

THEMATIC

## Geopolitics of the vaccine



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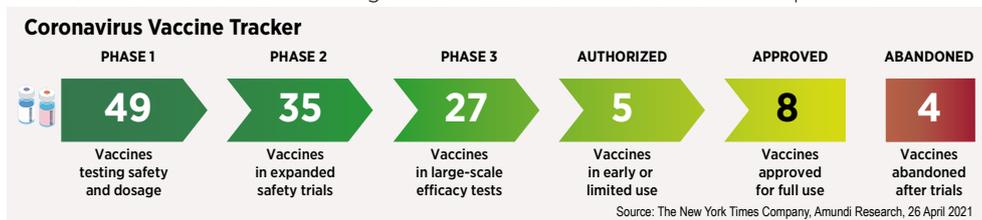


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**Eighteen months after the first Covid-19 cases hit China, the outbreak is still uncontrolled globally and remains the main source of economic uncertainty outside Northern Asia. As long as there is no treatment, access to effective vaccines is the main factor in returning to a ‘normal’ life. Only a handful of countries can produce jabs on a large scale, whereas we already know it will take years to reach herd immunity. Therefore, vaccines have become a form of geopolitical soft power, which exacerbates or redesigns the influence of the US, Europe, China and Russia.**

More than a year after the outbreak shut down the world, new lockdown measures are perceived as political failures. They have a negative impact on the economy but also on social cohesion and probably people’s mental health. Yet, as long as there is no treatment for Covid-19 and mass vaccination does not bring herd immunity, mobility restrictions and social distancing are the

only solutions available. Hence, the race by governments to get access to effective vaccines in high volumes. As we speak, there are seven vaccines approved for full usage, six authorised for limited use, 23 in phase 3 development with large-scale efficacy tests, and more than 80 in phase 1 or 2. Therefore, it is likely that the number of available vaccines will double in the second quarter.



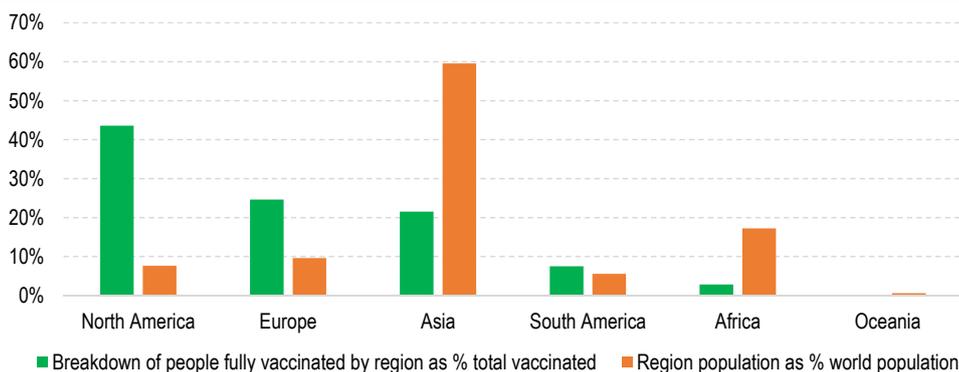
So far, 160 million people have been fully vaccinated according to OWD (University of Oxford), i.e., 2% of the world population, out of which 60% are living in the US or the European Union, which account for less than 10% of the world population (see Graph 1). A few countries are running ahead in the vaccine race, such as Israel, where 61% of the population has received at least one dose, the UK (46%) or the US (36%), but Europe is far behind, with 12% to 13% of the population who has received a jab. Emerging countries are even further behind, with less than 5% in India, Russia or Indonesia. China doesn’t officially have Covid cases... and we don’t

have accurate vaccination numbers yet, but it’s unlikely that more than 5% of the 1.4 billion Chinese have got a first jab at the time of this writing. COVAX<sup>1</sup> is running behind schedule, therefore the vast majority of the world population won’t be vaccinated by the end of the year. Moreover, variants, the low duration of immunity, and the likely resurgence of the outbreak over the coming years means that we might need to be vaccinated regularly to keep our immune system effective.

There are two consequences to this: (1) it will take years to reach global herd immunity, (2) vaccines are very powerful geopolitical weapons.

<sup>1</sup> COVAX is the vaccines pillar of the Access to COVID-19 Tools (ACT) Accelerator. The ACT Accelerator is a ground-breaking global collaboration to accelerate the development, production, and equitable access to COVID-19 tests, treatments, and vaccines. COVAX is co-led by Gavi, the Coalition for Epidemic Preparedness Innovations (CEPI) and WHO. Its aim is to accelerate the development and manufacture of COVID-19 vaccines, and to guarantee fair and equitable access for every country in the world.

