

Government Threats to GVCs in Health Products During the Pandemic

The National Academies of Science, Engineering & Medicine
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Founder and HSG Professor

- Builds upon Anabel Gonzalez's Keynote Speech.
- Using the latest data on trade policy developments in the health sector since the start of 2020, I show how governments have disrupted GVCs.
- ...And how those governments tried shifting the blame on to the private sector.
- I pour buckets of cold water on the Overdependence Hypothesis.
- I answer the question "What is really going on here?"

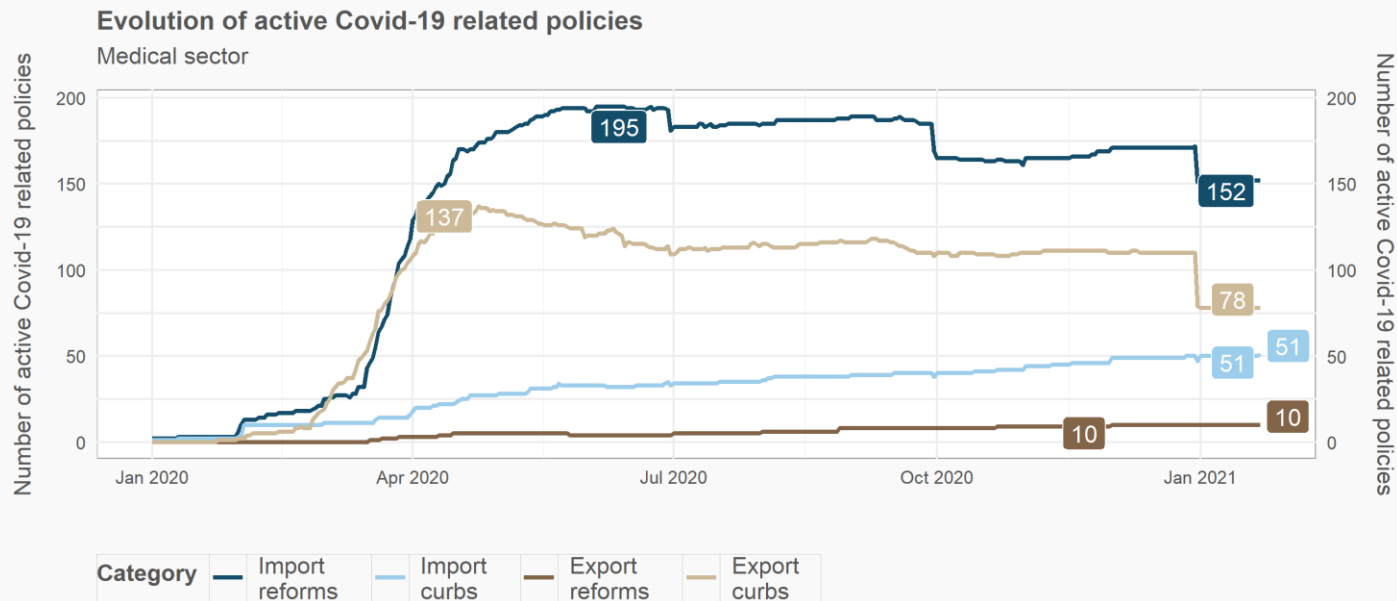
Trade Policy Developments since 1 Jan 2020

