

INTERNATIONAL TRADE IN MEDICAL PRODUCTS DURING THE COVID-19 PANDEMIC

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As a consequence of the COVID-19 pandemic, global demand for medical products has increased very significantly in recent months, affecting international trade flows.¹ Thus, between January and July 2020, world trade in medical products increased by 7.5% compared with the same period in 2019. This increase was particularly marked in the case of personal protective products (36%) and medicines (6%) (see Chart 1.1). This is in a context where a large number of countries have introduced trade policy measures, often of a temporary nature, to limit exports of such goods or to liberalise their import (see Chart 1.2).²

The impact of these developments on the trade balance of the world's main economies has been highly uneven. Thus, for instance, between February and July, the cumulative 12-month balance associated with international trade in medical products in China changed from a \$0.8 billion deficit to a \$36 billion surplus — which would explain 64% of the increase in China's trade surplus in goods recorded in that period. Conversely, it deteriorated by 20% in the United States — thereby increasing the country's trade deficit growth rate for goods between February and July by 2.2 pp — and by 10.5% in the European Union (EU) — which would have reduced the EU's trade balance growth rate during this period by 6 pp.

In the case of Spain, imports of medical products also increased more than exports of these types of goods in the first nine months of the year (23.5% year-on-year and 10.5% in nominal terms), raising the economy's deficit under this heading by 55% to €6.9 billion, which accounts for approximately 62% of the Spanish trade deficit, much more than it did in 2019 (19%) (see Chart 1.3). These developments are in sharp contrast to those observed in Spain during the same period regarding foreign trade in other goods, which saw marked declines in imports and exports and an improved trade balance (see Chart 1.4).

The rest of the box presents some of the main features of the international market for medical products, which help to understand the disparity in trade developments across countries described above. First, this market is significantly

concentrated: a small number of countries account for the bulk of global exports. In particular, the five leading suppliers account for more than 50% of all world exports in each category of medical products (see Chart 2.1). This means that concentration is higher than for manufacturing as a whole, even above that observed for the car industry, renowned for its high level of concentration.

Notwithstanding the above, a second characteristic of the market for medical products is that the main suppliers of these products vary significantly from one category to another. Thus, for instance, in 2019, Switzerland, Germany and Belgium were the largest exporters of medicines worldwide, while the United States led in exports of medical supplies and instruments, and China ranked first in personal protective products (see Chart 2.2).

Lastly, it should be noted that, even within one category of medical products, no country is entirely self-sufficient, as there is a high degree of intra-industry trade. In fact, the countries that are the largest exporters of a certain type of product are also often among the largest importers of that very same product (see Charts 2.2 and 2.3). An index of intra-industry trade comparing the volume of exports and imports made by different countries for a subset of medical products relating to the COVID-19 pandemic points to a similar effect.³ This index peaks at 1 when a country's exports are equal to its imports of goods in this category. As can be seen in Chart 2.4, even the largest exporters of medical products — such as the United States, China and Germany — need to import large quantities of the same types of goods.

As for Spain, its interdependence index for international trade in the medical products most related to the COVID-19 pandemic is relatively high, albeit lower than that of other major euro area economies, such as France or Italy. In this respect, it is worth noting that, although the bulk of Spanish exports of medical products in 2019 was in the medicine category, imports of these same products were even higher (see Chart 2.5). Moreover, in line with the international evidence mentioned above, Spanish imports of medical products are concentrated in a relatively small number of supplier countries, with the United States and Germany playing a particularly important role in the

1 For the purposes of this box, the classification of medical products developed by the World Trade Organization (WTO) has been used. See WTO (2020), "Trade in medical goods in the context of tackling COVID-19", WTO Information Note.

2 See Espitia, A., Rocha, N. and M. Ruta (2020). *A pandemic trade deal. Trade and policy cooperation on medical goods*, World Bank.

3 For more details on this exercise, see OECD (2020), "Trade interdependencies in Covid-19 goods", OECD Policy Responses to Coronavirus.

