

Review of APEC Ministers Responsible for Trade Commitments on COVID-19 Goods Trade

1. Objectives and scope

1.1. Objectives of report

APEC ministers have made several commitments related to trade in goods that are important for fighting the COVID-19 pandemic. The key commitments are:

- The 25 July 2020 **Declaration on Facilitating the Movement of Essential Goods by the APEC Ministers Responsible for Trade (MRT)**¹ (Declaration), in which APEC economies committed to:
 - Ensuring emergency trade measures were consistent with World Trade Organisation (WTO) rules and were notified in accordance with relevant WTO obligations.
 - Working together to resolve unnecessary non-tariff barriers (NTBs) in essential goods.
 - Undertaking specific trade facilitation measures for essential goods.
 - Taking note of ABAC's recommendation for tariff liberalisation measures in relation to essential medical supplies.
- Building on commitments made at MRT in 2020, the 5 June 2021 **APEC MRT Statement on COVID-19 Vaccine Supply Chains**², in which APEC economies committed to:
 - Facilitate trade in vaccines and related goods.
 - Advance the implementation of the Best Practice Guidelines for APEC Customs Administrations to Facilitate the Distribution of COVID-19 Vaccines and Related Goods.
 - Evaluate the necessity of any export restrictions on such products.
 - Consider voluntary actions to reduce the cost of these products particularly by encouraging each economy to review its own charges levied at the border on COVID-19 vaccines and related goods.
 - Take appropriate measures to prevent criminal exploitation of supply chains and to prevent the entry and import of illegal, dangerous, sub-standard or counterfeit COVID-19 vaccines and related goods
- The 5 June 2021 **APEC MRT Meeting Joint Statement 2021**³, which noted APEC economies will:
 - Agree to consider how to facilitate trade in medical supplies.
 - Accelerate implementation of the WTO Trade Facilitation Agreement, particularly relating to the accelerated use of digitalisation for border processes; pre-arrival processing of electronic declarations; electronic documents, electronic certification, electronic payments; expedited shipments; and border agency cooperation.

¹ https://www.apec.org/Meeting-Papers/Sectoral-Ministerial-Meetings/Trade/2020_MRT/Annex-A

² https://www.apec.org/Meeting-Papers/Sectoral-Ministerial-Meetings/Trade/2021_MRT/Annex-1

³ https://www.apec.org/Meeting-Papers/Sectoral-Ministerial-Meetings/Trade/2021_MRT

Each of these documents contains a request for APEC to report back to Ministers to help them understand actions taken by APEC members to fulfil those commitments, and to act as a springboard for discussion on opportunities and challenges for future work on essential goods.

1.2. Approach

This report is informed by:

- Quantitative data on trade flows and trade measures (covering non-tariff measures (NTMs) and tariff changes) using publicly available data sources. An overview of the data sources and methodology used is in Annex A.
- Qualitative data from APEC economies' responses to a survey by the APEC Committee for Trade and Investment (CTI), plus material from the APEC Sub-Committee on Customs Procedures (SCCP), Life Sciences Innovation Forum (LSIF) and Policy Support Unit (PSU).

1.3. Scope

This report provides high level indicators of trade measures and trade flows, supplemented with APEC member survey responses, to inform discussions on the implementation and effectiveness of the commitments described above.

The report is descriptive rather than evaluative. It does not seek to reach a conclusive view on the extent to which the MRT Statements have had a direct impact on APEC trade policy or flows during the pandemic, given the multitude of policy and non-policy factors that have changed since the start of the pandemic.

Only four months have passed since the 5 June 2021 MRT Statements on medical supplies, vaccines and related goods, and digital trade facilitation were made. There will be lags between the Statements being made, economies acting on them and these actions showing up in trade and trade barriers databases.

Data before and after the commitments outlined above is provided to offer an overview of how APEC economies' trade policy and trade flows have changed during the pandemic.

This report presents aggregate APEC data only and does not explore trade and trade measures patterns at the economy level.

It does not present a legal analysis of whether trade measures are consistent with economies' WTO obligations.

2. Declaration on Facilitating the Movement of Essential Goods

2.1. What are essential goods?

While the Declaration does not define what constitutes an essential good, the 2020 Ministers Responsible for Trade Joint Statement calls for economies “to minimize disruptions to trade in medical goods, food and agriculture products, in order to fight the pandemic.”

This analysis uses the Global Trade Alert database on trade measures related to COVID-19, which categorises trade measures into types of essential goods (medical equipment, medical consumables, food, agriculture, multiple products).

Section 3 below focuses on measures related to vaccines and related goods which were implemented after June 2021.

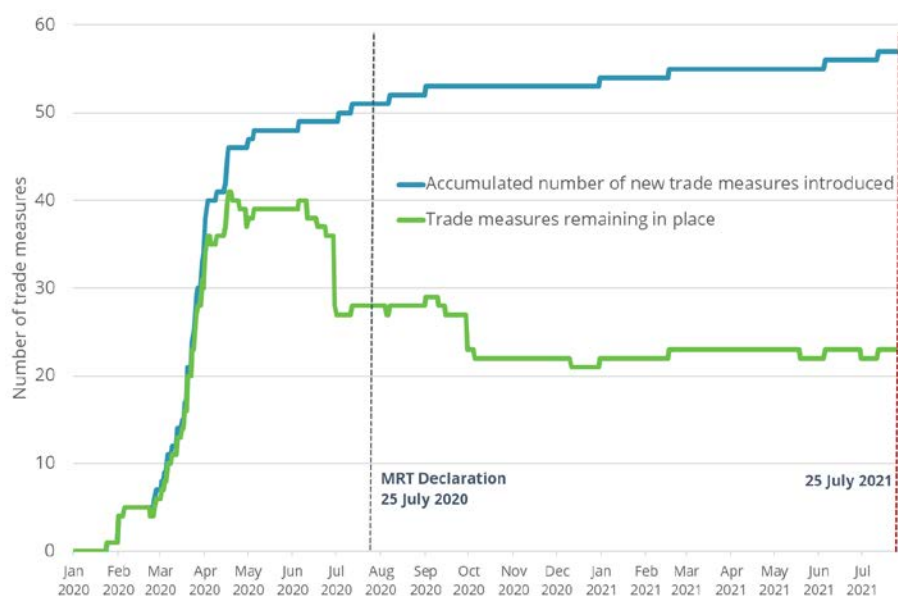
2.2. Trade measures on essential goods

57 trade measures have been introduced on essential goods since the pandemic began

Since the COVID-19 pandemic began in early 2020, 57 trade measures related to essential goods have been introduced by APEC economies (see the blue line in Figure 1 overleaf, which shows accumulated measures over time).

Over time, 35 measures have been withdrawn, resulting in 22 remaining in place (the green line) by 25 July 2021, a year after the Declaration.

FIGURE 1 TRADE MEASURES ON ESSENTIAL GOODS



SOURCE: GLOBAL TRADE ALERT DATA

Very few new measures have been introduced after the Declaration

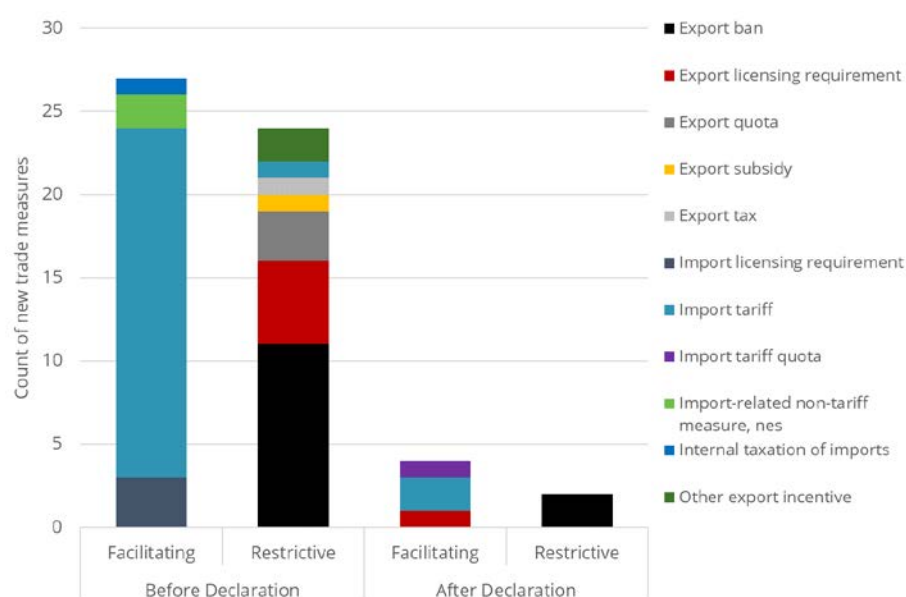
In the almost seven months prior to the Declaration, 51 trade measures were implemented (90% of the total). Most occurred early in the pandemic, between March and May 2020.

