

Trade Policies for Africa to Tackle Covid-19

27th March 2020¹

Executive summary

Covid-19 is a global problem to which some of the usual global solutions, like trade, can help. Trade remains a powerful, low-cost tool to improve access to medical supplies and expertise, and support economic resilience. The following recommended short, medium and longer term trade policy actions can fuel the African response to the Covid-19 pandemic.

Recommended trade policy actions to be taken

Immediately

- Urgently suspend tariffs on essential Covid-19 imports
- Create customs 'Green Lanes' for super-fast clearance of medical supplies
- Coordinate diplomacy against the imposition of export limits on essential Covid-19 medical supplies

Within weeks

- Identify Covid-19 medical supplies that can be produced with repurposed capacity within Africa
- Demand urgent access to medical intellectual property
- Ensure international movement of critical health and technical experts
- Pool and share medical quality standards and resources for the rapid approval of new medical products
- Launch emergency Public-Private Partnerships for medical supplies

Within months

- Leverage the Regional Economic Communities and African Continental Free Trade Area for coordination
- Identify new means of increasing socially-distant work, including through digital trade in services

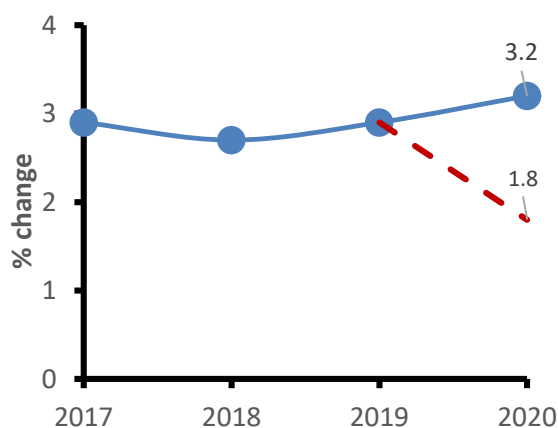
¹ Valuable contributions to this briefing paper were provided by Jamie MacLeod, Simon Mevel, Nadia Hasham, Lily Sommer, Komi Tsowu, Melaku Desta and Adeyinka Adeyemi, under the leadership of David Luke

Trade-related effects of Covid-19 on Africa

Initial ECA estimates suggest Africa will face an immediate decline in GDP growth from 3.2% to 1.8% in 2020 as a result of Covid-19, but with a further adverse impact if Covid-19 is not contained in the short-term. Trade is a significant conduit for this negative impact through three transmission channels:

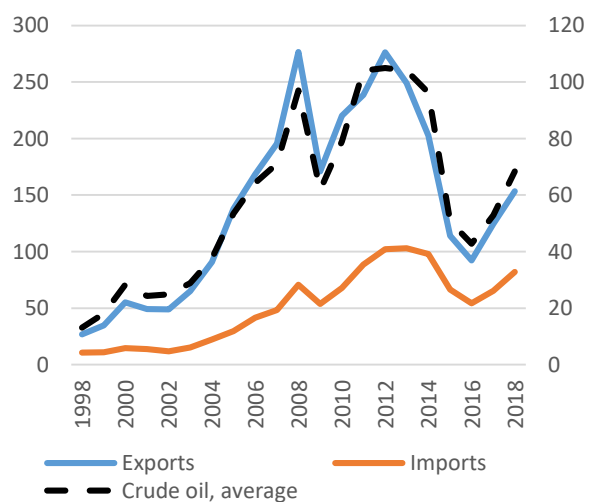
- Compressed demand:** Africa's most important trading partners, including the EU, China, US and India, are undergoing simultaneous crises and will reduce imports from Africa.
- Falling prices:** Prices have already fallen precipitously for many of the commodity exports on which Africa remains dependent. The price of crude oil, which accounted for 7.4% of Africa's GDP from 2016-18, is 58% lower today than the WTI average price during that period, putting pressure on foreign exchange, government revenues and domestic demand.
- Disrupted supply chains:** 51% of Africa's exports go to countries highly impacted by Covid-19, while 53% of its imports originate from such highly impacted countries. Quarantines and movement restrictions further frustrate supply chains within these economies.

