

EU trade policy during the COVID-19 pandemic¹

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Abstract. The purpose of this article is to summarize and analyze the EU trade policy measures taken during the COVID-19 pandemic. The analysis showed the general orientation of the new mechanisms being developed to coordinate the efforts of countries inside and outside the EU to maintain the sustainable operation of global supply chains of medical equipment, means to combat coronavirus, food, as well as create tools that ensure the availability of obtaining necessary information, medical care and vaccination of people. At the same time, some contradictions generated by the "diplomacy of the coronavirus" were revealed.

Keywords: European Union, trade policy, WTO, vaccine protectionism, COVAX, Mobility Package, Covid-19 pandemic.

Introduction

The European Union is the largest center of international trade, uniting 27 countries with different levels of economic development and historical past into a single economic space. The coronavirus pandemic has posed a major challenge to pan-European solidarity. On the one hand, it contributed to the development of mechanisms for internal and external economic interaction between the EU member states, including mechanisms within the framework of various international organizations. On the other hand, it revealed contradictions at the level of institutional regulation and contributed to the return to the dominant role of the nation state [1].

Research methodology

The study was carried out on the basis of a study of official documents of international organizations involved in coordinating the actions of countries during the COVID-19 pandemic, including the WTO, the European Commission, Vaccine Alliance, etc., as well as current publications in Russian media and scientific journals.

Results

In connection with the emergence of numerous restrictions associated with the spread of the pandemic in 2020, the EU countries, together with other WTO members, declared their commitment to

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pursuing a policy of diverse support to international trade participants by adopting measures to create a "green lanes" to ensure border flexibility, including the release of a number of vital goods from VAT and duties; accelerating the passage of goods by facilitating the procedures for determining the country of origin and customs clearance of air cargo transportation [2]; supporting small and medium-sized enterprises by facilitating trade digitalization, including access to digital tools, access to trade finance and information through online platforms [3]; introduction of sanitary and phytosanitary measures aimed at protecting the health of people and animals, etc. [2].

Thus, together with other WTO members, the EU countries launched the *Trade and Health Initiative*. The objectives of this initiative are to improve the ability of the international trading system to respond to health emergencies and support the resilience of cross-border supply chains. The proposed measures use the best country practices aimed at ensuring the adaptation of international trade participants to various national conditions, including customs, service and technical regulations, tariffs and fees, analysis and review of newly introduced trade measures, as well as cooperation with international organizations and the development of new commodity exchange rules in individual sectors (see Table 1).

In addition to the WTO member countries general list of goods regulated by the new rules, EU members have adopted their list of medical equipment exempted from import duties and VAT during the pandemic. The new rules are based on EU Customs Law (Council Regulation (EC) No. 1186/2009) [4], which provides for the relief from the payment of duties "in the interests of victims of natural disasters". They may apply to government imports or imports approved by charitable organizations [5]. A list of goods exempted from import duties is presented on the EU website. It includes items such as respirators, ventilators, multivariable monitors, electrocardiographs, masks, gloves, glasses and other medical products [6]. These measures are very important, since, according to the WTO, more than 70 WTO members have taken measures to restrict the export of medicines, medical equipment or food [7]. Interim measures for these products will be in effect from April 19 to December 31, 2021.

On 22 April 2020 at Canada's initiative, the EU and 22 other WTO member countries², which account for 63% and 55% of global exports and imports of agricultural and agri-food products respectively, adopted a statement to maintain open and predictable agricultural and food products trade during the COVID period -19 [8]. The following measures have been approved to preserve supply chains: the validation certified scanned copies or electronic copies of original certificates and also the G20 decision not to use export restrictions or emergency taxes on food purchased by the World Food Program (WFP) for humanitarian purposes. It was emphasized that according to the Agriculture Market Information System (AMIS), in 2020, the country's export supply capacity of wheat, corn, rice

²Note. Russia and China were not included in the list of signatories.

and soybeans was more than sufficient to meet the expected demand³, therefore countries overvalue its own food security in response to COVID-19 and imposed export restrictions must be targeted, balanced, transparent, temporary and thus not create trade barriers or disrupt global agricultural and agri-food supply chains [9].