In the year after the Declaration, very few new trade measures have been introduced by APEC economies on essential goods: just six (see blue line in Figure 1).

And of these six, only two – export bans on respirators and PPE and certain food items, respectively – were restrictive in nature.

As Figure 2 shows, over half (27, or 53%) of pre-Declaration measures were facilitating in nature. The vast majority (21 of 27) were import tariff reductions.

FIGURE 2 TRADE MEASURES ON ESSENTIAL GOODS: FACILITATING AND RESTRICTIVE



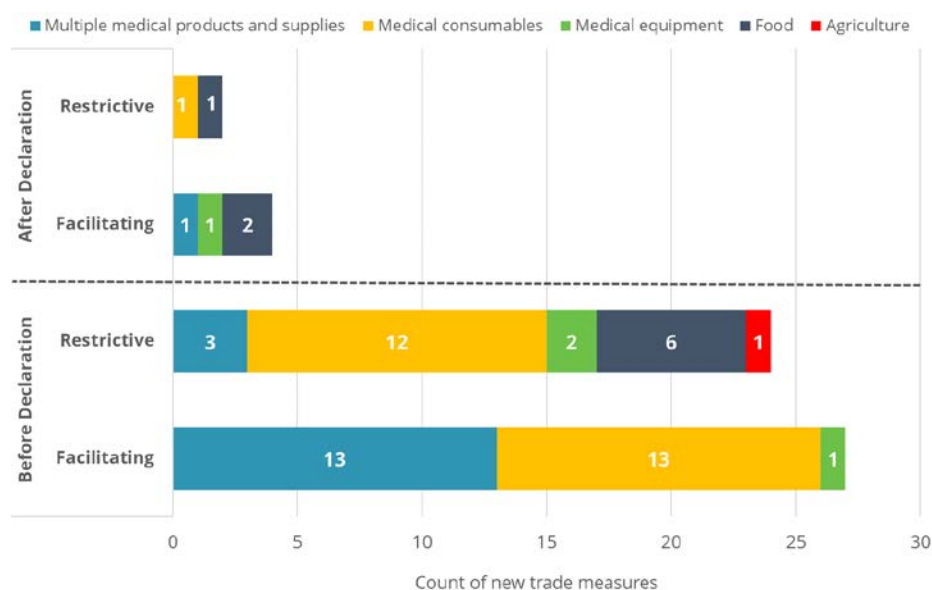
SOURCE: GLOBAL TRADE ALERT DATA

The focus of trade measures in the early stages was protecting workers and communities from being infected by COVID-19

Figure 3 breaks down the measures APEC economies have introduced by product group. Before the Declaration trade measures – both facilitating and restrictive – were placed largely on consumables (hand sanitizer, masks, PPE, etc.) or were aggregate measures affecting a range of medical products and supplies.

This indicates that in the early, highly uncertain, days of the pandemic, APEC governments were understandably prioritising the domestic supply of, and/or incentivising imports of, key consumables, while health advisers were rapidly assessing the potential health impacts of COVID-19 and its implications for stocks of these supplies.

FIGURE 3 TRADE MEASURES BY TYPE OF ESSENTIAL GOODS



SOURCE: GLOBAL TRADE ALERT DATA

Exports are more likely to have been restricted temporarily; but notified to the WTO

The Global Trade Alert data (see Figure 2) shows facilitating measures have tended to be on imports (30 of 31 measures since the pandemic began) and restrictive measures on exports (25 of 26).

Under the section on export restrictions and prohibitions, the Declaration states that “any trade measure introduced in response to COVID-19 is notified in accordance with relevant WTO obligations”.

Of the 13 export bans reported in Global Trade Alert, eleven have been notified at the WTO. All three export quotas were also notified.⁴ Survey responses emphasised that APEC economies saw export restrictions as temporary emergency measures which were regularly reviewed and lifted as conditions permitted.

APEC economies sought to facilitate imports of essential goods; many measures are likely to become permanent

Survey responses and Global Trade Alert data both demonstrate APEC economies used multiple approaches to facilitating imports of essential goods.

In addition to tariff reductions or exemptions, which may become permanent, economies reported they had taken a broad range of steps to expedite the flow of essential goods and reduce frictions at the border to release shipments of these products as quickly and easily as possible:

- Paperless exchanges of import and export documentation, including manifests, to support pre-arrival clearance for sea and air cargo and reduce human contact and health risks at the border.
- Accelerated new or existing initiatives (that will remain in place post-pandemic) to make digital customs transactions and automation the norm.
- ‘Green channels’ for essential goods for no-delay clearance.

⁴ The remaining export measures are not bans or quantitative restrictions.

- Simplified inspection processes for medical supplies, informed by risk profiling and intelligence analysis.
- Temporarily relaxing regulations around transshipment requirements.
- Rapid response guidelines for addressing importers' or exporters' questions or problems regarding essential goods (one economy set a target of three hours).

Survey responses note these initiatives were supported by rapid, repeated and close coordination between customs authorities and domestic agencies to ensure joined-up approaches to facilitating trade in essential goods.

Innovative approaches to tackle market disruptions caused by the inability of producers and consumers to meet face to face have also emerged. One economy reported coordinating the distribution of food across domestic regions to ensure farmers could generate income and consumers could access foodstuffs.

APEC members' customs agencies also report working closely with their overseas counterparts to clarify and streamline border processes across the region.

Most fixed-end date trade measures on essential goods had a median duration of around three months...

The median duration of restrictive trade measure on essential goods before the Declaration was 93 days (see Figure 4). Several measures were explicitly introduced for a three-month period, especially early in the pandemic. Facilitating measures were slightly longer in duration at the median: 102 days.

After the Declaration, the median duration of restrictive measures increased slightly to 114 days (noting the small sample).

...although many facilitating measures have no end date specified

Around 61% of measures implemented since the pandemic began were of fixed duration and have either been withdrawn or have a specific end date recorded. Their duration spanned 24 days to 1825 days.

Of the withdrawn measures, 60% were restrictive and 40% were facilitating.

The other 39% of measures had no end date recorded. Facilitating measures are much more likely to have no end date specified – largely tariff exemptions.

This suggests economies expect these measures to become the status quo for essential goods, at least in the medium term, even if they haven't yet bound tariffs at these rates on an MFN basis.

FIGURE 4 MEDIAN DURATION OF TRADE MEASURES



SOURCE: GLOBAL TRADE ALERT DATA

ABAC's recommendation for economies to liberalise tariffs on medical supplies was widely noted and shared across APEC agencies

The Declaration's language on APEC economies taking note of ABAC's recommendation for economies to undertake tariff liberalisation is focused on essential medical supplies. The Global Trade Alert data shows APEC economies have not imposed any new tariffs on WCO COVID-19 medical supplies during the pandemic to date.⁵

Survey responses indicate that almost all economies had taken note of ABAC's recommendation to consider tariff liberalisation on essential medical supplies and disseminated this recommendation to domestic agencies. Nineteen of the 21 economies that responded to this question said "Yes"; the remaining two economies did not specifically answer this question.

Sixteen APEC economies reported they provided temporary tariff liberalisation on medical supplies. Tariffs were eliminated across a wide range of medical supplies, including PPE, antiseptics, test kits, masks and hand sanitiser. One economy reported it provided temporary duty-free access for a list of 77 medical products.