### 1/ Uneven vaccination among regions



Source: Our World in Data, World Bank, Amundi Research Data as of April 9 2021

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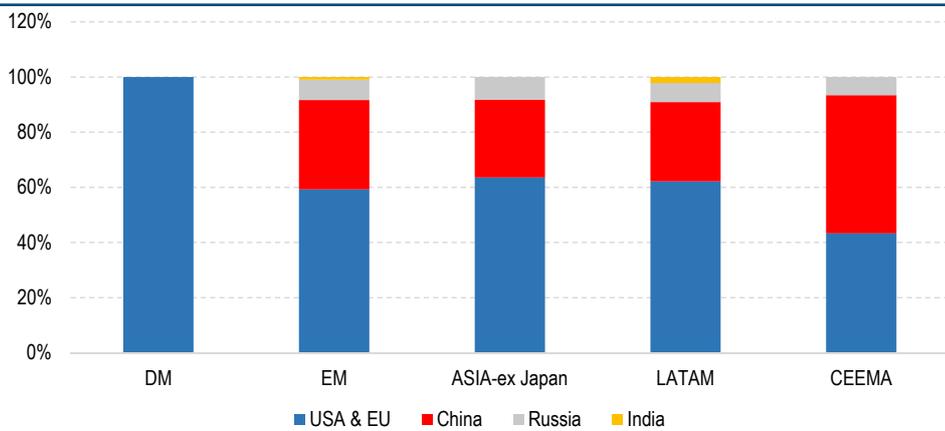
While through 2020, China came out more victorious from its successful management of the domestic health crisis and strengthened its influence as the leading economy in the global recovery, 2021 has been more favourable for the US and Europe.

The unprecedented technological innovation of mRNA vaccine development is leading to more domestic control of the virus and a strong comparative advantage in the geopolitics of vaccine diplomacy. Among

the countries that have reserved enough vaccines to cover more than half of their population older than 15 years, 100% of vaccines reserved in Advanced Economies (AEs) are from these countries. For instance, in the US the breakdown is roughly 50% Pfizer/BioNTech and 50% Moderna. But in emerging economies, 32% of vaccines ordered are from China and 7% from Russia (see Graphs 2 and 3). For instance, in CEEMA 50% of vaccines reserved have come from China so far<sup>2</sup>.

<sup>2</sup> According to Duke Global Health Innovation Center as of April 9 2021

