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Negotiating Group on Market Access

MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Open Access to Enhanced Healthcare

Communication from Singapore, the United States and Switzerland

Introduction

1. According to the World Health Organisation, around one third of the world's population lacks access to essential medicines. Access to health care is especially difficult in poor countries, which have the lowest life expectancy and highest disease burden. These are the countries that have the most to gain from a sectoral initiative in this area. Long term, sustainable improvements in economic growth and poverty reduction are closely linked to improvement in the quality of health care. According to one study, a one-year improvement in a population's life expectancy contributes to a 4 percent increase in production[1]. High tariffs on healthcare products impede access to quality health care.

2. While many countries have zero percent tariffs on medicines, a number of countries still retain significant tariffs as high as 40%. Similarly, tariffs on medical devices in many countries range between 10-15% and can be as high as 30%. As poor patients are least equipped to cover this additional cost, some countries have taken positive steps to address tariffs in these sectors, but there remains room for substantial tariff reductions to promote healthcare.

3. Where healthcare is funded by governments, trade barriers have the effect of increasing these governments' healthcare costs. Any gain in tariff revenue is directly offset by the added expense to public health agencies. Moreover, according to an analysis by the World Health Organization, revenues raised by import tariffs on medicines comprise a relatively small proportion of government revenues.[2]

4. By reducing the prices of medicines and medical devices through substantial reduction or elimination of import tariffs and specific non-tariff barriers, WTO Members can take concrete and effective action to improve access to medicines and medical devices needed to treat a wide variety of diseases effectively and ensure that these goods reach patients expeditiously at a lower cost. Ultimately, this could improve patient welfare, especially in developing countries, and support the overall Doha Development Agenda by making trade work for the poorest. Studies have shown that investing in improved health care, including medical technology products and pharmaceutical products, yields economic benefits two to three times the cost[3].

[1] D. Bloom, *et al* (2003) "The Effects of Health on Economic Growth: A Production Function Approach: *World Development*, Vol. 32 No. 1, pp. 1-13.

[2] M. Olcay & R. Laing (2005) "Pharmaceutical Tariffs: What is Their Effect on Prices, Protection of Local Industry, and Revenue Generation" CIPR, http://www.who.int/intellectual property/studies/TariffsonEssentialmedicines.pdf

[3] MEDTAP International (January, 2004) "The Value of Investment in Health Care."

5. Recent outbreaks of infectious diseases and increased international travel, means the healthcare systems of all nations are now inescapably interconnected. Tariffs and other trade barriers on pharmaceuticals and medical devices could impede efforts to fight the spread of diseases. For these reasons, WTO Members should address tariffs and other barriers in an integrated manner for both pharmaceuticals (see Annex 1) and medical devices (see Annex 2) as both contribute to the improvement of global health.

Annex 1: Open Access to Medicines

Global Trade in Medicines

1 The total value of global trade (exports plus imports) in pharmaceuticals exceeded $145 billion on average between 1999 and 2001[4]. During the Uruguay Round, WTO Members participating in the Pharmaceutical Agreement agreed to eliminate import tariffs on finished pharmaceuticals and intermediate chemicals used in pharmaceutical products. Over $114 billion of global trade in pharmaceuticals was covered under this initiative. However, almost $33 billion of trade in pharmaceuticals is still traded subject to duty, predominately by developing countries.

Building a Medicines Agreement using Critical Mass

2. A medicines initiative in the Doha Development Round should build on the success of the Uruguay Round and include WTO Members who are key consumers and producers of pharmaceuticals. Such an initiative would also encourage further growth in global pharmaceutical exports, which have already grown by more than 300 percent between 1994 and 2003, as compared to a cumulative increase of 75 percent in all industrial global exports.