Although it is not possible to attribute these outcomes solely to the ABAC recommendation, one economy reported that after disseminating the recommendation, its health agency requested its tariff on medical gloves be removed, which it duly was.

Some economies responded they already had zero tariffs on many medical supplies, but they too had noted the recommendation and retained duty free entry for these items, and/or had reduced other charges such as domestic sales taxes and customs fees. Others noted the digitisation of administrative processes provided another route to minimising costs. This indicates APEC economies used all tools available to them to reduce the costs of essential medical supplies for businesses and consumers.

⁵ There is one record of an APEC economy rescinding an earlier tariff exception for medical equipment, which is a restrictive measure based on the Global Trade Alert methodology.

APEC economies have taken part in regional and multilateral discussions and initiatives on NTMs, trade facilitation and essential goods

The Declaration committed APEC economies to work together to resolve unnecessary non-tariff barriers (NTBs) in essential goods.

Survey responses confirm that APEC economies primarily used international fora to discuss and coordinate responses to the pandemic and facilitate the flow of essential goods and vaccines and related goods. Examples of such fora reported by economies include the WTO Committee on Technical Barriers to Trade (TBT), ASEAN, CPTPP Committee on TBT, USMCA Committee on TBT, the Andean Community and the Pacific Alliance.

Two APEC economies reported working to produce a joint document on technical regulations and conformity assessment procedures on essential goods. Another two collaborated on a Memorandum of Understanding related to agri-food and agri-tech cooperation.

Efforts were also made to exchange information and best practice with non-APEC economies, though initiatives such as PROSUR in South America and the World Economic Forum's *COVID Action Platform*. Genome-sequencing technology was also shared by APEC economies with the rest of the world to speed up health responses.

Two APEC members rapidly made commitments on potential tariff removal for a list of 120 essential goods and on avoiding export restrictions on food and beverage products. Joint Ministerial Statements promoting the flow of essential goods and services were signed by several APEC economies and extended to non-APEC economies.

While survey responses did not provide many concrete examples of economies working together bilaterally to identify and resolve any unnecessary barriers to trade in essential goods, neither was there any indication that any issues went unresolved.

All economies who responded to this survey question acted in a manner consistent with the International Health Regulations (2005) in attempting to facilitate trade in essential goods.

2.3. WTO TFA implementation

The WTO Trade Facilitation Agreement (TFA) is the first and, thus far, the only multilateral deal concluded since the establishment of the WTO. APEC has traditionally been a proponent of the WTO's initiatives including the TFA.

APEC members have continued working on the full implementation of the WTO TFA (see *Table Monitoring APEC Economies' Implementation of the WTO Trade Facilitation Agreement* in the Appendix of the CTI report to AMM).

The Declaration committed members to expedite and facilitate the flow and transit of essential goods, consistent with their WTO TFA obligations (see Table 1).

TABLE 1 RELATIONSHIP BETWEEN DECLARATION COMMITMENTS AND THE WTO TFA

Declaration commitment	Corresponding WTO TFA article
“expedite and facilitate the flow and transit of essential goods”	Article 7: Release and Clearance of Goods
“expedite the release of essential goods upon arrival, including adopting or maintaining procedures allowing for submission of import documentation and other required information, such as manifests, in order to begin processing prior to the arrival of goods”	Article 7
“enhance coordination, efficiency and transparency of the border clearance of essential goods”	Article 1: Publication and Availability of Information Article 5: Other measures to enhance impartiality, non-discrimination and transparency Article 8: Border Agency Cooperation
“facilitate the entry, transit and departure of air cargo containing essential medical supplies”	Article 7 Article 10: Formalities connected with importation, exportation and transit Article 11: Freedom of Transit

Based on the WTO TFA database⁶, APEC’s average implementation rate of the WTO TFA is 92.9%, with 14 members having fully implemented its provisions. Of the seven remaining members, four members’ implementation is above 90% while the remaining three range from 26.9% to 88.7%.

In terms of fulfilling the Declaration commitments:

- 19 members have fully implemented Article 1
- 16 members have fully implemented Article 5
- 16 members have fully implemented Article 7
- 17 members have fully implemented Article 8
- 11 members have fully implemented Article 10
- 18 members have fully implemented Article 11.

⁶ TFAD - Trade Facilitation Agreement Database (tfadatabase.org)

2.4. Trade flows for medical supplies

Consistent with the approach taken in the Interim Review of the Declaration⁷, this section of the report focuses solely on the products covered by the WCO/WHO's list of COVID-19 medical supplies.⁸

Intra-APEC trade in medical supplies has shown strong growth...

Intra-APEC trade in medical supplies expanded from US\$178.6 billion in the year to June 2019 to US\$207.4 billion (16%) in the year to June 2020, and further to US\$248.4 billion (20%) in the year to June 2021.

Figure 5 and Figure 6 overleaf show the composition of this intra-APEC trade by broad group, using WCO/WHO section definitions.

Figure 6 shows intra-APEC trade grew steadily for most product groups during the pandemic.

The largest increase in trade in dollar terms was in 'Protective garments and the like' (PPE), which grew from US\$45.0 billion in the year to June 2019 to US\$82.6 billion in the year to June 2021 (83% over two years). The group named 'COVID-19 Test kits/Instruments and apparatus used in Diagnostic Testing' expanded by 71% over the same period.

At a more detailed product level, intra-APEC trade in hand sanitiser expanded by 280% and textile masks/N95 respirators grew by 295% in the year to June 2020.

In the year to June 2021, products such as rubber and plastic gloves demonstrated very high growth rates of intra-APEC trade, along with ultra-violet lamps.

FIGURE 5 INTRA-APEC TRADE IN MEDICAL SUPPLIES



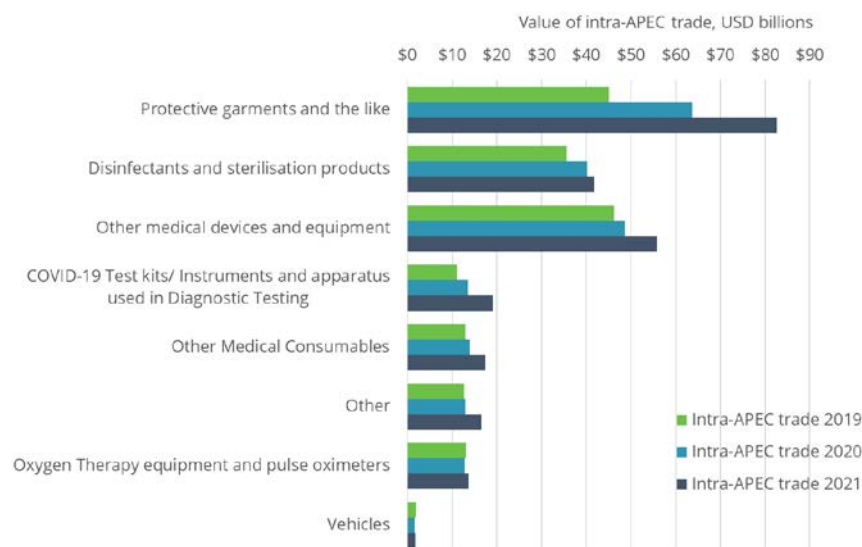
SOURCE: GLOBAL TRADE ATLAS DATA

⁷ APEC. 2021a. 'Interim Review of the APEC Declaration on Facilitating the Movement of Essential Goods – Endorsed'. Report to Second Committee on Trade and Investment Meeting, 25-27 May 2021.

http://mddb.apec.org/Documents/2021/CTI/CTI2/21_cti2_013.pdf

⁸ World Customs Organisation and World Health Organisation. 2020. 'WCO/WHO HS classification reference for COVID-19 medical supplies 3.01 Edition'. 2 June 2020. http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/nomenclature/COVID_19/hs-classification-reference_edition-3_en.pdf?la=en

