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A Critical Study on International Trade of Medical Goods during Pandemic

MAHEK SONI¹

ABSTRACT

The outbreak of the COVID-19 pandemic in 2019 exposed vulnerabilities in the global healthcare system, particularly regarding the international trade of medical goods worldwide. In 2020 International Trade fell suddenly but in 2021 get recovered sharply, however, the total trade flow of the world is above the pre-pandemic level. The COVID-19 pandemic altered trade patterns in a single year to an extent comparable to changes that would normally take four to five years. The variety of trade effects and shifts in trade flows among products, suppliers, and destinations point to high levels of uncertainty and adjustment costs. These factors also suggest that there are more incentives for businesses, governments, and consumers to implement new risk-reduction measures or to step up already-existing ones.

The paper evaluates:

- 1. The impact of the pandemic on global trade flows concerning medical goods.*
- 2. Analyses the role played by the World Trade Organizations in mitigating the challenges and ensuring the accessibility and affordability of medical supplies.*
- 3. It also discusses lessons learned and proposes recommendations to enhance the resilience and effectiveness of international trade in medical goods in future health crises.*

This critical study aims to analyze the impact of the pandemic on International Trade, India's trade at the global level, and potential avenues for improvement. Examining the interplay between supply chains, trade policies, and healthcare needs, the study explores the complexities faced by nations in ensuring access to essential medical supplies.

Keywords: *COVID-19, global health, international trade, medical goods, pandemic, supply chain, trade policy.*

I. INTRODUCTION

In the wake of the unprecedented challenges posed by the COVID-19 pandemic, the international trade of medical goods has come under intense scrutiny. The COVID-19 pandemic has dramatically impacted the international trade of medical goods, triggering a flood of

¹ Author is a student at Amity University Chhattisgarh, India.

challenges and responses on a global scale. Nations faced unprecedented demands for essential medical supplies such as Personal Protective Equipment (PPE), Ventilators, and Vaccines. This surge in demand, coupled with disruptions in supply chains due to lockdowns and restrictions, led to shortages and inflated prices worldwide. The pandemic exposed vulnerabilities in global supply chains, prompting countries to reassess their dependence on foreign sources for critical healthcare resources. Export restrictions, tariffs, and hoarding exacerbated the situation, leading to concerns about equitable access to medical goods. Some nations prioritized domestic needs, while others advocated for solidarity and cooperation to ensure fair distribution.

Moreover, the pandemic highlighted the disparities in healthcare infrastructure and access to medical goods between developed and developing countries. Low-income nations struggled to procure essential supplies, exacerbating existing inequalities in global health. Efforts to address these disparities included initiatives for technology transfer, capacity building, and vaccine distribution programs.

