

## POLICY REVIEW

# Open trade and innovation: a winning strategy against COVID-19

Philip Stevens<sup>1</sup> and Muhamad Iksan<sup>2</sup> | 29 May 2020

The ultimate solution to the novel coronavirus crisis will be a new vaccine or treatment. Until then, an array of medical supplies can help tackle the virus, from hand sanitizer to medical ventilators. Less helpful are the needless regulations, bans and red tape standing in the way of both.

Governments can do much to improve the situation and open trade is the obvious place to start. Every country needs access to medical supplies as cheaply as possible. But many governments raise prices by levying needless import tariffs, including on medicines, personal protective equipment and vaccines.

Some examples: Nepal sets a 15% average tariff on medicines, Ecuador 55% on personal protective equipment and India 10% on vaccines.

Some countries have shown leadership by temporarily exempting Covid-19 medical supplies from import duties and taxes including [Pakistan](#), [Brazil](#), [Colombia](#) and [Norway](#).

That's positive, but as a temporary step, it leaves manufacturers uncertain and undermines their preparation for future pandemics.

Instead, all countries should make tariff-free trade permanent, perhaps through a legally binding commitment administered by the World Trade Organization.

Export bans on Covid-related medical supplies are more problematic still. By late April, [80 countries and separate customs territories](#) had instituted an export curb to preserve stocks for their populations.

While they may secure short-term access to stock, export bans are extremely harmful. Medicines and medical supplies have global supply chains; export bans cause them significant disruption. Ventilators, for example, have over [700 separate components](#), sourced from various countries. Medicines also rely on globally distributed manufacturing supply chains, particularly for active ingredients.

Breaking these chains will soon see global shortages. We are already seeing this new shortages occurring in the [global supply of medicines](#) unrelated to Covid, such as paracetamol and antibiotics.

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There is another way. Singapore and six other Asia-Pacific countries provide a model through their joint [commitment to open supply chains](#), recognising that export bans do more harm than good. More countries should also commit to safeguarding global supplies.

Covid-19 is a newly identified disease; innovation will be crucial to a long-term solution. And not just in the invention of new therapeutics and vaccines, but also in their mass manufacture and rapid distribution globally.

The private sector, often in partnership with universities and government research institutes, has responded rapidly. [More than 140 experimental coronavirus treatments](#) and vaccines are under development worldwide, including 11 in clinical trials.

Governments can help in two ways. **First**, they need to avoid blocking the cross-border flow of epidemiological and clinical data essential to Research and Development (R&D) efforts for Covid-19. The bigger and more varied data sets, the more effective and rapid these efforts will be.

Data is often stranded in its country of origin due to widespread laws requiring data storage in local servers, coupled with de facto bans of cross-border data flows. Often, such laws are presented as privacy safeguarding; in reality, they are an attempt to boost local ICT industries such as data centres. China, India and Russia are the highest profile offenders, but far from the only ones.

If the necessary privacy and legal safeguards are in place in destination countries, governments should confidently allow a freer regime for Covid clinical and epidemiological data. Without it, new treatments will be delayed, and lives needlessly lost.

**Second**, governments should not rush to pre-emptively remove intellectual property rights for any new Covid-19 treatments or vaccines that emerge in the coming months.

Germany, Canada, Chile and Ecuador have made moves to do so, while multilateral bodies including the G7 and World Health Organization are working on new rules to compel the sharing of these rights.

This is totally misdirected. The real problem is the current paucity of IP for Covid-related medicines IP. The world needs more companies to join the quest for new treatments and vaccines, but such policies send a strong signal to stay away.

A potential problem with manufacturing and distribution looms too. If governments do co-opt the IP of any successful treatment or vaccine, they face the logistical nightmare of coordinating the manufacture and global distribution of billions of doses.

Cooperation with rights holders, not confiscation, is surely the most sensible strategy.

In the end, solutions to the Covid-19 crisis will come from keeping goods moving freely around the world, and the innovation coming out of numerous labs globally. It's imperative that governments' help doesn't become a serious hindrance. (\*)

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