FIGURE 6 INTRA-APEC TRADE IN MEDICAL SUPPLIES BY PRODUCT GROUP



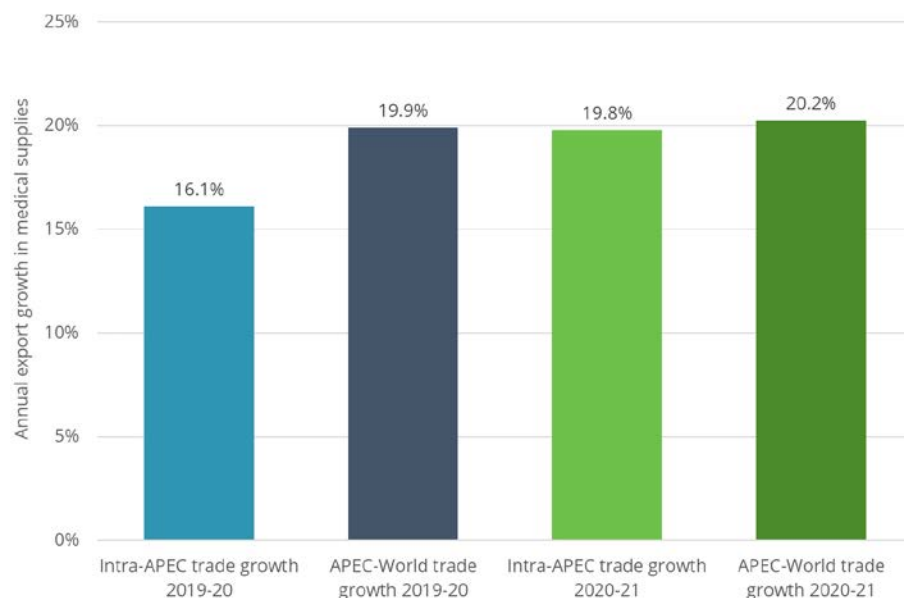
SOURCE: GLOBAL TRADE ATLAS DATA

... but APEC exports to the World have grown slightly faster...

In aggregate, intra-APEC trade in medical supplies grew slightly slower than APEC's exports to the World (see Figure 7).

This saw intra-APEC trade as share of APEC's exports to the World decline marginally from 60.5% in the year to June 2019 to 58.6% in the year to June 2020 and 58.4% in the year to June 2021.

FIGURE 7 GROWTH IN INTRA-APEC VS. APEC-WORLD TRADE IN MEDICAL SUPPLIES



SOURCE: GLOBAL TRADE ATLAS DATA

...as APEC economies provided vital supplies to consumers outside of the region

This result was due primarily to APEC economies sending a large share (around 57% in June year 2020) of their collective exports of COVID-19 test kits to economies outside the APEC region, supporting economies with fewer production or import options for these vital products.

A similar pattern emerges with textile masks/N95 respirators. Prior to COVID-19, APEC economies accounted for 72% of APEC's exports of these products. During the pandemic, this share dropped to 52% in the year to June 2020 and 57% in the year to June 2021.

APEC exports of 'Hydrogen peroxide presented as a medicament' (antiseptic for the skin) also increasingly ended up outside the region. Intra-APEC trade rose from US\$27.6 billion to US\$30.4 billion in the June 2019 to June 2021 period, but APEC exports to the World grew much faster: from US\$56.1 billion to US\$67.8 billion over the same period.

2.5. Summary

The section above indicates most APEC economies have introduced only restrictive trade measures on essential goods on a short term, temporary basis. While restrictive measures were largely withdrawn as the pandemic unfolded, the facilitating measures put in place are much more likely to have been extended.

APEC economies reported a wide range of initiatives designed to expedite the entry and departure of essential goods across their borders. Digitalisation has played a prominent role in reducing delays at the border and supporting efficient inter-agency collaboration.

The patterns of trade analysed demonstrate that intra-APEC trade in several essential goods (i.e. medical supplies) expanded rapidly, most notably hand sanitiser and PPE in the initial stages of the pandemic, and latterly COVID-19 test kits.

Overall intra-APEC trade in medical supplies grew by 16% in the year to June 2020 and a further 20% in the year to June 2021, reaching almost US\$250 billion.

3. Statement on Vaccine Supply Chains

3.1. Trade measures on vaccines and related goods

Almost all APEC trade measures on vaccines and related goods have been facilitating

Global Trade Alert data records APEC economies introducing seven trade measures specifically on vaccines and related goods⁹ since the pandemic began in early 2020, five in 2020 and two in early 2021. Six were facilitating, one was restrictive.

No additional measures have been introduced since the 5 June 2021 APEC MRT Statement on COVID-19 Vaccine Supply Chains [the Statement].

The six facilitating measures were related to imports – tariff reductions and exemptions from internal taxes. Four have no end date.

The single restrictive measure was an export quota, also with no end date. It covers a range of medical supplies and products, including vaccines and related supplies, and was introduced early in 2020 (so before the vaccines themselves were developed).

Several APEC economies had implemented initiatives to facilitate trade in vaccines and related goods before the June 2021 Statement. However, one economy reported introducing new regulations in July 2021 to exempt from duties and taxes 26 products from the WCO/WHO list of vaccines and related goods.¹⁰

Survey responses highlight examples of steps taken to facilitate trade in vaccines and related goods, many of which are time-sensitive:

- Relaxing ‘dangerous good’ approval regimes around the use of dry ice used to store vaccines and other medicines.
- Customs guidance to port authorities on facilitating the clearance of air cargo containing vaccines and related products.
- Allowing inspections of time-sensitive medical supplies at the storage location rather than at the border.
- Electronic payment portals for port-related charges.

APEC economies have worked closely across health and border agencies to foster better coordination and operate more efficiently

Many APEC economies reported increased collaboration and engagement across domestic agencies to facilitate trade in vaccines and related goods. Multidisciplinary Taskforces and Interagency Working Groups allowed health agencies to provide clear advice to economic and border agencies to ensure critical vaccines and related goods that met pre-approved regulatory standards could be easily identified at the border and immediately processed, often with no physical inspections.

⁹ Defined as per World Customs Organisation and World Health Organisation, 2021. ‘WCO/WHO HS classification reference for HS classification reference for vaccines and related supplies and equipment’. 29 January 2021. <http://www.wcoomd.org/en/media/newsroom/2021/january/new-hs-classification-reference-for-vaccines-and-related-supplies-and-equipment.aspx>

¹⁰ This measure was recorded as being applied to ‘Medical equipment’ in the Global Trade Alert database, rather than vaccines and related goods.

Some economies reported increased engagement with the private sector, including inviting them to be part of inter-agency discussions.

The value of economies' Single Windows and web portals in allowing importers or exporters of vaccines and related goods to submit necessary documentation efficiently and electronically was evident in survey responses.

One economy highlighted the value of digitalisation in delivering predictability for importers, exporters, customs officials and domestic agencies.

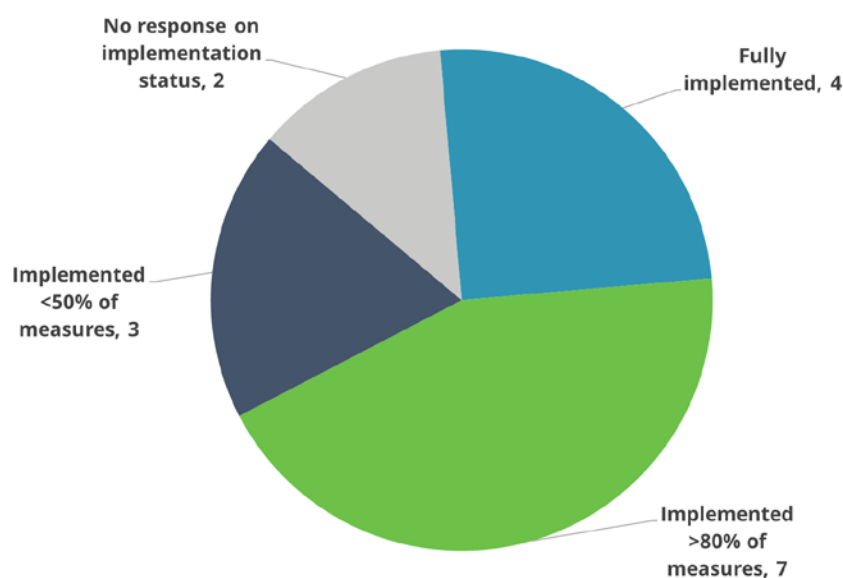
3.2. Implementation of *Best Practice Guidelines*

In the Statement, Ministers committed to advance the implementation of the *Best Practice Guidelines for APEC Customs Administrations to Facilitate the Distribution of COVID-19 Vaccines and Related Goods*.¹¹

SCCP circulated a survey to economies to explore how they are implementing the *Best Practice Guidelines* and to identify opportunities for the SCCP to better support its members' implementation.