Fig 1. Projected impact of Covid-19 on Africa's GDP growth, ECA estimates



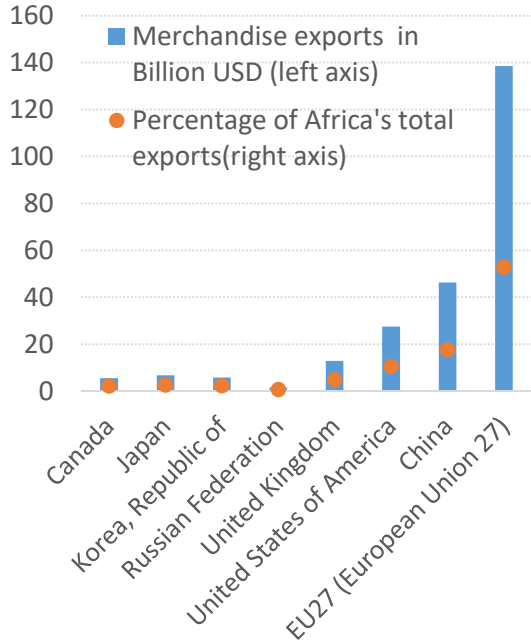
Source: ECA estimates

Fig 2. Africa's crude oil exports and imports (left axis; US\$ billion) and crude oil price (right axis; US\$/bbl)



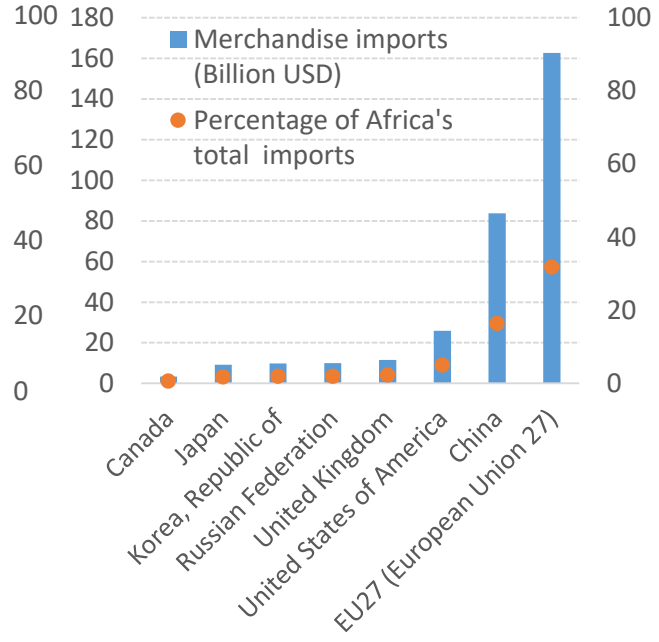
Source: ECA based on UNCTAD Stat

Fig 3. Africa's merchandise export flows with its main trading partners (based on annual average, 2016-18)



Source: Based on data from UNCTAD Stat

Fig 4. Africa's merchandise import flows with its main trading partners (based on annual average, 2016-18)



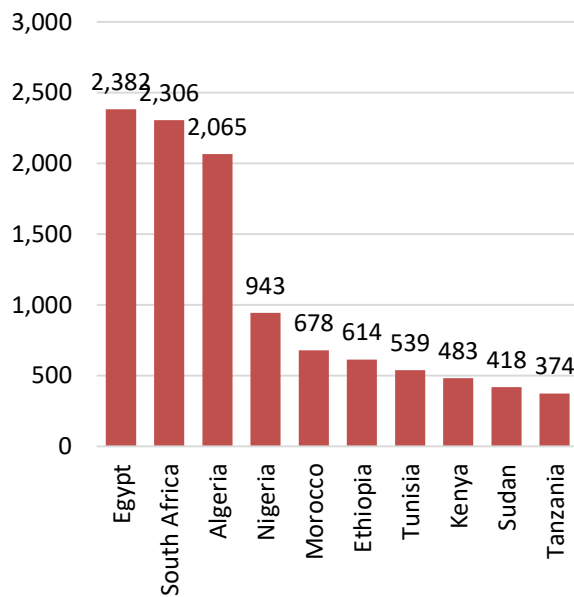
Source: ECA based on UNCTAD Stat

Trade is also a channel that affects Africa's immediate health response to Covid-19. All African countries are net importers of medicinal and pharmaceutical products, with Africa importing 94% of its pharmaceuticals in total.² Not only are many of the main providers of Africa's pharmaceuticals the countries that are most heavily disrupted by Covid-19, but at least 54 countries³ have now also limited exports of medical supplies in response to Covid-19. This puts Africa in a perilous position in accessing essential supplies.

