Intellectual property protections grow under USMCA

Seth Sandronsky

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A revised 1994 North American Free Trade Agreement, dubbed the United States-Mexico-Canada Agreement, pleases the Pharmaceutical Research and Manufacturers of America (PhRMA).

"The successful conclusion of the USMCA is a significant step toward leveling the playing field with our trading partners by delivering strong IP (intellectual property) protections for American manufacturers and innovators," said PhRMA President and CEO Stephen J. Ubl.

The modernized three-country pact "marks a historic point for U.S. trade policy, cementing critical IP protections and other standards that will pave the way for the next generation of treatments and cures."

Ubl noted advancements in pharmaceutical drugs and treatments for Alzheimer's, cancer and diabetes. Further, he described "IP as the lifeblood of the innovative biopharmaceutical industry."

Public Citizen, based in Washington, D.C., takes a less cheery view of the renegotiated IP for biologics under the USMCA.

"Their purpose is to better insulate expensive new medicines from generic competition; helping pharmaceutical corporations keep the prices of at least some new medicines higher for longer," the advocacy group said in a statement. Accordingly, such industry protections weaken competition among firms for buyers.

Economists such as Dan Ikenson of the Cato Institute in Washington, D.C., told MultiBriefs that such a policy is protectionism. It tends to slow the flow of investment and trade, and thereby growth. Protectionism is the opposite of free trade. Its thrust is to expand investment and trade, the underpinnings of growth, according to standard economic theory.

Making government-granted patents longer and stronger for prescription medications will hike prices relative to lower-cost generic biologics. Thus, the revision of IP under the USMCA is worse than the original NAFTA for consumers, according to Public Citizen.

Its statement on the renegotiated USMCA and IP cites this example. "A minimum 10 years of government-granted marketing exclusivity — that is, monopoly — for biologics (which include many of the most important and expensive new medical technologies)."

On the other side, higher prices are great news for the biologics companies and their shareholders. Such higher profitability translates at one level into a political issue, at least rhetorically.

On the presidential campaign trail, candidate Trump railed against the ultra-high prices of some prescription medications for consumers.

His solution to the problem is unique, according to senior economist Dean Baker of the Washington, D.C.-based Center for Economic Policy and Research. The president has “a strange way” of cutting high prices; “apparently, it’s to make people in Canada and other countries pay more for their drugs,” Baker writes, in The Nation.

One thing leads to another, economically speaking, the opposite of a zero-sum view of trade, where one side wins and the other loses.

When Canadian households, for example, pay more for biologics, they have less money to buy goods made in the U.S. by small, medium and large firms. That decreased demand in Canada and Mexico will be a drag on the growth of U.S. manufacturing jobs. This is not rocket science.

One of President Trump’s top policy advisors is National Economic Council Chairman Larry Kudlow. He has praised the USMCA as “pro-growth” for American workers. However, USMCA benefits for them “will take a while to kick in,” according to him.

In any case, Congress must approve the USMCA, an uncertain outcome if Democrats retake the House from the GOP. Election Day is Nov. 6.