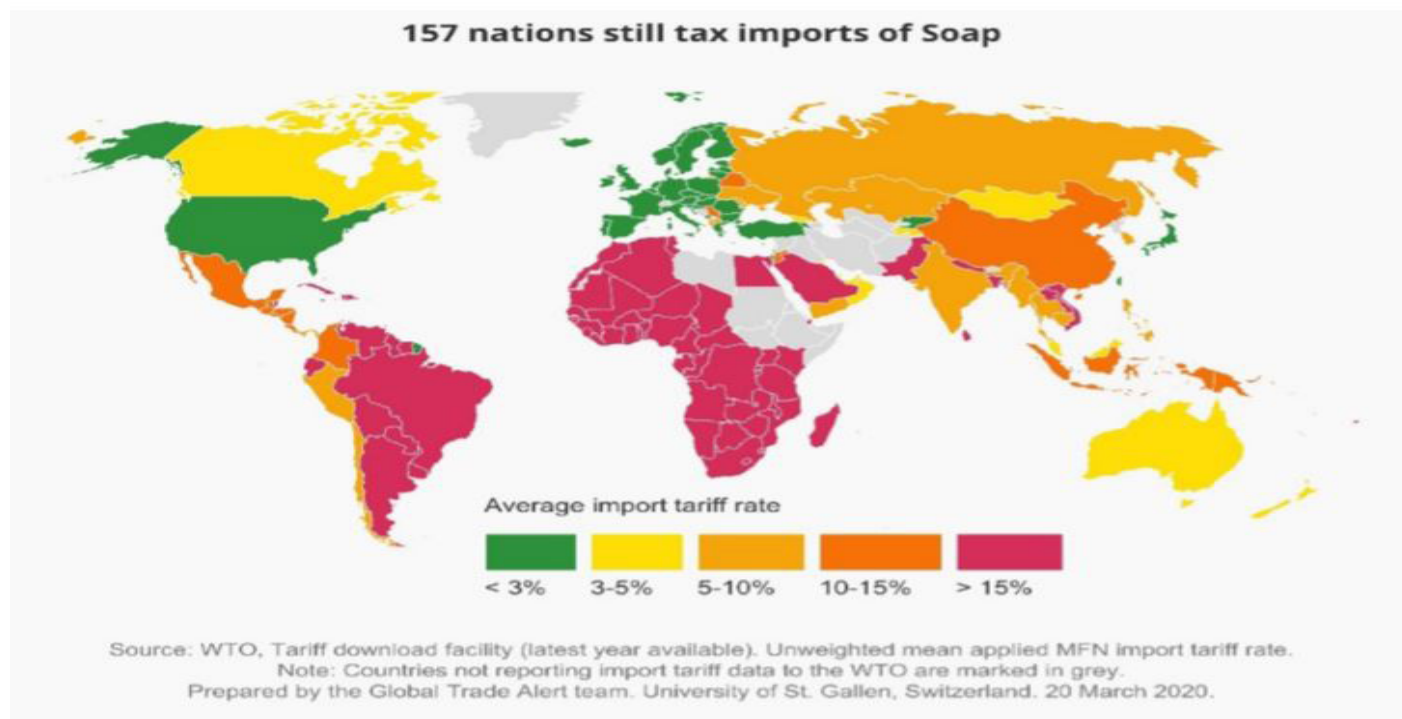


Figure 2: Before COVID-19 pandemic 78 nations charged import tariffs of 15% or more on soap

Table 1: The World Customs Organization's classification of Corona virus 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 invitro diagnosis	3	185.3
Disinfectants and sterilisation products	Alcohol solution, hand sanitisers, medical, surgical or laboratory sterilisers, various forms of hydrogen	6	308.6
	peroxide, and other chemical disinfectants	6	
Medical consumable	Wadding, gauze, bandages, syringes, needles, intubation kits, and paper bed sheets	4	96.3
Other medical devices	Computed tomography scanners, extracorporeal membrane oxygenation, medical ventilators, other oxygen therapy apparatus including oxygen tents, and patient monitoring devices		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

Table 2: Nine countries also have non-tariff policies which restrict 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	1	80.74%
Kazakhstan	1	100.00 %
Nigeria	1	81.23%
Paraguay	1	74.28%
Vietna	1	12.32%
Argentina	1	88.75%

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. Base year weights for imports calculated using 2018 world trade data (the latest year available).

Table 3: Summary statistics on import taxes and non-tariff barriers on the WCO list of COVID-19-related products.