² ECA. 2020. Economic Effects of the Covid-19 on Africa, presentation 18th March, Addis Ababa

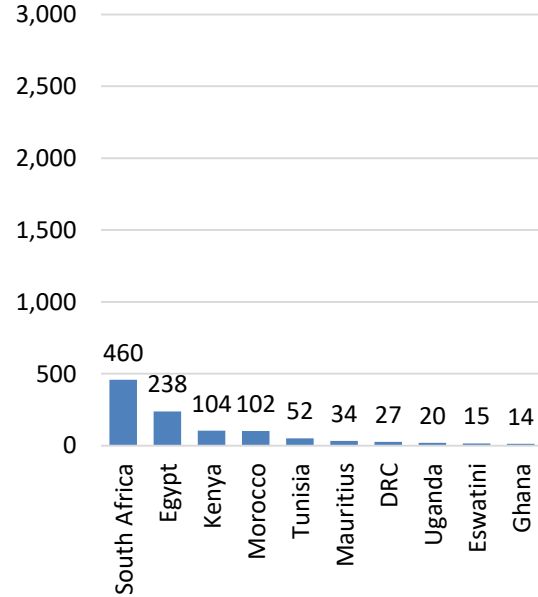
³ Global Trade Alert. 2020. Tackling Coronavirus: The Trade Policy Dimension

Fig 5. Top 10 African importers of medicinal and pharmaceutical products (US\$ mn, average 2016-18)



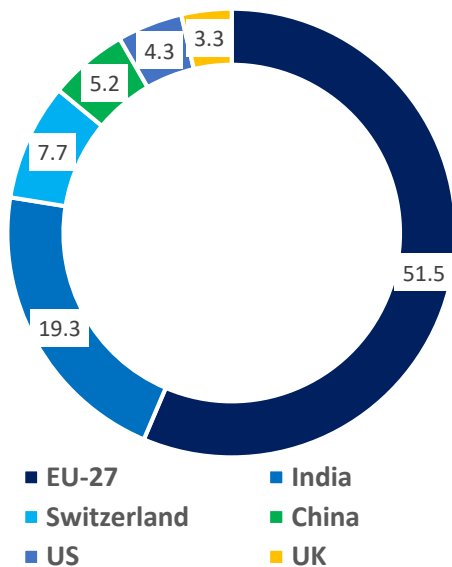
Source: Based on data from UNCTAD Stat

Fig 6. Top 10 African exporters of medicinal and pharmaceutical products, (US\$ mn, average 2016-18)



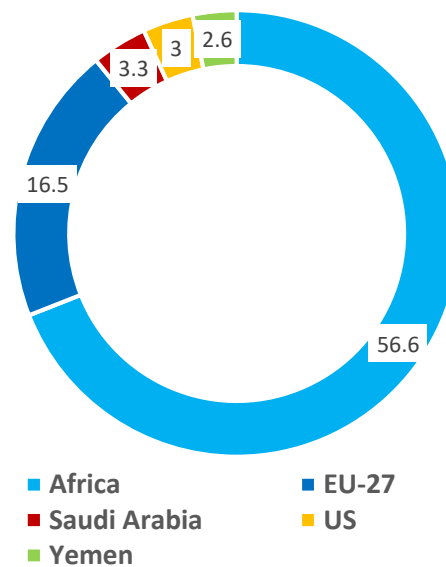
Source: ECA based on UNCTAD Stat

Fig 7. Africa's top import sources of pharmaceuticals (2016-18)



Source: Based on data from UNCTAD Stat

Fig 8. Africa's top export destinations for pharmaceuticals



Source: ECA based on UNCTAD Stat

1. Urgently suspend tariffs on essential Covid-19 imports

Africa is import dependent on many of the essential medical products to test for, protect against, and treat Covid-19. In the last three years for which data is available, Africa imported

\$99m in ventilators, mostly from the EU, followed by China and the US. Africa imported \$151m in textile face masks and face masks with mechanical parts, again mostly from the EU, China and the US. Africa will further have to urgently import Covid-19 testing kits.

	Africa's annual imports (US\$ 2016-18 average)	Africa's average MFN tariffs on imports	Africa's Max MFN tariffs on imports
COVID-19 Test kits/ Instruments and apparatus used in diagnostic tests	N/A	2.5	20
Protective garments and the like	748m	18.0	40
Thermometers	58m	4.1	20
Disinfectants/Sterilisation products	9,291m	9.1	50
Other medical devices	1,553m	2.6	5
Medical consumables	589m	7.4	50
Soap (bar, liquid and other)	839m	24.7	50

Source: ITC Trade for annual import estimates and WTO data on MFN tariffs, drawing from WCO's HS classification reference for Covid-19 medical supplies⁴. Note: Soap is an addition to the WCO's list.