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II. THE IMPACT OF THE PANDEMIC ON GLOBAL TRADE

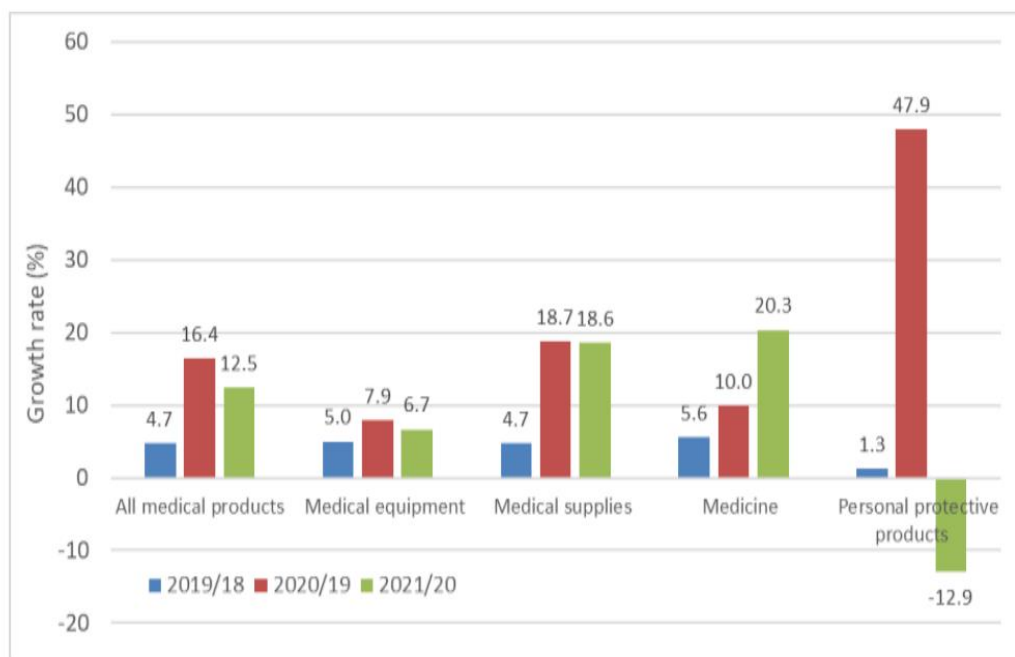
The outbreak of the COVID-19 pandemic in 2019 brought unprecedented challenges to the global healthcare system, triggering a surge in demand for medical goods worldwide. The pandemic has underscored the critical importance of international trade in medical goods for global health security. Global merchandise trade was already slowing down in 2019 at -2.7 percent, and this contraction worsened in 2020 to -7.3 percent. The recovery in 2021, however, was quite impressive, with a growth rate of 26.1 percent.² Around 2019-21, trade in medical goods was constantly expanded by an average of 11.1% from 2019 to 2021. The most significant dive in the trade of medical goods was in 2020 i.e., the first year of the pandemic was 16.4%, while in 2021 the growth was slightly abrupt at 12.5%. The COVID-19 pandemic altered the trading structure in only one year, but the alterations were comparable to those that would normally take four to five years. Since World War II, the year 2020 has been marked as the year of the greatest drops in output volumes and trade. The trade sector grew rapidly in 2021, compensating for some but not all the losses resulting from earlier sharp drops. Other than these

² WTO Secretariat calculations based on data from the WTO STATS Portal

following are the key highlights of the impact of COVID-19 on international trade:

- With a yearly growth rate of approximately 14.5%, the total value of medical goods trade increased from US\$ 2,028 billion in 2019 to US\$ 2,654 billion in 2021.
- Pre-pandemic period, 5.3% of the world trade consisted of the sector of medical goods which increased in 2020 to 6.6%, and in 2021 it was 5.9%.
- In world trade Europe and the US continued to be in a dominating position. Asia's share of export share in Personal Protective Products increased to 51% 2020 which was 35% in 2019. The global exports for the same were multiplied by 44.6% while China's exports of PPPs rose by 208 %.
- Critical products of COVID-19 such as ventilators, test kits, rubber gloves, and face masks registered two-digit growth in 2020, whereas the trade of face masks and ventilators decreased in 2021.
- On medical goods, the (MFN) tariffs were leniently applied which was at around 4% which also lowered during the covid period i.e., between 2019-2021. Although at roughly 10%, the average tariff for PPPs remained rather high. A tariff of about 25-40% was imposed by a few of the members of the WTO on textile face masks, which quickly became the de facto epidemic symbol.
- Throughout the period of three years, Europe remained the net exporter of medical goods whereas the other regions were mostly net importers. In 2020, Asia was a net exporter mostly due to the increase in PPP exports.
- The year 2019 saw 5.3% of global trade go towards the medical goods industry. The industry's significance grew because of the epidemic, and in 2020 its share reached 6.6%. Despite a notable return in overall commerce in 2021, the sectoral proportion of medical items remained greater than its pre-pandemic level at 5.9%.

The following chart describes the trade growth in the medical sector, by product group. The chart consists of the data from 2019 to 2021.



Source: WTO Secretariat.