Type of medical supply	Import tariffs in forces before pandemics				Non-Import tariffs in forces before pandemics		
	Number of nations with zeros traffics	States imposing nuisances tariffs (positive but less than 3% advalorem traiffs)	States with tariffs peaks (15% advalorem rate or more)	Median tariffs rate reported	Number of nations with imposed the polices	Total number of such policies in force	Median percentage of imports effected of this type of medical supply
COVID-19 test kit and related apparatus	56	68	2	33%	11	19	67.0%
Disinfectants and sterilisation products	10	47	20	6.8%	23	44	2.8%
Medical consumables	48	20	1	4.2%	13	24	62.2%
Other medicals devices	89	17	2	0%	8	17	85.4%
Protective garments	5	6	76	12.6%	15	30	30.7%
Thermometers	48	43	5	1.8%	2	2	36.9%

Source: Tariff data was extracted from the WTO Tariff Download Facility and non-tariff policy interventions were obtained from the Global Trade Alert database. Non-tariff measures relate to policies in effect on 20 March 2020

municipal budgets at the same time. Thirdly, shipping bans hinder coordination with other governments. The loss of trust between the trading countries must not be limited to medical equipment, and environmental coordination. One case in point is the President of Serbia's angry response to the EU's export permit-cum-ban. Serbia also approached China for his medical needs and the former president also identified Xi Jinping as a "friend and neighbor" [6]. Not every trading partner will fail to enforce formal or informal ban on major pharmaceutical and supply exports - an argument that the United States has just put forward. White House representative on the 2009 H1N1 pandemic [7]. Real allies will not cling to export curbs during pandemics. Moreover, retaliation by injured trading partners cannot be excluded - the vast supply chains of drugs and medical devices suggest that almost every nation is vulnerable to retaliation of any sort. The imposition of an export limit may sound like a single act - but it will boomerang with revenge. Fourth, the trade ban of a nation in harmed trading partners is a political favor for nationalists and populists. Calls for punitive industrial policies reflect - as demonstrated by the latest remarks by Mr. Peter Navarro⁴, the Administrator of the President Trump's Trade and Industrial Policy Bureau - that the nation that enforces an export ban may find that trading conditions abroad have deteriorated since the COVID-19 pandemic declined. The ongoing and widespread US administration negotiations on how to enforce the public procurement regulations for Buy America show that the risks of export curbs are significant.

The logic behind export curbs is unconvincing

It's important to clearly express the goal that the state pursues before resorting to an export ban. The aim is always to solve a pressing problem. It is also believed that the spread of COVID-19 has led to the substantial rise in demand for medical supplies, which in turn exceeds current domestic supply levels and other available supplies. Because of the unknown period and the pandemic's ultimate severity, the aim is then to reduce this excess demand by increasing domestic and international production. Export curb ideas should be tested against alternatives which do not hinder foreign purchases. Governments, perhaps worried about domestic subsidisation would unfairly help foreign buyers, could set minimum guaranteed prices for medical supplies sold to the State. Such minimum prices can apply to a set of pre-announced government purchases or services within a pre-specified period of time. Then national providers will be assured of a revenue stream for supplying critical medical services to the community. Discounts on purchase can also be considered, whenever possible. Where there are questions about the minimum Any developed country cannot afford incentives or premiums, so the World Bank

The required amounts should be in a position to advance. Joint government programs, too, should be introduced, from which the future market stream from which medical product suppliers would draw will benefit. What counts is that the development of essential medical products is being boosted internationally and that foreign policy is promoting the rapid delivery of the following drug. Furthermore, the current attempt to curb medical supplies and export soap is foolishness. It represents fear-driven decision-making and avoids the lessons learned from the past, mostly ineffective attempts to "free" supplies by capturing any supply currently available on the domestic market or in transit across the nation. It should be noted that, rather than the second or third best trade restrictions, the key objective is to close the gap between supply and demand for pharmaceutical drugs and policymaking.

Export limits on the medical supplies trade

On the eve of the COVID-19 pandemic, attention is now diverted to the state of the worldwide import taxes and other policies.⁶ Again, attention is concentrated on the products listed in Table 1, medical supplies and soap. New statistics on the overall rate of tariffs (importation taxes) on these medicinal products and soap have been collected for World Trade Organization (WTO) government reporting tariff rates of 3 per cent or less are commonly perceived as nuisance tariffs. Tariffs over 15 per cent are called tariffs peaks in trade parlance. Not every government keeps up-to-date tariff records at the WTO, which creates confusion for those exporters that hamper commerce itself. For example, last year 22 WTO members registered their soap import taxes in 2016, and in 2014 20 more updated their last or earlier reports. Data on non-tariff import restrictions are taken from Global Trade Warning, an independent commercial policy reporting project supervised by the author (for the sake of transparency). It collected data on import duty on reduced or subsidized products, import spikes quotas, import thresholds, local content requirements, price restrictions on imported goods, 'buy local' policy procurement Policies and other policies specifically restricting imports.⁷ Policies in effect on 20 March 2020 have also been counted against the sums discussed here. Since the height and restrictively of such non-tariffs are difficult to compare Instead of barriers, figures are recorded on non-tariff barriers indicated percentages of national importations. Soap import taxes are very common. Only 8 WTO members require the duty-free entry into domestic markets of imported soap. Remarkably, 78 WTO leaders charge 15% or higher import duty rates and 31 governments charge 30% or higher taxes more on imported soap. At a time when the World Health Organisation promotes the daily washing of hands, measures that raise soap prices are especially hard to rationalize.