Tariffs on these products can be high, constraining their affordable acquisition and distribution. Particularly problematic are:

- **Tariffs on protective garments**, like face masks, plastic/rubber gloves and surgical garments, which tend to come under the highly tariffed apparel and textile customs codes. Across Africa, the average MFN tariff on these products is 18%, rising to 40% in certain instances.
- **Tariffs on disinfectants/sterilization products**, which average 9.1% across Africa but in some instances reach 50% for specific products. ECOWAS (along with Argentina) have the highest average MFN tariffs across the range of disinfectant products in the world.⁵
- **Tariffs on medical consumables**, like gauzes, syringes, intubation kits and paper bed sheets, averaging 7.4% and reaching up to 50%.
- **Tariffs on soap**, which average as much as 24.7% reaching up to 50% in some instances. Africa has good productive capacity in some products, like palm-oil derived soap bars, but will also need to import surge supplies in these highly-tariffed products.
- **Tariffs on testing kits**, are currently low on average, but of critical importance to the monitoring and containment of Covid-19.

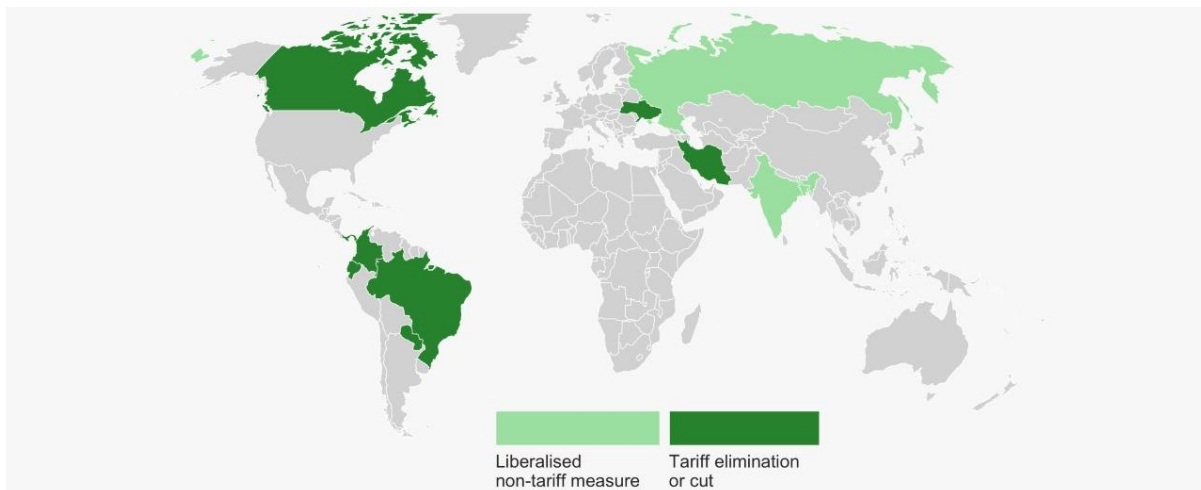
⁴ See <https://timeseries.wto.org/> for WTO MFN tariff data, and the following for the WCO's HS classification reference for Covid-19 medical supplies http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/natural-disaster/covid_19/hs-classification-reference_en.pdf?la=en

⁵ Global Trade Alert. 2020. Tackling Coronavirus: The Trade Policy Dimension

In some instances, the above tariffs can be superseded through special emergency public procurement rules, such as customs procedure codes for a health ministry. However, this is not the case for general private sector distributors, particularly those focused on the distribution of consumer-facing products like soap or face masks. African governments should **urgently suspend tariffs on essential Covid-19 imports**. A list of such products can be informed by the WCO HS classification reference for Covid-19 medical supplies as well as other essential goods beyond medical supplies to prevent shortages and skyrocketing prices.

Cutting import barriers to Covid-19 medical supplies and medicines was a strategy employed by China as early as mid-February.⁶ Since then at least 12 further countries have reduced related-medical import barriers.⁷ No African country has yet reduced import barriers on Covid-19 medical supplies.