Of the 21 APEC economies, 16 economies responded to this survey, all of whom have begun the implementation of the *Best Practice Guidelines* to some extent (see Figure 8).

FIGURE 8 IMPLEMENTATION OF BEST PRACTICE GUIDELINES BY APEC ECONOMIES



SOURCE: SURVEY RESPONSES

The economies that have not yet fully implemented the *Best Practice Guidelines* have undertaken a prioritisation exercise by identifying the most relevant measures that their economy wishes to prioritise for implementation.

Most of the economies who responded noted that they have disseminated the *Best Practice Guidelines* to their operational staff and other relevant divisions within their customs administrations, and where applicable translated it to their local language.

¹¹ APEC. 2021. 'Best Practice Guidelines for APEC Customs Administrations to Facilitate the Distribution of COVID-19 Vaccines and Related Goods'. http://mddb.apec.org/Documents/2021/CTI/CTI2/21_cti2_is11.pdf

The survey identified various challenges that APEC customs administrations face when implementing the *Best Practice Guidelines*. Thirteen economies expressed that they would welcome capacity building opportunities by the SCCP to share best practices and hear others' success stories.

The SCCP will look to address these challenges and capacity building needs to continue supporting the members' implementation of the *Best Practice Guidelines*.

The overall feedback from most of economies was that the *Best Practice Guidelines* is robust, clear and concrete for general application. Members noted that they provide a set of useful and relevant references when reviewing domestic customs procedures to facilitate distribution of COVID-19 vaccines and related goods.

3.3. Export restrictions on vaccines and related goods

Since June 2021, no export restrictions have been recorded in the Global Trade Alert database on vaccines and related goods across APEC.

Survey responses broadly indicate that APEC economies have tended to use such restrictions on other COVID-19-related products in a temporary manner, reviewing and withdrawing them when conditions allowed.

3.4. Measures to reduce costs of vaccines and related goods

APEC economies, on average, applied relatively low tariffs on vaccines and related goods prior to the pandemic. Figure 9 shows the simple average APEC bound and applied MFN tariffs on a range of such products.¹²

The most salient feature to note is that APEC economies, on average, apply MFN tariffs on vaccines and related goods far below their bound rates.

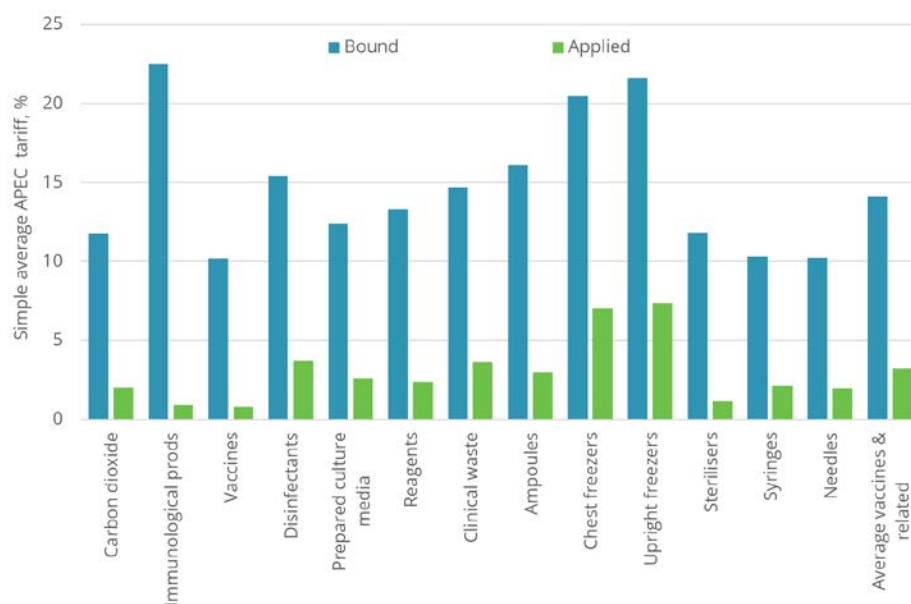
When tariff rates implemented under APEC economies' preferential trade agreements are considered, average applied tariff rates will be lower still.

Economy-level analysis indicates that coming into the pandemic:

- Three economies imported all 17 vaccines and related goods examined free of tariffs; and a further six economies placed no tariffs on between 10 and 16 of these items.
- Average applied MFN tariffs on all vaccines and related goods range between zero and 7.1% for APEC economies, with a mean of 3.2% and a median of 2.5%.

¹² We do not look at average tariffs on alcohol solutions due to challenges converting specific and compound tariffs into ad valorem equivalents.

FIGURE 9 SIMPLE AVERAGE APEC TARIFFS ON SELECTED VACCINES AND RELATED GOODS



SOURCE: WTO DATA PORTAL

Despite these low pre-pandemic tariffs already in place, survey responses from 21 APEC economies indicate 16 members took voluntary steps to further reduce the cost of COVID-19 vaccines and related goods by reviewing charges at the border on those goods. Two economies did not respond to this question, and the remaining three economies responded with “No”.

The cost-reducing steps reported include:

- Temporary tariff concessions, including temporary tariff eliminations.
 - Some concessions are specific to vaccines and related goods. Others are as part of a broader list of medical products.
 - One economy highlighted that import tariffs are exempt for vaccines and related goods that cannot be produced domestically and must be imported; another noted its tariff exemptions were in place because it relied on imports to meet domestic demand for these goods.
- Tariff relief eligibility for specific goods imported for emergency use in the context of the pandemic.
- Exemptions from import taxes, domestic taxes (e.g. sales tax) and other fees.
- Tariff lines (HS codes) created specifically for COVID-19 vaccines, which are subject to zero tariff.

The data and survey responses indicate that APEC economies have collectively taken a range of positive steps towards reducing the costs of vaccines and related goods, even when many had very low tariffs or duty-free access prior to the pandemic.

3.5. Preventing trade in counterfeit vaccines and related goods

Preventing trade in counterfeit vaccines and related products has come into sharper focus during the COVID-19 pandemic. While the challenges of preventing exploitation of supply chains have always been there for customs administrations, now, for the first time, all economies are focused on the same commodities – COVID-19 vaccines and related goods. The increasing use of e-commerce for illegal trade in counterfeit products, and new smuggling methods, have presented additional challenges.

As well as being illegal, including for violating intellectual property rights, trade in counterfeit COVID-19 vaccines poses significant health risks to APEC populations as items will be less effective in identifying or treating COVID-19 or protecting health sector workers from its spread. Counterfeit goods have the same characteristics of the genuine article, but are not as effective, e.g. masks and respirators.

Several economies' pharmaceutical regulatory authorities have taken measures to prevent falsified products from entering the supply chain. Of the four APEC economies which responded to the survey circulated by the APEC Life Sciences Innovation Forum's Regulatory Harmonisation Steering Committee on preventing criminal exploitation of vaccine supply chains, three reported that they had undertaken measures to combat illegal, dangerous, sub-standard or counterfeit vaccine-related goods in supply chains.

Such measures have included regular monitoring of online sources that could be used to import and distribute counterfeit products, collaboration and information-sharing on potential criminal activities with bodies such as INTERPOL and working closely with the WHO's Global Surveillance and Monitoring team to rapidly identify risks of substandard or falsified vaccines.