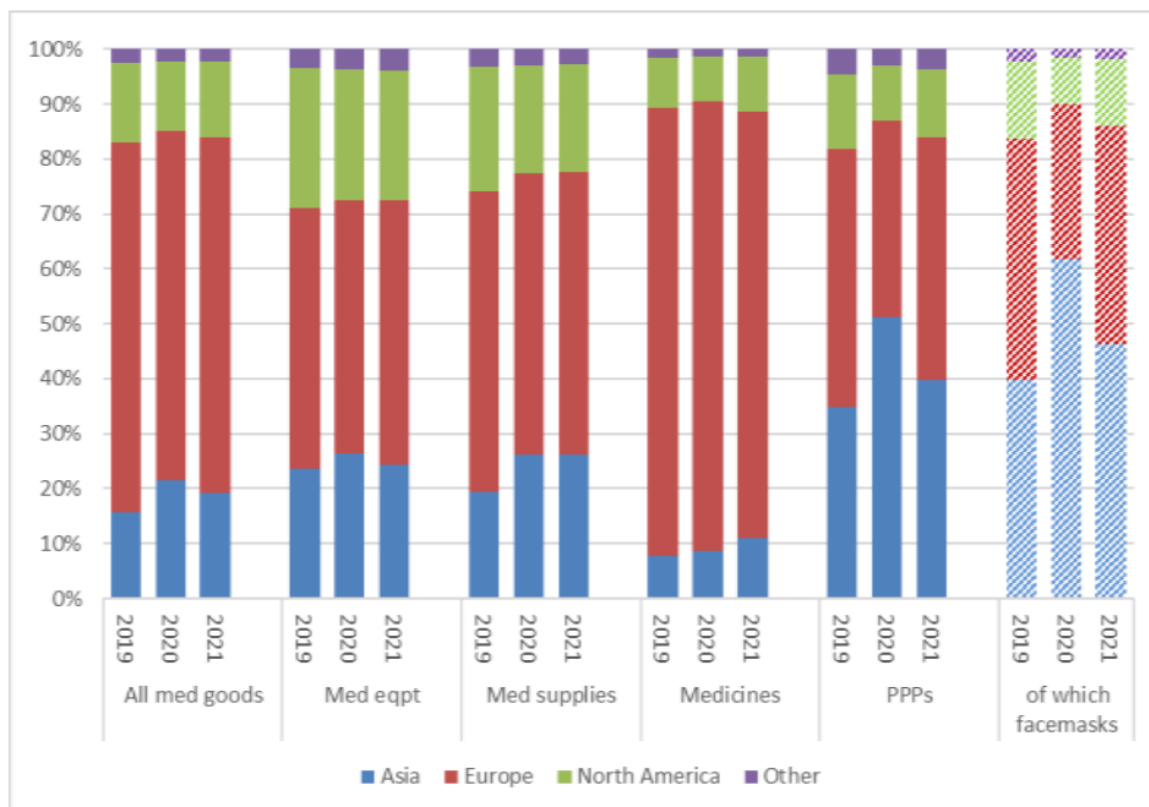
In 2020, at the onset of the COVID-19 pandemic, PPPs—which included face masks and hand sanitizers—saw the largest growth. In 2020, trade in PPPs increased by approximately 48%, while the growth in face mask sales was even higher at 80%. The medical supplies group saw its second-highest yearly gain that year, at 18.7 percent. Due to the extremely contagious nature of the virus and the lack of certain preventive or medical treatments at that time, tools for detecting and restricting the spread of the virus were in high demand. Ventilators were also extremely important for palliative care. Test kits (43.3 percent), ventilators (80%), and rubber gloves (99.9 percent) were among the other specific products that experienced an enormous rise in trade.

COVID-19 vaccinations became widely available in 2021, while immunization rates varied across the globe. Trade patterns for many medical supplies underwent changes. With a 20 percent increase in 2021, medicine—including vaccines—replaced PPPs as the category with the fastest rate of growth.

If their consistent growth in trade from 2019 to 2021 were gloves made of rubber. The trade of these goods increased by 70.3% in 2021 after growing by 99.9% in 2020. The trading of syringes and needles became very popular after vaccinations began in 2021. Even though the combined value of these exports and imports in 2021 was only US\$ 21.8 million, these were not high-value products. However, what was impressive was their growth rate—it increased by 18.8% from 2020 to 2021, when it increased by a minimal 1.7%.

Due to the pandemic, trade for several relevant products moved from Europe and the US to

Asia. The latter's percentage of global medical goods exports rose from 15.8% in 2019 to 21.4 percent in 2020 before declining to 19.3% in 2021. As a result, compared to pre-pandemic levels, the shares of all other geographical regions decreased. Asia's exports rose primarily in PPPs and medical supplies. The Regional share in world exports, by product group, was shown in the following chart:



Source: WTO Secretariat.