Fig 9. 12 nations to have cut import barriers to Covid-19 medical supplies and medicines this year (excluding China)



Source: Evenett, Simon. 2020. Global Trade Alert, assembled media reports

2. Create customs ‘Green Lanes’ for super-fast clearance of medical supplies

Non-tariff barriers often frustrate imports more than tariffs: in intra-African trade the average import-weighted tariff is around 6.9% while the ad valorem equivalent cost of non-tariff barriers, regulatory differences, and divergent sanitary, phytosanitary and technical

⁶ South China Morning Post. 2020. China to refund US trade war tariffs on some medical devices amid coronavirus outbreak, Amanda Lee, 21 February 6.25pm, available: <https://www.scmp.com/economy/china-economy/article/3051824/china-refund-us-trade-war-tariffs-some-medical-devices-amid>

⁷ Evenett, Simon. 2020. Media reports assembled by the Global Trade Alert Team, University of St Gallen, Switzerland, 24 March 2020.

standards are estimated at 14.3%.⁸ As well as cost, non-tariff barriers also slow the import process: it takes about twice as many days to import into Africa than East Asia & Pacific.⁹

‘Green Lanes’ for fast customs clearance of medical supplies have been employed in the Covid-19 response of both China and the EU.¹⁰ In China, these facilitate quick inspection and release of imported pharmaceuticals, disinfection supplies, protective supplies, treatment equipment and other disease prevention and control related goods.¹¹ While ‘Green Lanes’ can be employed in Africa for imports from previously vetted sources, expedited but more rigorously inspected ‘Orange Lanes’ can be used for medical supplies from new sources.

Standards approval for medical and pharmaceutical products can be expedited. Owing to their sensitivity to human health, such products undergo more onerous safety quality assessment than other goods. Automatic registration of medical supplies that have met standards in trusted economies or that have been approved by the African Regional Standards Organization (ARSO) can help to fast-track standards approval.

3. Coordinate diplomacy against the imposition of export limits on essential Covid-19 medical supplies

As at least 54 countries have limited exports of medical supplies in response to Covid-19.¹² As Africa is wholly dependent on imports of some of these products, this puts **Africa in a perilous position in accessing essential supplies** including ventilators, testing kits and certain drugs. The UN Secretary General has already called against the imposition of such limits in his letter to the heads of the G-20.

While some restrictions can involve outright export bans, others can take the form of requirements to sell all medical equipment to the state, or intellectual property rights legislation that effectively frustrates sale abroad.¹³ Research tends to find that export limits raise the level and volatility of world prices while doing little to depress domestic prices, which are in part driven by other factors.¹⁴

Africa is not the only region with a dependency on certain essential Covid-19 medical supplies. Latin America, the Middle East, South Asia and central Asian countries have similarly severe dependencies on the imports of goods like medical ventilators.

⁸ Average tariffs faced by exporters within regions calculated with reference group weighted average tariffs based on 2013 MAcMap-hs6. For cost estimates of non-tariff barriers see, Cadot, O., A. Asprilla, J. Gourdon, C. Knebel and R. Peters. 2015.

⁹ World Bank. 2019. Ease of Doing Business

¹⁰ European Commission. 2020. Guidelines for border management measures to protect health and ensure the availability of goods and essential services, 16 March 2020, Brussels

¹¹ See GACC Announcement No. 17 of 2020 Announcement on Customs Formalities for Importing Donated Supplies for Tackling the Novel Coronavirus Related Pneumonia

¹² Global Trade Alert. 2020. Tackling Coronavirus: The Trade Policy Dimension

¹³ Ibid

¹⁴ World Bank. 2017. Grain Price Spikes and Beggar-thy-Neighbour Policy Responses: A Global Economywide Analysis, Hans G. Jensen and Kym Anderson, World Bank Economic Review, Vol. 31, Iss. 1, pp. 158-175

African diplomats must urgently escalate awareness over the threat that export restrictions on Covid-19 medical supplies will pose for the testing, monitoring, and protection against Covid-19 in Africa. **Coordinated diplomatic effort through the African Union is required to help Africa speak with one voice.** Diplomats can work with those from other sensitive regions to raise the profile of this issue, as well as calling to invoke the spirit of solidarity fundamentally behind the principles of the international trading system to ensure that all countries can have fair access to essential supplies on the market.

4. Identify Covid-19 medical supplies that can be produced with repurposed capacity within Africa

Surge global demand for essential Covid-19 medical supplies and the imposition of export restrictions by at least 54 countries¹⁵ means that reducing tariffs and facilitating imports is not enough. **Africa must also produce its own Covid-19 medical supplies.** With an emerging global recession, African manufacturers are already experiencing declining orders and excess productive capacity. Following the example of manufacturing plants in Italy, China and India, capable African manufacturers must repurpose excess capacity to the production of essential Covid-19 medical supplies, including face masks, ventilators, test kits, disinfectants, and medical consumables.