Product Coverage

3. The product coverage should be as comprehensive as possible building on the Uruguay Round pharmaceutical agreement. It should include all drugs of Chapter 30, four HS headings in Chapter 29 (2936, 2937, 2939 and 2941):

HS 4 Digits	Description
2936	Provitamins & vitamins, natural or reproduced by synthesis (including natural concentrates)
2937	Hormones, prostagl&ins, thromboxanes & leukotrienes, natural or reproduced by synthesis
2393	Vegetable alkaloids, natural or reproduced by synthesis, & their salts, ethers, esters & other derivatives
2941	Antibiotics
3001	Gl&s & other organs for organotherapeutic uses, dried, whether or not powdered
3002	Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses
3003	Medicaments (excl goods of 3002, 3005 or 3006) consisting of 2 or more mixed for therapeutic or prophylactic uses
3004	Medicaments(excl goods 3002, 3005, 3006) consisting of mixed/unmixed products therapeutic or prophylactic uses, measured doses
3005	Wadding, gauze, bandages etc for retail sale for medical, surgical, dental or veterinary purposed
3006	Pharmaceutical goods specified in note 4 to this chapter

4. Product coverage should also include all pharmaceutical bulk active ingredients in HS Chapters 28, 29 and 38; and all chemical intermediates used solely in the production of pharmaceutical active ingredients in HS Chapters 28, 29 and 38. The list could also include additional products of interest to participating Members.

5. As appropriate, specifically identified non-tariff barriers (including time-consuming and burdensome customs formalities, trade restrictive conformity assessment procedures, and other

[4] Chapter 30 and 4 subheadings in chapter 29.

specifically identified issues) should also be addressed and reduced to the maximum extent so as to facilitate delivery of medicines especially to critical patient populations.

Special and Differential Treatment

6. A variety of flexibilities could be employed to account for the needs of developing countries. Possible options might include:

- Longer implementation periods for all pharmaceutical products;
- Longer implementation periods for certain pharmaceutical products;
- harmonization level
- Zero for “x”

7. In addition, to help developing countries implement this agreement, participants could develop a simplified version of the existing Uruguay Round pharmaceutical tariff elimination agreement, such as zero duty treatment for pharmaceuticals of Chapter 30 and bulk pharmaceutical compounds comprising the entirety of Headings 2936, 2937, 2939, and 2941.

Annex 2: Open Access to Innovative Medical Technology Products

Global Trade in Medical Devices

1. The total value of global trade (exports plus imports) in medical devices exceeded $111 billion on average between 1999 and 2001. During the Uruguay Round, WTO Members participating in the medical device sectoral agreed to eliminate import tariffs on certain medical equipment. Over $88 billion of global trade in medical devices was covered under this initiative. However, $23 billion of trade in medical equipment is still traded subject to duty, predominately by developing countries. In many countries the medical devices sector is dominated by SMEs that are very innovative.

Building a Medical Device Sectoral Using Critical Mass

2. In the Uruguay Round, a group of WTO Members agreed to eliminate tariffs on a range of medical device products to help improve global access to medical devices and equipment. Many of the participating countries manufactured or widely traded these products. A medical devices initiative in the Doha Development Round should build on the success of the Uruguay Round and include WTO Members who are key consumers and producers of medical devices. Such an initiative would also encourage further growth in global medical devices exports, which have already grown by more than 150 percent between 1994 and 2003, as compared to a cumulative increase of 75 percent in all industrial global exports.

3. A sectoral initiative that encompasses medical technology products would ensure greater access to medical equipment, diagnostic products, surgical instruments, dental instruments, orthopaedics and products that aid medical disabilities. Patients worldwide would have improved access to the most appropriate medical care and therapies for their conditions at reduced cost.

Product Coverage

4. The sectoral initiative should build on the Uruguay Round medical device agreement, which includes HS headings.

HS 4 digits	Description
2844	Radioactive elements and isotopes and compounds
3822	Diagnostic or Laboratory reagents
8419	Medical, surgical or laboratory sterilizers and equipment
8543	Machinery used for nerve stimulation
8713	Motorized wheelchairs
8714	Wheelchair parts
9018	Medical/Surgical instruments and appliances
9019	Therapy appliances; massage apparatus; artificial respiration or other therapeutic
	respiration apparatus, parts and accessories
9021	Orthopedic appliances, splints, artificial parts of the body; hearing aids; parts and accessories
9022	X-ray equipment
9025	Parts of clinical or veterinary thermometers
9402	Medical, surgical, dental or veterinary furniture

5. The list could also include additional products of interest to participating Members.

6. Members should also address related non-tariff measures (including time-consuming and burdensome customs formalities, trade restrictive conformity assessment procedures and other specifically identified issues) that can critically impede access to care.

Special and Differential Treatment

7. A variety of flexibilities could be employed to account for the needs of developing countries. Possible options might include:

- Longer implementation periods for all medical devices;
- Longer implementation periods for certain medical devices;
- harmonization level
- Zero for “x”

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