Table 1. Actions under the WTO Trade and Health Initiative

Export restriction	
Customs, service and technical regulations	Exchange of experience in organizing digital customs procedures and services in the field of freight, logistics, distribution and transportation; implementing best practices in standards and technical requirements through cooperation with international organizations and improving regulatory compliance through the work of WTO councils and committees.
Tariffs	Temporary elimination or reduction of tariffs on goods deemed necessary to combat the COVID-19 pandemic, including emergency duty relief programs based on indicative lists of goods compiled by the World Customs Organization and The World Health Organization (WHO) ⁴ .
Transparency and monitoring	Members will respond promptly to requests for information on trade measures related to the pandemic to identify supply chain disruptions and provide consultation; all information will be included in the summary report for the 12th WTO Ministerial Conference.
WTO cooperation with other organizations	WTO Secretariat has compiled an extensive database of measures related to COVID-19 and It will continue this work, focusing on the causes and consequences of supply chain disruptions and collaborate with WHO, WTO, WIPO, OECD, UN, G20 to improve analytical capacity to monitor market developments in trade and production of essential health care products.
12th WTO Ministerial Conference	To make possible commitments regarding trade in essential medical products the effectiveness of the above actions will be assessed at the 12th WTO Ministerial Conference.

Source: compiled from COVID-19 AND BEYOND: TRADE AND HEALTH. General Council. WT / GC / 223. 24 November 2020.

Thus, on December 14, 2020, the European Parliament announced proposals aimed at strengthening the role of the European Medicines Agency in crisis preparedness and drug and medical device management, including the procurement and monitoring of information on the creation of stocks of drugs needed in emergency situations [10]. Thanks to the e-Ping trade information base

³Note. The analysis provided by AMIS is a collective assessment of the market situation and the prospects for the development of the markets by the ten international organizations that make up the AMIS Secretariat. http://www.amis-outlook.org/fileadmin/user_upload/amis/docs/Market_monitor/AMIS_Market_Monitor_current.pdf.

⁴Note. HS classification reference for Covid-19 medical supplies 3.01 Edition available at: http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/nomenclature/covid_19/hs-classification-reference_edition-3_en.pdf?la=en

created by three organizations - the United Nations Department of Economic and Social Affairs (UNDESA), the WTO and the International Trade Center (ITC), EU countries online notified of the adopted national trade bans in the form of sanitary and phytosanitary measures (SPS), as well as technical barriers (TBT), which contributed to the effective control of the epidemiological situation on a global scale.

Trade in vaccines against coronavirus infection has become an important area of EU cooperation during the coronavirus crisis. On June 17, 2020, or three months after the start of the pandemic, the European Commission presented a European strategy to accelerate the development, production and introduction of vaccines against COVID-19 in order to ensure the safety and efficacy of vaccines, timely and equal access to affordable vaccines for residents of the Union at an early stage [11]. The EU believes that countries' collaboration with organizations such as the COVID-19 Vaccine Global Access Facility (COVAX), the global cooperative procurement mechanism for COVID-19 vaccines, Gavi (Global Alliance for Vaccines and Immunization), Coalition for Epidemic Preparedness Innovations (CEPI) and World Health Organization is critical to ensuring equitable distribution of vaccines [7].

More than 170 countries have expressed interest in working with COVAX, including 92 low- and middle-income countries that can benefit from funding from the Vaccine Alliance to cover most of their costs. About 80 creditworthy countries with no bilateral vaccine procurement arrangements have also expressed interest in the fund [12]. In the first phase, COVAX plans to purchase 2 billion doses of vaccines by the end of 2021 to protect people at high risk and vulnerable populations, including healthcare workers and others [13]. The European Union is implementing its participation in this initiative in the form of guarantees in the amount of 400 million euros. The United States and Britain contributed \$ 4 billion and \$ 734 million respectively to this project [12]. It is interesting to note that among the anti-crisis measures of financial support that European countries provided to their economies (calculated as a share of expenditures in GDP) during the pandemic, including Germany, Italy and France, it was not mostly direct budget spending or lost revenues (tax incentives), but either government guarantees or “quasi-government” financing instruments [14].

According to the *Duke Global Health Innovation Center*, there are currently contracts for the supply of 8.6 billion doses of the COVID-19 coronavirus vaccine across the world, with the potential to produce about 12 billion doses globally in 2021. The most popular vaccines are AstraZeneca (2.4 billion doses reserved) and Pfizer (1.5 billion doses). The largest number of vaccines was booked by the European Commission (1.8 billion doses), followed by the United States and the African Union with 1.2 billion doses and 680 million doses respectively [15]. A significant excess of the doses purchased by the European Union over the required amount, according to the explanation of the

European authorities, was done to create a diversified portfolio of vaccines and insurance in case of unforeseen problems with their supply and use. The likelihood of which has been proven by recent events related to the production halting of the AstraZeneca vaccine in the United States and revealing negative consequences of vaccination by Johnson & Johnson [16].