African governments and local companies must collaboratively identify Covid-19 medical supplies that can be produced within Africa.

Production shifts in some products are relatively easy, including textile factories producing face masks and alcohol factories sanitizer. In Ethiopia, the government has already worked with Sansheng Pharmaceuticals to produce hand sanitizer. In South Africa, U-Mask has redirected its production from protective masks for mining and agricultural companies to that for medical respirator masks.¹⁶

For technologically advanced devices like ventilators, this will be difficult and, if at all possible, require access to intellectual property, technical expertise, rapid safety review and approval, and government assistance as well as accompanying medical personnel for their application. In many countries auto manufacturers are switching to making ventilators, however Africa has few such manufacturers itself beyond Morocco and South Africa.

4.1. Demand urgent access to medical intellectual property

African governments should demand emergency exemption from intellectual property rights protections on Covid-19 medical supplies to support domestic production, particularly for pharmaceuticals. The WTO TRIPS decisions establish a precedent for producers in developing and least-developed countries to *use* patents in otherwise protected

¹⁵ Global Trade Alert. 2020. Tackling Covid-19 Together: The Trade Policy Dimension

¹⁶ Mail & Guardian. 2020. Face masks from SA to the world, 12 March, Thando Maeko, available: The attached slide shows all live flights in the world this morning. Flights across Africa are notable for their more-or-less general absence except for, interestingly, the areas with more lenient border restrictions

pharmaceutical and other products. What is further required is the **expedited sharing of novel patents, design schematics, and industrial techniques** in the following priority products:

- Covid-19 vaccines and antivirals or drugs shown to have some curative benefits including existing antiviral medicines
- Inexpensive and easily produced ventilator models
- Inexpensive and rapid testing kits
- Protective garments
- Medical consumables
- Highly effective disinfectants/sterilization products

4.2. Ensure international movement of critical health and technical experts

African governments should facilitate the international movement of experts including experienced Covid-19 health professionals as well as technical experts required to initiate and supervise the production and safety certification of essential Covid-19 medical supplies in African factories. WHO recommendations for international travel already argue against, “restrictions [that] may interrupt needed aid and technical support”.¹⁷ Already Indian manufacturers have reported travel bans as limiting their ability to rapidly accelerate production on Covid-19 medical equipment, such as ventilators.¹⁸

Cancelled flight capacity of national carriers can be redirected towards the chartered international movement of such expertise where required. As Covid-19 hit Italy, 300 Chinese intensive-care doctors moved to Italy to share advice and experiences.¹⁹ The same approach to the critical international movement of experts can be taken for the technical experts required for medical supply production.

4.3. Pool and share medical quality standards and resources for the rapid approval of new medical products

African standards bodies should pool and share resources to provide expedited testing and safety approval for new production of medical equipment in Africa. Africa faces extreme challenges in public health, partly owing from deficiencies in quality infrastructure for the medical industry. In the SADC region, South Africa remains the only state with a proper framework that recognizes medical devices in their own category.²⁰ The African Organization for Standardization (ARSO) has recommended fast tracking FDARS 1470-2019 hand sanitizers

¹⁷ WHO. 2020. Updated WHO recommendations for international traffic in relation to COVID-19 outbreak, 29 February 2020 available: <https://www.who.int/news-room/articles-detail/updated-who-recommendations-for-international-traffic-in-relation-to-covid-19-outbreak/>

¹⁸ Economic Times. 2020. Covid-19: Parts shortage may pull the plug on ventilator-making, available: <https://economictimes.indiatimes.com/industry/healthcare/biotech/healthcare/covid-19-parts-shortage-may-pull-the-plug-on-ventilator-making/articleshow/74784732.cms?from=mdr>

¹⁹ WSJ. 2020. Chinese Doctors and Supplies Arrive in Italy, March 18th 4.51pm, available: <https://www.wsj.com/articles/chinese-doctors-and-supplies-arrive-in-italy-11584564673>

²⁰ <https://www.nepad.org/news/medical-device-regulations-southern-africa-will-boost-innovation-and-improve-patient>

(alcohol-based). The specification is to be used as an interim measure for fabrication of sanitizer and some SADC countries are already using it.

