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Presentation – Promoting Trade in Vaccines and Related Supplies and Equipment

Purpose: Information

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**Second Committee on Trade and
Investment Meeting
25-27 May 2021**



Promoting Trade in Vaccines and Related Supplies and Equipment

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Committee on Trade and
Investment
25-27 May 2021



Advancing Free Trade
for Asia-Pacific Prosperity

APEC Policy Support Unit (PSU) *Policy Brief on Promoting Trade in Vaccines and Related Supplies and Equipment (May 2021)*

- Looks at trade policy issues affecting trade in vaccines and related goods, in particular those for COVID-19 vaccines
- **42 products** from WCO/WHO and OECD lists for **vaccine production, distribution and administration, and COVID-19 diagnostic** are included in report.
- Publicly available at:
<https://www.apec.org/Publications/2021/05/Promoting-Trade-in-Vaccines-and-Related-Supplies-and-Equipment>



KEY MESSAGES

- The global trade in vaccines and related supplies and equipment is significant, equivalent to USD 418.5 billion in 2019, with further growth prospects based on trade estimates in 2020.
- APEC is a net importer of vaccines and related goods. Most of these products imported by APEC economies come from other APEC economies. While most vaccines for human use imported by APEC originate in Europe, APEC economies are collectively responsible for the majority of the world's COVID-19 vaccine production. Moreover, most of the goods vital for COVID-19 vaccine manufacturing and distribution also originate from within the APEC region.
- Five APEC economies explain more than 80 percent of APEC exports of vaccines and related supplies and equipment. Similarly, over 75 percent of APEC imports involved five APEC economies.
- Most-favoured nation (MFN) tariffs on vaccines are very low in most APEC economies. However, other products within the vaccine supply chain face higher tariff rates in a number of APEC economies, including alcohol solutions, freezing equipment, packaging and storage materials, vials and rubber stoppers.
- Trade policy could facilitate the provision of COVID-19 vaccines. APEC economies could discuss initiatives to reduce or eliminate tariffs on vaccines and related goods, and refrain from implementing export restrictions and prohibitions on these goods.
- APEC economies could also discuss initiatives on trade facilitation to secure supply lines and minimise disruptions in the vaccine supply chain. They also need to look at issues related to intellectual property and standards and conformance to help increase vaccine production levels within a short timeframe.

One of the strategies to control the COVID-19 pandemic is by enhancing testing capacity and deploying comprehensive vaccination programmes to protect the population against COVID-19. Creating testing kits, as well as producing, distributing and administering vaccines are not easy tasks, as they involve vast resources in research, logistics and complex global supply chains.

In November 2020, APEC Leaders recognised that 'extensive immunisation against COVID-19 is critical in order to bring the pandemic to an end.'¹ They reaffirmed the need to cooperate on different aspects of the fight against COVID-19, including the various phases of the vaccine supply chain. The Declaration

underlined that facilitating access to safe, effective and affordable COVID-19 vaccines is one of the critical steps for any effective strategy to safeguard people's health in the context of this pandemic.

The general situation in most of the world is critical and APEC economies have been responding quickly to the challenges. However, the COVID-19 pandemic is far from being under control. APEC economies need to take not just individual, but also collective action to fight this pandemic. The situation is unprecedented and there is a sense of urgency to look beyond business-as-usual considerations to propose effective measures.

¹ APEC, "2020 Leaders' Declaration," 27th APEC Economic Leaders' Meeting, Kuala Lumpur, Malaysia, 23 November 2020.