Asia accounted for more than half of global exports in 2020, but its share of world exports in 2019 was just over one-third, at 34.7%. Europe's PPP export share decreased by approximately eleven percentage points before rising again in 2021. The remarkable surge in face mask sales, which saw Asia's share climb by 22 percentage points from 39.7 percent in 2019 to 61.7 percent in 2020, was the primary driver of the region's PPP exports. In 2019 and 2020, Europe continued to be the world leader in the manufacturing and export of pharmaceuticals, making up at least 80% of the global supply. In 2021, this percentage decreased to 77.7 percent. On the other hand, Asia's pharmaceutical market share grew from 7.7 percent in 2019 to 10.9 percent in 2020. With an average share of 2.4% on exports between 2019 and 21, regions of the world other than Asia, Europe, and North America had the least amount of involvement in the global trade in the medical goods sector as can be traced in the above chart. In particular, the other regions' share decreased to 2.3 percent in 2021 from 2.6 percent in 2019. The fact that this geographical category—which includes the Commonwealth of the Independent States, Africa, Latin and

Central America, the Middle East, and the rest of the world—consistently makes up less than 5% of all medical product group categories highlights how little these regions participate in the global exchange of these products.

III. ROLE OF WORLD TRADE ORGANIZATION

During the COVID-19 pandemic, the World Trade Organization (WTO) played a multifaceted role in facilitating global trade, addressing trade-related challenges, and promoting international cooperation. Some of them are as follows:

- Several WTO members have put away initiatives urging caution when imposing new export restrictions on vaccines and other vital medical supplies required in the fight against COVID-19, as well as the removal of needless current restrictions. A proposal advocating for the temporary waiver of intellectual property rights on pharmaceuticals and other medical supplies necessary to fight COVID-19 has received support from other parties.
- Through its biennial trade monitoring reports, the WTO also keeps an eye on trade-restricting and trade-facilitating measures implemented by the Group of 20 leading nations and the WTO membership overall. These reports are released at the beginning and end of the year.
- In one of the reports issued in July 2021, the WTO noted that since the outbreak of the COVID-19 pandemic, 384 COVID-19-related trade measures in the area of goods have been implemented by WTO members, of which 248 (65%) were trade-facilitating while 136 (35%) could be considered trade restrictive.³
- In the last few years, one of the biggest worldwide challenges has been the COVID-19 pandemic. Restrictions on movement imposed to stop the virus's spread caused supply chain disruptions and a lack of essential goods and services in many regions of the world. In response, many countries-imposed trade restrictions to protect their populations' access to necessities. But this was also accompanied by an increasing awareness that global problems call for global solutions. The World Trade Organisation (WTO) offered a platform for global collaboration, enabling its members to synchronize their trade strategies and deliberate on further measures required to combat the pandemic.
- Ensuring fair and prompt access to vaccines is the most critical concern, as multiple

³ <https://www.lexology.com/library/detail.aspx?g=1d0ab073-de42-4be9-961d-593c7d5adca5>

vaccine candidates have been licensed for use. The World Trade Organisation (WTO) plays a significant role in this, helping to prevent trade sanctions from being used as a barrier to the availability of high-quality, reasonably priced vaccines. It also helps to expand vaccine manufacturing capacity in developing nations and fortify supply chains to enable prompt delivery of vaccines, even to remote areas.

- Through projects like the Multilateral Leaders' Task Force on COVID-19, which was chaired by the heads of the World Trade Organisation, World Bank Group, International Monetary Fund, and World Health Organisation, they promoted maintaining and intensifying up collaborating with other international organizations.
- Following the World Health Organization's declaration of COVID-19 as a pandemic on March 11, 2020, the World Trade Organisation (WTO) began releasing a number of reports that examined the crisis' effects on global trade.
- The information note highlighted the rapid introduction of regulations by governments around the world to deal with the pandemic, including tariffs, import restrictions, and import/export procedures, all of which have the potential to hamper supply chains, concluding that “transparency is precisely about allowing access to this information and more”.⁴
- The Declaration urges the WTO entities to carry out or start investigating the difficulties encountered and lessons learned during the COVID-19 pandemic. Export restrictions, food security, intellectual property, regulatory cooperation, services, tariff classification, technology transfer, trade facilitation, and transparency will all be areas of emphasis. Up to the end of 2024, the General Council will conduct an annual stocktake.
- In parallel, the Ministerial Decision on the TRIPS Agreement, also adopted by members at MC12, provides a platform for members to work together to diversify vaccine production capacity.⁵
- Understanding that the COVID-19 situation required prompt, precise information, the WTO set up a specific page on its website. It offers up-to-date information on trade, such as crucial notifications from WTO members, the impact the virus has had on imports and exports, and how the pandemic has impacted WTO operations.