In April 2020, the EU activated a new Emergency Support Instrument (ESI) to help countries cope with the coronavirus pandemic. This instrument is a practical implementation of the principle and fundamental value of European solidarity within the EU, which complements two other mechanisms - Joint Procurement and rescEU. This instrument provides for the allocation of 2.7 billion euros in order to immediately respond and combat the widespread of the pandemic consequences, of which 220 million euros is directed to 3 types of activities related to the transportation organization both within the EU and with third countries: the transport of goods; facilitating the movement of patients; facilitating the transport of medical workers [17]. This instrument, called the “Mobility Package”, assumes 100% reimbursement of the transport costs (and also operational support for mobile medical devices response) or donation of purchased services in cases where the direct transport operation is impossible [18].

It should also be noted that the EU provides substantial humanitarian assistance to fight the pandemic for developing countries. For example, in March 2020, the EU delivered medicines and medical equipment to Iran as part of the INSTEX mechanism created by Western European countries to finance Iranian-European trade transactions bypassing US sanctions. More than 2 billion euros were allocated to improve sanitation and medical care for refugees, including those from Iraq, Lebanon and Jordan. To neutralize other hotbeds of the pandemic's threat, a program of financial assistance in the field of health care and the sanitary-epidemiological services work to the countries of North Africa, the Sahel and the participants of the Eastern Partnership in the amount of 15.6 billion euros has been launched. Humanitarian aid covers the participants of the Southern Partnership, including Jordan, Lebanon, Libya, Morocco, Palestine, Tunisia and Syria; the Eastern Partnership countries - Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, as well as the Western Balkans (Serbia, Bosnia and Herzegovina, Albania, Montenegro, North Macedonia and Kosovo) and Turkey. Other regions of the Asia-Pacific and the Latin America countries received from the European Union 1.22 billion and 291 million euros respectively [19].

According to *Airfinity* data on April 1, 2021, China became the largest exporter of vaccines, having supplied 116.5 million doses to other countries, followed by India with 61.6 million doses (84.9 million doses used in the domestic market) and European Union - 56.4 million (74.9 million doses delivered to the domestic market). The USA sold a batch of vaccine to Canada in the amount of 30 million doses [20]. The UK (more than 9 million doses), Canada (4 million) and Mexico (more than 3

million) have become major recipients of vaccines from the EU. In the USA, exports amounted to more than 950 thousand doses [21].

According to Chinese Foreign Minister *Wang Yi*, China has supplied the vaccine in the form of humanitarian aid to more than 80 countries and sold it on a commercial basis in more than 40 countries. At the same time, he accused Western countries, including the EU, of creating a shortage in the vaccine market for developing countries as a result of excessive purchases and called such a policy "vaccine protectionism." The European Union, the United Kingdom and the United States have denied the Chinese blame. However, it must be admitted that high-income countries, with 16% of the world's population, currently account for 55% of vaccine supplies [21].

The experts predict that the global vaccine market, which was estimated at \$ 29.64 billion in 2018, may increase to \$ 43.79 billion by 2022 and *AstraZeneca*, *Emergent Biosolutions*, *Glaxosmithkline*, *Merck* and *Pfizer* remain the dominant players [22]. As *Morgan Stanley* and *Credit Suisse* predict, the coronavirus vaccine segment will be more than \$ 10 billion a year [23].

Conclusion

The pandemic has actualized the need for humanitarian cooperation of all countries. An analysis of various measures with the EU's participation revealed their focus on coordinating efforts to maintain the resilience of global supply chains of medical equipment, means of protection against coronavirus, agricultural products and food, as well as creating mechanisms to increase the availability of necessary medical care and vaccination of people not only within the Union, but also in less developed low-income countries. More than 30 anti-crisis initiatives adopted by the WTO member countries to maintain the stability of cross-border trade were of a plurilateral nature, which is quite justified in the context of social isolation, the WTO crisis and the need for an immediate response to the emerging situation. The number of signatory countries varied significantly, for example, from two, including India and South Africa (for the temporary abandonment of certain clauses of the TRIPS agreement) to about fifty – regarding support of small and medium-sized enterprises.

The deviation from the usual foreign policy norms demonstrated by the EU and other countries, called "coronavirus diplomacy", reflects a new reality on a global scale, when the factor of military power of states fades into the background, giving way to the policy of "soft power". Practice shows not only the emergence of new coordination mechanisms for the international trade activities coordination, but also the aggravation of many problems that have accumulated within the EU. One of them was the manifestation of a weakening of intra-European solidarity, especially in the initial period of the pandemic, when the first aid to Italy in the fight against COVID-19 was provided not by EU partners, but by China and Russia. The lack of assistance from the EU caused a surge of indignation within Italian society and even gave rise to the idea of the country leaving the EU (*"italexit"*).

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