IV. Special topic: Market access for medical goods

Introduction

The COVID-19 pandemic has highlighted the importance of easy access to affordable medical products. Shortages of essential products and increased prices have made it all the more challenging for countries to combat the crisis.

Identifying the products deemed to be critical for tackling COVID-19 has also proved to be challenging as there has been no universally accepted de nition of what constitutes “medical goods”.

In the Harmonized System (HS) used to classify traded goods, some medical products such as medicines and medical equipment are easy to identify. However, some essential medical supplies, such as protective equipment, are more dif cult to pinpoint. The HS six-digit subheading, which is the most-detailed breakdown available, has not been used uniformly across countries to classify certain products.

This special topic presents tariff statistics based on the list of medical

1. HS classi cation reference for COVID-19 medical supplies, 3.0 Edition

Tariffs on medical goods

The main source for this special topic is the information note on Trade in Medical Goods in the Context of Tackling COVID-19[2] published by the WTO Secretariat in April 2020. The note measures trade in medical goods and
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2. http://www.wto.org/english/news_e/news20_e/rese_03apr20_e.pdf

products is 26 per cent. Almost one-third of WTO members (32 of the 135 of cial schedules of commitments[3]) have an average bound tariff of more than 50 cent. For two of these members, it is even higher than 100 per cent. The Pharma Agreement and the Information Technology Agreement have contributed to lower bound tariffs for "medicines" and "medical equipment" compared with "medical supplies" and "personal protective products".

MFN applied tariffs

The average most-favoured nation (MFN) tariff applied by WTO members to medical products is 4.8 per cent based on latest available of cial data in the WTO Integrated Database (IDB). Table 2 shows that about half of WTO members[4] have an average tariff of 5 per cent or lower. Four of these members impose no tariffs at all for these medical products.

The highest tariffs are for personal protective products, which have an average of 11.5 per cent, with more than half of WTO members (77) levying tariffs of at least 10 per cent for these products. This differs from bound tariffs, where the highest tariffs are for medical supplies. Medicines have the lowest bound tariffs (21.3 per cent) and applied tariffs (2.1 per cent) among the product groups.

Bound vs applied tariffs

The difference between the bound tariff and the MFN tariff applied by a WTO member is referred to, in WTO jargon, as binding overhang, policy space or "water in the tariffs". Chart 1 shows the magnitude of the binding overhang across all product groups.

The binding overhang for all medical products is 21.2 percentage points with the level of the bound tariff at more than ve times the level of the applied duty. The lowest bound and applied tariffs are for medicines, but the average bound tariff for this category is over ten times higher than the applied tariff. The narrowest binding overhang is for protective products, where the average bound tariff is around 17 percentage points higher than the applied tariff.

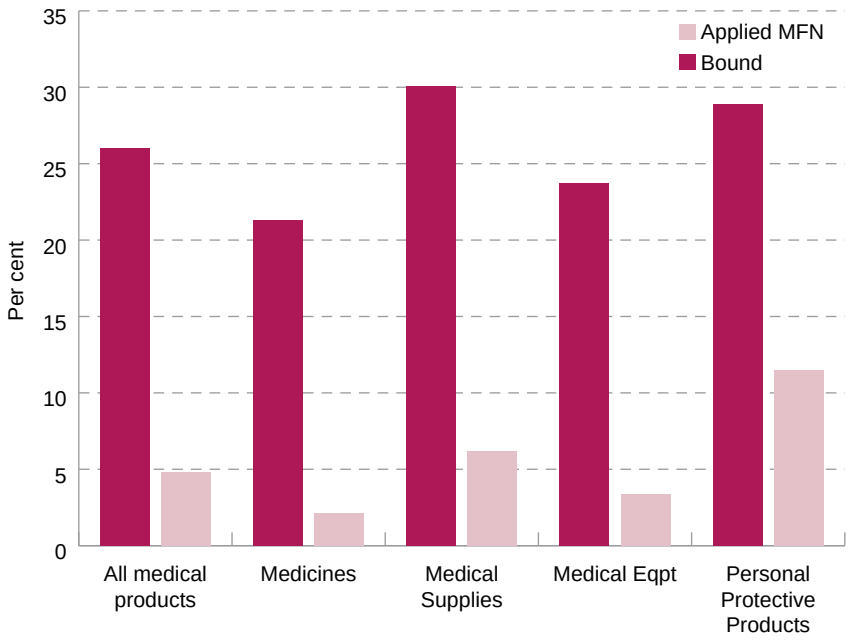
Medical supplies have the highest bound tariff at 30.1 per cent, with around 23.9 percentage points of "water" compared with the applied tariffs. For medical equipment, including HS subheadings in the ITA and ITA-expansion product coverage, the binding overhang is the second highest among the product groups (20.3 percentage points).