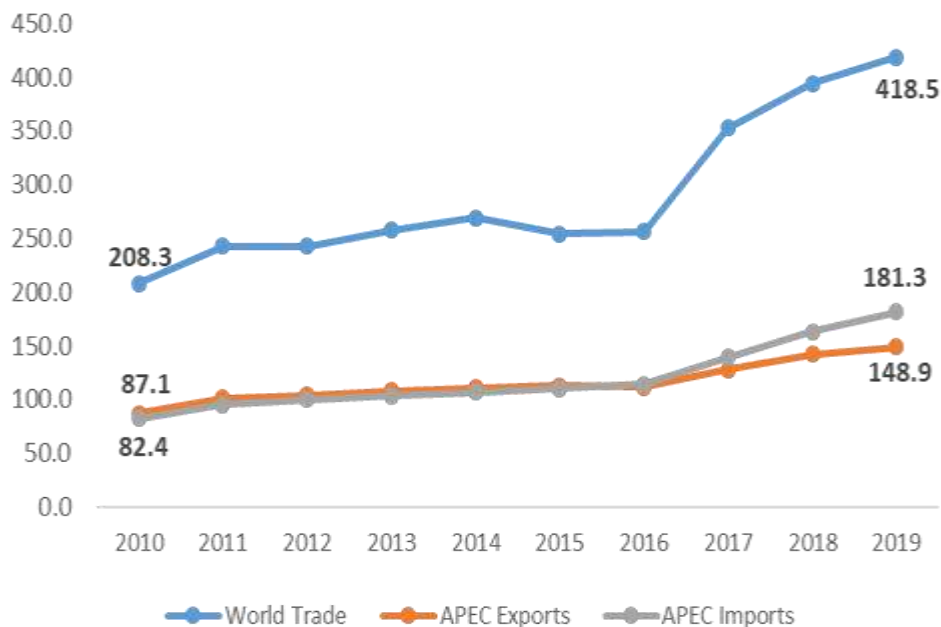
2020, https://www.apec.org/Meeting/Papers/Leaders-Declaration/22002020_decl

Advancing Free Trade for Asia-Pacific Prosperity

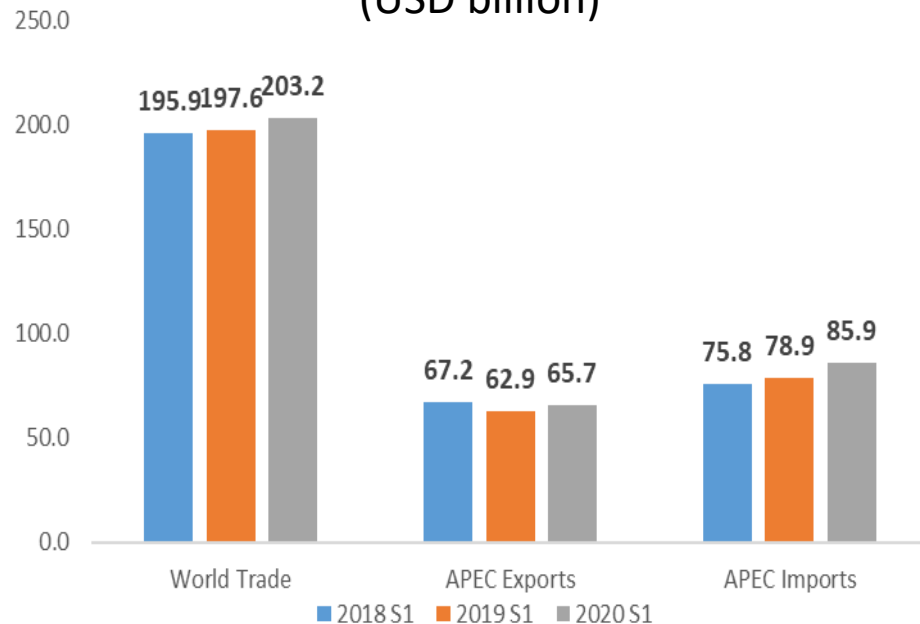
APEC Member Economies: Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong, China, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Chinese Taipei, Thailand, United States of America, and Viet Nam.