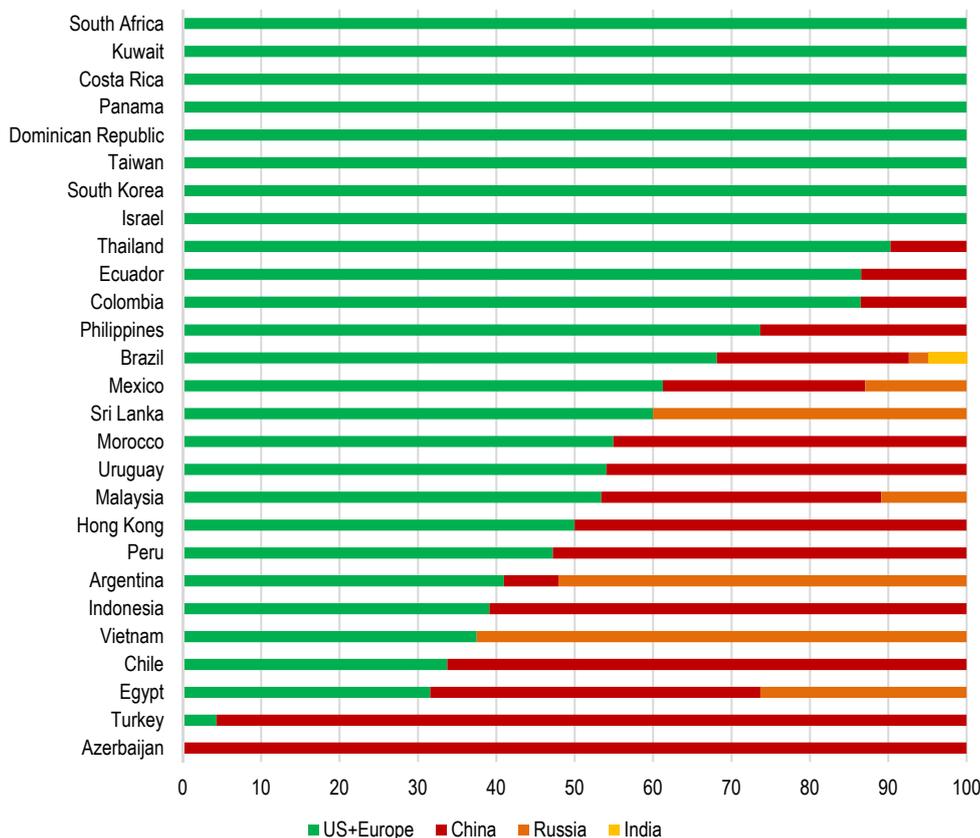
2/ Vaccine providers' country by region



Source: Duke Global Health Innovation Center, Amundi as of April 9 2021

In EM, 32% of vaccines ordered are from China and 7% from Russia

3/ EM Distribution of vaccines reserved per country's providers as of total (%)



Source: Amundi Research, Duke Global Health Innovation Center as of April 9 2021

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## Vaccines are very powerful geopolitical weapons

The first strategic game for Europe and the US is to protect their own populations, close their markets by approving only AE products (see Russian SputnikV ban), and very quickly bring vaccines to Africa, Latin America and the Middle East to contain Chinese and Russian influence there. However, while AEs are still focusing on managing their domestic crises, China and Russia are taking advantage to fill the gap of short supply and long waiting periods in the emerging world, and, by this, consolidate diplomatic ties. The bilateral agreements between Russia and the EU's eastern countries (Hungary, Slovakia, and possibly the Czech Republic<sup>3</sup>) to access Sputnik V is a good example. Most importantly, it sheds light on the soft-power that vaccines can procure. Indeed, Russia may gain inside support to lessen the likelihood of EU's sanctions.<sup>4</sup> Nevertheless, Chinese vaccines recorded disappointing results abroad (Brazil and Chile), and both countries still need to vaccinate their own population (China has set a target of 40% by the end of June), or risk further outbreaks. The US, whose vaccination campaign is successfully running ahead of schedule, is organising with the other "quad's members"

(Australia, India, and Japan) a common initiative to export vaccines in the Indo-Pacific that may counterbalance China's influence.<sup>5</sup>

The second strategic game is around contracts, i.e., price, volume and copyrights and is happening within advanced economies. In Europe, AstraZeneca (AZN) produces half of jabs. Since the AZN vaccine has a lower efficacy rate and has lost some public support, European demand for US patented vaccines is very high. As an early and successful "investor", the US wants to protect its return. The EU, which has been focusing on price and equal distribution but with the "wrong weapon", is under huge internal pressure to accelerate vaccination rollouts and produce US vaccines in its own labs. Moreover, US pharma companies that are distributing available vaccines are now working on boosters, next-gen vaccines and paediatric trials, which will be key to reaching full immunity. The US have the best products and have vaccinated a larger share of their population, so they are on the road to victory in this Covid-19 vaccine geopolitical game.

Finalised on 15 April 2021

<sup>3</sup> Czech PM names fourth health minister amid Sputnik vaccine strife, Reuters – Apr. 7, 2021

<sup>4</sup> Vaccine diplomacy will bring modest gains, Eurasia Group – Apr. 1, 2021

<sup>5</sup> Vaccine initiative seeks to boost the quad's influence in the Indo-Pacific, Eurasia Group – Mar. 5, 2021

Vaccines' efficacy									
Company	Pfizer-BioNTech	Moderna	AstraZeneca	J&J	Novavax	Sinopharm	Sinovac	CanSino Biologics	Gamaleya
Country	US & Germany	US	UK & Sweden	US & Belgium	US	China	China	China	Russia
<b>Efficacy rate</b>	91%	>90%	76% (U.S study)	US: 72%, BRL: 68%, SAF: 64%	96%	79% no details published of Phase 3 trial.	BRL: 51%, TKY: 91%, CHL: <70% no publication of trials' details	65% no details published of Phase 3 trial and efficacy could decrease over time according to the chief scientific officer	92%
Variant efficacy									
<b>Brazilian variant</b>	expected to be effective	expected to be effective	effective				may not be effective		
<b>South-Africa variant</b>	slightly less effective	slightly less effective	not effective (however, small trial)	less effective	49%	slightly less effective but no publication in a medical journal			

Source: NY Times, Reuters, Amundi Research

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