INTERNATIONAL TRADE IN MEDICAL PRODUCTS DURING THE COVID-19 PANDEMIC (cont'd)

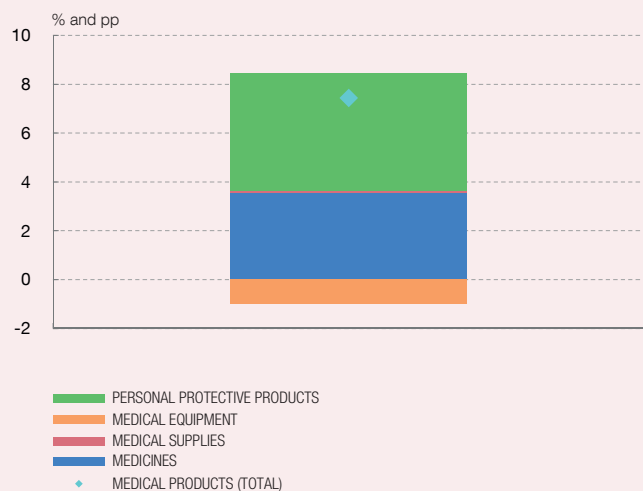
provision of medicines and medical supplies, and Germany, France and China in purchases of personal protective products (see Chart 2.6).

In short, the rise in demand of medical products in recent months as a consequence of the COVID-19 pandemic has resulted in a very significant increase in international

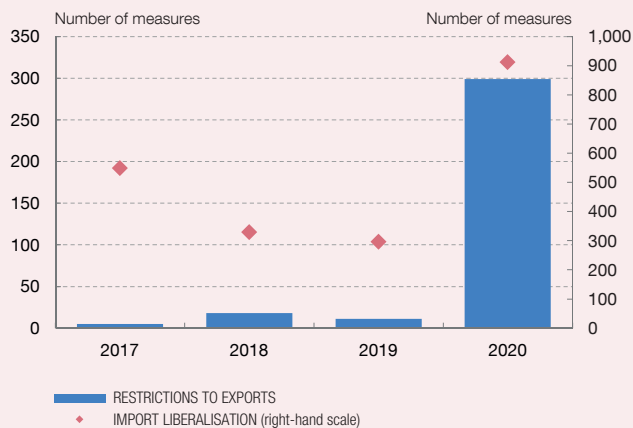
trade flows for these types of products. As this is a particularly concentrated industry, these flows have had an uneven impact on trade balances across countries. In the case of Spain, the international trade deficit in medical products recorded in recent years would have increased notably in 2020 to date, although it appears to have a relatively minor weight in terms of the economy's aggregate output.

Chart 1
RECENT DEVELOPMENTS IN INTERNATIONAL TRADE IN MEDICAL PRODUCTS

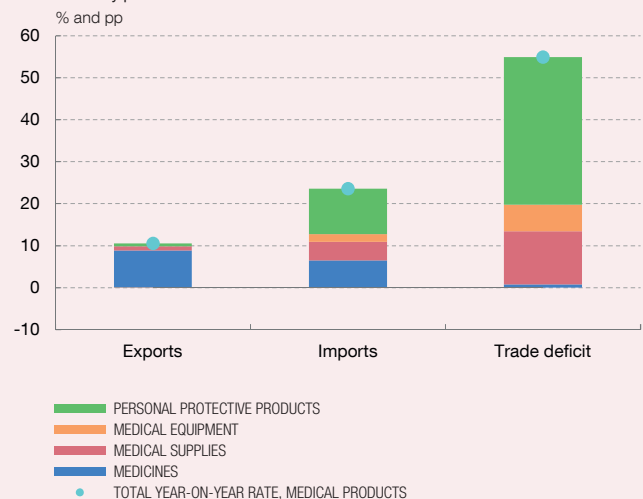
1 YEAR-ON-YEAR CHANGE IN TRADE FLOWS IN MEDICAL PRODUCTS (JANUARY-JULY) (a)