All three economies reported their governments were implementing measures in the *APEC Roadmap to Promote Global Medical Product Quality and Supply Chain Security*, such as the Internet Sales Toolkit and Single Points of Contact Toolkit.

Additionally, four bodies from industry and Centres of Excellence (CoE) also reported undertaking measures or capacity-building on sub-standard and falsified medical products. Measures included serialisation, e-labelling and unique device identification.

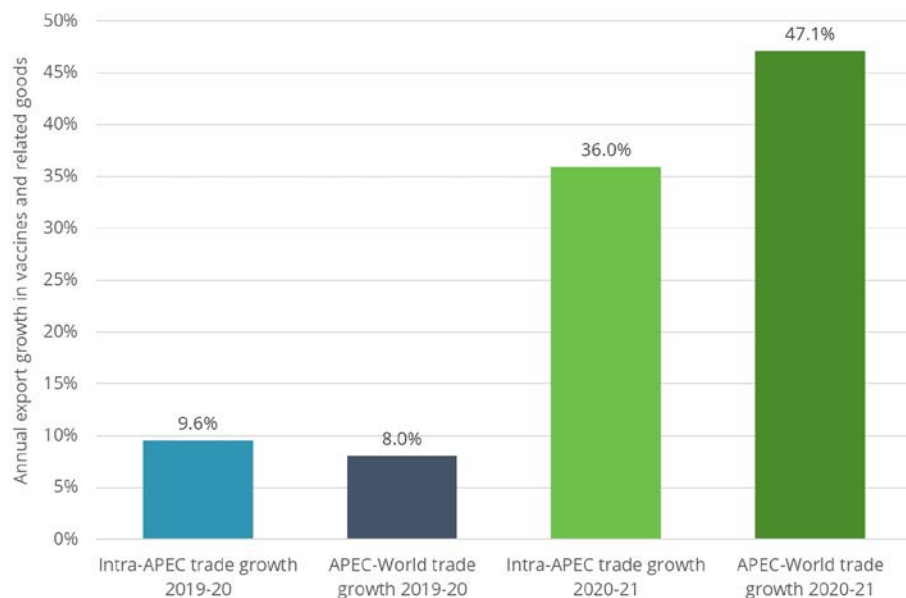
APEC Customs administrations continue to prevent the illegal movement of counterfeit COVID-19 vaccines and related goods and facilitate the flow of legitimate goods at the border. The APEC Sub-Committee on Customs Procedures' (SCCP's) policy dialogues identified several initiatives to reduce the risk of counterfeit vaccines and related goods entering supply chains, such as:

- Collaboration with the private sector to better risk manage and tackle new challenges could help against the exploitation of supply chains;
- Enhanced information exchange between economies to identify and seize counterfeit COVID-19 goods, and for risk management and identifying trends in counterfeit goods' movement. For example, the WCO highlighted to the SCCP that they had introduced a rapid information exchange platform to facilitate the distribution of genuine COVID-19 vaccines while stopping counterfeits at the border;
- Advanced technology to help Customs administrations improve risk analysis and management of higher risk shipments;
- Implementing the *Best Practice Guidelines*, which outline two specific measures to target the illegal movement of counterfeit COVID-19 vaccines and related goods, including inter-agency cooperation and cooperation through the WCO. This would contribute to securing the supply chain from potential criminal exploitation.

3.6. Trade in vaccines and related goods

Intra-APEC trade in vaccines and related goods grew from US\$41.7 billion in the year to June 2019 to US\$62.1 billion in the year to June 2021.^{13 14}

FIGURE 10 GROWTH IN INTRA-APEC VS. APEC-WORLD TRADE IN VACCINES AND RELATED GOODS



SOURCE: GLOBAL TRADE ATLAS DATA

Intra-APEC growth was very strong (36.0%) in the year to June 2021, driven by:

- 319% growth in COVID-19 vaccines¹⁵
- 63% growth in ‘Swab and viral transport medium sets’
- 42% growth in ‘Wadding, gauze, bandages, cotton sticks and similar products’
- 41% growth in COVID-19 test kits.

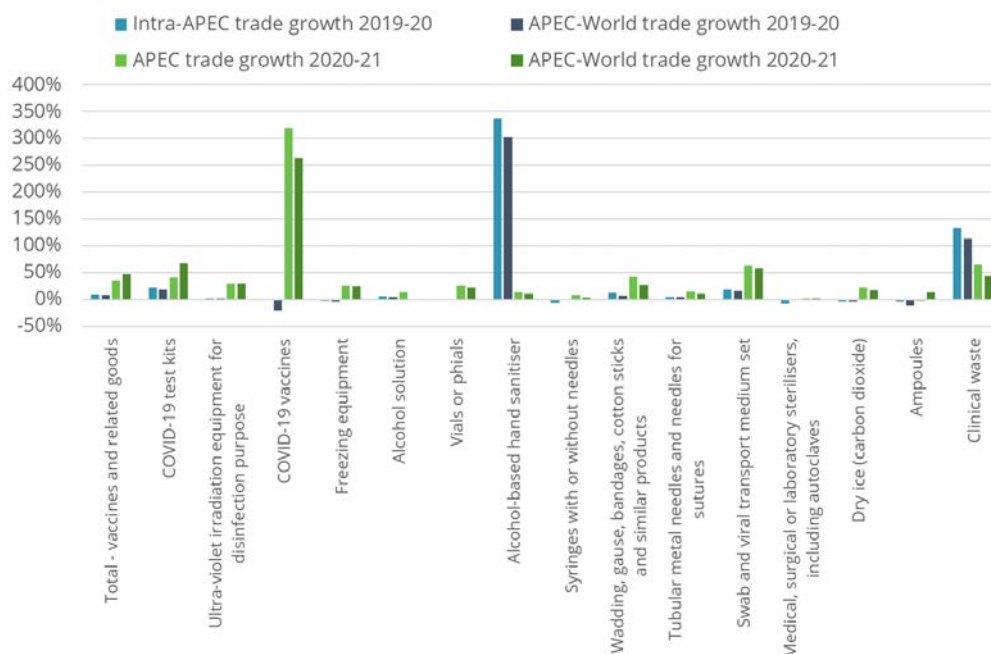
In the year to June 2020, annual intra-APEC trade growth was more moderate, albeit still robust, at 9.6%. This was largely due to growth in intra-APEC trade in hand sanitiser, which expanded by 338% from its value in the year to June 2019 (see Figure 11).

¹³ The goods analysed here are specified in WCO/WHO. 2021. ‘HS classification reference for vaccines and related supplies and equipment’. <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/natural-disaster/covid-19-list-for-vaccines/hs-classification-reference-vaccines-english.pdf?la=en>

¹⁴ Note that there are overlaps between the products covered by the WCO/WHO list of ‘Vaccines and related goods’ and those covered by its list of ‘COVID-19 medical supplies’ used in the analysis of essential goods in section 2 above. For example, hand sanitiser appears in both lists, albeit with slightly different HS codes attached.

¹⁵ The WCO/WHO list uses Harmonised System code 3002.20 to describe ‘COVID-19 vaccines. However, the actual description of this code is the broader ‘Vaccines for human medicine’, so there was already trade in other vaccines in this category prior to the pandemic. However, it is reasonable to assume that the strong growth seen since 2019 is due to COVID-19 vaccines.

FIGURE 11 INTRA-APEC VS. APEC-WORLD TRADE IN VACCINES AND RELATED GOODS



SOURCE: GLOBAL TRADE ATLAS DATA

There have been significant increases in APEC's share of APEC exports to the World for several vaccines and related goods between years to June 2019 and June 2021:

- COVID-19 vaccines (29.1% to 42.4%)
- Alcohol solution (65.6% to 76.1%) and hand sanitiser (76.5% to 85.5%)
- Wadding, gauze, bandages, cotton sticks and similar products (56.8% to 66.2%)
- Clinical waste (71.2% to 89.3%).

However, in aggregate, APEC exports of vaccines and related goods to the World grew faster than intra-APEC trade (see Figure 10).

This largely reflects particularly strong exports of COVID-19 test kits from APEC to non-APEC economies, which account for 40% of the trade covered by the WCO/WHO definition of vaccines and related goods. APEC's share of total APEC exports of test kits fell from 40.4% in June year 2019 to 35.3% in June year 2021.