Trade in vaccines and related supplies and equipment is very significant worldwide

2010-2019 (USD billion)



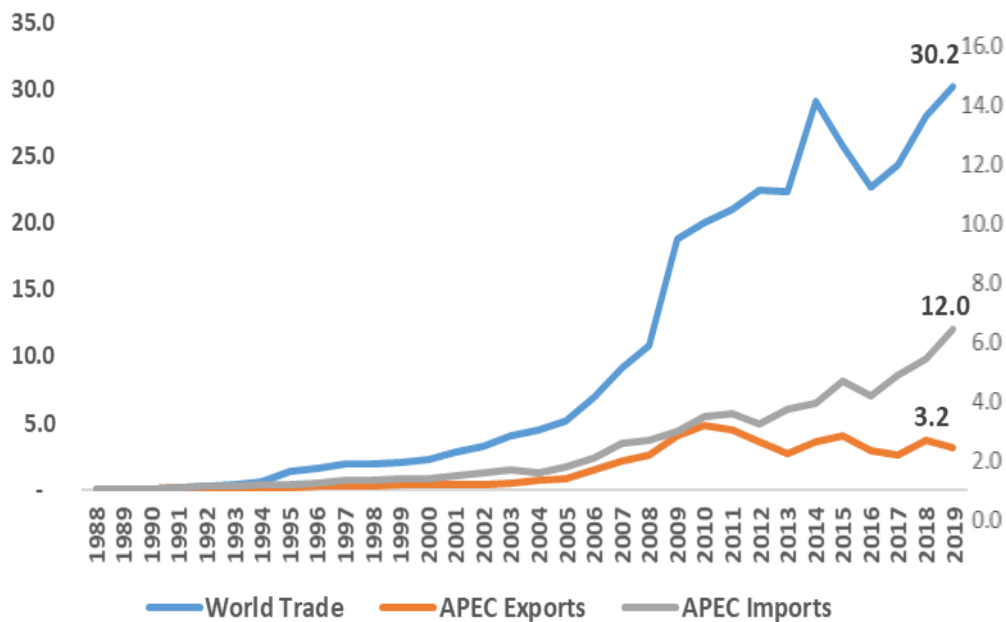
1st semester of 2018, 2019 and 2020 (USD billion)



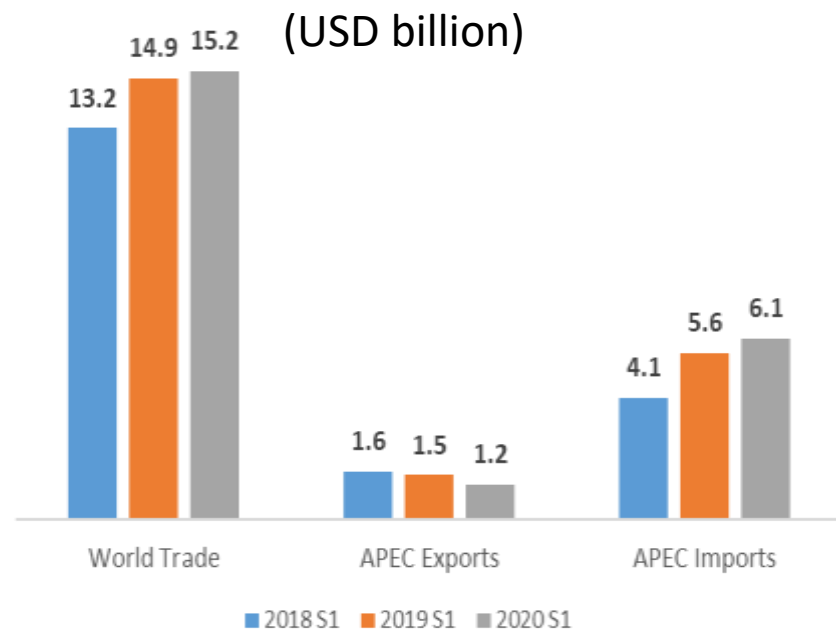
A majority of this trade is explained by **disinfectants, medical consumables and equipment related to vaccines**, followed by **vaccines, test kits and apparatus for diagnostic testing**

Trade in vaccines for human use (HS 300220) has increased

2010-2019 (USD billion)