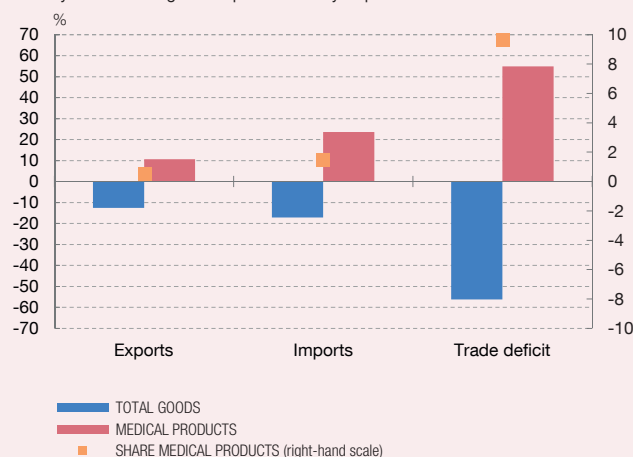
2 TRADE POLICY MEASURES AFFECTING TRADE IN MEDICAL PRODUCTS (b)



3 CHANGES IN FOREIGN TRADE IN MEDICAL PRODUCTS. SPAIN
Y-o-y rates of change in the period January-September 2020 and share by product



4 CHANGES IN SPAIN'S FOREIGN TRADE: MEDICAL PRODUCTS AND TOTAL ASSETS
Y-o-y rates of change in the period January-September 2020



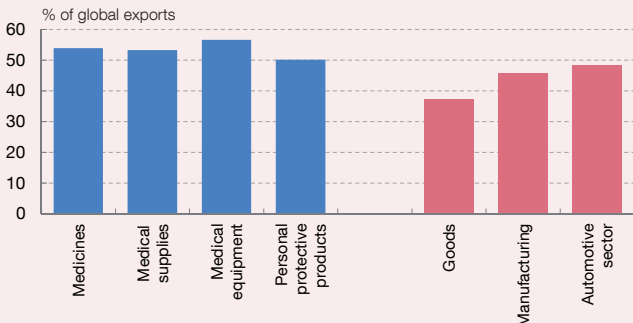
SOURCES: UN Comtrade, Eurostat, Global Trade Alert, WTO, Departamento de Aduanas and OECD.

- a The data refer to a group of countries for which this information is available in the UN Comtrade and Eurostat statistics. These countries account for around 70% of world trade. China's trade flows are calculated based on the bilateral flows reported by its trading partners.
- b Number of measures adopted between January and November 2020 according to the HS4 code of the WTO medical products classification.

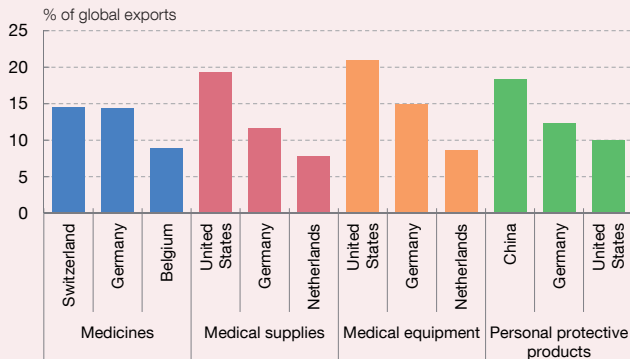
INTERNATIONAL TRADE IN MEDICAL PRODUCTS DURING THE COVID-19 PANDEMIC (cont'd)