Making standards for medical supplies freely available. Normally, standards must be purchased and used in line with the intellectual property right rules, as the copyright of the standards lies with the organisations that have developed the standards. Upon the urgent request of the Commission, the European Committee for Standardization (CEN) and the

European Committee for Electrotechnical Standardization, in collaboration with all their members, have agreed to immediately make available a number of European standards for certain medical devices and personal protective equipment. This action is expected to help EU and third-country companies willing to manufacture these items to swiftly start production and place products on the internal market more easily while ensuring a high degree of safety. The African Organization for Standardization can similarly play an important role in coordinating efforts amongst National Standards Bodies to make standards for medical supplies freely available, in order to enable companies to access the market for such fundamental medical and protection equipment quicker and to provide those in need with such medical equipment.²¹ The 11 priority COVID-19 standards developed by CEN could provide a helpful starting point for Africa.²²

4.4. Launch emergency Public-Private Partnerships for medical supplies

African producers with existing or potential capacity for producing Covid-19 medical supplies may be constrained from producing because of a lack of access to finance, expertise and inputs or concern over risks. **Emergency public-private partnerships can bring together the capabilities of government with the supply and production-side knowledge of the private sector** to overcome barriers to production.

Government can assure producers of expedited access to imported parts, cost-plus-pricing, the international movement of critical technical expertise, and general diplomatic and state assistance. In Italy, military technicians have been provided to Siare Engineering International Group to help expand production and assemble medical machines.²³ In many countries, car manufacturers such as Ford, General Motors, Nissan and Tesla are partnering with health care businesses to repurpose capacity towards medical equipment manufacturing.²⁴

Designing good public-private partnerships in health can be difficult and time-consuming in the best of times, but some African countries already have experience in health-related public-private partnerships to draw from.²⁵

²¹ https://ec.europa.eu/commission/presscorner/detail/en/IP_20_502

²² https://www.cencenelec.eu/News/Press_Releases/Pages/PR-2020-003.aspx

²³ Reuters. 2020. Army joins the production line as ventilator makers scramble to meet demand, Available: <https://www.reuters.com/article/us-health-coronavirus-ventilators-insigh/army-joins-the-production-line-as-ventilator-makers-scramble-to-meet-demand-idUSKBN2180JU>

²⁴ Marketwatch. 2020. Ford partners with GE, 3M to build ventilators, COVID-19 protective equipment

²⁵ ECA. 2019. Healthcare and Economic Growth in Africa, ECA Publications: Addis Ababa

4.5. Leverage the Regional Economic Communities and African Continental Free Trade Area for coordination

Africa's Regional Economic Communities should set up joint reporting mechanisms on the availability of supplies and production facilities. These can be accompanied by commitments to expand production with clear mutual agreements to export to each other.²⁶ A number of African countries already have medical supply capacity that can be accelerated through collaborations, including Morocco, South Africa, Tunisia, Egypt and Mauritius.

Over the longer-term, **African countries must use the African Continental Free Trade Area to create regional value chains for Africa to better serve its own health market**, estimated at \$259 billion annually.²⁷ Negotiators should ensure that medical supplies and not restricted within their African Continental Free Trade Area 'excluded lists'.

5. Digital trade in services

Social distancing policies to reduce the spread of Covid-19 have already been instituted in many African countries. These are most important for urban areas where population is dense. Those same areas have better digital infrastructure and skills. **Digital trade in services can form a part-solution to help increase the amount of African work that is socially distant.**

Covid-19 has already accelerated supply chain digitalization and consumer path digitalization in developed markets.²⁸ For instance, use of the workplace platform Microsoft Teams increased by 37% in just one week in mid-March.²⁹ As Covid-19 hit France in March, online traffic and transactions increased by 4% and 3.1% respectively for online supermarkets and by 15.3% and 2.1% respectively for online pharmacies.³⁰

Some African workers can integrate into new digital services demanded by Europe and other markets. Platforms like Amazon Mechanical Turk offer mostly low-capacity tasks, such as data cleaning and labeling. Freelancer and Upwork offer a range of work, including web development and marketing. Andela provides training for Africa's most talented software developers, before employing them remotely in tech companies around the world.