3.7. Summary

The section above demonstrates APEC economies have taken a range of initiatives to facilitate trade in vaccines and related goods, including electronic submission of documentation and payments, expedited customs clearance formalities, pre-arrival processing procedures, exemptions from inspections provided documentation was satisfactory, information-sharing across agencies and the development of 'green corridors'.

At least half of APEC economies have advanced their implementation of the *Best Practice Guidelines for APEC Customs Administrations to Facilitate the Distribution of COVID-19 Vaccines and Related Goods*.

APEC economies have not introduced any restrictive trade measures on vaccines and related goods in 2021, and many have taken voluntary steps to reduce tariffs, import taxes and other sales taxes, in order to reduce the costs of imported vaccines and related goods.

Intra-APEC trade in vaccines and related goods grew by almost 50% from June 2019 to June 2021, reaching US\$62.1 billion.

4. MRT Joint Statement 2021

4.1. Trade facilitation in medical supplies

Responding to Ministers' commitments to facilitate trade in medical supplies, the APEC Sub-committee on Customs Procedures (SCCP) considered several options:

- Contributing to maintaining resilient supply chains, including customs administrations' role in advising on and implementing tariff changes.
- Actively collaborating within government and with the private sector to help expedite shipments effectively and efficiently, and to build capacity for long-term ability to locally manufacture vaccines.
- Simplifying paperwork and the implementation of an efficient digital border processing system.

The SCCP is also considering expanding the Best Practice Guidelines for APEC Customs Administrations to Facilitate the Distribution of COVID-19 Vaccines and Related Goods (*Best Practice Guidelines*), which was developed and endorsed at the SCCP, to cover medical supplies.

The SCCP circulated a survey to its members, which included a question on exploring this work. Of 16 economies who responded to the survey, eleven economies supported broadening the scope of the *Best Practice Guidelines* to cover medical supplies and/or noted that various facilitation measures similar to those in the *Best Practice Guidelines* were already in place to cover medical supplies domestically.

Two economies answered they would like further work or discussion to take place before expressing support for this initiative. Three economies did not respond to this particular question.

A number of economies provided useful ideas on how the *Best Practice Guidelines* might be adapted for such a purpose. Some expressed that most of the measures set out in the *Best Practice Guidelines* could be applied to medical supplies already, requiring minimal revision.

4.2. Digital trade facilitation

In terms of MRT's commitments regarding accelerated the WTO TFA, focusing on digitalisation, 13 economies have fully implemented the WTO TFA while eight have provisions under categories B and C.

Since COVID began, 17 economies¹⁶ adopted new digital trade facilitation measures, largely:

- Accepting electronic versions of trade documents/paperless trading.
- Accepting electronic payments.
- Expedited clearance of essential goods via pre-clearance of shipments.
- Deferral of customs fees and taxes.
- Introducing new ways of risk-managing cargoes.

Five economies¹⁷ have terminated some, if not all new trade facilitation measures introduced since the beginning of the COVID-19 pandemic. However, eleven economies¹⁸ have worked to embed some or all of their digital trade facilitation measures and retained them.

Economies that already had WTO TFA measures in place, especially the digitalisation of Customs procedures, were better able to respond to the challenges posed by the pandemic. One economy noted that its electronic pre-approval processes had been in place since 2018, which supported its response to the pandemic.

For example, one economy reported that its online documentation system for importing vaccines and related goods was quickly augmented to immediately and automatically disseminate letters to businesses and border officials exempting these goods from tariffs or other domestic taxes.

Another noted its 20-year-old domestic legislation on electronic transactions has embedded digitalisation as the default, which placed it in good stead to cope with the challenges of COVID-19.

SCCP is exploring the need for a gap analysis of members' implementation of the customs-related TFA provisions, with a view to designing a programme of capacity-building activities to address the gaps identified.

SCCP's Strategic Plan for the next four years also demonstrates SCCP's commitment to meet the MRT's direction to accelerate implementation of the WTO TFA, in particular, those articles relating to customs procedures (which include digitalisation of border processes).

¹⁶ <https://www.macmap.org/en/covid19>

¹⁷ <https://www.macmap.org/en/covid19>

¹⁸ <https://www.macmap.org/en/covid19>

5. Pending future discussions in APEC

APEC economies, through their individual survey responses and participation in APEC Committees and sub-fora, suggested areas for future discussion.

1. Government-business partnerships

- a. One economy suggested that APEC could collate and publish best practice examples of processes that brought businesses and government agencies together to expedite and facilitate trade in essential goods and vaccines and related goods.
- b. SCCP policy dialogues similarly suggested greater collaboration with the private sector would help in reducing risks associated with counterfeit vaccines and related goods, and would help in facilitating trade of medical supplies more broadly.
- c. Another economy suggested that services could also form part of these discussions, such as telemedicine.

2. WTO TFA

As part of APEC's pandemic response efforts towards eventual economic recovery, future work to accelerate WTO TFA implementation and digitalise border processes, SCCP suggested APEC economies could consider:

- a. Agreeing on non-exhaustive guidelines to help update their customs procedures and legislative framework so that all traders can reduce costs and engage with APEC customs authorities electronically.
- b. Seeking to embed trade facilitation measures adopted throughout the COVID-19 pandemic – such as e-certification of SPS certificates – to help minimise future disruptions to supply chains in the event of a global crisis.
- c. Working together to provide more guidance on how customs administrations could make cross-border trade more accessible for micro, small, and medium enterprises by digitalising border processes, such as enabling electronic versions of trade documents and establishing common data standards for the cross-border exchange of data for imports and exports.

3. Initiatives to address counterfeit vaccines and related goods

- a. RHSC survey responses suggested APEC could consider carrying out further work on surveillance and monitoring, track and trace identification, regulatory harmonisation and convergence, and interoperable tracking/verification systems for pharmaceuticals and medical devices.
- b. RHSC survey responses and SCCP suggested APEC could consider developing and rolling out an education campaign to train customs officials to identify and target counterfeit vaccines to protect consumers in each economy.

4. Facilitating trade in medical supplies

SCCP survey responses suggested APEC could:

- a. Expand the *Best Practice Guidelines for APEC Customs Administrations to Facilitate the Distribution of COVID-19 Vaccines and Related Goods* to cover medical supplies.
- b. Increase capacity building and sharing of best practices to support economies' implementation of these guidelines.

Annex A Data sources and definitions

Questionnaire

CTI survey questions

1. Export Restrictions

1.1 Essential Goods

1.1.1 Between July 2020 and July 2021 did you ensure any emergency trade measures on essential goods designed to tackle COVID-19 were consistent with WTO rules? If yes, please provide examples of any new steps or practices you took to better ensure the emergency trade measures were consistent with WTO rules.

1.2 Vaccines and Related Goods

1.2.1 Since June 2021, has your economy evaluated the ongoing necessity of any export restrictions or prohibitions on COVID-19 vaccines and related goods, as COVID-19 conditions changed, in order to ensure export restrictions and prohibitions remained targeted, proportional, transparent, temporary, and did not create unnecessary barriers to trade? If yes, please provide details.

2 Non-Tariff Barriers

2.1 In the APEC 2020 Declaration on Facilitating the Movement of Essential Goods, APEC economies are encouraged to work together to identify and resolve any unnecessary barriers to trade in essential goods. This relates to APEC's work as a whole. In addition to this work, please provide examples of steps taken by your economy with another APEC economy to identify and resolve unnecessary barriers to trade in essential goods between July 2020 and July 2021.

3 Trade Facilitation

3.1 Essential Goods

3.1.1 Please provide examples of how your economy took steps to expedite and facilitate the flow of essential goods, consistent with the WTO Trade Facilitation Agreement between July 2020 and July 2021.

3.1.2 Please provide examples of how your economy took steps to enhance coordination, efficiency, and transparency of the border clearance of essential goods, and full implementation of the WTO Trade Facilitation Agreement to help facilitate trade between July 2020 and July 2021.

