European Industry trade and supply chain needs to respond to Covid-19

EU Trade Ministers

Brussels, 10th of April 2020

Your excellency,

The European industry is working around the clock to increase capacity and ensure supply of critical medicines and medical and protective equipment (e.g. diagnostic tests, ventilators, protective masks, gloves and gowns, Intensive Care Unit medicines and equipment, and protective clothing) to patients and healthcare workers across Europe in light of the Covid-19 pandemic. To that end, industry is pushing capacity limits to meet the exponential rise in demand and needs continued coordinated and collective action from the EU and Member States to maintain open trade and efficient supply chains, both within the EU and with the EU's trading partners. This enables us to better address the challenges in getting essential supplies to the patients and healthcare workers that need them.

We welcome the constructive and action-oriented cooperation with Member States, the European Commission, and the European Medicines Agency to date in order to find practical measures to overcome the unprecedented challenges. These practical measures include setting up 'green lanes' to facilitate the flow of goods, or measures to temporarily waive customs duties and VAT on imports of some medical and protective equipment from non-EU countries that we would also like to see extended to private entities. We fully support the message of the European Commissioner for Health and Food Safety, Mrs. Kyriakides, asking national authorities to show solidarity, ensure supply and appropriate allocation, promote the optimal use of medicines, and optimise sales in community pharmacies to avoid hoarding.[1]

We fully understand the pressure countries and their healthcare systems are under, but we are at the same time concerned by the increase in government restrictions affecting medical and protective equipment and medicines (from raw materials to finished pharmaceutical forms) both globally and in Europe. These measures are having a serious and immediate impact on the globally integrated supply chains that ensure quality, safety, innovation and distribution across the health sector. Export bans – or other measures that restrict the manufacture or supply of medicines, clinical products and medical equipment[2] – do more harm than good: immediately, they amplify or increase the risk of supply shortages, disrupt distribution channels, hinder the conduct of clinical trials, lead to imbalances between

[1] https://ec.europa.eu/commission/presscorner/detail/en/ip_20_622

[2] For example: requisitions, advanced shipment notifications, stockpiling requirements, confiscations, or export restrictions on specific products only.

supply and demand, and risk retaliatory measures from trading partners that could likewise impact patients in other countries. These measures also result in significant added supply chain management delays and costs at a time when companies should be dedicating their time and resources to increasing global supply and finding durable solutions to the current crisis. In the medium-term, they inhibit innovation and endanger manufacturing of medicines, both generic and innovative, as well as innovative medical equipment and services which are crucially needed to combat this pandemic and its aftermath.

We invite EU governments to partner with industry, and to intensify their co-operation as this crisis evolves. Such collective work needs to not only happen among EU Member States as is already increasingly the case today; it also requires engagement with trading partners globally, as reflected in the recent G20 Trade Ministerial Statement.[3] This would also manifest the EU's leadership role in defending an open and rules-based global trading system.

In particular, we call on EU Member States and the European Commission to:

- Lead by example by refraining from imposing export and import restrictions or other barriers (e.g. stockpiling requirements) that will disrupt already stretched global supply chains, both within the EU and with third countries. This makes it possible for production to be maximized globally and for distribution to be carried out most effectively to where essential supplies are needed.
- Continue engaging with trading partners (e.g. US, India, China, Malaysia, Russia) to ensure all relevant parties refrain from such restrictions. Different industries are exposed to varying degrees in different countries, but all need global supply chains to continue to work more than ever.
- Ask all countries to facilitate trade by eliminating tariffs on medicines and medical and protective equipment in an unbureaucratic and comprehensive way, to provide enhanced flexibility through customs authorities accepting electronic documents, and to encourage countries to work together to update the WTO pharmaceutical zero-for-zero initiative and extend it to all pharmaceutical and medical goods.
- Apply EU Member States' guidance for importation of clinical products in relation to the required documentation in a flexible manner at the border. In particular, let critical batches of essential supplies pass while carrying out any needed regulatory documentation checks in parallel.
- Avoid listing intermediate and final products of the healthcare sector and related supplying industries (e.g. medicines, textiles, intermediate chemicals, medical and protective equipment) in the retaliatory or rebalancing measures the EU wishes to engage in in response to trade disputes with third countries.
- Enhance further investments in crucial industrial sectors in Europe, linking to the framework of the new EU Industrial Strategy by fostering EU innovation and production and ensuring a holistic approach with more sector specific policies to be announced later this year.

In order to beat the pandemic, we need global cooperation, shared resources, and significant investments. The current increases in zero-sum unilateral trade policies could lead to tit-for-tat policies that hamper the global response to contain Covid-19. WTO Director-General, Roberto Azevedo, on the 6th of April 2020 said: *"It is in all countries' interest to cooperate on keeping trade in medical products broadly open. No country is self-sufficient, no matter how powerful or advanced it may be. Trade allows for the efficient production and supply of medical supplies and equipment as the disease progresses*

[3] https://g20.org/en/media/Documents/G20_Trade%20&%20Investment_Ministerial_Statement_EN.pdf

along different timelines in different countries. [...] The ongoing blow to public finances and household budgets will be bad enough without making necessary supplies scarcer and more expensive.[4]"

We look forward to working with you, getting your support, and contributing to a united and coordinated front to tackle the COVID-19 challenge together.

Yours sincerely,

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[4] https://www.barrons.com/articles/wto-chief-medical-exports-are-critical-as-the-coronavirus-slows-global-trade-51586163600