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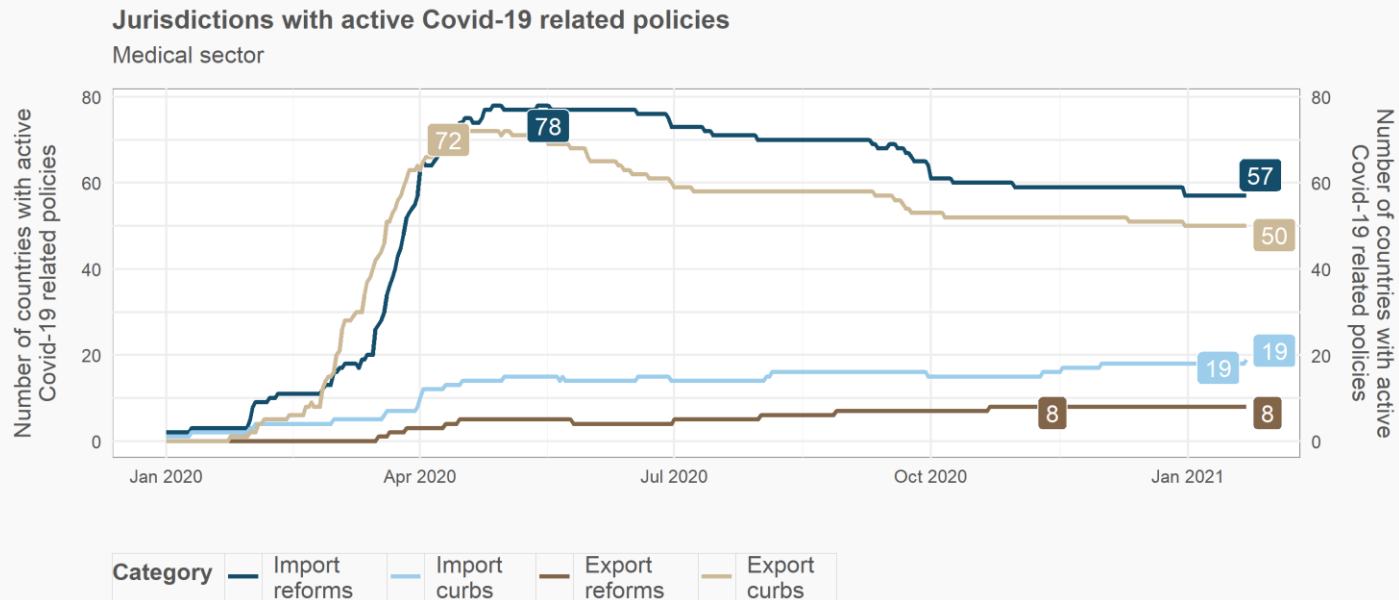
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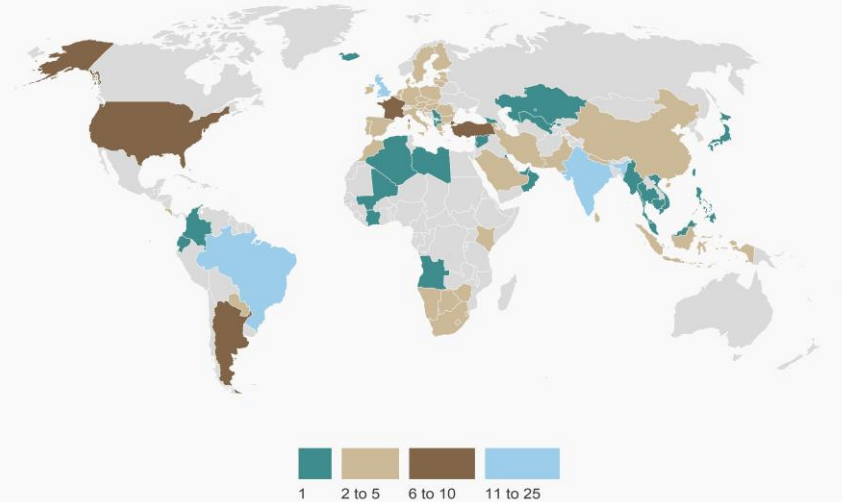
A surge in trade policy intervention in Q2 2020



50 countries still have some form of export curb in place—these disrupt Global Value Chains



Which governments are still restricting trade in medical goods? How often?



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Even traditional supporters of world trade voiced concerns last year

Mr. Shinzo Abe, then Prime Minister of Japan, went on record to declare the following shift in Japanese policy on 12 August 2020:

“for those products with high added value and for which we are highly dependent on a single country, we intend to relocate the production bases to Japan. Regarding products that do not fall into this category, we aim to avoid relying on a single country and diversify production bases across a number of countries, including those of the Association of Southeast Asian Nations [Asean].”

And the usual suspects didn't miss the chance to critique international supply chains

The French Minister of the Economy and Finance, **Mr. Bruno Le Maire**, has specifically advocated supply chain reform on 2 April 2020:

“This pandemic is an occasion to reflect collectively on how to reorganise value chains; to reflect on the necessary investments for the health sector and on how to better protect our borders. And we shouldn't be scared of the word "protection". Protection is not the same as protectionism. Protection is the legitimate defense of our most strategic economic assets.”

The Overdependence Fallacy

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Chinese Whispers: At most a concentrated problem for certain types of PPE

Type of health good	Number of tariff lines (products) imported by the USA	Number of products where China is the largest foreign supplier	Foreign trading partner that is most often the largest foreign supplier	Number of times the foreign trading partner identified in next column is the largest supplier
Medicines	73	3	India	17
Medical Supplies	83	22	China	22
Medical Equipment	75	16	Germany	19
Personal Protective Equipment	99	54	China	54
Total	330	95		

Limited role for ingredient shortages in US FDA reported medicines (drug) shortages

Reason(s) given (listed in alphabetical order)	Number of times this reason was given
API shortage	6
Delay in shipping of the drug	10
Demand increase due to Covid-19	3
Demand increase for the drug	150
Demand increase for the drug and shortage of an active ingredient	4
Discontinuation of the manufacture of the drug	1
Limited API availability	2
Other	75
Regulatory delay	1
Requirements related to complying with good manufacturing practices & demand increase for the drug	11
Shortage of an active ingredient	17
Shortage of an inactive ingredient	1
Subtotals:	
All mentions of demand increases	168
All mentions of ingredient shortages	26

Source: <https://www.fda.gov/scripts/drugshortages/>

“For every complex problem there is an answer that is clear, simple, and wrong”

- “Repatriating” production or expanding domestic production capacity is no panacea—indeed, it may increase risks to supply chain delivery.
- It is better to frame the policy problem in terms of how to reduce the scale and duration of shortages of medical goods.
- Seen this way the “problem” is not “just” a trade policy problem.
- The response shouldn’t just be national either—there is a role for regional and global cooperation in keeping trade routes open during times of crisis.
- This matters now because of the imperative of COVID-19 vaccine distribution.

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- Contact me at simon.evenett@unisg.ch
- Thank you for your attention.