

How to reverse pandemic-era moves in the wrong direction

The Case for Free Trade in Medicine

In a new study, “Trade Is Good for Your Health” (Policy Analysis no. 918), Cato adjunct scholar James Bacchus makes the case for the “increasing need to free up medical trade to help end the COVID-19 pandemic and secure global health.”

During the pandemic, many governments moved in the exact opposite direction. Not only do import tariffs, export restrictions, and other trade barriers continue to hobble the global market for life-saving goods, additional limits were imposed during the pandemic under misguided theories of economic nationalism.

Bacchus, a former member of Congress and former chief judge for the Appellate Body of the World Trade Organization (WTO), sees an important opportunity for the WTO to put freeing up global trade in health care at the top of the agenda for its ministerial conference in Geneva in November 2021. As he explains, “the response to COVID-19 has demonstrated that we do not yet have free trade in medicines and other medical goods.” For all medical products, the average tariff ceiling pledged by WTO members is 26 percent. But almost one-third of WTO members have an average bound tariff on medical products of more than 50 percent. These import taxes are an immense outlier from the low-tariff regime the WTO has produced for most other goods.

The pandemic also produced a rare and even more harmful policy: export restrictions. India banned exports of respiratory masks and some 26 pharmaceutical ingredients. An executive order issued by President Donald Trump in August 2020 required federal agencies to buy only American drugs and medical supplies. German authorities even halted delivery of 240,000 medical masks to next-door Switzerland.

In total, by the end of 2020, 92 govern-



ments had taken a total of 215 measures restricting exports of medicines and medical supplies. As Bacchus explains, medical supplies have been subject to an unwarranted degree of carve-outs from the WTO’s general rules against trade barriers. Particularly abused have been provisions for “essential” products and “critical shortages,” in spite of past rulings seeking to narrow those exceptions.

“WTO members should eliminate all tariffs on medicines and other medical goods,” according to Bacchus. “Practically speaking, this could be done in part by expanding both the membership and scope of the Pharma Agreement,” an agreement among many leading economies to liberalize free trade in pharmaceuticals but which most WTO members have not yet joined. He also suggests that the WTO needs new disciplinary measures on export restrictions and should reconsider whether any export restrictions on medical goods should be deemed “necessary” and thus legal.

The ideas for reform do not stop there. “Other worthy ideas for new WTO rules

include: promoting transparency in all national measures taken for dealing with COVID-19; waiving ‘buy local’ requirements for medical goods; eliminating all the nontariff barriers that hinder trade in medicines and medical equipment; adopting international standards to help ensure the safety and the quality of imported medical goods; giving the go-ahead to targeted subsidies for producing new medicines for COVID-19; and reaffirming that WTO rules permit compulsory licensing of needed medicines by developing countries.”

With the COVID-19 pandemic having already killed more than four million people worldwide, the need for free and open trade in medical supplies and pharmaceuticals has never been more urgent. As it has for trade more generally, the WTO offers an important mechanism for national leaders to resist domestic political pressure for protectionism and nationalism. Now, the international organization must meet the moment and prioritize much-needed protections for the free flow of medical goods across international borders. ■