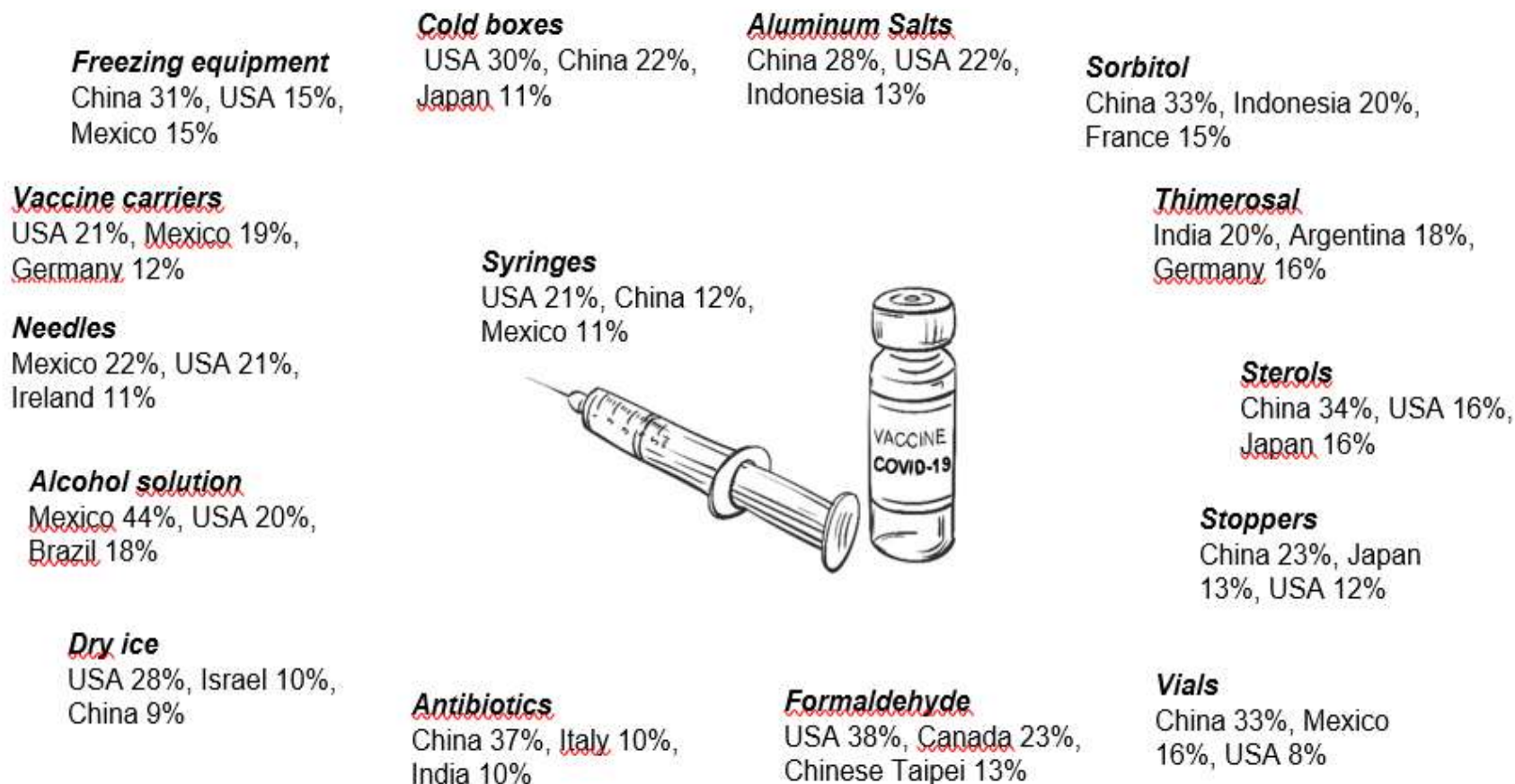
1st semester of 2018, 2019 and 2020 (USD billion)



- **Exponential growth** in trade in vaccines for human use.
- **Trade liberalization** has been **critical**. # of economies with MFN tariff on vaccines > 5% = 73 in early 1990s, 8 in 2019.
- Important to **keep trade open** for vaccines and its related goods.