3.1.3 Please provide examples of efforts your economy took, between July 2020 and July 2021, to expedite the release of essential goods upon arrival, including adopting or maintaining procedures allowing for submission of import documentation and other required information, such as manifests, in order to begin processing prior to the arrival of goods.

3.1.4 Please provide examples of efforts your economy took, between July 2020 and July 2021, to facilitate the entry, transit and departure of air cargo containing essential medical supplies.

3.1.5 Did your economy abide by the International Health Regulations (2005) when facilitating the flow of essential goods?

3.2 Vaccines and Related Goods

3.2.1 Please list examples of trade facilitation measures your economy undertook since June 2021 to expedite the flow and transit of all COVID-19 vaccines and related goods, as defined by the WCO-WHO list of COVID-19 vaccines and related goods, through their air, sea and land ports, and ways in which your economy expedited their release upon arrival, including by providing for advance electronic submission and processing of information to enable immediate release upon arrival.

4 Tariffs

4.1 Essential Goods

Between July 2020 and July 2021, did your economy take note of the ABAC recommendation for economies to take tariff liberalization for essential medical supplies? If yes, please provide details, of how you took note of this recommendation. For example, you may have passed this onto your trade teams or health/customs agencies for consideration informally, or undertaken a more formal review.

While the Declaration only asked economies to take note of ABAC's recommendation, you are also welcome to comment on any changes to the duty structure of essential goods in your economy if relevant.

4.2 Vaccines and Related Goods

4.2.1 Since June 2021, has your economy considered voluntary efforts to reduce the cost of COVID-19 vaccines and related goods, particularly by reviewing charges levied at the border on COVID-19 vaccines and related goods? If yes, please provide details.

5 Do you have any additional information to add?

E.g. lessons learnt, any successes or challenges, or best practices.

SCCP survey questions

SCCP circulated a survey to seek information on APEC members' implementation of the APEC Customs best practice guidelines to facilitate the distribution of vaccines and related goods.

1. Which measures listed in the Guidelines were already in place in your economy prior to June 2021 when Ministers welcomed the Guidelines?
2. What has your economy done to advance the implementation of the Guidelines since June 2021 (e.g. have you passed these on to your operational colleagues, and reviewed its usefulness for your economy's COVID-19 context)? In particular, which measures listed in the Guidelines has your economy achieved implementation of since June 2021?
3. Did you face any particular challenges or issues with any of the measures in the Guidelines that your economy has implemented so far? If yes, please provide details.
4. Which measures listed in the Guidelines (that you have not already implemented) are most relevant to your economy for immediate prioritisation (i.e. for implementation in the next 1-3 months) for your COVID-19 vaccine and related goods imports?
5. What are your economy's plans and timeframes for implementation of the measures that are yet to be implemented, including those listed in Question Four? Do you foresee any potential challenges or issues? Please feel free to include any ongoing work or activities as well.

6. Are there any measures in the Guidelines that you consider needs revision or improvement for your economy in order to allow implementation? If so, please explain in the below. This information will help ensure our Guidelines remain fit for purpose for all our economies, especially considering the ever-changing environment of the pandemic.
7. Would you require or be interested in capacity building in order to implement the Guidelines (and if so, on which of the Guidelines)? We would also like to hear if you would be interested in delivering capacity building sessions to implement the Guidelines.
8. Were there any other practices or innovations (not already captured in the Guidelines) your customs administration has put in place to better support the distribution of COVID-19 vaccines and related goods that you wish to share with other APEC economies?
9. What are your views on [the idea of expanding the Guidelines to cover a broader list of medical supplies, such as those in the WCO COVID-19 medical supplies list], and could your economy support this initiative? If so, please share how the SCCP could achieve this (e.g. in what ways the Guidelines might be adapted for such a purpose).

SCCP also collected information from policy dialogues it held this year (e.g. on medical supplies and digital trade facilitation) to input into this review.

RHSC survey questions

1. Please provide examples of measures your economy has been undertaking since June 2021 to prevent criminal exploitation of supply chains and to prevent the entry and import of illegal, dangerous, substandard or falsified COVID-19 vaccines and related goods*.
2. Please list any measures or practices your economy has specifically drawn from the APEC Roadmap to Promote Global Medical Product Quality and Supply Chain Security and related Toolkit since June 2021 in order to ensure supply chain security for COVID-19 vaccines and related goods. If your economy was already implementing measures drawn from the toolkit before 2021, please describe.
3. Do you have any other relevant information to add or successes to share? (i.e. What additional supply chain challenges have been observed? Have you developed new or innovative practices, identified best practices including communication methods? How successful have measures included in the toolkit been thus far in ensuring supply chain security?).

Trade data

This report uses data from the Global Trade Atlas to examine changes in APEC trade flows in essential goods.¹⁹ This source contains data to June 2021 for the majority of APEC economies and is thus well-suited for examining recent patterns of intra-APEC trade.²⁰

¹⁹ See <https://ihsmarkit.com/products/maritime-global-trade-atlas.html> The alternative choice (the UN's COMTRADE database) contains 2021 data for only seven of the 21 APEC economies.

²⁰ There is no 2019-2021 data for Papua New Guinea and Viet Nam. There is no 2021 data for Peru and the Philippines.

The analysis looks at trade data for the years to June for 2019, 2020 and 2021.

There is no formal definition of ‘essential goods’, so in line with the Interim Review of the APEC Declaration on Facilitating the Movement of Essential Goods²¹ this report uses:

- The World Customs Organisation and World Health Organisation (WCO/WHO) definition of COVID-19 medical supplies for the trade flows analysis of the APEC Declaration on Facilitating the Movement of Essential Goods.²²
- The WCO/WHO definition of vaccines and related supplies and equipment for the trade flows analysis of the Vaccines Statement.²³

Note that there are overlaps between these two sets of definitions, and the definitions differ slightly in some instances.

For example, the definition of ‘COVID-19 Vaccines, test kits/ Instruments and apparatus used in Diagnostic Testing’ in the WCO/WHO vaccines document includes ‘ampoules’ and ‘vial or phials’. These are *not* included in the earlier WCO/WHO document on medical supplies that also defines ‘COVID-19 Vaccines, test kits/ Instruments and apparatus used in Diagnostic Testing’.

Note some Harmonised System 6-digit codes used for the trade flow analysis cover more than one type of medical supplies product, which means the product level analysis is subject to a degree of aggregation bias and potential mis-categorisation.²⁴

²¹ APEC (2021a).

²² WCO/WHO (2020).

²³ WCO/WHO (2021).

²⁴ See WTO. 2021. ‘Improving trade data for products essential to fight COVID-19: a possible way forward: Information note’. https://www.wto.org/english/tratop_e/covid19_e/trade_data_report_e.pdf (p.6) for a helpful discussion on this issue.

Trade measures data

This report uses the publicly available Global Trade Alert data set to identify the number and nature of measures introduced by APEC economies on essential goods and vaccines and related goods.^{25,26}

This data set organises trade measures based on the UN MAST classification.²⁷ Temporary or permanent tariff reductions are – by definition – not included in the MAST definition of NTMs. However, many economies took positive steps to encourage trade in medical supplies and vaccines using this approach. Thus, data on these tariff measures is also presented, in line with the Interim review (APEC, 2021).

In line with the approach taken by alternative sources of NTMs data²⁸, measures from MAST chapters J, K and L are excluded. This means measures such as government procurement of vaccines or research funding into new material and medicines are not considered as non-tariff measures for this report. This seems consistent with the intent of APEC MRT commitments.

²⁵ 1 September 2021 version.

²⁶ See overview of strengths and limitations of this data set in Global Trade Alert. 2020. 'The COVID-19 pandemic: 21st Century approaches to tracking trade policy responses in real time: Methodological note'. 2 May 2020. <https://www.globaltradealert.org/reports/download/54>

²⁷ UNCTAD. 2019. 'International classification of non-tariff measures: 2019 version'. New York: United Nations Publications. https://unctad.org/system/files/official-document/ditctab2019d5_en.pdf

²⁸ For example, the International Trade Center's MacMap.