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USMCA Approval Signals Drug Pricing Changes Ahead

Industry groups argued the new trade deal can serve as a model to combat high drug costs via increased generic and biosimilar competition, following the Senate's passage.



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By Ana Mulero (<mailto:amulero@xtelligentmedia.com>)

January 21, 2020 - The Senate's January 16 approval of the US-Mexico-Canada (USMCA) Agreement was well-received by industry groups who argued for it to serve as a template for ongoing trade deal negotiations to build on its potential to combat high drug costs and support market access.

NAFTA's replacement passed in an 89-10 vote and it has reportedly already **dealt** (<https://thehill.com/policy/healthcare/478092-big-pharma-looks-to-stem-losses-after-trade-deal-defeat>) a blow to Big Pharma. The Senate Finance Committee **approved USMCA** (<https://pharmanewsintel.com/news/usmca-makes-its-way-to-full-senate-vote-after-lobbying-win>) earlier this month.

House Speaker Nancy Pelosi **argued** (<https://www.speaker.gov/newsroom/11620>) the passage is “good news for the American people” but the White House’s “failed China trade strategy has inflicted deep, long-term damage to American agriculture and rattled our economy. Meanwhile, the ‘Grim Reaper’ Senator McConnell refuses to allow votes on House-passed bills to raise the minimum wage for America’s workers, negotiate lower prescription drug prices for American seniors and families and many more key pieces of legislation to strengthen the health and financial security of the American people.”

With the Senate’s bipartisan passage, NAFTA’s replacement now goes to President Donald Trump’s desk for an expected signature. At the World Economic Forum on Tuesday, Trump highlighted the USMCA and the US-China new trade deal as “two extraordinary trade deals”

“The two biggest trade deals ever made just happened to get done in the same week,” Trump further noted. “These agreements represent a new model of trade for the 21st Century agreements that are fair, reciprocal and that prioritize the needs of workers and families.” It remains to be seen whether the impeachment trials will have an impact on USMCA’s signing.

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The deal is intended to strengthen US trade ties with its most important export markets. USMCA looks to remove regulatory and technical barriers, promoting regulatory compatibility and best regulatory practices, and improves rules on prohibiting discriminatory technical barriers to trade.

Canada **posted** (<https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cusma-aceum/ip-pi.aspx?lang=eng>) new information on the implications for patents and pharmaceutical IP on Tuesday. The government of Mexico **said** (<https://www.gob.mx/se/articulos/el-senado-de-ee-uu-aprueba-el-tratado-entre-mexico-estados-unidos-y-canada-232023?idiom=es>) the deal makes Mexico an equal commercial partner.

It has been three years in the making, but even the US Chamber of Commerce acknowledges its imperfections. “While no deal is perfect, USMCA’s updated rules on digital trade, non-tariff barriers, and services promise real benefits to American businesses and consumers,” **said** (<https://www.uschamber.com/press-release/us-chamber-applauds-senate-passage-of-the-usmca>) CEO Thomas Donohue in reaction to the deal passing the Senate.

Yet some industry groups, including the Campaign for Sustainable Rx Pricing, echoed Trump’s remarks regarding the potential of the USMCA as a model for future trade deals. This is partly due to provisions intended to result in more affordable drugs in the US via greater competition.

The Senate stood up to “Big Pharma to pass this historic trade deal that puts American patients first by supporting generic and biosimilar competition,” **said** (<https://www.csrxp.org/csrxp-applauds-senate-passage-of-usmca-that-puts-american-patients-first/>) Lauren Aronson, executive director at CSRxP, a coalition of health groups. “But much more must be done to provide relief to Americans struggling with out-of-control prescription drug prices.”

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Aronson called on the Senate to “extend the same resolve it showed in denying Big Pharma this carveout by holding the industry accountable and lowering drug prices by swiftly passing the Senate Finance package.”

The Association for Accessible Medicines (AAM) has supported the agreement ever since the revised version removed a 10-year biologic exclusivity provision. The amendment dropped the provision that would have allowed companies to extend patents on certain drugs for 10 years in Mexico and Canada versus the current 12-year exclusivity period as this would have created implementation barriers. This would have also raised drug prices across the US border.

“For the first time in a trade agreement, a balance between support for innovation and access to affordable medicines has been reached,” AAM President and CEO Chip Davis **said** (<https://accessiblemeds.org/resources/press-releases/aam-statement-senate-passage-usmca-agreement>) in reaction to the bill’s passing. USMCA enables US manufacturers of brand drugs, generic drugs and biosimilars and supports greater access to “competitively priced medicines” in the US, he said.

USMCA “is a victory for America’s patients” and it can serve as “a template for future trade agreements,” AAM argues. The idea is for lawmakers to build on USMCA revisions in the future.

AAM’s vice president of trade, Jonathan Kimball, told *PharmaNewsIntelligence* that “getting the pharmaceutical provisions right in USMCA was very important for patients and the generic and biosimilar industry in all the three countries” but “the Canadian and Mexican markets are small” as they account for less than two percent of the global pharmaceutical market. “It will be critical that the same balance between access to affordable medicines and innovation that was negotiated in USMCA be replicated in trade agreements with the UK, China, the EU and Japan.”

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Critics of the USMCA, however, previously voiced concerns with the focus on generics and biosimilars. Yet others voiced concerns about and skepticism toward the passage, including presidential candidate Sen. **Bernie Sanders** (<https://www.sanders.senate.gov/newsroom/press-releases/sanders-opposes-trumps-usmca-full-statement>) (I-VT) and think tank Public Citizen, among others.

“The final revised deal is better than the original and might reduce some of NAFTA’s ongoing damage to workers and the environment,” said (<https://www.citizen.org/news/broad-bipartisan-congressional-votes-on-revised-nafta-cement-new-floor-for-trade-pacts-pharma-giveaways-extreme-investor-rights-in-past-pacts-are-out-better-labor-and-environmental-terms-in-after/>) Lori Wallach, director of Public Citizen’s Global Trade Watch. It “still includes problematic terms” and while “the alternative is status quo NAFTA, not a more improved deal,” it “won’t bring back hundreds of thousands of manufacturing jobs.”

PhRMA (<https://www.phrma.org/press-release/phrma-statement-on-the-united-states-mexico-canada-agreement>) and BIO (<https://archive.bio.org/press-release/bio-commends-signing-united-states-mexico-canada-agreement>) have gone back and forth with their respective views on the trade deal. Both commended its signing in 2018. The deal lost PhRMA’s (<https://www.phrma.org/Press-Release/PhRMA-Statement-on-the-United-States-Mexico-Canada-Agreement-2019>) and BIO’s (<https://www.bio.org/press-release/usmca-missed-opportunity-create-positive-framework-leading-sector-21st-century>) support after the revisions.

BIO intends to issue an analysis of the pros and cons for biotech in the updated NAFTA soon.

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