Vaccine supply chain is complex. Trade facilitation is very important as well

Main sources of APEC imports of supplies and equipment necessary for production, distribution and administration of vaccines, 2019 (Share in APEC imports)



Products in the vaccine supply chain with MFN average tariffs in APEC > 5%

Average MFN tariffs on vaccines are low in APEC (0.8%), but **12 products** in the vaccine supply chain have **average MFN tariff rates > 5%**

#	HS Code	Description	Average MFN Tariff (%)
1	220710	Alcohol solution. Undenatured, containing by volume 80% or more ethyl alcohol	77.2
2	220890	Alcohol solution. Undenatured, 70% ethyl alcohol	29.5
3	220720	Alcohol solution. Denatured ethyl alcohol, of any strength	14.6
4	841840	Freezers of the upright type, not exceeding 900 l capacity	8.5
5	841830	Freezers of the chest type, not exceeding 800 l capacity	8.2
6	841850	Furniture incorporating refrigerating or freezing equipment	6.8
7	701090	Vials or phials	6.3
8	392310	Cold boxes for storage or distribution	5.8
9	841869	Other freezing equipment	5.6
10	481950	Other packing containers, including record sleeves	5.3
11	481960	Box files, storage boxes of paper or paperboard	5.3
12	401699	Stoppers	5.1

Any vaccine liquid is useless without other products that are part of the production, distribution and administration of vaccines

COVID-19 Vaccine Production

(million doses as of 03 March 2021)

Economy	Vaccines	Share	Manufacturer
Total	413.0	100.0%	All
China	141.6	34.3%	CanSino, AstraZeneca, Beijing/Sinopharm, Sinovac
United States	103.0	24.9%	Pfizer/BioNTech, Moderna
Germany/Belgium	70.5	17.1%	Pfizer/BioNTech
India	42.4	10.3%	AstraZeneca, Bharat/ICMR/NIV
United Kingdom	12.2	3.0%	AstraZeneca
Netherlands/Belgium	10.5	2.5%	AstraZeneca
Russia	10.5	2.5%	Gamaleya Research Institute
Switzerland	5.5	1.3%	Moderna
Korea	1.6	0.4%	AstraZeneca
Others	15.2	3.7%	
Source: Airfinity			

- **COVID-19** production ramping up quickly in APEC region and Europe
- **Production levels still short** to cover global **demand**: 14.2 billion doses needed globally and 5.2 billion doses required in APEC. (NOTE: assuming two doses are needed for full vaccination)
- **Global market of all types of vaccines (for any disease)** in 2019 was equal to 5.5 billion doses.

Issues affecting COVID-19 vaccines

- **Complex supply chain.** COVID-19 vaccine is sensitive to disruptions in any of its components. Cold chain equipment and storage required, even in communities away from main urban centres.
- **High MFN tariffs** for some vaccine-related products.
- **Export restrictions and prohibitions** on COVID-19 vaccines and related supply and equipment could affect supplies to the APEC region.
- **Bottlenecks in intellectual property rights** could affect plans to expand vaccine production in the short term.
- **Good Manufacturing Practice** is a **requirement** to produce any vaccine. **Divergences in protocols** among economies could complicate plans to ramp up vaccine production of COVID-19.

Policy Recommendations

APEC economies should discuss initiatives on:

- **Trade liberalization**: Reduction or elimination of tariffs on vaccines and related goods. Commitment to refrain from implementing unnecessary export restrictions and prohibitions affecting those goods.
- **Trade facilitation**: Keep supply lines open. Strategies to diversify procurement of vaccines and their components. Investments in cold chain equipment and storage.
- **Intellectual property**: Technology transfer initiatives. Licensing IP rights to 3rd parties. Discuss an APEC common position to proposal at WTO on temporary waiver on certain TRIPS obligations. Partnerships between academia, government and private sector.
- **Standards and conformance**: Ensure domestic regulations incorporate WHO guidelines. Mutual recognition of inspections and approvals to ensure quality assurance of vaccines in one economy is also valid for other economies.

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