⁴ <https://www.indiabusinesstrade.in/blogs/trade-in-covid-19-related-medical-products-the-indian-experience/>

⁵ https://www.wto.org/english/thewto_e/minist_e/mc12_e/briefing_notes_e/bftrade_and_health_e.htm

- Through its biannual trade monitoring reports, the WTO has also been monitoring watch on trade-restricting and facilitating measures connected to COVID-19 that have been imposed by the Group of 20 major economies (G20) and the WTO membership.

IV. INDIA'S CONTRIBUTION DURING COVID

The pandemic not only brings challenges but also opportunities for India's trade in medical products. Government healthcare spending nationwide has increased dramatically because of the COVID-19 pandemic's changing demographics and the move from chronic to lifestyle diseases. Although the pandemic caused major supply and demand shocks for global trade, the trade in medical supplies increased during this period. The Indian medical sector may benefit further from the growing demand for Indian COVID-19 vaccines in the entire world. However, it is also desirable for India to diversify its export baskets and export destinations to prevent any unanticipated future shocks from negatively impacting India's exports. Trade in the Medical sector during COVID-19 is dominated by Germany, China, and the US.⁶ India's total exports of COVID-19 medical products were reported at US\$ 15.63 billion, and imports at US\$ 5.7 billion in 2019. Both classifications show India as a net exporter of COVID-19-related medical products⁷. WTO classifies medical goods into four categories, namely medical supplies, medical equipment, pharmaceuticals, and personal protective products (PPP). Out of these categories, India has been the net importer of medical supplies, medical equipment, and personal protective products (PPP), and the net exporter of pharmaceuticals accounting for 82% of exports of these categories.

India was a net exporter of COVID-19-related medical products due to the size of its net exports of pharmaceutical products, which exceed the net imports of the other three product categories. The US, South Africa, Russia, Nigeria, and Brazil have been India's top export markets for COVID-19 medical products. India has not aggressively leveraged its free trade agreements to expand exports of medical products, according to a closer examination of the country's export trends for these goods. Preferential tariffs on COVID-19 medical products are substantially cheaper than MFN rates; however, many of these products are not traded between India and its free trade agreement partners. The exception is Chile, where the gap between MFN and preferential tariffs is not very great. On the contrary, the top 10 exporters of COVID-19 medical products, accounting for approximately 75% of exports of these products, are signatories to

⁶ https://www.wto.org/english/tratop_e/covid19_e/medical_goods_update_e.pdf.

⁷ <https://wits.worldbank.org/>

various free trade agreements.⁸

Primarily India relies on developing and developed countries for the import of medical products of COVID such as China, Indonesia Brazil, and Germany, the Netherlands, Belgium, Switzerland, and the US respectively. India's import is more than 1/3 of medical products from China which may even increase to 3/4. The imported product includes equipment and machinery, thermometers, electrocardiographs, gland, or organ extracts, opacifying solutions for x-ray exams, diagnostic chemicals to be given to patients, cationic organic surface-active agents, clothing items and accessories, protective glasses and visors, face masks, and cleaning supplies, are among several. Pharma products constitute the majority of India's COVID-19 medical product exports; import reliance on pharmaceutical inputs and supply shocks, like the current pandemic, will undoubtedly have an impact on India's capacity to sell pharmaceutical products to other nations. The prices of these products, which included masks and hand sanitizers, rose during the start of the Indian crisis due to a lack of domestic supplies and export restrictions in the producing countries. Besides this, the Indian industry immediately adjusted to the new situation and increased home production of numerous COVID-19-related products, including masks, sanitizers, testing kits, PPE kits, and so on, to meet domestic demand as well as export to other nations. In this way, the pandemic reflects a twofold motive that it not only brings challenges for the Country but also brings opportunities for the country's trade in the medical sector.