As of 2018, digitally-deliverable services amounted to \$2.9 trillion globally.³¹ While such exports from Africa are currently small, they are growing (see below figure). Beyond Covid-19, **Africa's future economic growth will need to increasingly tap such emerging digital opportunities.**

²⁶ Adam Posen. 2020. Available: <https://voxeu.org/system/files/epublication/COVIDeconomicCrisis.pdf>

²⁷ Ibid

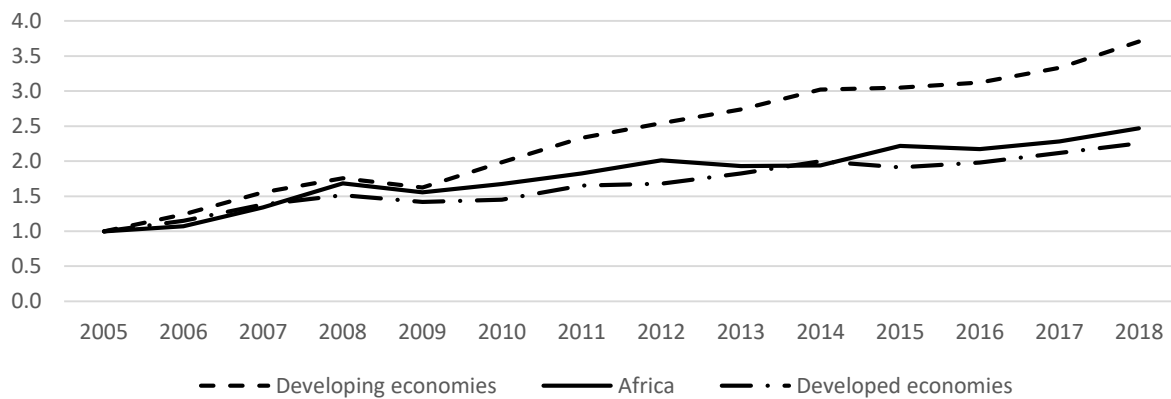
²⁸ McKinsey. 2020. COVID-19 response strategies in Apparel and Fashion, March 18th 2020 slide deck

²⁹ Geekwire. 2020. Microsoft Teams hits 44M daily active users, spiking 37% in one week amid remote work surge, Taylor Soper, March 19 6:00am

³⁰ Statista. 2020. Online transaction and traffic rates after Covid-19 outbreak in France in March 2020

³¹ UNCTAD. 2019. Digital Economy Report

Fig 10. Exports of digitally-deliverable services, 2005-2018, (Index numbers, 2005=1)



Source: Author's calculations using (UNStat, 2019)

5.1. Identify internet services as 'essential services' to avoid disruption

Working, fast internet helps some workers to be productive while practicing social distancing. To ensure continuing internet services, governments should include internet service workers within 'essential services' not subject to work from home restrictions.

5.2. Coordinate with telecom operators to improve internet service bottlenecks

Governments can coordinate with telecom operators to remove any policies or regulation that may cause distortionary price increases, or limitations in Internet speeds and reliability. As of mid-February, Ethiopia had worked with Ethio Telecom to reduce tariffs on fixed broadband services and triple speeds.

5.3. Fast-track mobile money adoption

To reduce physical money as a vector for the transmission of Covid-19, Kenya's largest telecom operator, Safaricom, has implemented a fee-waiver on the popular east African mobile-money product, M-Pesa. On 25 March, Ghana launched a Universal QR Code and Proxy Pay to move further into cashless payments.³²

5.4. Publicize and raise awareness of digital work opportunities

This can help African workers identify and connect with digital services opportunities. African governments and their employment agencies can partner with digital service platforms, such as those mentioned above, to publicize digital work.

5.5. Rapidly deploy digital infrastructure

Africa's digital infrastructural foundations need improving, particularly in the face of increasing demand from more socially-distant work. On 23 March, Kenya signed an agreement with Google Loon to allow 'Loon Balloons' to fly over Kenyan airspace carrying 4G base stations to

³² Modern Ghana. 2020. Bawumia Launches Universal QR Code for Electronic Payment, 25 March, available: <https://www.modernghana.com/news/991713/bawumia-launches-universal-qr-code-for-electronic.html>

improve internet coverage reportedly as a way of tackling the Covid-19 impact on productivity.³³

5.6. Expand access to digital work

Over the medium-to-longer term it will be necessary to ensure that digital services trade provides opportunities not just for Africa's better educated and resourced workers. This will involve improving digital skills training and education and access to computers. Fortunately, computers and laptops face relatively low import tariffs in Africa, ranging from MFN zero to 10% and averaging 3.4%. However, the improvement of digital skills is a longer-term endeavor.

³³ Kenyans.co.ke. 2020. Google Loon: What it Means for Kenya, 23 March 2020 8.12pm, Samuel Waitathu, available: <https://www.kenyans.co.ke/news/51166-loon-technology-what-it-means-county-photos>