Table 2 shows that nine WTO members have also raised non-tariff barriers banning the import of soap from Indonesia by enforcing three such restrictions, two of which are import authorization requirements and one of which includes the levying of internal taxes on imported soaps. That is the degree to which the non-tariff barriers in the other eight nations face non-tariff caps on more than 70% of their soap imports. Turning now to the medicinal products listed by the WCO as important for the COVID-19 pandemic, Table 3 gives an overview of the tariff and non-tariff barriers faced by the six product categories. There is considerable variation in the total amount of import tariffs levied by governments in certain types of goods and beyond. There are "other medicinal products" at one end of the continuum where the goods are, by and wide, taxed marginally. Only two governments impose taxes on these devices which on average exceed 15 per cent. Thermometer imports are regulated fairly sparsely, with 91 governments applying zero or nuisance tariffs. By contrast, the mean tariff levels for produced disinfectant (6.8%) and protective clothing (12.6%) were much higher. Remarkably, only 10 and 5 states, respectively, do not impose tariffs on the two above forms of goods. A minimum of 76 governments are paying safety equipment tariff rates of 15 per cent or more. This observation is worthy of note when reading newspaper coverage in which doctors and nurses warn about the safety hazards associated with insufficient stocks of boots, gowns and masks.

These high import tariffs reflect the incoherence in more than half of WTO membership of the national trade and health policies. The dry technocratic statement does not express the human misery caused by taxing imported medical supplies to this degree, compounded by the fear that the participation of many health workers at the front would be shortened when they capture COVID-19. With respect to non-tariff barriers, the number of governments imposing these measures on COVID-19 medicinal supplies before the pandemic broke out is lower than those using more straightforward tariffs for imports. This result requires consideration when describing it as information on Health and safety regulations were not used to assemble the amounts in Table 3 on the grounds that in theory the purpose of these regulations was non-economic. The high number of states adopting non-tariff sanctions against imported disinfectant reflects the fact that 12 European Union members have imported a drug with duties resulting from an inquiry into trade protection. It turns out that the share of total disinfectant imports affected by these duties was low (less than 3 per cent). The non-tariff measures adopted by the other 11 nations protected over three quarters of the total amount of imports of disinfectants

Imported thermometers often meet relatively few non-tariff barriers. In comparison, defensive equipment exports in 15 different nations face 30 non-tariff restrictions. Having written this, the median number of covered defence equipment items was between nations imposing non-tariff barriers of 30.7 per cent. There is no reason to impose a high number of regulations on a high proportion of the imported products at risk [8-12].

This point is further reinforced by the commodity group "Other medicinal products" in which eight nations jointly impose 17 non-tariff barriers affecting on average 85.4% of the imports of these goods by those countries. In general, the position that non-tariff barriers may play in blocking the cross-border supply of COVID-19-related medical supplies during the current pandemic is unwise to be ignored. Like tariff barriers, non-tariff barriers will increase the price of much-needed medical devices, and decrease the number of alternative suppliers. Non-tariff measures should be part of every policy analysis as it finds alternate sources of supplement.

In the middle of a global epidemic of a highly infectious infection, an alien arriving from Mars may have assumed there should be no tax on imported medical products, given the severity of the pandemic. So what justification for reducing the restrictions on medical supplies imported by 2020? The outsider is maddened. Besides China and the US loosening tariffs on medical supplies to each other as part of their war-related "step one" trade agreement, by mid-March 2020 Brazil⁸, Colombia⁹, and Paraguay¹⁰ reduced tariffs on medical supplies. The inability to raise taxes on imports has yet another consequence. Not only are certain nations willing to charge essential Medical services, but these states potentially reap a windfall of tariff revenue by not reducing or abolishing their duties, as the COVID-19 pandemic raises competition for foreign drugs from their jurisdiction. That is a disgusting state of affairs, be it a sin of omission or a contract

Export policy will contribute significantly to combating the COVID-19 pandemic

The dynamic international policy choices underlying this vary in the wake of global health crises. To be sure, there is the degree to which politicians will sacrifice consumer protection for the benefit of specific commodity interests. There is a particular twist in the case, though, as the customers or clients concerned are health professionals, physicians and members of the public who are willing to provide imported stocks of medications and soap to help the sick and reduce the risk of infection. The price fluctuations and shortages created by trade restrictions limit during pandemics, and in some situations, people

may deny access to medical supplies. It's not just about affordability and availability, import controls on such goods raise concerns over the coherence of a country's response. Lack of security supplies, drugs, disinfectants, soap, and the like, as suggested by the World Health Organization, hamper the effectiveness of government efforts to address this pandemic - such as sending medical workers to affected areas.

Governments will review their strategies against importation of COVID-19 related medical supplies immediately. The presumption of evidence needed to keep import taxes or quotas should be particularly high. Also, under review would be the export license standards and state department criteria for "buying local." The government promises to suspend import tariffs to international manufacturers for at least six months, preferably as long as the current pandemic remains a danger. The incoherence of national trade policy and medical reaction puts at risk people's lives at home and abroad, including those of health practitioners on the frontline. Commercial programs should be welcoming and will allow emergency supplies to come when they are most needed. While trade policy can play a positive role in selecting suitable targets for it, policymakers need to be cautious. Trade policy should not be used to set targets such as making medical supplies which will be better achieved by other policy instruments.

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