V. MEASURES FOR EFFECTIVE INTERNATIONAL TRADE IN FUTURE HEALTH CRISES

To facilitate international trade in the event of future health crises, preventive measures that put an emphasis on cooperation, resilience, and fair access to necessary medical supplies are needed. Here are some measures to consider:

- As a pandemic of this magnitude is typically accompanied by several waves of illness, the market for related goods is likewise expected to remain for some time. India has the potential to turn the current crisis into an opportunity by boosting domestic manufacturing and participating in profitable commerce in medical products related to COVID-19.
- Quality should be prioritized above all else while building a domestic business as quality plays an important role in all sectors specifically in the medical or health sector.

⁸ The share of exports of medical products by the top exporters to their RTA partners ranges between 27% for China to almost 77% for the Netherlands. The US exports up to 60% of PPP to its RTA partners. (Source: https://www.wto.org/english/tratop_e/covid19_e/medical_products_report_e.pdf).

Providing Indian businesses with items of higher quality will be necessary to compete with other nations, particularly China, in the international market.

- Establishment of transparent channels of communication and collaboration among nations, international organizations, and relevant stakeholders can facilitate the sharing of information on health risks, trade disruptions, and best practices which plays a crucial role in decision-making in relation to effective international trade regarding future health crises.
- Simplifying and expediting customs procedures for essential goods, such as medical supplies, pharmaceuticals, and food, can prevent delays and ensure timely delivery during emergencies. If the custom procedure is simple or is not complex, then international trade for that country will increase as other countries during the medical emergency approach to the country with simple customs and good quality products.
- Tariffs act as one of the hurdles in import and export during emergencies. Implementing temporary tariff reductions or elimination for critical health-related products can lower costs and encourage trade flows, particularly during crises when demand surges and supply chains are strained. Along with tariff reduction Strengthening existing trade facilitation agreements and frameworks, such as the World Trade Organization's Trade Facilitation Agreement, can also help standardize and expedite customs procedures, reducing bottlenecks at borders.
- Adopting flexible regulatory frameworks and standards that prioritize health and safety without unduly hindering trade can facilitate the rapid deployment of essential goods across borders. Establishing emergency response mechanisms at regional and global levels, including stockpiles of essential goods and coordinated logistics networks, is one of the measures that can facilitate rapid responses to health crises and mitigate their impact on trade.
- Along with the above measures, Investing in capacity building and preparedness measures, including training customs officials, enhancing infrastructure, and conducting simulation exercises, can improve readiness to manage trade challenges during health emergencies.

By implementing these measures and fostering international cooperation, countries can better navigate future health crises while safeguarding public health and maintaining the flow of essential goods and services across borders.

VI. CONCLUSION

As is the situation with all sectors in the world economy, the COVID-19 pandemic had an impact on trade in medical items, albeit one that was positive. In 2020 and 2021, the medical goods industry experienced an average growth rate of almost 14 percent, despite the overall trade growth being negative. The medical industry's proportion of the total goods trade increased from 5.3 percent before to the pandemic to 6.6 and 5.9 percent, respectively, in 2020 and 2021. The United States and Europe continued to lead the world in the trade of medical goods, even though some less technologically complex products experienced a shift in their trade hub to the Asian region, where PPPs increased from 35 percent in 2019 to 51 percent in 2020 after the pandemic struck. However as evidence of the extent to which these regions participate in the global exchange of these products, a number of regions—including Africa, Latin America and Central America, the Middle East, and the Commonwealth of the Independent States—consistently accounted for less than a 5 percent share of any of the medical product group categories. Therefore, it is essential to diversify geographically to supply medical commodities to mitigate any future health crises. Medical products often have applied MFN tariffs that are modest, whereas PPPs have significant duties of 10 percent. However, tariffs on pharmaceuticals have been lowered from their level in 2019. Global health could benefit from additional tariff liberalization in this area inside the WTO through multilateral or plurilateral discussions. Members also took additional trade-related actions during the pandemic, such as expanding the number of import-facilitating regulations. Conversely, the cross-border movement of commodities was impacted by a rise in export prohibitions. Like tariffs, any policy that restricts free movement needs to be avoided or removed, particularly concerning medical supplies.