Table 2: Average MFN tariffs applied by WTO members, by medical product group and tariff range

	All medical products	Medicines	Medical supplies	Medical equipment	Personal protective products
AVERAGE MFN TARIFF	4.8%	2.1%	6.2%	3.4%	11.5%
Tariff range (%)	Number of WTO members				
Duty Free	4	72	6	19	5
0 <=2.5	31	21	20	51	5
2.5 <=5.0	35	18	34	18	19
5.0 <=7.5	42	9	42	28	19
7.5 <=10	14	11	15	15	9
10 <=15	5	3	11	2	30
> 15	3	0	6	1	47

Source: WTO Information Note, "Trade in Medical Goods in the Context of Tackling COVID-19".

Chart 1: Bound tariffs and MFN tariffs applied by WTO members, by medical product group



3. The European Union and the United Kingdom have communicated that during the transition period, which ends on 31 December 2020, EU law, with a few limited exceptions, continues to be applicable to and in the United Kingdom. During that transition period, the EU most-favoured nation (MFN) applied and preferential tariffs continue to be applicable in the United Kingdom. See WT/Let/1462 and WT/GC/206. Thus, EU27 and the United Kingdom count as one. Switzerland and Liechtenstein also count as one.
4. Afghanistan has not made an of cial IDB noti cation. Thus, only 134 members are included in the analyses for applied tariffs.

Download the data:
www.wto.org/statistics

Tariffs relating to the WCO list for COVID-19 medical supplies

In response to increased demand for medical supplies and heightened interest in the tariffs applied to these products, the World Customs Organization (WCO), the guardian of the HS, worked with the World Health Organization (WHO) to issue the WCO/WHO HS Classi cation List for COVID-19 Medical Supplies[1]. The most recent edition used for this publication was published on 2 June 2020.

The document provides a list of HS codes for medical products, allowing for more precise classi cation of these supplies with the aim of facilitating trade in these goods. The document stipulates that it is an indicative list intended primarily for Customs purposes and recommends that users consult relevant Customs administrations if there are any discrepancies in this list.

The list consists of eight sections, identifying what the WHO considers as essential supplies in combating COVID-19 (see Table 3). Unlike the WTO list, the WCO document does not cover medicines but it includes a more exhaustive inventory of medical supplies, such as protective garments, and medical tr (io)-11 (s)12 (3o)1.2 (s t)-6.t013 Tc -01013 Tw 0 11.222 Td [(gar)-3. (s431 (d)5.414.5.o)0.5 g (io2.1.(a1.5 (n)

5. The three HS 4-digit codes are 9018, 5603 and 8703. HS headings 9018 and 5603 are included under Section VI while HS heading 8703 is in Section VII. HS heading 9018 refers to “disposable emergency cricothyrotomy set”, which can be classi ed in any subheadings within this HS heading. Thus, the classi cation domain is quite ambiguous for this one highly specialized medical consumable. HS heading 5603 refers to “non-woven textile pads…”. The classi cation at the subheading level depends on the weight of the pad. HS heading 8703 refers to “ambulances”. The classi cation at the subheading level depends on the type of engine.

Table 3: Bound tariffs and MFN tariffs applied by WTO members on WCO list of COVID-19 medical supplies, by section

Section*	Binding coverage (%)	Average bound tariff (%)	Average applied MFN tariff (%)
ALL COVID-19 med122 (O)4.1 (V)-24.6 (I)-27.6 (D)-59619.1	(d)]T s.-e269c08oeion 1	Tf 0.0011 Tc378i.m33122	(7 (.m)456. (3on)11.9 231

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Conclusion

It is important to examine the tariffs applied to medical products as these tariffs affect the supply and affordability of such items. Some of these products have high tariffs applied by WTO members because their bound rates are high or even unbound.

The product coverage of relevant WTO sectorial multilateral agreements and members' participation are moderately limited to signi cantly improve the market access to these products. Further re nement of the HS classi cation of products or agreement by WTO members to have uniform HS subheadings for particular medical goods would help researchers to easily identify relevant products and to gather comparable statistics, which

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Annex 2: Bound tariffs and MFN tariffs applied by WTO members on the WCO list of COVID-19 medical supplies, by section

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	All COVID-19 medical supplies			I. Test kits			II. Protective garments			III. Disinfectants			IV. Oxygen therapy equipment		

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