Chart 2
STRUCTURE OF INTERNATIONAL TRADE IN MEDICAL PRODUCTS

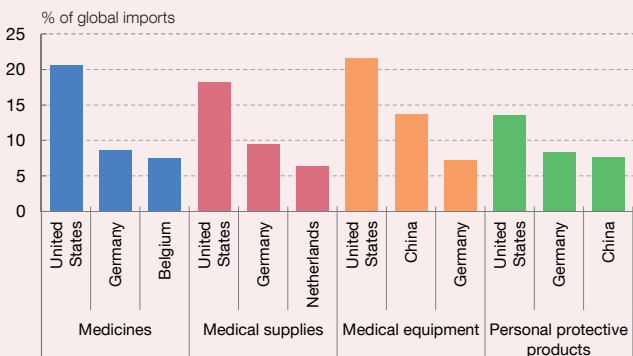
1 CONCENTRATION OF EXPORTS (a)
Exports from the five largest exporters



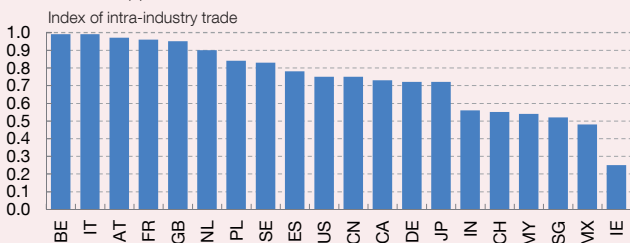
2 LARGEST EXPORTERS OF MEDICAL PRODUCTS (b)



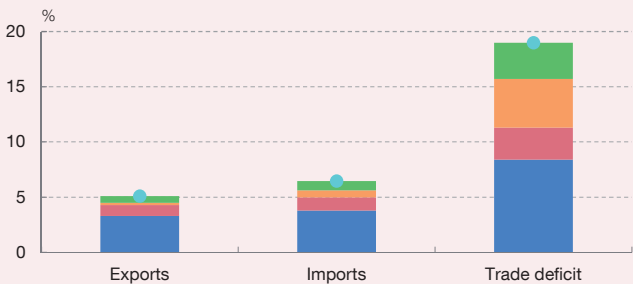
3 LARGEST IMPORTERS OF MEDICAL PRODUCTS (c)



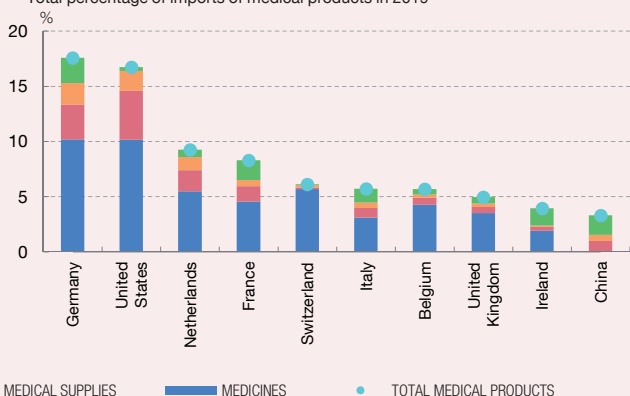
4 INTERDEPENDENCIES IN TRADE IN MEDICAL PRODUCTS RELATED TO COVID-19 (d)



5 EXTERNAL TRADE IN MEDICAL PRODUCTS. SPAIN
Percentages of external trade in goods in 2019



6 SPANISH IMPORTS OF MEDICAL PRODUCTS: MAIN SUPPLIERS AND CATEGORIES
Total percentage of imports of medical products in 2019



SOURCES: UN Comtrade, Eurostat, Global Trade Alert, WTO, Departamento de Aduanas and OECD.

- a 2019 data. Manufacturing and automotive sector: 2018 data. WTO classification of medical products, by HS6 code.
- b 2019 data. WTO classification of medical products, by HS6 code.
- c 2019 data. WTO classification of medical products, by HS6 code.
- d 2018 data. WTO classification of COVID-19-related medical products, by HS6 code.

INTERNATIONAL TRADE IN MEDICAL PRODUCTS DURING THE COVID-19 PANDEMIC (cont'd)

From an economic policy standpoint, the fact that there is a high degree of interdependence worldwide in exports and imports of medical products makes it advisable to

adopt coordinated trade policies which steer clear of non-cooperative strategies that limit or hinder trade in these types of products.